

CITY OF MADEIRA BEACH, FLORIDA

Comprehensive Annual Financial Report



**For the Fiscal Year Ended
September 30, 2013**

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

**For the Fiscal Year Ended
September 30, 2013**

Prepared by: City of Madeira Beach Finance Department

CITY OF MADEIRA BEACH, FLORIDA
Comprehensive Annual Financial Report
For the Fiscal Year Ended September 30, 2013

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Section I

Introductory Section





300 Municipal Drive
Madeira Beach, Florida 33708
727-391-9951
Fax 727-399-1131
www.madeirabeachfl.gov

March 31, 2014

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, 2013. In addition to meeting legal requirements of the City Charter, Florida Statutes and the *Rules of the Auditor General* of the State of Florida, the report continues to present the City's tradition of full financial disclosure. This report was compiled by the staff of the Finance Department, and represents the official report of the City's financial position and operations to the citizens, Board of City Commissioners, management personnel of the City, rating agencies and other interested parties.

Responsibility for the accuracy of the data and the completeness and fairness of presentation, including all disclosures, rests with the City. We believe the data as presented are accurate in all material respects, that it is presented in a manner designed to fairly set forth the financial activity of the various funds, and that all disclosures necessary to enable the reader to gain a complete understanding of the City's financial generally accepted activities have been included.

To provide a reasonable basis for making these representations, management maintains an internal control structure that provides reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management. We believe that the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Pursuant to the City Charter, Florida Statutes Chapters 11.45 and 218, and Chapter 10.550 of the *Rules of the Auditor General* of the State of Florida, an audit of the accounts and financial statements of the City of Madeira Beach has been completed by the City's independent certified public accountants, Mayer Hoffman McCann P.C., whose opinion is included as the first component of the financial section of this report. The goal of the independent audit was to provide reasonable assurance that the financial statements are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation.

The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Madeira Beach's financial statements for the fiscal year ended September 30, 2013, 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 permanent resident population of 4,263. The white sandy beaches of the city are an attraction to approximately 15,000 tourists annually.

The City of Madeira Beach provides a traditional mix of services, including fire protection and emergency medical service; 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 and code enforcement. 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 directors are required to submit their budget requests to the Finance Director, who then develops the proposed budget based on additional guidance and direction from the City Manager. 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 resolution, 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 Local Option Sales Tax Funds, this comparison is presented on pages 20 - 21 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.

The City of Madeira Beach is home to John's Pass Village, a regional commercial fishing hub that also includes retail shops, condominium rentals, restaurants, and a beach and waterfront boardwalk for visitors and tourists. The Village provides a unique, multi-purpose experience for shopping, fishing, dining and entertainment. The City works closely together with the John's Pass merchants to ensure the Village remains a destination attraction, both locally and nationally.

Recent Economic Trends

Fiscal year 2013 represented a return to pre-recession activity levels in several respects:

- The City experienced historically high parking revenue collections, including a 16 percent increase over the prior year.
- Sales tax collections increased across multiple funding sources, most notably the Local Option Sales Tax, which experienced a 5 percent increase.
- Building activity expanded significantly, with several new developments underway. The City previously contracted building management services through another municipality. In fiscal year 2013, the City began providing the service directly, resulting in new revenue of nearly \$300,000.

Long-term Financial Planning

The City of Madeira Beach uses a five-year Capital Improvement Program (CIP), located in the budget document, to link the CAFR with long-term financial estimates and capital improvement planning. The General Fund, for example, begins with the unassigned balance as reported in the CAFR and projects current-year revenue and expenditures to derive an estimated year-end final balance. The Finance Director then allocates funding plans for various capital needs based on direction from the City Manager and City Commission. The CIP illustrates the City's desire to balance capital investment with cash preservation.

Relevant Financial Policies

Assignment of Fund Balance

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. The Sewer Fund was eliminated 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 reported as an assignment of fund balance, to be used for capital improvements. In December 2013, the City authorized the expenditure of this assignment to support the municipal complex reconstruction project.

Fund Structure

Based on several key administrative changes within the City, the annual budget has experienced several revisions related to fund structure. The fiscal year 2014 adopted budget represents the intended structure for the foreseeable future, to include the General Fund, two special revenue funds, and three enterprise funds. Revisions to establish this structure included the following:

- The fiscal year 2013 adopted budget eliminated the Vehicle Replacement Fund. All vehicles intended for replacement were subsequently budgeted and/or scheduled within the appropriate department and fund.
- The fiscal year 2013 adopted budget included a capital projects fund, referred to as the Capital Improvement Program (CIP) Fund. The CIP Fund was later eliminated by resolution in September 2013. All budgeted capital outlay was subsequently transferred to the appropriate department and fund.

- The fiscal year 2014 adopted budget eliminated the John’s Pass Village and Parking Funds, transferring all cash and cash equivalents to the General Fund. The operations previously accounted for in each of these two enterprise funds have been established as divisions within the General Fund.
- The fiscal year 2014 adopted budget established the Archibald Fund. It is intended to report all revenues collected and expenditures incurred at Archibald Memorial Beach Park. The National Park Service requires all funds generated on the property to be expended only for park and recreation-related purposes.

Investment Policy

The City adopted Florida Statute 218.415 as its investment policy in July 2004.

Fund Balance Policy

The City annually restricts one-third of the General Fund operating budget for unforeseen emergencies.

Major Initiatives

Property Tax Reform

In a special session in June 2007, the Florida Legislature approved a two-phase property tax reform initiative. The first phase required a reduction to the fiscal year 2007 base, which required the City to reduce its millage rate from 1.9000 to 1.7954 mills in fiscal year 2008. The second phase resulted in Amendment 1, which was passed by Florida voters in January 2008. Amendment 1 further reduced the City’s taxable value by increasing homestead exemptions and introducing the concept of “portability” of the Save Our Homes limits on taxable value.

Although these reductions will continue to limit taxable value for the foreseeable future, the City realized a 4.6% increase in property values for fiscal year 2014. This represents the first property value increase since fiscal year 2007 and will allow the City to collect additional property tax revenue while maintaining a millage rate of 1.7900 for the second consecutive year.

Capital Investment

After several years of deferred maintenance and activity, the City of Madeira Beach is proceeding with several major capital improvements. Pending projects as of September 30, 2013 include the following:

- Municipal complex reconstruction
- Archibald Memorial Beach Park rehabilitation
- Stormwater drainage and roadway improvements
- 9/11 Memorial
- Gulf Blvd. beautification/utility undergrounding
- Beach groyne rehabilitation
- John’s Pass Village transient docks

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, 2012. This was the 15th consecutive year that the City has received this prestigious award.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both Accounting Principles Generally Accepted in the United States of America, and applicable legal requirements.

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

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

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

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

Respectfully submitted,



Shane Crawford
City Manager



Vince Tenaglia
Finance Director



Government Finance Officers Association

**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, 2012

Executive Director/CEO

CITY OF MADEIRA BEACH, FLORIDA

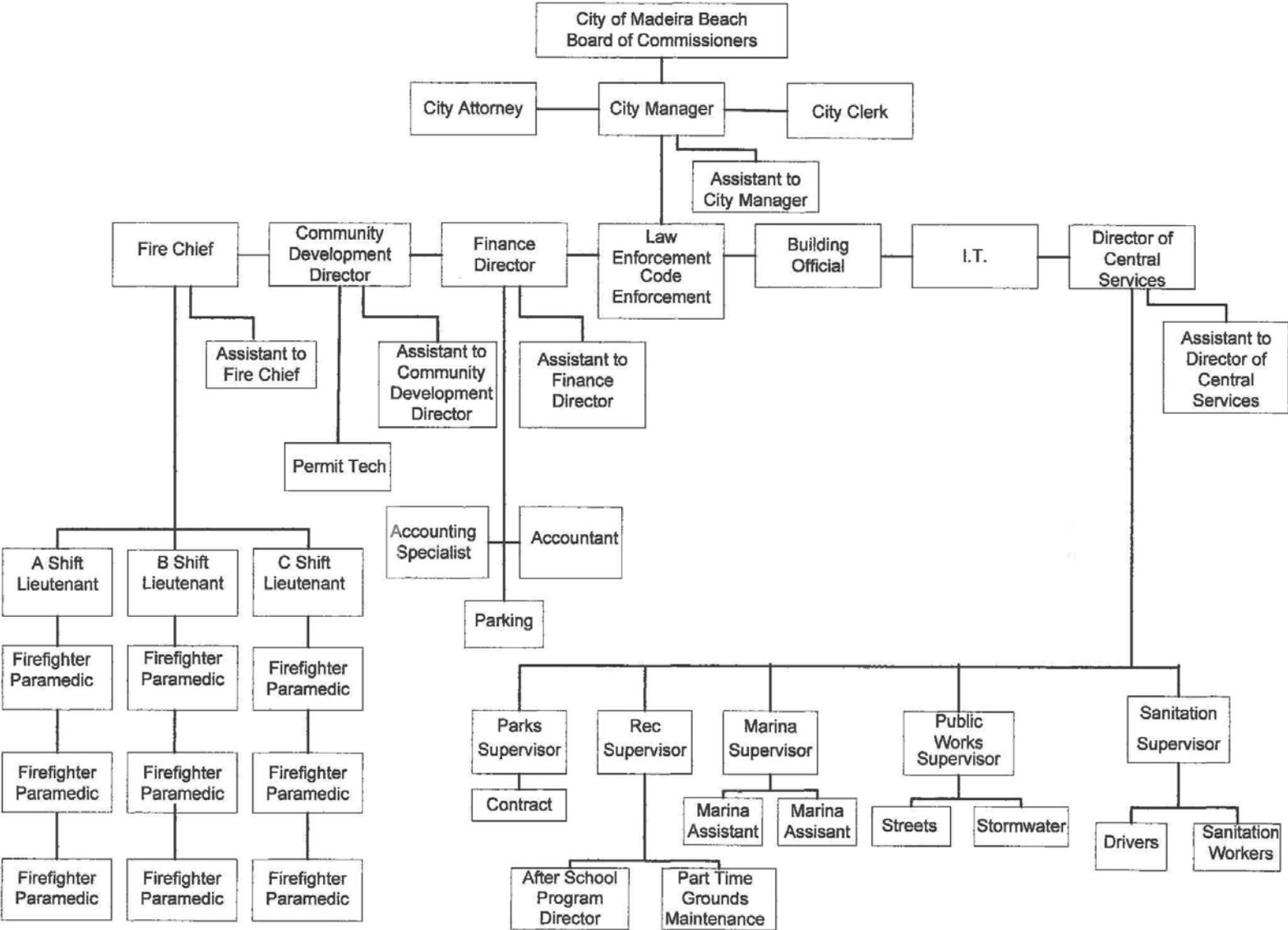
Principal City Officials*

September 30, 2013

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

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

THE CITY OF MADEIRA BEACH, FLORIDA
ORGANIZATIONAL CHART
SEPTEMBER 2013



Section II

Financial Section





Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of City of Madeira Beach, Florida (the "City"), as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of employer contributions and schedule of funding progress, pages 4 - 14 and page 51, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

As discussed in Note I, the City adopted the provisions of *Statement of Governmental Accounting Standards* No. 61, No. 63 and No. 65, *The Financial Reporting Entity: Omnibus, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, and *Items Previously Reported as Assets and Liabilities*, respectively, for the year ended September 30, 2013.

Other Information

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 and statistical section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2014, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



March 31, 2014
Clearwater, Florida

CITY OF MADEIRA BEACH, FLORIDA

Management's Discussion and Analysis

September 30, 2013
(Unaudited)

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

Since Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts, please read it in conjunction with the Transmittal Letter (beginning on page i) and the City's financial statements (beginning on page 15).

Financial Highlights

The assets of the City of Madeira Beach exceeded its liabilities at September 30, 2013 by \$31,192,737, which is referred to as net position. Total net position increased by \$703,218 over the prior year.

Governmental Fund revenues increased by \$254,486 (4.9%), despite reducing the millage rate from 1.7954 to 1.7900 and experiencing a decline in property values for the 6th consecutive year. This increase was primarily driven by: 1) new building permits, 2) Pinellas County capital contributions, 3) recreation program activity, and 4) an uptick in sales tax-related revenues.

Governmental Fund expenditures increased by \$1,224,476 (24%); however, expenditures include capital outlay totaling \$1,271,546, which reflects the City's intent to pursue several major capital improvement projects after years of deferred maintenance and activity.

