

CITY OF MADEIRA BEACH, FLORIDA

Comprehensive Annual Financial Report



For the Fiscal Year Ended
September 30, 2015

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

**For the Fiscal Year Ended
September 30, 2015**

Prepared by: City of Madeira Beach Finance Department

CITY OF MADEIRA BEACH, FLORIDA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

September 30, 2015

TABLE OF CONTENTS

INTRODUCTORY SECTION

| | |
|---------------------------------|------|
| Letter of Transmittal | iii |
| GFOA Certificate of Achievement | viii |
| Principal City Officials | ix |
| Organizational Chart | x |

FINANCIAL SECTION

| | |
|---|----|
| INDEPENDENT AUDITOR’S REPORT | 1 |
| MANAGEMENT’S DISCUSSION AND ANALYSIS | 3 |
| BASIC FINANCIAL STATEMENTS | |
| Government-wide Financial Statements | |
| Statement of Net Position | 15 |
| Statement of Activities | 16 |
| Fund Financial Statements | |
| Governmental Fund Financial Statements | |
| Balance Sheet | 17 |
| Reconciliation of the Balance Sheet to the Statement of Net Position | 18 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances | 19 |
| Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities | 20 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund | 21 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Local Option Sales Tax Fund | 22 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Archibald Fund | 23 |
| Statement of Net Position – Proprietary Funds | 24 |
| Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds | 26 |
| Statement of Cash Flows – Proprietary Funds | 27 |
| Notes to Financial Statements | 28 |
| REQUIRED SUPPLEMENTARY INFORMATION | |
| Schedule of Changes to the Net Pension Liability and Related Ratios | 59 |
| OTHER SUPPLEMENTARY INFORMATION | |
| Schedule of EMS Allowable Costs – Budget and Actual | 60 |
| Schedule of Revenues and Expenditures – Deepwater Horizon Oil Spill | 61 |

STATISTICAL SECTION

Schedules of Financial Trends Information

| | | | |
|----------|---|---|----|
| Schedule | 1 | - Net Position by Component, Last Ten Fiscal Years | 62 |
| Schedule | 2 | - Changes in Net Position, Last Ten Fiscal Years | 63 |
| Schedule | 3 | - Fund Balances of Governmental Funds, Last Ten Fiscal Years | 65 |
| Schedule | 4 | - Changes in Fund Balances, Governmental Funds, Last Ten Fiscal Years | 66 |

Schedules of Revenue Capacity Information

| | | | |
|----------|---|---|----|
| Schedule | 5 | - Taxable and Estimated Actual Value of Taxable Property, Last Ten Fiscal Years | 67 |
| Schedule | 6 | - Property Tax Rates Direct and Overlapping Governments, Last Ten Fiscal Years | 68 |
| Schedule | 7 | - Principal Property Taxpayers, Current Year and Nine Years Ago | 69 |
| Schedule | 8 | - Property Tax Levies and Collections, Last Ten Fiscal Years | 70 |

Schedules of Debt Capacity Information

| | | | |
|----------|----|---|----|
| Schedule | 9 | - Ratios of Outstanding Debt by Type, Last Ten Fiscal Years | 71 |
| Schedule | 10 | - Direct and Overlapping Governmental Activities Debt | 72 |
| Schedule | 11 | - Pledged Revenue Coverage, Last Ten Fiscal Years | 73 |

Schedules of Demographic and Economic Information

| | | | |
|----------|----|--|----|
| Schedule | 12 | - Demographic and Economic Statistics, Last Ten Calendar Years | 74 |
| Schedule | 13 | - Principal Employers, Current Year and Nine Years Ago | 75 |

Schedules of Operating Information

| | | | |
|----------|----|---|----|
| Schedule | 14 | - Full-time Equivalent City Government Employees by Function/Program, Last Ten Fiscal Years | 76 |
| Schedule | 15 | - Operating Indicators by Function/Program, Last Ten Fiscal Years | 77 |
| Schedule | 16 | - Capital Asset Statistics by Function/Program, Last Ten Fiscal Years | 78 |

OTHER REPORTS OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

| | |
|---|----|
| Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Governmental Auditing Standards</i> | 79 |
| Independent Auditor's Management Letter | 80 |
| Independent Auditor's Report Regarding Compliance Requirements in Rules of the Auditor General 10.556(10) | 82 |
| Independent Auditor's Report Regarding Rules of the Auditor General 10.557(3)(n) | 83 |

Section I

Introductory Section





CITY OF MADEIRA BEACH
300 MUNICIPAL DRIVE
MADEIRA BEACH, FL 33708
(727) 391-9951

April 11, 2016

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

The Comprehensive Annual Financial Report (CAFR) of the City of Madeira Beach for the fiscal year ended September 30, 2015, is hereby submitted. 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. The CAFR represents the official report of the City's financial position and operations to the citizens, Board of Commissioners, rating agencies, bond holders 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. Management believes the data as presented are accurate in all material respects; that the report is presented in a manner which fairly illustrates the financial activity of the various funds; and that all disclosures necessary to enable the reader to gain a complete understanding of the City's financial activities have been included.

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 was incorporated in 1947 with a Council-Manager form of government. The permanent resident population is 4,399, complemented by a visiting population of over 15,000 annual tourists.

The City of Madeira Beach provides a traditional range 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 Office for law enforcement. Pinellas County provides potable water, sanitary sewerage, solid waste disposal and treatment, and criminal justice systems.

Accounting Systems and Internal Control

To provide a reasonable basis for making the financial presentations, management maintains an internal control structure that provides reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition; that transactions are executed in accordance with management's authorization; and that transactions are recorded properly to facilitate preparation of financial statements in accordance with generally accepted accounting principles (GAAP). 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 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, Wells, Houser & Schatzel, P.A., whose opinion is included in the financial section of this report. The goal of the independent audit is to provide reasonable assurance that the financial statements are free of material misstatement. The independent audit involves 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 unmodified opinion that the City of Madeira Beach's financial statements for the fiscal year ended September 30, 2015, are fairly presented in conformity with GAAP.

Generally accepted accounting principles 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 audit report.

Budgetary Control

The annual budget serves as the foundation for the City's financial planning and control. Department directors are required to submit budget requests to the Assistant City Manager, who then develops the proposed budget based on additional direction from the City Manager. The City Manager is required by City Charter to present the proposed budget to the Board of Commissioners (BOC) prior to July 1. The BOC 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 BOC may, by resolution, make additional appropriations or transfer any unencumbered appropriation from any department to another department. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. The comparison is presented on pages 21-23 as part of the basic financial statements for governmental funds.

Local Economy

The information presented in the financial statements is perhaps best understood when 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 Madeira Beach.