Unassigned Governmental Fund balance at September 30, 2013 was \$4,492,317. This represents a decrease of \$2,780,561 which can be attributed to two separate factors. First, a reduction of \$885,189 associated with the various cash-funded capital projects initiated in the 2013 fiscal year. Second, management's decision to assign the emergency reserve balance (\$1,895,372) rather than including it in the unassigned balance as in previous years. The latter action is intended to help illustrate the restraints placed on the emergency reserve balance.

Business-type activities continue to generate significant operating income for the City. Net position increased by \$659,274 across all Proprietary Funds. The Marina Fund experienced its first year of positive operating income since constructing and opening the Ship Store in fiscal year 2011. The John's Pass Village and Parking Funds provided net operating income of \$255,755 and \$204,937, respectively, driven by historically high tourism and parking activity throughout the City.

The City had no outstanding external debt as of September 30, 2013. In October 2013, the City issued bonds totaling \$4,760,000 in support of a major renovation at the municipal complex site to include a new city hall, fire station, recreation center and improved parks and recreational amenities. The October bond issue was the City's first since 1987. The City received an A2 rating from Moody's.

CITY OF MADEIRA BEACH, FLORIDA

Management's Discussion and Analysis - Continued

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 position* presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. The focus of the Statement of Net Position (the "unrestricted net position") is designed to be similar to bottom line results for the City and its governmental and business-type activities. This statement combines and consolidates governmental fund current resources (short-term spendable resources) with capital assets and long-term obligations. Over time, the increases or decreases in net position 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 position 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 the Sanitation, Stormwater, Marina, John's Pass Village and Parking Funds.

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 15 - 16 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.

CITY OF MADEIRA BEACH, FLORIDA

Management's Discussion and Analysis - Continued

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.

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 Local Option Sales Tax Fund, both of which are major funds.

The City adopts annual appropriations for its General Fund and Local Option Sales Tax 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 17 - 21 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 functions. 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 22 - 25 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 26 - 49 of this report.

CITY OF MADEIRA BEACH, FLORIDA

Management's Discussion and Analysis - Continued

Government-wide Financial Analysis

As noted earlier, net position 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 \$31,192,737.

Approximately forty-five percent (45%) of the City's net position reflects its investment in capital assets (e.g., land, buildings, improvements, and vehicles and equipment). The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. There is no debt associated with the City's capital assets as of September 30, 2013.

The City's net position includes \$1,847,565 subject to external restrictions. Florida Statutes governing the proceeds of local government infrastructure surtaxes (Penny for Pinellas) require these funds to be used only for capital acquisition and improvement.

The remaining balance of unrestricted net position, \$15,170,614, is available to meet the City's ongoing obligations to citizens and creditors.

The following table reflects the condensed Statement of Net Position for the current year as compared to the previous year. For more detailed information see the Statement of Net Position on page 15.

City of Madeira Beach's Net Position

	Governmental Activities		Business-type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 13,652,584	14,430,355	4,177,446	3,681,746	17,830,030	18,112,101
Capital assets	7,520,304	6,597,288	6,654,254	6,470,374	14,174,558	13,067,662
Total assets	21,172,888	21,027,643	10,831,700	10,152,120	32,004,588	31,179,763
Long-term liabilities outstanding	204,766	168,637	60,907	74,709	265,673	243,346
Other liabilities	299,905	286,915	194,091	159,983	493,996	446,898
Total liabilities	504,671	455,552	254,998	234,692	759,669	690,244
Net assets:						
Invested in capital assets	7,520,304	6,597,288	6,654,254	6,470,374	14,174,558	13,067,662
Restricted	1,847,565	2,226,885	-	-	1,847,565	2,226,885
Unrestricted	11,248,166	11,747,918	3,922,448	3,447,054	15,170,614	15,194,972
Total net position	\$ 20,616,035	20,572,091	10,576,702	9,917,428	31,192,737	30,489,519

CITY OF MADEIRA BEACH, FLORIDA

Management's Discussion and Analysis - Continued

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 16.

City of Madeira Beach's Changes in Net Position

	Governmental Activities		Business-type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Charges for services	\$ 1,091,249	1,102,793	4,375,152	3,917,762	5,466,401	5,020,555
Operating grants and contributions	52,730	49,504	-	-	52,730	49,504
Capital grants and contributions	75,000	-	-	-	-	-
General revenues:						
Property taxes	1,424,325	1,444,836	-	-	1,424,325	1,444,836
Other taxes	1,158,034	1,167,978	-	-	1,158,034	1,167,978
Other	1,359,570	1,388,411	54,019	39,543	1,413,589	1,427,954
Total revenues	5,160,908	5,153,522	4,429,171	3,957,305	9,515,079	9,110,827
Expenses:						
General government	1,524,928	1,414,883	-	-	1,524,928	1,414,883
Physical environment	441,568	212,283	-	-	441,568	212,283
Transportation	7,316	424,878	-	-	7,316	424,878
Public safety	2,325,689	2,313,010	-	-	2,325,689	2,313,010
Culture and recreation	892,963	931,781	-	-	892,963	931,781
Sanitation	-	-	987,491	1,011,249	987,491	1,011,249
Stormwater	-	-	373,158	193,432	373,158	193,432
Marina	-	-	1,800,831	1,654,840	1,800,831	1,654,840
John's Pass Village	-	-	326,085	353,162	326,085	353,162
Parking	-	-	206,832	161,615	206,832	161,615
Total expenses	5,192,464	5,296,835	3,694,397	3,374,298	8,886,861	8,671,133
Increase (decrease) in net position before transfers and special items	(31,556)	(143,313)	734,774	583,007	703,218	439,694
Transfers	75,500	44,400	(75,500)	(44,400)	-	-
Increase (decrease) in net position	43,944	(98,913)	659,274	538,607	703,218	439,694
Net position: October 1	20,572,091	20,671,004	9,917,428	9,378,821	30,489,519	30,049,825
Net position: September 30	\$ 20,616,035	20,572,091	10,576,702	9,917,428	31,192,737	30,489,519

Governmental Activities

Net position increased by \$43,944 as general revenues and transfers were more than sufficient to offset the net expense incurred by traditional governmental functions such as law enforcement, fire/emergency medical service, public works, parks and recreation, and administrative services. The City reduced governmental activity operating expenditures while increasing governmental activity program revenue.

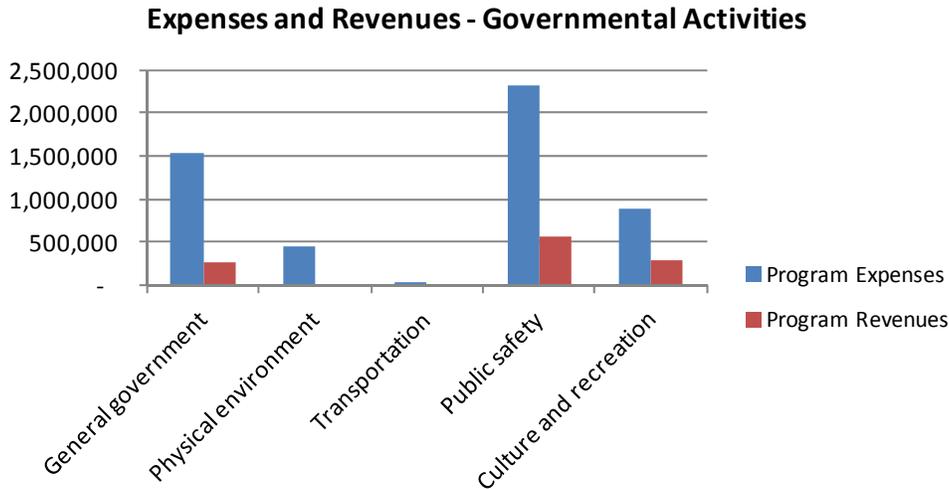
Transportation expenses decreased by \$417,562 as the City merged its Streets and Public Works divisions, with the remaining activity being reported in the Physical Environment function. Physical Environment expenses increased by \$229,285, resulting in a net reduction of \$188,277. Capital grants and contributions included a \$75,000 reimbursement from Pinellas County for the replacement of each of the City's beach walkovers. An inter-fund transfer of \$75,500 was budgeted and recorded to offset the costs of parks staff providing grounds keeping services in John's Pass Village. The transfer increased from the prior year based on a more accurate estimate of staff costs incurred in the village.

CITY OF MADEIRA BEACH, FLORIDA

Management's Discussion and Analysis - Continued

Expenditures increased by 7% in the General Government program, driven by operating costs associated with the new building management services offered by the City. The building management function was previously contracted through another municipality.

The General Government increase is also driven by the fact that several key administrative positions were vacant for an extended period in fiscal year 2012. The vacancies were filled in fiscal year 2013, resulting in additional personnel expenditures.



Business-type Activities

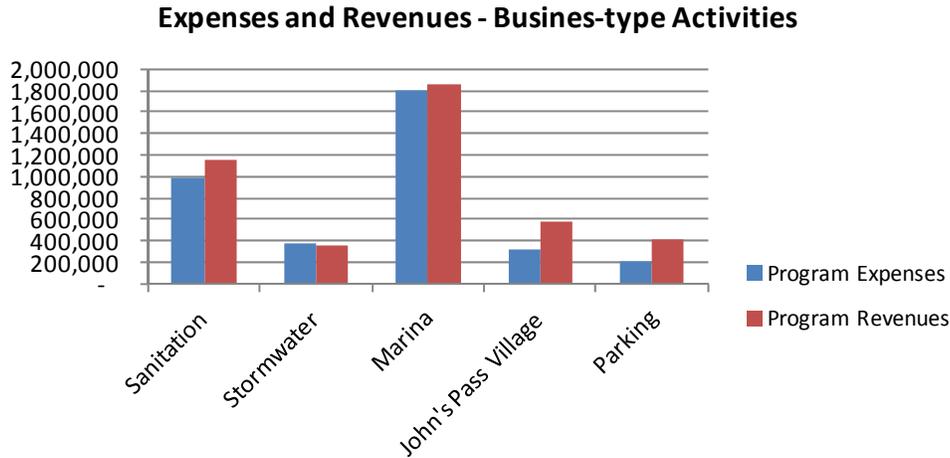
Net position increased by \$659,274, with business-type activities generating net revenue of \$680,755, a 25% increase over the prior year, highlighted by the following:

- The John's Pass Village and Parking Funds experienced record-high tourism and parking activity, including a year-over-year parking revenue increase of 16%.
- The Marina Fund generated net revenue for the first time since opening its new Ship Store, which includes a retail center for recreational and commercial fishing.
- Sanitation Fund net revenue of \$164,620 represents the highest total since fiscal year 2010, as collections increased by more than 5%.

CITY OF MADEIRA BEACH, FLORIDA

Management's Discussion and Analysis - Continued

The Stormwater Fund incurred net expenses of \$10,404 after implementing the first phase of the City's stormwater master plan. The project will expand in fiscal year 2014 to include stormwater drainage and roadway improvements.



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.

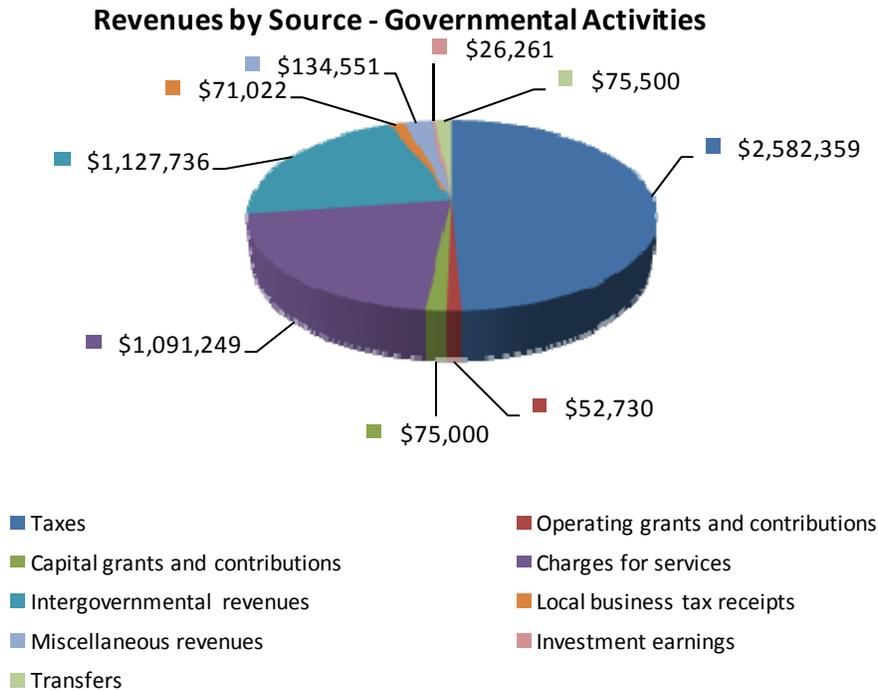
As of September 30, 2013, the City's governmental funds reported combined ending fund balances of \$13,300,496, a decrease of \$842,944 as a result of the various cash-funded capital projects initiated in the 2013 fiscal year. Ending fund balance is comprised of the following designations:

- Nonspendable (\$446,230), which is not available for new spending
- Restricted (\$1,847,565), which is subject to external restriction on its permitted use
- Assigned (\$6,514,384), reflecting management's intent for specific spending purposes
- Unassigned (\$4,492,317), which is available for spending at the City's discretion

CITY OF MADEIRA BEACH, FLORIDA

Management's Discussion and Analysis - Continued

The General Fund is the primary operating fund of the City. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures, particularly current (non-capital) expenditures. Unassigned fund balance represents nearly 89% of General Fund operating expenditures, which is adequate to help fund various capital improvements and react to changing priorities quickly. The City also maintains a separate emergency reserve, which is considered unavailable for discretionary spending or capital outlay and helps to ensure an appropriate financial position for natural disaster response if needed.



General Fund Budgetary Highlights

Differences between the original budget and final budget, including both revenue reductions and expenditure increases, totaled \$1,431,426 as the City transitioned to a new administration following prolonged turnover in several key administrative positions. Multiple budget amendment resolutions were approved by the Board of City Commissioners as the Board and staff worked together to align new priorities with the adopted budget.

Significant budget amendments included the following:

- Sufficient funding for architectural services related to the municipal complex reconstruction project, which was not included in the original budget (\$866,178)
- Addition of a second full-time Pinellas County Sheriff's Office community policing deputy, primarily assigned to code enforcement and city ordinance violations (\$93,600)

CITY OF MADEIRA BEACH, FLORIDA

Management's Discussion and Analysis - Continued

- Revenue reductions associated with two grant awards, one of which was received earlier than anticipated (fiscal year 2012) while the other was not approved (\$63,306)
- Professional and contractual service increases to support the Community Development Department's new building and planning services (\$56,000)
- Funding to complete the 9/11 Memorial project, which was initiated in the prior year by a volunteer committee without adequate funding from the City to complete the project (\$40,000)
- A non-recurring annual leave payout for staff, recognizing the extended hours many employees worked during a prolonged transition period between administrations (\$34,401)

Significant budgetary variances between the final amended budget and actual results included the following:

- Actual expenditures in the Non-Departmental program were significantly less than budgeted totals based on construction in progress. Although not spent, the variance remains encumbered as of September 30, 2013.
- Management continued to exercise control over the Parks and Recreation Department budgets by hiring less summer assistance than budgeted, resulting in a savings of over \$87,000 while still achieving program revenue collections in excess of the budgeted estimates.
- Property tax revenue exceeded budgeted estimates resulting from an unanticipated delinquent tax certificate sale totaling \$41,462.
- Franchise tax revenue continued to decline, as the City collected less than 90% of the budgeted estimate. This is a result of various factors outside the City's control related to Duke Energy revenue collections, including weather conditions, property vacancies, and the recovering economy, as consumers choose to conserve more energy.
- License and permit revenue did not achieve budgeted estimates based on the unforeseen timing delays of several private development projects. Despite the budget variance, building permit revenue increased by over \$264,000 compared to the prior year, as the City began providing this service internally and consequently collected 100% of the revenue.
- Intergovernmental revenue exceeded budgeted estimates as a result of an unanticipated \$75,000 capital outlay reimbursement from Pinellas County for the City's beach walkover replacement project.
- Investment earnings failed to achieve budgeted estimates partially driven by losses in the Florida Municipal Investment Trust 0-2 Year High Quality Bond Fund experienced in May and June 2013. The net asset value of the fund temporarily declined during a period of heightened sensitivity to possible market interest rate increases.

Local Option Sales Tax Fund Budgetary Highlights

The Local Option Sales Tax Fund was previously referred to as the Special Projects Fund. It includes all revenue allocated to the City that is generated by Pinellas County's "Penny for Pinellas" sales tax surcharge. This fund may only be used to support infrastructure improvements, per Florida Statutes.

CITY OF MADEIRA BEACH, FLORIDA

Management’s Discussion and Analysis - Continued

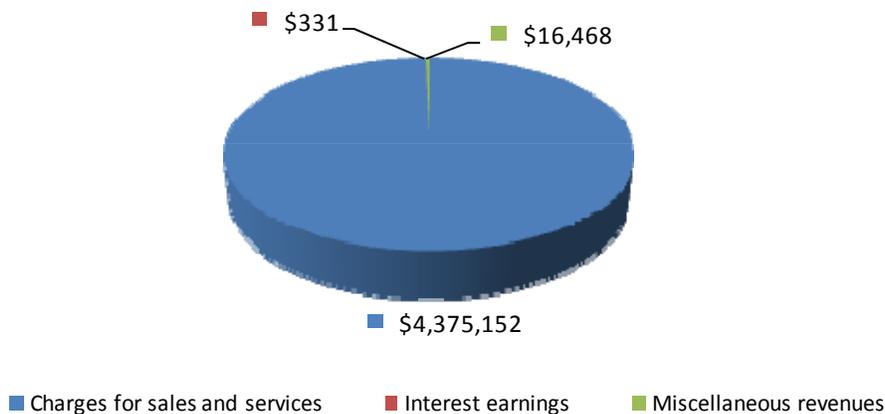
The fiscal year 2013 adopted budget included a capital projects fund, referred to as the Capital Improvement Program (CIP) Fund. The CIP Fund was later eliminated by the Board of City Commissioners via budget amendment resolution. All budgeted capital outlay was subsequently transferred to the appropriate department and fund. The Local Option Sales Tax Fund budget was also amended to accommodate changing priorities related to various capital projects, resulting in a total budget increase of \$416,299. Projects ultimately funded include each of the following:

- Archibald Memorial Beach Park rehabilitation
- Stormwater drainage and roadway improvements
- 9/11 Memorial
- Gulf Blvd. beautification/utility undergrounding
- Beach groyne rehabilitation
- Beach walkover replacements
- Seawall replacement

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 position increased by \$475,394, totaling \$3,922,448. While total liabilities remained essentially unchanged from the prior year, current assets increased by 11.4%. Historically-high parking revenue collections and the municipal marina’s expanded activity at the new Ship Store primarily contributed to this growth.

Revenues by Source - Business-type Activities



CITY OF MADEIRA BEACH, FLORIDA

Management’s Discussion and Analysis - Continued

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, 2013 amounts to \$14,174,558 (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	
	2013	2012	2013	2012	2013	2012
Land	\$ 2,370,228	2,370,228	414,447	414,447	2,784,675	2,784,675
Buildings	130,994	152,068	548,077	571,124	679,071	723,192
Improvements other than buildings	3,518,316	3,308,660	4,850,648	5,019,648	8,368,964	8,328,308
Vehicles and equipment	527,706	496,559	695,708	327,205	1,223,414	823,764
Construction in progress	973,060	269,773	145,374	137,950	1,118,434	407,723
Total	\$ 7,520,304	6,597,288	6,654,254	6,470,374	14,174,558	13,067,662

Additional information on the City’s capital assets can be found on pages 39 – 40 of the Notes to the Financial Statements in this report.

Long-term Debt. The City has no long-term debt as of September 30, 2013. In October 2013, the City issued bonds totaling \$4,760,000 in support of a major renovation at the municipal complex site to include a new city hall, fire station, recreation center and improved parks and recreational amenities. This has been reported for the fiscal year ended September 30, 2013 as a subsequent event.

Next Year’s Budgets and Rates

The City adopted the 2014 fiscal year budget while maintaining the ad valorem tax rate at 1.7900 mills. Fund balance was appropriated to support various capital improvement programs, but was not required to balance the operating budget.

Requests for Information

This financial report is designed to provide a general overview of the City of Madeira Beach’s financial position for all those with interested 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, Florida 33708.

CITY OF MADEIRA BEACH, FLORIDA

Statement of Net Position

For the Year Ended September 30, 2013

	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 12,976,688	4,280,885	17,257,573
Accounts receivable, net	154,340	14,705	169,045
Internal balances	443,529	(443,529)	-
Due from other governments, net	75,326	233,297	308,623
Inventories	105	60,404	60,509
Prepaid items	2,596	-	2,596
Restricted assets:			
Cash and cash equivalents	-	31,684	31,684
Capital assets (net of accumulated depreciation):			
Land	2,370,228	414,447	2,784,675
Buildings	130,994	548,077	679,071
Improvements other than buildings	3,518,316	4,850,648	8,368,964
Vehicles and equipment	527,706	695,708	1,223,414
Construction in progress	973,060	145,374	1,118,434
	<u>21,172,888</u>	<u>10,831,700</u>	<u>32,004,588</u>
Total assets			
Liabilities			
Accounts payable and other current liabilities	297,693	162,407	460,100
Unearned revenue	2,212	-	2,212
Liabilities payable from restricted assets	-	31,684	31,684
Noncurrent liabilities:			
Due within one year	16,325	4,677	21,002
Due in more than one year	188,440	56,230	244,670
	<u>504,670</u>	<u>254,998</u>	<u>759,668</u>
Total liabilities			
Deferred Inflows of Resources			
Local business tax - future year	52,183	-	52,183
	<u>52,183</u>	<u>-</u>	<u>52,183</u>
Total deferred inflows of resources			
Net Position			
Net investment in capital assets	7,520,304	6,654,254	14,174,558
Restricted for:			
Capital acquisitions and improvements	1,847,565	-	1,847,565
Unrestricted	11,248,166	3,922,448	15,170,614
	<u>20,616,035</u>	<u>10,576,702</u>	<u>31,192,737</u>
Total net position			

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

CITY OF MADEIRA BEACH, FLORIDA

Statement of Activities

For the Year Ended September 30, 2013

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary Government							
Governmental activities:							
General government	\$ 1,524,928	251,011	-	75,000	(1,198,917)	-	(1,198,917)
Physical environment	441,568	-	-	-	(441,568)	-	(441,568)
Transportation	7,316	-	49,253	-	41,937	-	41,937
Public safety	2,325,689	553,202	3,477	-	(1,769,010)	-	(1,769,010)
Culture and recreation	892,963	287,036	-	-	(605,927)	-	(605,927)
Total governmental activities	<u>5,192,464</u>	<u>1,091,249</u>	<u>52,730</u>	<u>75,000</u>	<u>(3,973,485)</u>	<u>-</u>	<u>(3,973,485)</u>
Business-type activities:							
Sanitation	987,491	1,152,111	-	-	-	164,620	164,620
Stormwater	373,158	362,754	-	-	-	(10,404)	(10,404)
Marina	1,800,831	1,866,683	-	-	-	65,852	65,852
John's Pass Village	326,085	581,835	-	-	-	255,750	255,750
Parking	206,832	411,769	-	-	-	204,937	204,937
Total business-type activities	<u>3,694,397</u>	<u>4,375,152</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>680,755</u>	<u>680,755</u>
Total primary government	<u>\$ 8,886,861</u>	<u>5,466,401</u>	<u>52,730</u>	<u>75,000</u>	<u>(3,973,485)</u>	<u>680,755</u>	<u>(3,292,730)</u>
General revenues:							
Taxes:							
Property taxes				\$ 1,424,325	-		1,424,325
Franchise taxes				480,314	-		480,314
Utility taxes				677,720	-		677,720
Intergovernmental revenues:							
Local option gas tax				58,330	-		58,330
Local option sales tax				359,960	-		359,960
Communications services tax				248,193	-		248,193
Half-cent sales tax, unrestricted				236,318	-		236,318
State revenue sharing, unrestricted				204,385	-		204,385
Alcoholic beverage license tax, unrestricted				17,018	-		17,018
Motor fuel tax				3,532	-		3,532
Local business tax receipts				71,022	-		71,022
Investment earnings (loss)				26,261	331		26,592
Miscellaneous revenues				134,551	16,468		151,019
Transfers				75,500	(75,500)		-
Gain on disposal of capital assets				-	37,220		37,220
Total general revenues and transfers				<u>4,017,429</u>	<u>(21,481)</u>		<u>3,995,948</u>
Change in net position				43,944	659,274		703,218
Net position - beginning				<u>20,572,091</u>	<u>9,917,428</u>		<u>30,489,519</u>
Net position - ending				<u>\$ 20,616,035</u>	<u>10,576,702</u>		<u>31,192,737</u>