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 fishing, shopping, 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.

Major Initiatives

Since the appointment of a new city manager in early 2012, the Board of Commissioners has provided direction to management to aggressively pursue numerous capital improvement projects. To facilitate this goal, the City abandoned its past practice of funding capital assets only with cash and has issued four phases of debt since October 2013, two of which were completed in the current reporting period. The City Centre campus reconstruction project has been completed, featuring a new city hall, fire station, recreation center, and various recreation amenities. The Stormwater Master Plan is underway, including identified drainage and roadway projects tentatively scheduled as follows:

| <u>Project</u> | <u>Fiscal year</u> | <u>Estimated project fund</u> |
|-----------------------|--------------------|-------------------------------|
| Boca Ciega Drive | 2016 | \$ 3,800,000 |
| Rex Place | 2016 | \$ 600,000 |
| Municipal Drive | 2016 | \$ 100,000 |
| American Legion Drive | 2016 | \$ 600,000 |
| Crystal Island | 2019 | \$ 4,200,000 |
| 137th Ave. | 2019 | \$ 700,000 |
| Point repairs | Annual | \$ 300,000 |
| Bayshore Drive | Unscheduled | Not funded |

City staff has worked closely with the business community to encourage private development over the last three years, and property values have steadily increased. The City's first commercial hotel opened in March 2015, adding to the infrastructure of motels and condominium rentals available along the beach. Other recent development projects have contributed to unprecedented building permit revenue and staff anticipates continued positive short-term growth.

Meanwhile, the Board of Commissioners has introduced millage rate increases, contributing to substantial increases in property tax revenue. Below is a summary of property tax revenue over the last four years:

| <u>Fiscal year</u> | <u>Millage rate</u> | <u>Estimated revenue</u> | <u>Percent change</u> |
|--------------------|---------------------|--------------------------|-----------------------|
| 2013 | 1.7900 | \$ 1,424,325 | |
| 2014 | 1.7900 | \$ 1,490,180 | 4.6% |
| 2015 | 1.9900 | \$ 1,726,100 | 15.8% |
| 2016 | 2.2000 | \$ 2,069,000 | 19.9% |

Despite the millage rate increases, Madeira Beach continues to operate on a competitive tax rate in relation to neighboring communities. Comparative millage rates among similar cities in Pinellas County are provided in the following table.

| <u>Municipality</u> | <u>FY 2016 millage rate</u> |
|----------------------------|-----------------------------|
| City of South Pasadena | 3.6250 |
| City of Treasure Island | 3.3368 |
| City of St. Pete Beach | 3.1500 |
| City of Madeira Beach | 2.2000 |
| City of Belleair Beach | 2.1414 |
| City of Indian Rocks Beach | 2.0000 |

Long-term Financial Planning

The City uses a five-year Capital Improvement Program (CIP), located in the budget document, to link the comprehensive annual financial report (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. Management then allocates funding plans for various capital needs based on direction from the Board of Commissioners. The CIP illustrates the City's desire to balance capital investment with cash preservation.

Relevant Financial Policies and Practices

The City's fund balance policy, adopted on September 8, 2015, is to maintain committed fund balance for an emergency storm response that is no less than 33% of General Fund operating expenditures. In addition, the City is to maintain a minimum unassigned balance equivalent to two months of annual General Fund operating expenditures. The respective balances are to be maintained not only in relation to the current period but also to that of each annual period within the five-year projections in the capital improvement program. Material one-time revenues shall not be used to fund ongoing expenditures.

The City was in compliance with its fund balance policy as of September 30, 2015.

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, 2014. This was the 17th consecutive year the City has received the 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 (CAFR). The report must satisfy generally accepted accounting principles, applicable legal requirements, and best practices established by GFOA. Management believes the current report also conforms to the Certificate of Achievement program's requirements.

Preparation of the CAFR relies on the diligent and professional efforts of everyone in the Finance Department. The year-end closing procedure was an arduous process involving tireless efforts by staff. The City's independent auditors, Wells, Houser & Schatzel, P.A., also contributed invaluable to the process by testing data integrity and internal controls.

Management believes the CAFR clearly illustrates the financial position of the City of Madeira Beach and thanks you for your support and commitment to valuing and preserving the City's financial condition.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Shane B. Crawford". The signature is written in a cursive, flowing style.

Shane B. Crawford
City Manager

A handwritten signature in black ink, appearing to read "Vincent M. Tenaglia". The signature is written in a cursive, flowing style.

Vincent M. Tenaglia
Assistant City Manager and 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, 2014

Executive Director/CEO

CITY OF MADEIRA BEACH, FLORIDA

Principal City Officials*

September 30, 2015

Elected:

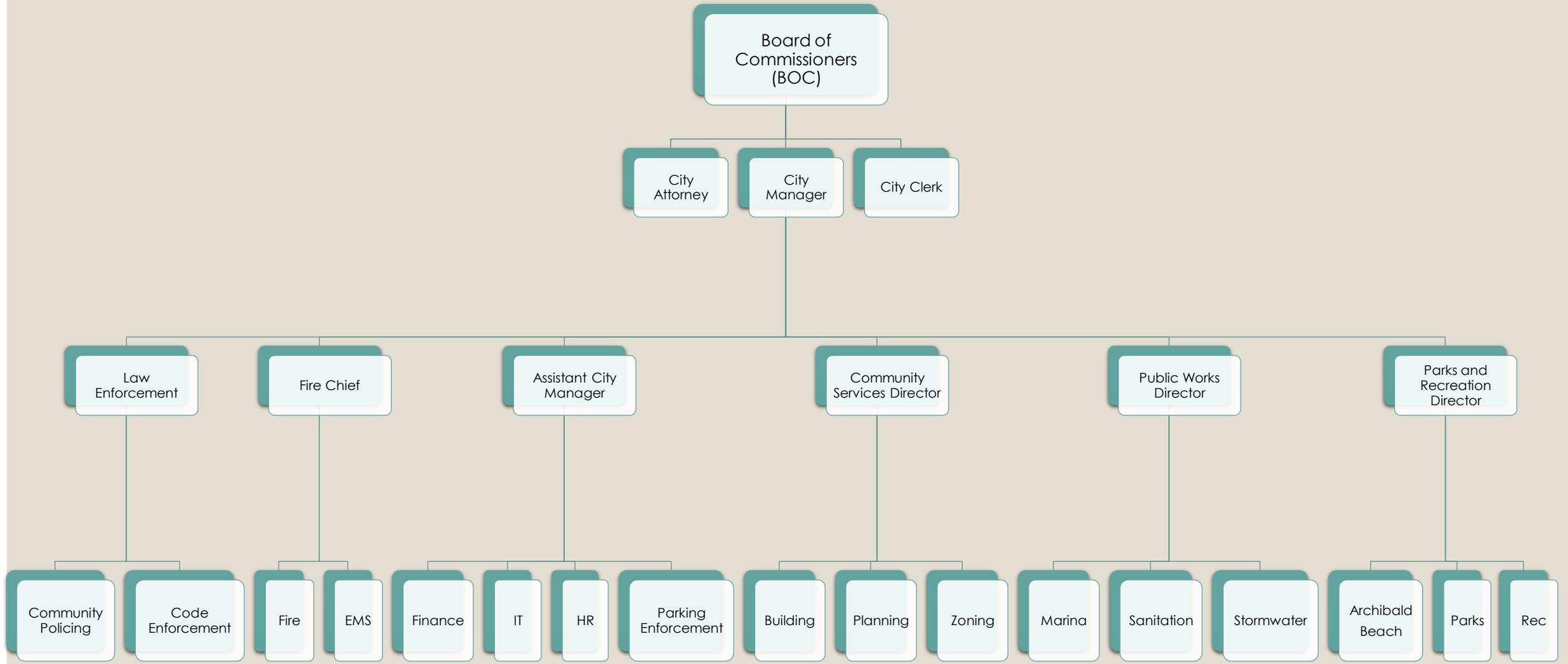
| | |
|--------------------------------------|------------------|
| Mayor: | Travis Palladeno |
| Commissioner, District 1: | Terry Lister |
| Commissioner, District 2: | Nancy Hodges |
| Commissioner, District 3: | Elaine Poe |
| Commissioner Vice Mayor, District 4: | Patricia Shontz |

Appointed:

| | |
|--|---------------------|
| City Manager: | Shane B. Crawford |
| City Attorney: | Thomas J. Trask |
| City Clerk: | Aimee Servedio |
| Assistant City Manager/Finance Director: | Vincent M. Tenaglia |

*Officials as of financial report date

THE CITY OF MADEIRA BEACH, FLORIDA
ORGANIZATIONAL CHART
SEPTEMBER 30, 2015



Section II

Financial Section



INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Board of Commissioners
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 the City of Madeira Beach, Florida, (the City) as of and for the year ended September 30, 2015, 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, 2015, and the respective changes in financial position, and, where applicable, cash flow thereof and the respective budgetary comparisons for the general fund, the local option sales tax fund, and the Archibald fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Change in Accounting Principle

As discussed in Note (1)(e) to the financial statements, in the fiscal year ended September 30, 2015, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. As a result of the implementation the City reported, as disclosed in Note

(4)(g), a restatement for the change in accounting principle as of October 1, 2014. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3-14 and the Schedule of Changes to the Net Pension Liability and Related Ratios on page 59 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 required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The accompanying Schedule of EMS Allowable Costs – Budget and Actual (page 60) and Schedule of Revenues and Expenditures – Deepwater Horizon Oil Spill (page 61) is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 11, 2016, 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 City's internal control over financial reporting and compliance.



Wells, Houser & Schatzel, P.A.
St. Petersburg, Florida
April 11, 2016

CITY OF MADEIRA BEACH, FLORIDA

Management's Discussion and Analysis

September 30, 2015 (Unaudited)

Management's discussion and analysis (MD&A) is designed to focus on significant financial issues and provide an overview of the City of Madeira Beach's financial activity for the fiscal year ended September 30, 2015. The MD&A is designed to focus on the current year's activities, resulting changes, and currently known facts. It should be read in conjunction with the transmittal letter (beginning on page iii), basic financial statements (beginning on page 15), and notes to the financial statements (beginning on page 28).

Overview of the Financial Statements and Financial Highlights:

The financial statements provide insight into the City of Madeira Beach's (the City's) ability to provide services and meet obligations, both now and in the future. Trends in assets, liabilities and net position illustrate the City's overall financial position, and can be evaluated to determine whether the City is better off or worse off as a result of its operations.

The financial statements include three components that should be considered together in order to gain a comprehensive understanding of the City's financial position: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

1. Government-wide Financial Statements:

The government-wide financial statements provide a broad overview of the City's finances, in a manner similar to the private sector. The statements can be found on pages 15-16 of this document, and include two different reports: the statement of net position and the statement of activities.

The **Statement of Net Position** presents information on *all* of the City's assets and liabilities. The difference between assets (plus deferred outflows of resources) and liabilities (plus deferred inflows of resources) is known in governmental accounting as net position. Analysis of net position requires evaluation of unrestricted and restricted net position as well as net investment in capital assets. The latter category represents the net assets being used by the City to provide goods and services to the community. As such, these assets are not readily available for spending without first being converted to financial resources. Restricted net assets represent those which are controlled by state statutes, enabling legislation, debt covenants, or other external requirements. The remaining balance is reported as unrestricted net position, which represents accumulated resources available to the City in meeting its obligations.

The **Statement of Activities** illustrates *how* the City's net position changed as a result of its operations during the fiscal year. This section categorizes City services by program and illustrates the extent to which various functions are subsidized by general tax revenues. Distinction is made between those operations which are expected to be supported by taxes (i.e., governmental activities) and those which are intended to recover their costs (i.e., business-type activities).

2. Fund Financial Statements:

In governmental accounting, a "fund" is a segregated group of related accounts used to ensure and demonstrate compliance with enabling legislation, legal requirements, or other financial administration goals and objectives. The City of Madeira Beach reports two types of funds: governmental and proprietary.

CITY OF MADEIRA BEACH, FLORIDA

Management's Discussion and Analysis

September 30, 2015 (Unaudited)

Governmental Funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements (e.g., public safety, parks and recreation, physical environment, and parking enforcement). However, unlike the government-wide financial statements, governmental fund financial statements focus on financial resources rather than economic resources. Financial resources represent those which may be used to meet near-term requirements. Economic resources, such as capital assets which cannot be quickly converted to finance near-term requirements, are excluded from governmental fund reporting. The narrower focus is intended to emphasize the use of spendable assets.

The long-term impact of the City's shorter-term financial activities can be analyzed by comparing governmental fund reporting to the government-wide statements. Both the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison.

As of September 30, 2015, the City maintained three governmental funds: the General Fund, Archibald Fund, and Local Option Sales Tax Fund. Each is considered a major fund for which appropriations are adopted annually. Budgetary comparison statements are provided in this report to demonstrate compliance with the legally adopted budget. Governmental fund financial statements begin on page 17.

Proprietary Funds as reported by the City of Madeira Beach include three enterprise funds: the Sanitation Fund, Stormwater Fund, and Marina Fund. These funds report the same functions and use the same basis of accounting as the business-type activities presented in the government-wide financial statements. Proprietary fund statements are located on pages 24-27.