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

CITY OF MADEIRA BEACH, FLORIDA

**Balance Sheet
Governmental Funds**

September 30, 2013

	<u>General Fund</u>	<u>Local Option Sales Tax Fund</u>	<u>Total Governmental Funds</u>
Assets			
Cash and cash equivalents	\$ 11,033,478	1,943,210	12,976,688
Accounts receivable	154,340	-	154,340
Advance to other funds	443,529	-	443,529
Due from other governments, net	49,843	25,483	75,326
Inventories	105	-	105
Prepaid items	2,596	-	2,596
	<u>11,683,891</u>	<u>1,968,693</u>	<u>13,652,584</u>
Total assets	\$ 11,683,891	1,968,693	13,652,584
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 96,021	121,128	217,149
Accrued expenditures	80,544	-	80,544
Unearned revenue	2,212	-	2,212
	<u>178,777</u>	<u>121,128</u>	<u>299,905</u>
Total liabilities	178,777	121,128	299,905
Deferred inflows of resources:			
Local business tax - future year	52,183	-	52,183
	<u>52,183</u>	<u>-</u>	<u>52,183</u>
Total deferred inflows of resources	52,183	-	52,183
Fund balances:			
Nonspendable:			
Inventories	105	-	105
Prepaid items	2,596	-	2,596
Advance due to other funds	443,529	-	443,529
Restricted:			
Capital acquisitions and improvements	-	1,847,565	1,847,565
Assigned:			
Encumbrances	543,448	-	543,448
Vehicle replacements	517,847	-	517,847
Compensated absences	163,245	-	163,245
Proceeds from sale of sewer system	3,344,706	-	3,344,706
Building reserve	38,500	-	38,500
Transportation impact fee reserve	11,266	-	11,266
Emergency reserve	1,895,372	-	1,895,372
Unassigned	4,492,317	-	4,492,317
	<u>11,452,931</u>	<u>1,847,565</u>	<u>13,300,496</u>
Total fund balances	11,452,931	1,847,565	13,300,496
Total liabilities, deferred inflows of resources and fund balances	\$ <u>11,683,891</u>	<u>1,968,693</u>	
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds.			\$ 7,520,304
Compensated absences and other post-employment benefits not due and payable in the current period are not reported in the funds.			<u>(204,765)</u>
Net position of governmental activities			<u>\$ 20,616,035</u>

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

CITY OF MADEIRA BEACH, FLORIDA

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

For the Year Ended September 30, 2013

	<u>General Fund</u>	<u>Local Option Sales Tax Fund</u>	<u>Total Governmental Funds</u>
Revenues			
Taxes:			
Property taxes	\$ 1,424,325	-	1,424,325
Franchise taxes	480,314	-	480,314
Utility taxes	677,720	-	677,720
Licenses and permits	312,009	-	312,009
Intergovernmental revenue	1,448,708	359,960	1,808,668
Charges for services	534,136	-	534,136
Fines and forfeitures	10,024	-	10,024
Investment earnings	25,364	897	26,261
Miscellaneous revenue	134,551	-	134,551
	<u>5,047,151</u>	<u>360,857</u>	<u>5,408,008</u>
Total revenues			
Expenditures			
Current:			
General government	1,634,673	-	1,634,673
Physical environment	322,053	-	322,053
Transportation	7,316	-	7,316
Public safety	2,296,731	-	2,296,731
Culture and recreation	794,133	-	794,133
Capital outlay:			
General government	406,284	740,177	1,146,461
Physical environment	10,149	-	10,149
Transportation	-	-	-
Public safety	114,936	-	114,936
	<u>5,586,275</u>	<u>740,177</u>	<u>6,326,452</u>
Total expenditures			
Excess (deficiency) of revenues over expenditures	<u>(539,124)</u>	<u>(379,320)</u>	<u>(918,444)</u>
Other Financing Sources			
Transfers in	<u>75,500</u>	-	<u>75,500</u>
Total other financing sources	<u>75,500</u>	-	<u>75,500</u>
Net change in fund balances	(463,624)	(379,320)	(842,944)
Fund balances - beginning	<u>11,916,555</u>	<u>2,226,885</u>	<u>14,143,440</u>
Fund balances - ending	<u>\$ 11,452,931</u>	<u>1,847,565</u>	<u>13,300,496</u>

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

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, 2013

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

Net change in fund balances - total governmental funds (page 16) \$ (842,944)

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	\$ 1,212,895	
Current year depreciation	<u>(289,880)</u>	923,015

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. (27,041)

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. (9,086)

Change in net position of governmental activities (page 14) \$ 43,944

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

CITY OF MADEIRA BEACH, FLORIDA

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

For the Year Ended September 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues				
Taxes:				
Property tax	\$ 1,399,200	1,399,200	1,424,325	25,125
Franchise tax	536,500	536,500	480,314	(56,186)
Utility tax	717,300	717,300	677,720	(39,580)
Licenses and permits	425,300	425,300	312,009	(113,291)
Intergovernmental revenue	1,333,800	1,343,800	1,448,708	104,908
Charges for services	497,800	497,800	534,136	36,336
Fines and forfeitures	30,000	30,000	10,024	(19,976)
Investment earnings	48,300	48,300	25,364	(22,936)
Miscellaneous revenue	198,100	134,551	134,551	-
	<u>5,186,300</u>	<u>5,132,751</u>	<u>5,047,151</u>	<u>(85,600)</u>
Expenditures				
General government:				
City Manager	326,500	338,932	333,951	(4,981)
Community Development	286,900	342,755	341,163	(1,592)
Finance	281,900	291,957	288,146	(3,811)
City Clerk/Commission	386,100	437,186	438,405	1,219
Non-Departmental	266,300	1,116,922	639,292	(477,630)
Total general government	<u>1,547,700</u>	<u>2,527,752</u>	<u>2,040,957</u>	<u>(486,795)</u>
Physical environment:				
Public Works	309,900	359,236	332,202	(27,034)
Total physical environment	<u>309,900</u>	<u>359,236</u>	<u>332,202</u>	<u>(27,034)</u>
Transportation:				
Streets	-	-	7,316	7,316
Total transportation	<u>-</u>	<u>-</u>	<u>7,316</u>	<u>7,316</u>
Public safety:				
Fire	1,217,400	1,325,960	1,293,218	(32,742)
Law Enforcement	1,040,100	1,118,700	1,118,449	(251)
Total public safety	<u>2,257,500</u>	<u>2,444,660</u>	<u>2,411,667</u>	<u>(32,993)</u>
Culture and recreation:				
Parks	407,200	587,805	441,800	(146,005)
Recreation	459,400	440,124	352,333	(87,791)
Total culture and recreation	<u>866,600</u>	<u>1,027,929</u>	<u>794,133</u>	<u>(233,796)</u>
Total expenditures	<u>4,981,700</u>	<u>6,359,577</u>	<u>5,586,275</u>	<u>(773,302)</u>
Excess (deficiency) of revenues over expenditures	<u>204,600</u>	<u>(1,226,826)</u>	<u>(539,124)</u>	<u>687,702</u>
Other Financing Sources				
Transfers in	75,500	75,500	75,500	-
Transfers out	(95,000)	-	-	-
Total other financing sources	<u>(19,500)</u>	<u>75,500</u>	<u>75,500</u>	<u>-</u>
Net change in fund balances	185,100	(1,151,326)	(463,624)	687,702
Fund balances - beginning	<u>11,379,566</u>	<u>10,692,845</u>	<u>11,916,555</u>	<u>(498,833)</u>
Fund balances - ending	<u>\$ 11,564,666</u>	<u>9,541,519</u>	<u>11,452,931</u>	<u>188,869</u>

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

CITY OF MADEIRA BEACH, FLORIDA

**Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Local Option Sales Tax Fund**

For the Year Ended September 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
Revenues				
Intergovernmental revenue	\$ 342,900	342,900	359,960	17,060
Investment earnings	3,500	3,500	897	(2,603)
Total revenues	<u>346,400</u>	<u>346,400</u>	<u>360,857</u>	<u>14,457</u>
Expenditures				
General government:				
Capital outlay	-	1,686,299	740,177	(946,122)
Total expenditures	<u>-</u>	<u>1,686,299</u>	<u>740,177</u>	<u>(946,122)</u>
Excess (deficiency) of revenues over expenditures	<u>346,400</u>	<u>(1,339,899)</u>	<u>(379,320)</u>	<u>960,579</u>
Other Financing Uses				
Transfers out	(1,270,000)	-	-	-
Total other financing sources	<u>(1,270,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(923,600)	(1,339,899)	(379,320)	960,579
Fund balances - beginning	<u>675,926</u>	<u>1,514,414</u>	<u>2,226,885</u>	<u>(76,820)</u>
Fund balances - ending	<u><u>\$ (247,674)</u></u>	<u><u>174,515</u></u>	<u><u>1,847,565</u></u>	<u><u>(1,673,050)</u></u>

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

CITY OF MADEIRA BEACH, FLORIDA

**Statement of Net Position
Proprietary Funds**

September 30, 2013

	Business-type Activities - Enterprise Funds					Total
	Sanitation Fund	Stormwater Fund	Marina Fund	John's Pass Village Fund	Parking Fund	
Assets						
Current assets:						
Cash and cash equivalents	\$ 1,236,357	1,271,529	295,542	909,108	568,349	4,280,885
Accounts receivable, net	7,788	1,519	5,398	-	-	14,705
Due from other governments, net	170,715	58,608	-	-	3,974	233,297
Inventories	-	-	60,404	-	-	60,404
Restricted cash and cash equivalents:						
Customer deposits	-	-	31,684	-	-	31,684
Total current assets	1,414,860	1,331,656	393,028	909,108	572,323	4,620,975
Capital assets:						
Land	-	-	-	414,447	-	414,447
Buildings	-	-	513,514	235,564	-	749,078
Improvements other than buildings	-	2,599,356	1,036,697	4,490,838	-	8,126,891
Vehicles and equipment	687,391	78,217	97,899	185,464	107,690	1,156,661
Construction in progress	-	111,388	-	2,480	31,506	145,374
Less accumulated depreciation	(337,565)	(586,421)	(627,875)	(2,381,667)	(4,669)	(3,938,197)
Total capital assets (net of accumulated depreciation)	349,826	2,202,540	1,020,235	2,947,126	134,527	6,654,254
Total assets	1,764,686	3,534,196	1,413,263	3,856,234	706,850	11,275,229

(Continued)

CITY OF MADEIRA BEACH, FLORIDA

**Statement of Net Position - Continued
Proprietary Funds**

	Business-type Activities - Enterprise Funds					Total
	Sanitation Fund	Stormwater Fund	Marina Fund	John's Pass Village Fund	Parking Fund	
Liabilities						
Current liabilities:						
Accounts payable and other current liabilities	\$ 38,454	7,225	90,809	9,809	16,110	162,407
Advance from other funds	-	-	24,111	-	-	24,111
Compensated absences	2,587	1,170	877	-	43	4,677
Current liabilities payable from restricted assets:						
Customer deposits payable	-	-	31,684	-	-	31,684
Total current liabilities	41,041	8,395	147,481	9,809	16,153	222,879
Noncurrent liabilities:						
Compensated absences	23,284	10,527	7,888	-	-	41,699
Other post-employment benefits	9,341	1,037	3,115	-	1,038	14,531
Advance from other funds	-	-	419,418	-	-	419,418
Total noncurrent liabilities	32,625	11,564	430,421	-	1,038	475,648
Total liabilities	73,666	19,959	577,902	9,809	17,191	698,527
Net Position						
Net investment in capital assets	349,826	2,202,540	1,020,235	2,947,126	134,527	6,654,254
Unrestricted	1,341,194	1,311,697	(184,874)	899,299	555,132	3,922,448
Total net position	\$ 1,691,020	3,514,237	835,361	3,846,425	689,659	10,576,702

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 Net Position
Proprietary Funds**