3. Notes to the Financial Statements:

Notes to the financial statements provide additional information that is essential to gaining a full understanding of the data provided in the government-wide and fund financial statements. The notes begin on page 28 of this report.

Government-Wide Financial Analysis:

Governmental activities include \$3,010,000 borrowed to finance streetscaping beautification projects, while business-type activities include \$6,200,000 in new debt to finance stormwater drainage improvements. The financial statements also include net pension liability, recorded for the first time in accordance with new GASB 68 requirements. As a result, total liabilities and deferred inflows as of September 30, 2015 increased 145.6% over the prior year.

Total government-wide assets and deferred outflows increased 30.1%, primarily relating to capital improvements, but also resulting from two unusual activities which generated significant net assets. First, the City received a donated capital asset valued at \$1,226,845. Remember Our Children Park was constructed privately and ownership was subsequently transferred to the City. Second, the City agreed to a lawsuit settlement with BP relating to the 2010 Deepwater Horizon oil spill, generating net proceeds of \$579,793.

The individual components of net position shifted as a reflection of the City's capital improvement program as well as the new pension reporting. Restricted assets that had been set aside for infrastructure improvements were placed into service, and unrestricted net assets were utilized to fund several capital

CITY OF MADEIRA BEACH, FLORIDA

Management's Discussion and Analysis

September 30, 2015 (Unaudited)

projects. As such, net investment in capital assets increased 21.3% while restricted net position declined 6.5%. Unrestricted net position decreased by 11.6%, largely relating to the prior period pension adjustment. Ultimately, total net position increased from \$30,942,246 (as restated per GASB 68) to \$34,269,456.

The following tables present the condensed Statement of Net Position and Statement of Activities for the current year as compared to the previous year. More detailed information can be found on pages 15 and 16 of the basic financial statements.

City of Madeira Beach: Statement of Net Position

| | Governmental Activities | | Business-type Activities | | Totals | |
|--|--------------------------------|----------------------|---------------------------------|---------------------|----------------------|----------------------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| Current and other assets | \$ 12,670,784 | \$ 14,288,727 | \$ 8,847,853 | \$ 2,811,296 | \$ 21,518,637 | \$ 17,100,023 |
| Capital assets | 24,828,687 | 18,070,210 | 3,971,754 | 3,635,279 | 28,800,441 | 21,705,489 |
| Deferred outflows | <u>169,574</u> | <u>-</u> | <u>9,396</u> | <u>-</u> | <u>178,970</u> | <u>-</u> |
| Total assets and deferred outflows | <u>37,669,045</u> | <u>32,358,937</u> | <u>12,829,003</u> | <u>6,446,575</u> | <u>50,498,048</u> | <u>38,805,512</u> |
| Current and other liabilities | 434,038 | 1,248,877 | 170,707 | 307,515 | 604,745 | 1,556,392 |
| Long-term liabilities outstanding | 8,881,193 | 4,980,473 | 6,332,947 | 70,918 | 15,214,140 | 5,051,391 |
| Deferred inflows | <u>391,764</u> | <u>-</u> | <u>17,943</u> | <u>-</u> | <u>409,707</u> | <u>-</u> |
| Total liabilities and deferred inflows | <u>9,706,995</u> | <u>6,229,350</u> | <u>6,521,597</u> | <u>378,433</u> | <u>16,228,592</u> | <u>6,607,783</u> |
| Net assets: | | | | | | |
| Invested in capital assets | 17,176,826 | 13,799,242 | 3,971,754 | 3,635,279 | 21,148,580 | 17,434,521 |
| Restricted | 1,394,219 | 1,491,307 | - | - | 1,394,219 | 1,491,307 |
| Unrestricted | <u>9,391,005</u> | <u>10,839,038</u> | <u>2,335,652</u> | <u>2,432,863</u> | <u>11,726,657</u> | <u>13,271,901</u> |
| GASB 68 prior period adjustment | | <u>(1,189,570)</u> | | <u>(65,913)</u> | | <u>(1,255,483)</u> |
| Total net position | <u>\$ 27,962,050</u> | <u>\$ 24,940,017</u> | <u>\$ 6,307,406</u> | <u>\$ 6,002,229</u> | <u>\$ 34,269,456</u> | <u>\$ 30,942,246</u> |

City of Madeira Beach: Statement of Activities

| | Governmental Activities | | Business-type Activities | | Totals | |
|----------------------------------|--------------------------------|------------------|---------------------------------|------------------|-------------------|-------------------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 3,459,929 | \$ 3,144,831 | \$ 3,789,473 | \$ 3,678,838 | \$ 7,249,402 | \$ 6,823,669 |
| Operating grants & contributions | 6,626 | - | 3,300 | - | 9,926 | - |
| Capital grants & contributions | 1,768,069 | 230,813 | - | - | 1,768,069 | 230,813 |
| General revenues: | | | | | | |
| Property taxes | 1,758,259 | 1,490,180 | - | - | 1,758,259 | 1,490,180 |
| Franchise and utility taxes | 1,249,780 | 1,246,640 | - | - | 1,249,780 | 1,246,640 |
| Intergovernmental sources | 1,212,668 | 1,165,875 | - | - | 1,212,668 | 1,165,875 |
| Other | 147,443 | 269,864 | 39,636 | 19,731 | 187,079 | 289,595 |
| BP Settlement | 746,904 | - | - | - | 746,904 | - |
| Total revenues | <u>10,349,678</u> | <u>7,548,203</u> | <u>3,832,409</u> | <u>3,698,569</u> | <u>14,182,087</u> | <u>11,246,772</u> |

CITY OF MADEIRA BEACH, FLORIDA

Management's Discussion and Analysis

September 30, 2015 (Unaudited)