For the Year Ended September 30, 2013

	Business-type Activities - Enterprise Funds					
	Sanitation Fund	Stormwater Fund	Marina Fund	John's Pass Village Fund	Parking Fund	Total
Operating revenues:						
Charges for sales and services	\$ 1,152,111	362,754	1,866,683	581,835	411,769	4,375,152
Miscellaneous	<u>7,705</u>	<u>-</u>	<u>8,758</u>	<u>5</u>	<u>-</u>	<u>16,468</u>
Total operating revenues	<u>1,159,816</u>	<u>362,754</u>	<u>1,875,441</u>	<u>581,840</u>	<u>411,769</u>	<u>4,391,620</u>
Operating expenses:						
Personnel	327,364	146,258	136,289	-	64,984	674,895
Supplies and services	607,704	156,867	1,611,964	148,174	140,109	2,664,818
Depreciation	<u>52,423</u>	<u>70,033</u>	<u>52,578</u>	<u>177,911</u>	<u>1,739</u>	<u>354,684</u>
Total operating expenses	<u>987,491</u>	<u>373,158</u>	<u>1,800,831</u>	<u>326,085</u>	<u>206,832</u>	<u>3,694,397</u>
Operating income (loss)	<u>172,325</u>	<u>(10,404)</u>	<u>74,610</u>	<u>255,755</u>	<u>204,937</u>	<u>697,223</u>
Non operating revenues (expenses):						
Investment earnings (loss)	503	374	(191)	59	(414)	331
Gain on disposal of capital assets	<u>35,820</u>	<u>-</u>	<u>1,400</u>	<u>-</u>	<u>-</u>	<u>37,220</u>
Total nonoperating revenues (expenses)	<u>36,323</u>	<u>374</u>	<u>1,209</u>	<u>59</u>	<u>(414)</u>	<u>37,551</u>
Income (loss) before transfers	208,648	(10,030)	75,819	255,814	204,523	734,774
Transfers in	-	-	-	-	109,700	109,700
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>(185,200)</u>	<u>-</u>	<u>(185,200)</u>
Change in net position	208,648	(10,030)	75,819	70,614	314,223	659,274
Total net position - beginning	<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>
Total net position - ending	\$ <u><u>1,691,020</u></u>	<u><u>3,514,237</u></u>	<u><u>835,361</u></u>	<u><u>3,846,425</u></u>	<u><u>689,659</u></u>	<u><u>10,576,702</u></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, 2013

	<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>
Cash Flows from Operating Activities						
Receipts from customers	\$ 1,158,465	353,411	1,877,374	581,840	413,344	4,384,434
Payments to suppliers	(501,227)	(173,354)	(1,470,417)	(117,797)	(108,692)	(2,371,487)
Payments to employees	(94,672)	(143,718)	(84,500)	-	(64,715)	(387,605)
Payments to general fund for services	(327,364)	(13,500)	(154,328)	(22,900)	(30,100)	(548,192)
Net cash provided by operating activities	<u>235,202</u>	<u>22,839</u>	<u>168,129</u>	<u>441,143</u>	<u>209,837</u>	<u>1,077,150</u>
Cash Flows from Noncapital Financing Activities						
Transfers (to) from other funds	-	-	-	(185,200)	109,700	(75,500)
Cash Flows from Capital and Related Financing Activities						
Purchase, acquisition and construction of capital assets, net	(161,948)	(74,650)	(7,100)	(179,144)	(115,722)	(538,564)
Proceeds from sale of equipments	-	-	-	-	-	-
Gain on sale of equipment	35,820	-	1,400	-	-	37,220
Payment on advance from other funds	-	-	(22,120)	-	-	(22,120)
Net cash provided (used) by capital and related financing activities	<u>(126,128)</u>	<u>(74,650)</u>	<u>(27,820)</u>	<u>(179,144)</u>	<u>(115,722)</u>	<u>(523,464)</u>
Cash Flows from Investing Activities						
Receipt of and loss on interest	<u>503</u>	<u>374</u>	<u>(191)</u>	<u>59</u>	<u>(414)</u>	<u>331</u>
Net increase in cash and cash equivalents	109,577	(51,437)	140,118	76,858	203,401	478,517
Cash and cash equivalents - October 1	<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>
Cash and cash equivalents - September 30	\$ <u>1,236,357</u>	<u>1,271,529</u>	<u>327,226</u>	<u>909,108</u>	<u>568,349</u>	<u>4,312,569</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities						
Operating income (loss)	\$ <u>172,325</u>	<u>(10,404)</u>	<u>74,610</u>	<u>255,755</u>	<u>204,937</u>	<u>697,223</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation expense	52,423	70,033	52,578	177,911	1,739	354,684
(Increase) in accounts receivable	3,445	(1,302)	1,976	-	-	4,119
(Increase) in due from other funds	-	-	-	-	-	-
(Increase) decrease in due from other governments	(4,796)	(8,041)	-	-	1,575	(11,262)
(Increase) in inventories	-	-	9,915	-	-	9,915
(Increase) in prepaid items	(35)	-	2,200	-	-	2,165
Increase (decrease) in accounts payable, non capital	10,412	(29,987)	44,932	7,477	1,317	34,151
Increase (decrease) in due to other funds	-	-	-	-	-	-
Increase (decrease) in unearned revenue	-	-	(918)	-	-	(918)
Increase (decrease) in compensated absences	(616)	2,313	(18,721)	-	41	(16,983)
Increase in other post-employment benefits	2,044	227	682	-	228	3,181
Increase in customer deposits	-	-	875	-	-	875
Net cash provided by operating activities	\$ <u>235,202</u>	<u>22,839</u>	<u>168,129</u>	<u>441,143</u>	<u>209,837</u>	<u>1,077,150</u>

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

CITY OF MADEIRA BEACH, FLORIDA

Notes to Financial Statements

September 30, 2013

(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 Position and the Statement of Activities) report information on all activities of the City. Certain interfund activities, such as internal balances and the administrative services allocation, have been removed from these statements. Individual funds are not displayed, but the statements distinguish governmental activities, which normally are supported by taxes and intergovernmental revenues, from business-type activities, which rely to a significant extent on fees and charges for support. The Statement of Net Position 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 *Local Option Sales Tax 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 Position 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;

CITY OF MADEIRA BEACH, FLORIDA

Notes to Financial Statements - Continued

(1) Summary of Significant Accounting Policies - Continued

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

(c) Interest-bearing time deposits or savings accounts in qualified public depositories, as defined in s. 280.02;

(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 position for proprietary funds.

CITY OF MADEIRA BEACH, FLORIDA

Notes to Financial Statements - Continued

(1) Summary of Significant Accounting Policies - Continued

(d) Assets, Liabilities and Net Position 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, 2013.

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 Position 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 position.

9. Net Position/Fund Balance

Net Position

The government-wide and business-type fund financial statements utilize a net position presentation. Net position is presented in three components – net investment in capital assets, restricted, and unrestricted.

Net Investment in Capital Assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition, construction or improvement of those assets. This component does not include the portion of debt attributable to the unspent proceeds.

Restricted consists of net position that have constraints placed on them either externally by third parties (creditors, grantors, contributors, or laws or regulations of other governments) or by law through constitutional provisions or enabling legislation. The government-wide statement of net position reports \$1,847,565 of restricted net position, all of which is restricted by enabling legislation.

Unrestricted consists of net position that does not meet the definition of “net investment in capital assets” or “restricted.”

Fund Balance

In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components – nonspendable, restricted, committed, assigned, and unassigned.

Nonspendable includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact.

CITY OF MADEIRA BEACH, FLORIDA

Notes to Financial Statements - Continued

(1) Summary of Significant Accounting Policies - Continued

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

Restricted consists of amounts that have constraints placed on them either externally by third parties (creditors, grantors, contributors, or laws or regulations of other governments) or by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the City to assess, levy, charge or otherwise mandate payment of resources and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. The City considers all resources in the Local Option Sales Tax Fund to be restricted based on Florida Statute 212.055, which requires local government infrastructure surtaxes to be used specifically for infrastructure improvements.

Committed includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City's highest level of decision making authority which includes the city charter, ordinances, and resolutions. Those committed amounts cannot be used for any other purpose unless the City removes or changes the specified use by taking the same type of action it employed previously to commit those amounts. The City has no committed funds as of September 30, 2013.

Assigned 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. In the General Fund, assigned balances represent the intended uses as established by the City Manager and Finance Director based on informal or formal direction from the Board of City Commissioners provided during the budget process or capital improvement planning process.

Unassigned can only be found in the General Fund. It represents the residual amount of fund balance not contained in the other classifications.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources (committed, assigned, and unassigned) as they are needed. When unrestricted resources are available for use, it is the City's policy to use committed resources first, then assigned, and then unassigned, as they are needed.

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. For the fiscal year ending September 30, 2013, \$1,895,372 has been assigned and 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.

CITY OF MADEIRA BEACH, FLORIDA

Notes to Financial Statements - Continued

(1) Summary of Significant Accounting Policies - Continued

(e) Recently Issued and Implemented Accounting Pronouncements

Government Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus*, amends GASB No. 14 and GASB No. 34 to modify certain requirements for inclusion of component units in the financial reporting entity, to amend the criteria for reporting component units as if they were part of the primary government (i.e. blending) in certain circumstances, and clarifies the reporting of equity interests in legally separate organizations. The requirements of GASB 61 are effective in fiscal year 2013. Its implementation did not have any effect on the City's financial statements. Information on the Financial Reporting Entity can be found on page 26 of the Notes to the Financial Statements.

Government Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, amends GASB No. 34. This statement provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position by distinguishing them from assets and liabilities. Net position replaces the terminology net assets in the Statement of Net Position. The requirements of GASB 63 are effective in fiscal year 2013. Its implementation has introduced the new elements mentioned above to the Statement of Net Position and the Balance Sheet.

Government Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The requirements of GASB 65 are effective in fiscal year 2014. The City chose to early implement this statement in fiscal year 2013. Its implementation has required the reclassification of certain liabilities as deferred inflows of resources in the Statement of Net Position and the Balance Sheet.

(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 resolution, transfer part or all of any unencumbered appropriation balance between departments or funds.

CITY OF MADEIRA BEACH, FLORIDA

Notes to Financial Statements - Continued

(2) Stewardship, Compliance and Accountability - Continued

(a) Budgets and Budgetary Accounting - Continued

The Board of City Commissioners may also amend the adopted budget to provide supplemental appropriations or to revise budgeted estimates. The City adopted numerous budget amendments in fiscal year 2013, as the City Commission identified and funded new priorities after appointing a new City Manager.

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.

(b) Excess of Expenditures Over Appropriations

For the year ended September 30, 2013, expenditures exceeded appropriations in the City Clerk/Commission budget by \$1,219 and in the Streets division by \$7,316. Total General Fund expenditures were \$773,302 less than the final adopted budget.

(c) Deficit Fund Equity

There were no funds with deficit fund equity balance as of September 30, 2013.

(3) Detailed Notes on All Funds

(a) Deposits and Investments

At year-end, the carrying amount of the City's deposits was \$5,138,639 and the bank balance was \$5,150,003. 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.

CITY OF MADEIRA BEACH, FLORIDA

Notes to Financial Statements - Continued

(3) Detailed Notes on All Funds - Continued

(a) Deposits and Investments - Continued

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, 2013 was \$11,976,420.

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

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

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

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 .78 years, and a Weighted Average Maturity of .81 years.

Foreign Currency Risk: Members' investments in the FMIvT are not subject to foreign currency risk.

CITY OF MADEIRA BEACH, FLORIDA

Notes to Financial Statements - Continued

(3) Detailed Notes on All Funds - Continued

(a) Deposits and Investments - Continued

State Board of Administration Local Government Investment Pool

The City's balance of \$172,403 at September 30, 2013 includes \$65,241 in Fund B and \$107,162 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 over 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 \$65,241 and an unrealized gain of \$7,639 as of September 30, 2013.

Credit Quality Risk: Because Fund B is not rated by a nationally recognized statistical rating agency as of September 30, 2013, 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, 2013 is estimated to be 4.04 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, 2013.