City of Madeira Beach: Statement of Activities (continued)

| | <u>Governmental Activities</u> | | <u>Business-type Activities</u> | | <u>Totals</u> | |
|---|--------------------------------|----------------------|---------------------------------|---------------------|----------------------|----------------------|
| | <u>2015</u> | <u>2014</u> | <u>2015</u> | <u>2014</u> | <u>2015</u> | <u>2014</u> |
| Expenses: | | | | | | |
| General government | \$ 2,455,360 | \$ 1,738,593 | - | - | \$ 2,455,360 | \$ 1,738,593 |
| Physical environment | 418,301 | 397,459 | - | - | 418,301 | 397,459 |
| Public safety | 2,564,285 | 2,419,548 | - | - | 2,564,285 | 2,419,548 |
| Culture and recreation | 1,441,765 | 1,226,418 | - | - | 1,441,765 | 1,226,418 |
| Parking | 255,765 | 266,139 | - | - | 255,765 | 266,139 |
| Sanitation | - | - | 1,178,884 | 1,120,079 | 1,178,884 | 1,120,079 |
| Stormwater | - | - | 476,227 | 455,957 | 476,227 | 455,957 |
| Marina | - | - | 1,872,121 | 2,095,009 | 1,872,121 | 2,095,009 |
| Interest an other fees on long-term debt | 192,169 | 522,578 | - | - | 192,169 | 522,578 |
| Total expenses | <u>7,327,645</u> | <u>6,570,735</u> | <u>3,527,232</u> | <u>3,671,045</u> | <u>10,854,877</u> | <u>10,241,780</u> |
| Increase (decrease) in net position before transfers and special items: | <u>3,022,033</u> | <u>977,468</u> | <u>305,177</u> | <u>27,524</u> | <u>3,327,210</u> | <u>1,004,992</u> |
| Transfers | - | 4,536,084 | - | (4,536,084) | - | - |
| Increase (decrease) in net position: | <u>3,022,033</u> | <u>5,513,552</u> | <u>305,177</u> | <u>(4,508,560)</u> | <u>3,327,210</u> | <u>1,004,992</u> |
| Net position: October 1 | <u>24,940,017</u> | <u>20,616,035</u> | <u>6,002,229</u> | <u>10,576,702</u> | <u>30,942,246</u> | <u>31,192,737</u> |
| GASB 68 prior period adjustment | | <u>(1,189,570)</u> | | <u>(65,913)</u> | | <u>(1,255,483)</u> |
| Net position: September 30 | <u>\$ 27,962,050</u> | <u>\$ 24,940,017</u> | <u>\$ 6,307,406</u> | <u>\$ 6,002,229</u> | <u>\$ 34,269,456</u> | <u>\$ 30,942,246</u> |

1. Governmental Activities:

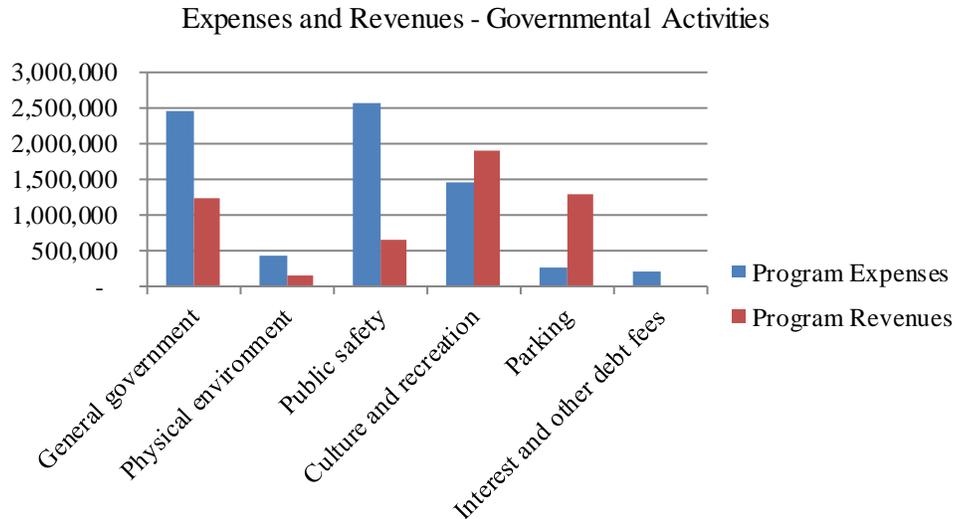
Management adjusted the specific allocation of charges for service revenue, such that two significant parking-related revenue items are reported as parking enforcement function revenue rather than culture and recreation. As a result, the City's parking function reported net program revenue of \$1,029,276 compared to just \$451,720 in the prior year. The culture and recreation function included a corresponding revenue decrease.

Though the financial performance of governmental activities was sufficient to increase net position by \$3,022,033, the City and its stakeholders should be aware that the net expense of governmental activities was mitigated by the impact of significant non-recurring events. General government function expenses included \$167,111 in legal fees associated with the BP lawsuit settlement, while culture and recreation program revenues included a capital contribution of \$1,226,845 relating to the donation of Remember Our Children Park. Controlling for these two factors, governmental activities would have generated net expenses of \$3,152,755 rather than \$2,093,021. Similarly, general revenues included significant non-recurring revenue resulting from the BP lawsuit. Absent the \$746,904 settlement, total general revenues for the period would have been \$4,368,150 rather than \$5,115,054. Had these one-time events not occurred, net position would have increased by \$1,215,395 rather than \$3,022,033.

CITY OF MADEIRA BEACH, FLORIDA

Management's Discussion and Analysis

September 30, 2015 (Unaudited)



2. Business-type Activities

Business-type activities generated net revenue of \$265,541 compared to only \$7,793 in the prior year. The increase was primarily due to the impact of a stormwater drainage fee, which generated a 93% increase in stormwater program revenue. The fee is intended to fund a multi-year series of drainage improvement projects, construction of which had not begun as of September 30, 2015.

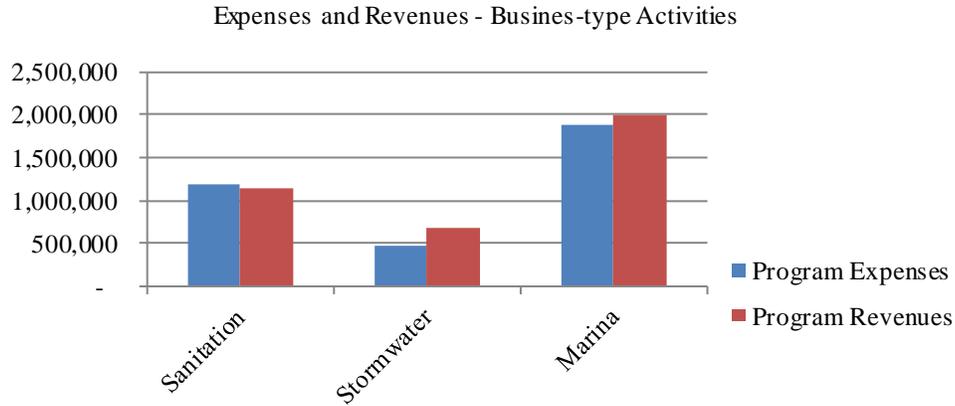
Sanitation services reported net expenses of \$48,674, driven almost exclusively by personnel management. A sanitation position was eliminated from the budget effective October 1, 2014, with the intent of modifying shifts and routes to accommodate the reduced staffing level. Instead, overtime costs and temporary contractual labor expenses soared and exceeded all planned estimates. Effective October 1, 2015, the position was reinstated.