(b) Receivables

Receivables balances for the year ended September 30, 2013 were as follows:

	<u>General</u>	<u>Local Option Sales Tax</u>	<u>Sanitation</u>	<u>Stormwater</u>	<u>Marina</u>	<u>Parking</u>	<u>Total</u>
Accounts receivable	\$ 156,608	-	7,788	1,519	10,042	-	175,957
Due from other Governments	49,843	25,483	185,918	71,947	-	3,974	337,165
Total	206,451	25,483	193,706	73,466	10,042	3,974	513,122
Less: Allowance for uncollectible accounts	(2,268)	-	(15,203)	(13,339)	(4,644)	-	(35,454)
Receivable, net	\$ 204,183	25,483	178,503	60,127	5,398	3,974	477,668

CITY OF MADEIRA BEACH, FLORIDA

Notes to Financial Statements - Continued

(3) Detailed Notes on All Funds - Continued

(c) Advances to/from

The General Fund loaned \$500,000 to the Marina Fund in fiscal year 2011 for construction of the Ship Store, a recreational and commercial fishing center. The loan is scheduled to be repaid over 20 years, at an interest rate of 1.5%. The balance as of September 30, 2013 was as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Marina Fund	\$ <u>443,529</u>
Total		\$ <u><u>443,529</u></u>

(d) Deferred Inflows of Resources

Governmental funds report unearned 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 position 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, 2013 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 2,370,228	-	-	2,370,228
Construction in progress	269,773	839,762	(136,475)	973,060
Total capital assets, not being depreciated	2,640,001	839,762	(136,475)	3,343,288
Capital assets, being depreciated:				
Buildings	1,362,396	-	-	1,362,396
Improvements other than buildings	7,662,233	364,972	-	8,027,205
Vehicles and equipment	1,967,430	144,637	(84,659)	2,027,408
Total capital assets, being depreciated	10,992,059	509,609	(84,659)	11,417,009
Less accumulated depreciation for:				
Buildings	(1,210,328)	(21,074)	-	(1,231,402)
Improvements other than buildings	(4,353,573)	(155,316)	-	(4,508,889)
Vehicles and equipment	(1,470,871)	(113,490)	84,659	(1,499,702)
Total accumulated depreciation	(7,034,772)	(289,880)	84,659	(7,239,993)
Total capital assets, being depreciated, net	3,957,287	219,729	-	4,177,016
Governmental activities capital assets, net	\$ 6,597,288	1,059,491	(136,475)	7,520,304
Business-type activities				
Capital assets, not being depreciated:				
Land	\$ 414,447	-	-	414,447
Construction in progress	137,950	80,362	(72,938)	145,374
Total capital assets, not being depreciated	552,397	80,362	(72,938)	559,821
Capital assets, being depreciated:				
Buildings	749,078	-	-	749,078
Improvements other than buildings	8,034,353	92,538	-	8,126,891
Vehicles and equipment	794,661	438,602	(75,137)	1,158,126
Total capital assets, being depreciated	9,578,092	531,140	(75,137)	10,034,095
Less accumulated depreciation for:				
Buildings	(177,954)	(23,047)	-	(201,001)
Improvements other than buildings	(3,014,705)	(261,538)	-	(3,276,243)
Vehicles and equipment	(467,456)	(70,099)	75,137	(462,418)
Total accumulated depreciation	(3,660,115)	(354,684)	75,137	(3,939,662)
Total capital assets, being depreciated, net	5,917,977	176,456	-	6,094,433
Business-type activities capital assets, net	\$ 6,470,374	256,818	(72,938)	6,654,254

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	\$ 20,253
Physical environment	114,818
Transportation	-
Public safety	63,927
Culture and recreation	<u>90,882</u>
 Total depreciation expense - governmental activities	 \$ <u><u>289,880</u></u>
 Business-type activities:	
Sanitation	\$ 52,423
Stormwater	70,033
Marina	52,578
John's Pass Village	177,911
Parking	<u>1,739</u>
 Total depreciation expense - business-type activities	 <u>354,684</u>
 Total depreciation expense	 \$ <u><u>644,564</u></u>

(f) Construction Commitments

The following schedule represents open purchase orders relate to construction in progress as of September 30, 2013:

<u>Capital Project Description</u>	<u>Total</u>
Municipal Complex Reconstruction	\$ 454,070
Archibald Park Rehabilitation	219,693
Stormwater Drainage and Roadway Improvements	144,144
9/11 Memorial	83,736
Gulf Boulevard Beautification	10,000
Beach Groyne Rehabilitation	6,000
John's Pass Village Transient Docks	2,480
	<u><u>920,123</u></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, 2013 were as follows:

	<u>Transfer in</u>
General Fund	\$ 75,500
Parking Fund	109,700
John's Pass Village Fund	<u>-</u>
	<u>\$ 185,200</u>

The transfer of \$75,500 from the John's Pass Village Fund to the General Fund was budgeted and recorded as an allocation for employee wages and benefits, vehicle and equipment maintenance, and motor fuel costs.

The transfer of \$109,700 from the John's Pass Village Fund to the Parking Fund was budgeted and recorded to reimburse parking enforcement operating costs incurred in John's Pass Village.

(h) Long-term Liabilities

There are no general obligation or revenue bonds outstanding. Long-term liability activity for the year ended September 30, 2013 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities					
Compensated absences	\$ 136,204	224,776	(197,735)	163,245	16,325
Other postemployment benefits	32,434	9,086	-	41,520	-
Long-term liabilities	<u>\$ 168,638</u>	<u>233,862</u>	<u>(197,735)</u>	<u>204,765</u>	<u>16,325</u>
Business-type activities					
Compensated absences	\$ 63,360	68,278	(85,262)	46,376	4,677
Other postemployment benefits	11,351	3,180	-	14,531	-
Long-term liabilities	<u>\$ 74,711</u>	<u>71,458</u>	<u>(85,262)</u>	<u>60,907</u>	<u>4,677</u>

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

CITY OF MADEIRA BEACH, FLORIDA

Notes to Financial Statements - Continued

(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, 2013, 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.

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. Even though the City does not provide any postretirement health care or life insurance benefits for employees, there is an implicit rate subsidy because retirees are able to purchase insurance coverage at the same premium cost applicable to active employees. This practice creates an OPEB liability based on the theory that retirees have higher utilization of health care benefits than active employees, and the retirees are therefore subsidized by the active employees. This liability must be actuarially determined and recognized in the financial statements. The City was eligible to utilize the alternative measurement method for the OPEB actuarial requirements. Under this alternative measurement method, the City may obtain actuarial valuations triennially. The latest actuarial report used by the City is the September 30, 2013 actuarial date.

CITY OF MADEIRA BEACH, FLORIDA

Notes to Financial Statements - Continued

(4) **Other Information - Continued**

(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:

Active	42
Retired	1
Eligible	0
Spouses	11
	<hr/>
Total	54
	<hr/> <hr/>

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:

Description	Calculated Amount
Annual Required Contribution (ARC)	\$ 21,069
Interest on Net OPEB Obligation (NOO)	2,189
Adjustment to Annual Required Contribution (ARC)	<u>(2,520)</u>
Annual OPEB Cost (Expense)	20,738
Age Adjusted Contributions Made	<u>(8,472)</u>
Change in Net OPEB Obligation (NOO)	12,266
Net OPEB Obligation (NOO) - Beginning of Year	<u>43,785</u>
Net OPEB Obligation (NOO) - End of Year	\$ <u><u>56,051</u></u>

The assumptions used in the actuarial valuation include:

- 1% payroll growth rate
- 0% plan asset return
- 0% post-retirement benefit increases
- 5% healthcare discount rate
- 6% average health and pharmacy cost trend rates
- 3.15% average dental cost trend rates
- 3% average vision cost trend rates

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 and (b) 5% healthcare discount rate. The actuarial accrued liability is being amortized as a level percentage of payroll over thirty years (closed basis).

CITY OF MADEIRA BEACH, FLORIDA

Notes to Financial Statements - Continued

(4) Other Information - Continued

(c) Other Postemployment Benefits (OPEB) - Continued

Funded Status and Funding Progress: As of September 30, 2013, the actuarial accrued liability for benefits was \$108,265, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$1,924,475 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 5.63 percent.

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a/c)
9/30/2013	-	\$ 108,265	\$ 108,265	0.00%	\$ 1,924,475	5.63%
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

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.

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.

CITY OF MADEIRA BEACH, FLORIDA

Notes to Financial Statements - Continued

(4) Other Information - Continued

(c) Other Postemployment Benefits (OPEB) - Continued

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2013 and the two preceding fiscal years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Age Adjusted Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
9/30/2013	\$ 20,738	\$ 8,472	40.9%	\$ 56,051
9/30/2012	\$ 30,260	\$ 15,665	51.8%	\$ 43,785
9/30/2011	\$ 30,260	\$ 15,665	51.8%	\$ 29,190

(d) Employee Retirement Systems and Pension Plans

Florida Retirement System

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

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

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

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

CITY OF MADEIRA BEACH, FLORIDA

Notes to Financial Statements - Continued

(4) Other Information - Continued

(d) Employee Retirement Systems and Pension Plans - Continued

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

	<u>10/1/2012 - 6/30/2013</u>	<u>7/1/2013 - 9/30/2013</u>
Regular employees - members not qualifying for other classes	5.18%	6.95%
Special Risk Employees - members employed as firefighters	14.90%	19.06%
DROP - members enrolled in the Deferred Retirement Option Program	5.44%	12.84%

The 2013 Florida Legislature continued the uniform contribution rate system under which participating employers make uniform contributions to support both the FRS Pension Plan and the FRS Investment Plan.

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

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

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

<u>Fiscal Year Ended</u>	<u>Required Contribution</u>	<u>% Contributed</u>
9/30/2013	\$109,857	100%
9/30/2012	\$103,329	97%
9/30/2011	\$174,231	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.

CITY OF MADEIRA BEACH, FLORIDA

Notes to Financial Statements - Continued

(4) Other Information - Continued

(d) Employee Retirement Systems and Pension Plans – Continued

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.

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, 2013, employer contributions required and made totaled \$81,984 and covered payroll totaled \$958,522.

Participation in the plan at September 30, 2013 was as follows:

<u>Years of Service</u>	<u>Percent Vested</u>	<u>Number of Employees</u>
5 or more	100%	15
4	0%	0
3	0%	3
2	0%	2
1	0%	7

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.

CITY OF MADEIRA BEACH, FLORIDA

Notes to Financial Statements - Continued

(4) Other Information - Continued

(d) Employee Retirement Systems and Pension Plans - Continued

Deferred Compensation Plan

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

(e) Single Audit Act

The City did not expend more than the \$500,000 single audit threshold for the fiscal year ended September 30, 2013, 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, 2013.

(g) Subsequent Events

The City of Madeira Beach issued tax exempt, public purpose debt in October 2013 totaling \$4,760,000 in support of the General Fund municipal complex reconstruction project. The Board of City Commissioners awarded the \$10.3M project in December 2013, to include a new city hall, fire station and recreation center. The municipal site improvements will include enhanced baseball and softball field amenities, designed to facilitate tournament hosting and rentals. Revenues pledged to support the bond include a combination of utility taxes, franchise taxes and intergovernmental General Fund revenue. Total debt service payments of approximately \$8.9M will be paid over 30 years.

Section III

Required Supplementary Information



CITY OF MADEIRA BEACH, FLORIDA

Other Postemployment Benefits

**September 30, 2013
(Unaudited)**

Schedule of Employer Contributions for the last 3 years is as follows:

Fiscal Year Ended	Annual Required Contributions	Percentage Contributed
9/30/2013	\$ 21,069	40.2%
9/30/2012	30,260	51.8%
9/30/2011	30,260	51.8%

Schedule of Funding Progress for the last 3 years is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a/c)
9/30/2013	-	\$ 108,265	\$ 108,265	0.00%	\$ 1,924,475	5.63%
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

Section IV
Statistical Section



Statistical Section

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

Contents	<u>Page</u>
<i>Financial Trends</i>	54
These schedules contain trend information to help the reader understand and assess how the City's financial position has changed over time.	
<i>Revenue Capacity</i>	59
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.	
<i>Debt Capacity</i>	63
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.	
<i>Demographic and Economic Information</i>	64
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.	
<i>Operating Information</i>	66
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 Position by Component

**Last Ten Fiscal Years
(Accrual Basis of Accounting)**

	<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>	<u>2013</u>
Governmental activities										
Invested in capital assets, net of related debt	\$ 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	7,520,304
Restricted	-	-	-	-	-	-	1,843,426	2,157,106	2,226,885	1,847,565
Unrestricted	<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>	<u>11,248,166</u>
Total governmental activities net assets	<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>	<u>20,616,035</u>
Business-type activities										
Invested in capital assets, net of related debt	\$ 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	6,654,254
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	<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>	<u>3,922,448</u>
Total business-type net assets	<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>	<u>10,576,702</u>
Primary government										
Invested in capital assets, net of related debt	\$ 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	14,174,558
Restricted	-	-	-	-	-	-	1,843,426	2,157,106	2,226,885	1,847,565
Unrestricted	<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>	<u>15,170,614</u>
Total government net assets	<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>	<u>31,192,737</u>

Note:

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

CITY OF MADEIRA BEACH, FLORIDA

Changes in Net Position

**Last Ten Fiscal Years
(Accrual Basis of Accounting)**

	<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>	<u>2013</u>
Expenses										
Governmental activities:										
General government	\$ 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	1,524,928
Physical environment	108,769	199,371	198,930	220,830	257,527	260,610	237,705	318,218	212,283	441,568
Transportation	328,840	297,571	381,944	496,778	405,240	337,064	342,946	340,079	424,878	7,316
Public safety	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	2,325,689
Culture and recreation	844,920	924,474	951,054	1,117,355	1,053,540	976,627	859,420	931,641	931,781	892,963
Total governmental activities expenses	<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>	<u>5,192,464</u>
Business-type activities:										
Sanitation	\$ 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	987,491
Sewer	1,006,931	987,424	952,421	868,932	-	-	-	-	-	-
Stormwater	113,462	121,713	160,835	195,439	207,037	207,445	191,310	163,079	193,432	373,158
Marina	576,235	658,556	716,146	889,377	1,298,083	1,034,711	1,200,024	1,260,832	1,654,840	1,800,831
John's Pass Village	271,285	250,374	277,805	341,919	306,732	299,483	423,876	308,891	353,162	326,085
Parking	-	-	-	-	-	-	145,345	165,211	161,615	206,832
Total business-type activities expenses	<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>	<u>3,694,397</u>
Total government expenses	<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>	<u>8,886,861</u>
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 26,096	20,025	9,131	40,100	38,353	60,420	98,119	177,728	272,485	251,011
Physical environment	-	500	48,000	10,000	500	-	-	-	-	-
Public safety	691,619	669,540	722,257	714,202	750,530	789,634	618,752	585,333	575,210	553,202
Culture and recreation	519,962	545,478	519,891	508,616	488,054	490,086	200,073	203,200	255,098	287,036
Operating grants and contributions	20,634	30,699	30,441	31,063	32,268	32,490	298,564	390,330	49,504	-
Capital grants and contributions	374,456	2,885	-	78,795	-	10,500	-	-	-	-
Total governmental activities program revenues	<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>	<u>1,091,249</u>
Business-type activities:										
Charges for services:										
Sanitation	\$ 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	1,152,111
Sewer	925,745	772,814	1,218,377	-	-	-	-	-	-	-
Stormwater	147,425	141,715	352,261	359,856	362,219	360,048	356,465	374,918	322,611	362,754
Marina	528,652	604,709	708,350	877,384	1,203,823	969,331	1,012,880	1,221,047	1,640,660	1,866,683
John's Pass Village	323,509	331,114	320,210	378,360	530,492	530,633	95,736	96,707	531,490	581,835
Parking	-	-	-	-	-	-	666,247	723,666	338,753	411,769
Operating grants and contributions	597	2,422	2,426	3,393	4,701	3,406	3,407	-	-	-
Capital grants and contributions	-	444,675	2,787	198,013	264,537	84,580	19,848	-	-	-
Total business-type activities program revenues	<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>	<u>4,375,152</u>
Total government program revenues	<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>	<u>5,466,401</u>

(Continued)

CITY OF MADEIRA BEACH, FLORIDA

Changes in Net Position - Continued

	<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>	<u>2013</u>
Net (Expense)/Revenue										
Governmental activities	\$ (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)	(3,973,485)
Business-type activities	4,292	211,667	503,944	(452,015)	596,186	451,661	394,030	670,075	534,469	680,755
Total governmental net expense	<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>	<u>(3,292,730)</u>
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Taxes:										
Property taxes	\$ 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	1,424,325
Franchise and utility taxes	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	1,158,034
Intergovernmental revenues	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	1,127,736
Local business tax receipts	77,504	73,741	80,141	80,524	84,356	79,969	78,535	76,886	65,474	71,022
Investment earnings	56,797	155,637	305,879	508,916	272,689	74,681	87,888	(599)	71,210	26,261
Gain/(loss) on disposal of capital assets	1,633	9,576	2,197	11,970	3,472	(19,492)	6,220	(33,846)	-	-
Miscellaneous revenues	60,616	108,376	91,555	69,586	100,150	174,051	131,035	130,715	155,071	134,551
Transfers	96,225	543,700	(199,945)	2,942,701	195,800	194,000	293,900	338,076	44,400	75,500
Proceeds from sale of sewer system	-	-	-	-	-	200,000	-	-	-	-
Transfer of capital assets, net	(11,675)	-	-	-	-	-	-	-	-	-
Total governmental activities	<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>	<u>4,017,429</u>
Business-type activities:										
Investment earnings	\$ 31,609	69,293	121,535	79,925	43,357	10,589	11,119	1,306	2,486	331
Gain/(loss) on disposal of capital assets	3,555	7,650	720	-	3,025	15,753	(17,964)	(9,847)	18,975	37,220
Miscellaneous revenues	58,063	26,164	16,439	12,462	6,170	7,975	20,107	16,085	18,082	16,468
Transfers	(96,225)	(543,700)	199,945	(2,942,701)	(195,800)	(194,000)	(293,900)	(338,076)	(44,400)	(75,500)
Transfer of capital assets, net	11,675	-	-	-	-	-	-	-	-	-
Total business-type activities	<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>	<u>(21,481)</u>
Total government	<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>	<u>3,995,948</u>
Change in Net Assets										
Governmental activities	\$ 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)	43,944
Business-type activities	12,969	(228,926)	842,583	(3,302,329)	452,938	291,978	113,392	339,543	538,612	659,274
Total government	<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>	<u>703,218</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>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>	<u>2013</u>
General fund:										
Nonspendable	\$ *	*	*	*	*	*	10,276	526,744	523,089	446,230
Assigned	*	*	*	*	*	*	4,045,652	4,202,754	4,157,086	6,514,384
Unassigned	*	*	*	*	*	*	7,530,501	7,160,890	7,272,878	4,492,317
Total general fund	\$ <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>	<u>11,452,931</u>
All other governmental funds:	\$									
Restricted	*	*	*	*	*	*	1,843,426	2,157,106	2,226,885	1,847,565
Total all other governmental funds	\$ <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>	<u>1,847,565</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>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>	<u>2013</u>
Revenues										
Taxes	\$ 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	2,582,359
Licenses and permits	91,198	86,073	90,908	100,457	101,810	104,013	94,809	88,378	78,584	312,009
Intergovernmental revenue	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	1,448,708
Charges for services	1,067,660	1,129,927	520,041	727,777	716,605	490,086	581,914	447,560	499,458	534,136
Fines and forfeitures	171,685	118,442	143,871	133,608	150,249	176,783	98,693	176,945	28,125	10,024
Special assessments	6,501	500	48,000	10,000	500	-	-	-	-	-
Investment earnings	56,797	155,637	305,879	508,916	272,689	74,681	87,888	(599)	71,210	25,364
Miscellaneous revenue	61,531	108,376	87,743	69,586	100,150	174,247	131,035	130,715	155,071	134,551
Total revenues	<u>\$ 5,411,681</u>	<u>5,500,137</u>	<u>6,124,721</u>	<u>6,728,584</u>	<u>6,303,172</u>	<u>6,038,373</u>	<u>5,973,560</u>	<u>5,577,155</u>	<u>5,153,522</u>	<u>5,047,151</u>
Expenditures										
General Government	\$ 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	1,634,673
Physical Environment	94,252	175,291	178,268	192,853	233,223	242,947	345,023	310,116	188,376	322,053
Transportation	200,747	179,545	262,726	318,961	237,105	234,854	239,738	239,990	222,965	7,316
Public Safety	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	2,296,731
Culture and recreation	737,896	803,727	839,961	996,456	947,981	884,700	765,942	844,573	782,263	794,133
Capital outlay	582,783	1,059,875	1,872,004	675,131	273,106	205,034	190,978	16,469	360,741	531,369
Debt Service:										
Principal	-	-	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-	-	-
Total expenditures	<u>\$ 4,643,481</u>	<u>5,347,655</u>	<u>6,353,344</u>	<u>6,197,724</u>	<u>5,158,230</u>	<u>4,933,978</u>	<u>5,161,045</u>	<u>5,297,592</u>	<u>5,101,976</u>	<u>5,586,275</u>
Excess of revenue over expenditures	\$ 768,200	152,482	(228,623)	530,860	1,144,942	1,104,395	812,515	279,563	51,546	(539,124)
Other Financing Sources (Uses)										
Transfers in	\$ 96,225	543,700	100,055	180,695	195,800	194,000	293,900	338,076	44,400	75,500
Transfers out	-	-	(300,000)	(382,700)	-	-	-	-	-	-
Sale of capital assets	1,633	9,576	2,197	11,970	3,472	-	8,595	-	-	-
Proceeds from sale of sewer system	-	-	-	3,144,706	-	200,000	-	-	-	-
Total other financing sources (uses)	<u>97,858</u>	<u>553,276</u>	<u>(197,748)</u>	<u>2,954,671</u>	<u>199,272</u>	<u>394,000</u>	<u>302,495</u>	<u>338,076</u>	<u>44,400</u>	<u>75,500</u>
Net change in fund balances	<u>\$ 866,058</u>	<u>705,758</u>	<u>(426,371)</u>	<u>3,485,531</u>	<u>1,344,214</u>	<u>1,498,395</u>	<u>1,115,010</u>	<u>617,639</u>	<u>95,946</u>	<u>(463,624)</u>
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

<u>Fiscal Year</u>	<u>Tax Roll</u>	<u>Total Direct Tax Rate (1)</u>	<u>Real Property Taxable Value</u>	<u>Personal Property Taxable Value</u>	<u>Total Taxable Value</u>	<u>Exempt Real and Personal Property</u>	<u>Total Estimated Actual Value (2)</u>	<u>Ratio of Total Taxable Value to Total Estimated Actual Value</u>
2004	2003	2.2000	\$ 684,493,900	\$ 18,226,930	\$ 702,720,830	\$ 179,743,590	\$ 882,464,420	79.63%
2005	2004	2.2000	795,009,700	18,099,150	813,108,850	220,588,710	1,033,697,560	78.66%
2006	2005	2.1200	986,163,400	19,015,622	1,005,179,022	272,894,490	1,278,073,512	78.65%
2007	2006	1.9000	1,293,733,749	18,086,020	1,311,819,769	408,428,517	1,720,248,286	76.26%
2008	2007	1.7954	1,273,943,913	17,068,930	1,291,012,843	354,121,147	1,645,133,990	78.47%
2009	2008	1.7954	1,139,281,968	12,213,643	1,151,495,611	306,939,779	1,458,435,390	78.95%
2010	2009	1.7954	952,765,601	12,313,001	965,078,602	246,661,893	1,211,740,495	79.64%
2011	2010	1.7954	852,605,969	12,262,542	864,868,511	193,983,539	1,058,852,050	81.68%
2012	2011	1.7954	815,231,351	12,352,060	827,583,411	128,269,057	998,848,811	82.85%
2013	2012	1.7900	809,727,920	12,355,306	822,083,226	127,805,337	989,317,017	83.10%

Source:
Pinellas County Property Appraiser

Notes:
(1) Tax rate is per \$1,000 of taxable value.
(2) 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

<u>Fiscal Year</u>	<u>Tax Roll</u>	<u>City of Madeira Beach Operating Millage</u>	<u>Overlapping Rates</u>				<u>Total Direct and Overlapping Rates</u>
			<u>County*</u>	<u>School</u>	<u>Transit District</u>	<u>Other**</u>	
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
2013	2012	1.7900	5.9885	8.3020	0.7305	1.3034	18.1299

Source:
Pinellas County Property Appraiser

Notes:

* "County" includes Pinellas County's General Fund, Health Department and Emergency Medical Services (EMS) millage rates. The EMS millage rate is assessed only on Real Property.

** "Other" includes Pinellas County Planning Council, Juvenile Welfare Board and Southwest Florida Water Management District.