The Marina continued to generate unprecedented net revenue, driven by fuel sales and the City's Ship Store commercial activity. The net revenue total of \$119,139 exceeded the prior year by 31.3%.

CITY OF MADEIRA BEACH, FLORIDA

Management’s Discussion and Analysis

September 30, 2015 (Unaudited)



Fund Statement Financial Analysis:

1. Governmental Funds

The progress of the City’s recent capital improvement activity is reflected in the total assets of governmental funds. Total assets declined 11.3% as the City continued to convert financial resources (i.e., cash and debt proceeds) to capital assets. The balance sheet does not include net governmental capital assets of \$24,828,687, which increased 37.4% from the prior year.

Governmental funds help illustrate any significant year-end events resulting in a spike in either current assets or current liabilities. For example, total assets included a receivable in the amount of \$322,516 relating to a grant reimbursement request, which increased the amount due from other governments by 235%. Similarly, the last day of the fiscal year coincided with an accounts payable check run, resulting in accrued expenditures declining by 45.7% compared to the prior year. Meanwhile, total liabilities at the close of the previous fiscal year included a significant progress payment associated with a major capital project. Accounts payable for the current period decreased 75.2%, as that previous liability had been cleared.

The net impact to total fund balance was a 7.3% decrease. The components of unrestricted fund balance (i.e., committed, assigned, and unassigned) shifted significantly; however, much of this change should be considered a temporary effect associated with the timing of various projects. Several capital project balances were re-budgeted to fiscal year 2016, with no associated encumbrances in place as of September 30, 2015. The assignment for purchase obligations declined 55.7%, which contributed to the unassigned fund balance increase of 38.7%. Upon commencement of the planned construction activity, unassigned fund balance will decline significantly.

As described previously, the treatment of governmental funds is perhaps the most unique feature of governmental financial reporting. The difference between assets and liabilities in a governmental fund is known as fund balance. Fund balance is a commonly used measure of a government’s available resources and liquidity. Designations are applied to various components of fund balance to describe the extent to

CITY OF MADEIRA BEACH, FLORIDA

Management's Discussion and Analysis

September 30, 2015 (Unaudited)

which resources may be limited.

Non-spendable fund balance items include inventories, prepaid accounts, and other resources that are inherently not easily convertible into financial resources. The City's non-spendable fund balance was \$406,626.

Restricted fund balance includes accounts and designations upon which restrictions have been externally imposed. The City's restricted balance includes resources of the Local Option Sales Tax Fund, which are governed by Pinellas County's *Penny for Pinellas* local option sales tax; the Archibald Fund, which is restricted by the National Park Service for parks and recreation purposes; and net building permit revenues, which are regulated by Florida Statutes. Restricted balance was \$921,874.

Committed fund balance includes resources set aside by the Board of Commissioners (BOC). These funds may only be spent upon authorization by the BOC, and have been reserved to meet the City's fund balance policy; to provide for future debt service flexibility (i.e., exercising call provisions); to fund future appropriations; and to account for remaining proceeds from the BP lawsuit settlement. Committed balance was \$2,932,975.

Assigned fund balance represents management's intended use of specific resources. The City's assigned balance includes reserves for existing purchase obligations, and funds to pay out vacation and sick leave benefits (i.e., compensated absences). The City's assigned balance was \$2,640,263.

Unassigned fund balance should be considered the City's most liquid resource available for appropriation. Trends in unassigned balance may reflect policy changes (e.g., intentionally building up or drawing down reserves), or planned and unplanned financial changes (i.e., budgetary imbalances). The City's unassigned balance is \$5,370,831.

1a. Governmental Fund Budgetary Highlights – General Fund:

The fiscal year 2015 budget included the first millage rate increase authorized since 1989. The Board of Commissioners approved a tax increase from 1.7900 to 1.9900 mills. Meanwhile, property values increased over 6%, resulting in a total property tax revenue increase of 18.0%.

Intergovernmental revenue increased 21.2% resulting from grant and shared funding sources. The City completed a capital project for which \$322,516 in reimbursement revenue was provided by the Florida Fish and Wildlife Conservation Commission. Similarly, Pinellas County contributed \$141,766 in matching revenue for streetscaping beautification projects, consistent with an interlocal agreement providing for up to \$3,299,410 in total funding through fiscal year 2019.

The City's Recreation Department experienced significant personnel changes. The new management team prioritized special events such as concerts and tournament play to the extent that event revenue increased from \$1,900 to \$24,485. This increase helped contribute to the 80.2% increase in miscellaneous revenue. Miscellaneous revenue also includes the effects of several non-recurring items. Amid the financial crisis beginning in late 2007, the State of Florida Surplus Trust Fund transferred 14% of its total portfolio into a restricted account designed to protect par value at the expense of providing liquidity. Fund participants, including the City of Madeira Beach, were distributed interest earnings over the course of several years as the underlying distressed assets matured. The final lump-sum installment of

CITY OF MADEIRA BEACH, FLORIDA

Management's Discussion and Analysis

September 30, 2015 (Unaudited)

these proceeds was received in fiscal year 2015 and classified as miscellaneous revenue to distinguish it from the current period's interest earnings.

Similarly, the City claimed reimbursement of prior year expenditures from its defined contribution retirement plan provider, following an unprecedented degree of employee turnover at the end of the prior fiscal year. The City maintains a "cliff" vesting program, in which employees reach vesting only upon completing five years of employment. As such, anyone who fails to attain the required years of service forfeits the City's entire retirement contribution. Miscellaneous revenue included \$19,146 in forfeiture reimbursements of this nature. Ultimately, total General Fund revenues increased 9.8% over the prior year.

Current expenditures increased 13.2%, largely as a result of personnel growth. The fiscal year 2015 budget included an increase of 4.55 full-time equivalent positions and several others were added via budget amendment throughout the year. Although the City contracts with Pinellas County Sheriff's Office for law enforcement service, the City added two full-time community policing deputies in fiscal year 2015, at a total cost of nearly \$200,000 annually.

Total General Fund expenditures far surpassed total revenues, resulting from the significant degree of capital expenditures incurred. Total capital outlay of \$5,734,730 included the completion of the City Centre project. Similar capital outlay expenditures were incurred in the prior year, but were offset by other financing sources such as transfers and debt. Although the City did issue additional debt in fiscal year 2015, it was not sufficient to balance the difference between revenues and expenditures. As such, fund balance declined by \$826,923.

While the overarching change to fund balance is consistent with the City's financial plan, individual items within the budget did not necessarily align with staff estimates. Such variances may be considered of two types: estimated revenue and expenditure revisions from the adopted to final budget; and deviation of actual results compared to the final budget.