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	2013			2004		
	Taxable Value	Rank	Percentage Total Assessed Valuation	Taxable Value	Rank	Percentage Total Assessed Valuation
Investors Warranty of Amer Inc.	\$ 11,880,000	1	1.4%	\$ 3,896,700	8	0.6%
Publix Super Markets Inc.	6,479,063	2	0.8%	-	-	-
919 Land Trust	6,064,002	3	0.7%	-	-	-
Poseidon Ventures LTD	4,674,888	4	0.6%	5,744,800	2	0.8%
Pines-Carter FLA Inc	4,625,000	5	0.6%	-	-	-
Barefoot Beach Resort South LLC	4,353,985	6	0.5%	4,338,500	5	0.6%
R N J Madeira Beach Inc	4,270,000	7	0.5%	-	-	-
Extra Space Properties Forty Eight LLC	3,450,000	8	0.4%	-	-	-
Commodore Beach Club Condo Assn.	2,586,780	9	0.3%	-	-	-
All Seasons Vacation Resort Condo Assn.	2,545,980	10	0.3%	-	-	-
TW / Beach Residences - Madeira				8,800,000	1	1.3%
Madeira Shopping Center, Inc.				4,914,500	3	0.7%
All Seasons Resort, Inc.				4,628,200	4	0.7%
Lock, Charles I., Trustee				3,905,700	7	0.6%
Sands Madeira Realty, Inc.				4,078,400	6	0.6%
Storage Spot				2,750,000	10	0.4%
Commodore Beach Club				3,116,900	9	0.4%
Total taxable valuation of ten largest taxpayers	50,929,698		6.2%	46,173,700		6.6%
Total taxable valuation of other taxpayers	<u>771,153,528</u>		<u>93.8%</u>	<u>656,547,130</u>		<u>93.4%</u>
Total taxable valuation of all taxpayers	<u>\$ 822,083,226</u>		<u>100.0%</u>	<u>\$ 702,720,830</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>
2004	2003	\$ 702,720,830	2.2000	\$ 1,545,986	\$ 1,455,752	94.16%	\$ 40,276	\$ 1,496,028	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%	181,767	2,311,799	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	1,732,702	1,578,738	91.11%	93,355	1,672,093	96.50%
2011	2010	864,868,511	1.7954	1,552,785	1,412,914	90.36%	5,535	1,418,449	91.35%
2012	2011	827,583,411	1.7954	1,485,843	1,439,301	96.57%	43,059	1,482,359	99.77%
2013	2012	822,083,226	1.7900	1,471,529	1,381,266	93.87%	145	1,381,411	93.88%

*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, 2013

<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>
City of Madeira Beach			
Total direct debt (1)	\$ -	N/A	\$ -
Other overlapping debt			
Pinellas County: Capital Leases (2)	-	N/A	-
Pinellas County: Governmental Activities Bonds (2)	3,108,726	1.5%	46,631
Pinellas County Schools: General Obligation Debt (2)	21,985,000	1.5%	328,678
Pinellas County Schools: Capital Leases (2)	<u>12,546,265</u>	<u>1.5%</u>	<u>187,568</u>
Total overlapping debt	<u>37,639,991</u>		<u>562,876</u>
Total direct and overlapping debt			<u>\$ 562,876</u>
Total direct and overlapping debt per capita (2) (3)			<u>\$ 131</u>

The City's share is calculated based on the ratio of the City's taxable value of \$822,083,226 to the County's taxable value of \$54,350,309,869 for the 2012 tax roll.

Sources:

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

Notes:

- (1) The City of Madeira Beach issued bonds totaling \$4,760,000 in October 2013.
- (2) The City of Madeira Beach is not responsible for the debt of the County or School Board.
- (3) City of Madeira Beach estimated population: 4,313.

CITY OF MADEIRA BEACH, FLORIDA

Demographic Statistics

Last Ten Fiscal Years

Fiscal Year	Population (1)	Per Capita Personal Income (2)	Personal Income	Median Age (3)	Unemployment Rate (4)
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%
2013	4,313	44,622	192,454,686	46.80	8.5%

Sources:

- (1) Florida Bureau of Economic and Business Research (BEBR), Table 1. Data for City of Madeira Beach.
- (2) BEBR County dashboard. Data for Pinellas County
- (3) BEBR Series catalog by category. Data for Pinellas County.
- (4) BEBR Series catalog by category. Data for Pinellas County.

CITY OF MADEIRA BEACH, FLORIDA

Principal Employers

Current Year and Nine Years Ago

<u>Employer</u>	<u>2013</u>			<u>2004</u>		
	<u>Number of Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Number of Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment*</u>
Winn Dixie	280	1	11.21%	*	*	*
Publix	175	2	7.01%	*	*	*
Madeira Beach Elementary and Middle Schools	150	3	6.01%	*	*	*
Real Estate Champions	125	4	5.01%	*	*	*
Bubba Gump Shrimp Co.	100	5	4.00%	*	*	*
Hooters	56	6	2.24%	*	*	*
Friendly Fisherman	50	7	2.00%	*	*	*
McDonald's	49	8	1.96%	*	*	*
Begins Enterprises	39	9	1.56%	*	*	*
Daiquiri Deck	<u>35</u>	10	<u>1.40%</u>	<u>*</u>	<u>*</u>	<u>*</u>
Total employment of ten largest employers	1,059		42.41%	*		*
Total employment of other employers	<u>1,438</u>		<u>57.59%</u>	<u>*</u>		<u>*</u>
Total employment of all employers	<u><u>2,497</u></u>		<u><u>100.00%</u></u>	<u><u>*</u></u>		<u><u>*</u></u>

*Data not available.

Source:
Pinellas County Economic Development

CITY OF MADEIRA BEACH, FLORIDA

Full-time Equivalent City Government Employees by Function

Last Ten Fiscal Years

Function	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Government	12.5	13.5	13	13	13	11	9	5	14.09	15.5
Public Works:										
Administration	3	3	3	3	4	4	4	4	2.3	0.4
Streets	2.2	2.2	2.2	2.8	2	2	2	2	2	0
Sanitation	9	9	9	9	9	9	9	9	9	7.2
Sewer	1.6	1.6	1.6	0	0	0	0	0	0	0
Stormwater	1.2	1.2	1.2	1.2	1	1	1	1	1	2.2
Public Safety:										
Fire:										
Firefighters and officers	13	13	13	13	13	13	11	11	13	13
Civilians	2	2	2	2	2	2	1	1	1	1
Parking Enforcement	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	3.25	3.4
Parks and Recreation	15	15	15	15	14.5	13	12	12	12.9	13.19
Municipal Marina	4	4	4	4	3	3	3.5	3.5	3.5	3.3
Total	66	67	66.5	65.5	64	60.5	55	51	62.04	59.19

Source:
Adopted Budgets - City of Madeira Beach

CITY OF MADEIRA BEACH, FLORIDA

Operating Indicators by Function

Last Ten Fiscal Years

Function	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Government										
Community Development:										
Building permits issued	614	731	558	503	456	452	595	637	790	665
Occupational licenses issued	877	832	778	909	836	879	781	1,033	771	790
Finance:										
Checks deposited	*	5,150	4,983	4,821	4,216	4,430	4,022	*	1,165	1,732
A/P checks issued	*	2,854	2,723	2,760	2,352	2,703	2,744	2,443	2,318	2,403
Purchase orders processed	947	885	431	429	392	378	428	474	505	218
Public Safety										
Law Enforcement (1):										
Arrests made	490	446	500	592	495	564	514	495	73	510
Traffic citations issued	1,212	1,221	1,494	2,307	1,776	1,771	1,828	1,759	592	625
Fire Department:										
Emergency responses	1,594	1,508	1,476	1,430	1,308	1,496	1,549	1,847	1,850	1,788
Fires and other non-medical emergencies	717	658	592	587	511	542	576	524	548	454
Emergency medical calls	877	850	884	843	797	954	973	1,323	1,302	1,334
Fire inspections completed	360	330	494	475	218	225	109	122	107	56
Parking Enforcement:										
Parking tickets processed	*	4,657	6,491	4,548	5,524	5,735	4,153	3,757	4,443	4,168
Public Works										
Sanitation:										
Refuse collected (tons per day)	21	19	18	18	18	16	15	16	16	16

Notes:

* Data not available

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

Source:

Various City departments

Pinellas County Sheriff's Office

Pinellas County Building Department

City of Treasure Island

CITY OF MADEIRA BEACH, FLORIDA

Capital Asset Statistics by Function

Last Ten Fiscal Years

Function	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
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	17.5	17.5	0	0	0	0	0	0	0
Number of lift stations	7	7	7	0	0	0	0	0	0	0
Average daily flow (MGD)	1	0.613	0.613	0	0	0	0	0	0	0

Notes:

(1) The fire station is located within City Hall.

(2) Law Enforcement services are provided by the Pinellas County Sheriff's Department. Deputies have a designated office within City Hall.

(3) The sewer system was sold to Pinellas County on October 1, 2006.

Section V

Other Reports





**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, in accordance with the 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, 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, 2013, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements and have issued our report thereon dated March 31, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying *Appendix A – Current Year Findings*, we identified a deficiency in internal control that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. We consider deficiency 2013-01 described in the accompanying *Appendix A – Current Year* to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from 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*.

City of Madeira Beach, Florida's Response to Findings

The City's response to the findings identified in our audit is described in the accompanying *Appendix A – Current Year Findings*. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Maye Hoffman McCena P.C.

March 31, 2014
Clearwater, Florida



Independent Auditor's Management Letter

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

We have audited 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, 2013, and have issued our report thereon dated March 31, 2014.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550, *Rules of the Auditor General – Local Governmental Entity Audits*. 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* and *Rules of the Auditor General* of the state of Florida, Chapter 10.550. Disclosures in those reports, which are dated March 31, 2014, should be considered in conjunction with this management letter.

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

- Section 10.554(1)(i)1., *Rules of the Auditor General*, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective action has been taken to address recommendations 2012-01, *Bank Reconciliations*, and 2012-02, *Investment Policy Compliance*. The City is still in the process of addressing recommendation 2012-03, *Information Technology*.
- Section 10.554(1)(i)2., *Rules of the Auditor General*, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, nothing came to our attention that caused us to believe the City was not in compliance with Section 218.415, Florida Statutes.
- Section 10.554(1)(i)3., *Rules of the Auditor General*, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we identified one audit finding, which has been disclosed in *Appendix A – Current Year Findings*.
- Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that may have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

- Section 10.554(1)(i)(5)., *Rules of the Auditor General*, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. This information has been disclosed in the notes to the financial statements.
- Section 10.554(1)(i)(6)(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 conditions 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)(6)(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, 2013, 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, 2013. In connection with our audit, we determined that these two reports were in agreement.
- Pursuant to Sections 10.554(1)(i)(6)(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.

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

Maureen Hoffmann McCann P.C.

March 31, 2014
Clearwater, Florida

City of Madeira Beach, Florida

Appendix A - Current Year Findings

September 30, 2013

In planning and performing our audit of the financial statements of the governmental activities, business-type activities, and each major fund of the City of Madeira Beach, Florida (the "City"), as of and for the year ended September 30, 2013, which collectively comprise the City's basis financial statements, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinions on the basic financial statements and not to provide assurance on internal control.

Material Weakness

2013-01: Capital Assets

Criteria: Under the reporting model required by Governmental Accounting Standards Board, Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* (GASB 34), accurate reporting of capital assets is important in the financial reporting for governments.

Condition: A significant amount of effort has been made by the City over the past few years to improve the practices used to account for and report the City's capital assets. However, during the audit, we noted that capital assets, totaling \$1,400,852, were not properly recorded in the City's financial statements.

Cause: The cause of the above mentioned misstatement is a result of ineffective review of the capital asset accounting records underlying the financial statements and an inadequate capital asset module system, which has limitations that make it difficult for the City to properly track and analyze changes in capital assets throughout the year.

Effect: Errors in accounting for capital assets could have a material effect on the City's financial statements. We believe that the City's current system of accounting for capital assets (both electronic and manual) is not sufficiently designed or implemented to prevent or detect potential material errors.

Recommendation: We recommend that the City consider purchasing a more sophisticated system of accounting for capital assets to ensure proper accounting and reconciliation of capital assets. This new system should enhance procedures to improve the tracking and monitoring of capital projects during the year.

Management Response: Capital asset activity was recorded by management separately from the format submitted to the auditors for all other funds. This led to miscommunication between the City and its auditors and ultimately required correcting entries by the auditors. Management has previously considered removing capital assets from its financial system to address this issue and will evaluate whether doing so may provide the clarity needed to correct reporting issues in the future. Rather than booking all capital assets in its financial system, the City would maintain an external capital asset module to provide a better reporting tool for staff.