Revisions from adopted to final budget:

The Board of Commissioners adopted 26 total budget amendments in fiscal year 2015, which reflects the nature by which the City has pursued new services and projects under the current administration. The General Fund functions impacted most significantly included the following:

Intergovernmental revenue: The final budget was revised to remove \$464,479 from planned revenue, relating to matching grants for which the corresponding expenditure budgets were re-appropriated to fiscal year 2016.

City Manager's Office expenditures: The City Manager requested additional appropriations of \$227,811 for the following items: legal fees relating to the BP lawsuit settlement (\$167,111), special events (\$20,000), internal legal fees (\$30,000), and outsourced grant-writing services (\$10,700).

Recreation expenditures: The General Fund budgetary comparison statement indicates a reduction of \$80,200 from the Recreation Department budget, which is misleading without further context. Funding throughout the year was not reduced but was largely transferred from Recreation operating expenditure accounts to Recreation capital outlay accounts. The capital outlay function includes \$77,700 in

CITY OF MADEIRA BEACH, FLORIDA

Management's Discussion and Analysis

September 30, 2015 (Unaudited)

corresponding additional expenditure appropriations from the Recreation Department.

Capital outlay: Additional appropriations include \$51,548 which is the net result of the following:

- Capital projects re-budgeted from fiscal year 2014 (i.e., added to the fiscal year 2015 budget)
- Capital projects re-budgeted to fiscal year 2016 (i.e., removed from the fiscal year 2015 budget)
- Appropriations from fund balance in the current period (e.g., unplanned projects and change orders)
- Intra-departmental transfers from operating accounts to capital outlay accounts

| | <u>FY 2014 Reductions</u> | <u>FY 2015 Additions</u> | <u>FY 2015 Reductions</u> | <u>FY 2016 Additions</u> |
|--|---------------------------|--------------------------|---------------------------|--------------------------|
| Re-budgeted projects: | | | | |
| City Centre construction | (45,735) | 45,735 | (48,370) | 48,370 |
| Gulf Blvd. improvements | (11,696) | 11,696 | (1,335,373) | 1,335,373 |
| Lighting installation at Village Blvd. | (9,294) | 9,294 | (11,700) | 11,700 |
| Marina dock construction | (319,141) | 319,141 | - | - |
| Monument signs | (125,000) | 125,000 | - | - |
| Transient dock construction | (12,695) | 12,695 | - | - |
| Appropriations from fund balance: | | | | |
| Cloud server migration | | 156,639 | | |
| City Centre construction | | 345,655 | | |
| Building permit software implementation | | 71,103 | | |
| Landscape and median improvements | | 260,833 | | |
| Intra-departmental transfers from operating accounts: | | | | |
| From Non-Departmental | | 11,500 | | |
| From Recreation | | 77,700 | | |
| Total: | <u>(523,561)</u> | <u>1,446,992</u> | <u>(1,395,444)</u> | <u>1,395,444</u> |
| Net fiscal year 2015 change | | | <u><u>51,548</u></u> | |

Deviation of actual results:

Expenditures exceeded appropriations in three General Fund departments: Community Development, Non-Departmental, and Parks.

Community Development: Special magistrate invoices dating back to the prior fiscal year were submitted by the vendor after September 30. Payments relating to these invoices resulted in expenditures over budget by 2.4%.

Non-Departmental: Utility expenditures increased significantly over the prior year due to the installation of multiple unplanned water features at the new City Centre facilities, including a splash pad and memorial fountain. Total expenditures exceeded final appropriations by 2.4%.

Parks: Unplanned expenditures include similar utility costs as incurred by the Non-Departmental function. Water utility expenditures exceeded the budget by \$16,101. Final departmental costs exceeded the budget by 4.8%.

While all other General Fund department expenditures were within budget, there remain several significant variances with respect to the final budget:

CITY OF MADEIRA BEACH, FLORIDA

Management's Discussion and Analysis

September 30, 2015 (Unaudited)

License and permit revenue: Estimated building permit revenue was based primarily on residential development trends, due to the uncertain nature of commercial activity. Yet several condominium projects commenced during the fiscal year and building permit revenue far surpassed staff estimates, exceeding the original budget by \$158,082.

Parking enforcement revenue: Parking activity continued to experience tremendous growth despite hourly rate increases. Budgeted revenue estimates assumed revenue would decline marginally, as rate increases implemented during the prior fiscal year took effect. Instead, revenue increased substantially, exceeding the budget by \$268,541.

Miscellaneous revenue: Non-recurring events described previously caused revenue to exceed budgeted estimates by \$133,883.

City Clerk's Office expenditures: The City Clerk's Office budget included a full-time position that was never filled. Instead, the requested services were outsourced and allocated to several other General Fund departments. The City Clerk's Office ended the year \$56,689 under budget as a result.

Parking enforcement expenditures: The parking enforcement function was slightly restructured to control personnel costs. Part-time hours were reduced and ultimately eliminated from the subsequent year's budget. Final expenditures were under budget by \$47,622.

2. Proprietary Funds

The City's proprietary fund statements provide the same type of information located in the government-wide financial statements, using the same basis of accounting. While fund balance is emphasized in governmental fund reporting, unrestricted net position should be considered the focal point for analysis of proprietary fund financial statements. Total net position of proprietary funds increased 3.9% resulting from the capital improvement initiatives described throughout this report.

Total current assets increased 186.1% from the prior year, which included restricted cash and cash equivalents of \$6,148,664 generated by the August 2015 Stormwater Fund revenue bond. Corresponding long-term liabilities increased 1,271% because the enterprise funds carried no previous external debt. Current liabilities increased 62.1% due to the new Stormwater debt service obligations; principal and interest totaling \$344,000 was due to be paid on October 1, 2015.

Net investment in capital assets increased 9.3% driven by the Sanitation and Stormwater Funds. Sanitation vehicles include a new packer truck acquired in fiscal year 2015, while Stormwater improvements and construction in progress both increased relating to pre-construction phases of drainage improvement projects.

Marina Fund unrestricted net position was positive for the first time since September 30, 2010, which reflects the growth in sales activity since construction of the Ship Store facility in 2011. The following table is a summary of Marina Fund operating income since the Ship Store opened:

CITY OF MADEIRA BEACH, FLORIDA

Management's Discussion and Analysis

September 30, 2015 (Unaudited)

| Fiscal Year | Operating Income |
|-------------|------------------|
| 2011 | \$ (28,752) |
| 2012 | \$ (2,311) |
| 2013 | \$ 74,610 |
| 2014 | \$ 103,843 |
| 2015 | \$ 130,179 |

Capital Assets and Debt Administration:

1. Capital Assets

The chart below illustrates the impact of the City's capital improvement policy initiatives discussed throughout this report. Several major projects were completed during fiscal year 2015, contributing to an 80.4% reduction to construction in progress and a \$12,698,246 increase to buildings and improvements. Additional details are available in the notes to the financial statements.

| | Governmental activities | | Business-type activities | | Totals | |
|-----------------------------------|-------------------------|---------------|--------------------------|--------------|---------------|---------------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| Land | \$ 2,784,675 | \$ 2,784,675 | \$ - | \$ - | \$ 2,784,675 | \$ 2,784,675 |
| Buildings | 7,836,379 | 150,400 | 423,567 | 440,726 | 8,259,946 | 591,126 |
| Improvements other than buildings | 11,941,796 | 7,124,367 | 2,739,989 | 2,527,992 | 14,681,785 | 9,652,359 |
| Vehicles and equipment | 1,142,901 | 809,079 | 451,445 | 335,622 | 1,594,346 | 1,144,701 |
| Construction in progress | 1,122,936 | 7,201,689 | 356,753 | 330,939 | 1,479,689 | 7,532,628 |
| Total | \$ 24,828,687 | \$ 18,070,210 | \$ 3,971,754 | \$ 3,635,279 | \$ 28,800,441 | \$ 21,705,489 |

2. Long-term Debt

The notes to the financial statements include a detailed listing of long-term liabilities beginning on page 42. Below is a summary of the City's debt schedule as of September 30, 2015:

| Description | Date issued | Principal borrowed | Scheduled total interest due | Final maturity |
|-----------------------------------|-------------|--------------------|------------------------------|----------------|
| Capital improvement revenue bonds | 10/24/2013 | \$ 4,760,000 | \$ 4,173,376 | 10/1/2043 |
| Interlocal payments revenue bond | 11/14/2014 | \$ 3,010,000 | \$ 139,572 | 5/1/2019 |
| Stormwater system revenue bond | 8/14/2015 | \$ 6,200,000 | \$ 1,381,906 | 10/1/2030 |
| Total | | \$ 13,970,000 | \$ 5,694,854 | |

Next Year's Budget and Rates:

Management identified fund balance concerns as the top priority in developing the fiscal year 2016 budget. As such, the Board of Commissioners adopted a formal fund balance policy in concert with the budget development process. The millage rate was increased from 1.9900 to 2.2000, which, together with an 8.5% estimated property value increase, was sufficient to generate \$342,900 in new estimated revenue. The BOC committed specific funds for the preservation of long-term flexibility, including \$192,000 set aside to potentially call back outstanding debt, and \$191,900 for future appropriations.

CITY OF MADEIRA BEACH, FLORIDA

Management's Discussion and Analysis

September 30, 2015 (Unaudited)

The parking rate was increased from \$1.50/hour to \$2.00/hour across all citywide parking lots. The rate increase was designed to take advantage of the growth in tourism experienced by the City over the last several years. General Fund parking enforcement revenue is estimated at \$1,573,800 for fiscal year 2016.

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 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 Assistant City Manager at 300 Municipal Drive, Madeira Beach, Florida 33708.

CITY OF MADEIRA BEACH, FLORIDA
Statement of Net Position
September 30, 2015

| | Primary Government | | |
|---|------------------------------------|-------------------------------------|-------------------|
| | Governmental Activities | Business-type Activities | Total |
| Assets | | | |
| Cash and cash equivalents | \$ 1,937,026 | 1,898,414 | 3,835,440 |
| Investments | 6,436,081 | 828,257 | 7,264,338 |
| Accounts receivable, net | 156,201 | 9,460 | 165,661 |
| Internal balances | 398,282 | (398,282) | - |
| Due from other governments, net | 422,101 | 258,435 | 680,536 |
| Inventories | 874 | 57,387 | 58,261 |
| Prepaid items | 7,470 | 5,050 | 12,520 |
| Restricted assets: | | | |
| Cash and cash equivalents | - | 40,468 | 40,468 |
| Cash and cash equivalents, bond debt service | 366,407 | 870 | 367,277 |
| Investments, bond proceeds | 2,946,342 | 6,147,794 | 9,094,136 |
| Capital assets (not depreciable): | | | |
| Land | 2,784,675 | - | 2,784,675 |
| Construction in progress | 1,122,936 | 356,753 | 1,479,689 |
| Capital assets (depreciable, net): | | | |
| Buildings | 7,836,379 | 423,567 | 8,259,946 |
| Improvements other than buildings | 11,941,796 | 2,739,989 | 14,681,785 |
| Vehicles and equipment | 1,142,901 | 451,445 | 1,594,346 |
| Total assets | <u>37,499,471</u> | <u>12,819,607</u> | <u>50,319,078</u> |
| Deferred outflows of resources | | | |
| Pension related | <u>169,574</u> | <u>9,396</u> | <u>178,970</u> |
| Total assets and deferred outflows of resources | <u>\$ 37,669,045</u> | <u>12,829,003</u> | <u>50,498,048</u> |
| Liabilities | | | |
| Accounts payable and other current liabilities | \$ 316,765 | 130,239 | 447,004 |
| Accrued interest payable | 103,756 | - | 103,756 |
| Unearned revenue | 13,517 | - | 13,517 |
| Liabilities payable from restricted assets | - | 40,468 | 40,468 |
| Noncurrent liabilities: | | | |
| Due within one year | 304,197 | 350,297 | 654,494 |
| Due in more than one year | 7,651,316 | 5,931,359 | 13,582,675 |
| Net pension liability | 925,680 | 51,291 | 976,971 |
| Total liabilities | <u>9,315,231</u> | <u>6,503,654</u> | <u>15,818,885</u> |
| Deferred Inflows of Resources | | | |
| Pension related | 323,831 | 17,943 | 341,774 |
| Local business tax - future year | 55,943 | - | 55,943 |
| Rental inspections - future year | 11,990 | - | 11,990 |
| Total deferred inflows of resources | <u>391,764</u> | <u>17,943</u> | <u>409,707</u> |
| Total liabilities and deferred inflows of resources | <u>9,706,995</u> | <u>6,521,597</u> | <u>16,228,592</u> |
| Net Position | | | |
| Net investment in capital assets | 17,176,826 | 3,971,754 | 21,148,580 |
| Restricted for: | | | |
| Capital acquisitions and improvements | 633,299 | - | 633,299 |
| Building Fund | 166,100 | - | 166,100 |
| BP settlement | 452,123 | - | 452,123 |
| Parks and Recreation | 131,431 | - | 131,431 |
| Transportation impact fee reserve | 11,266 | - | 11,266 |
| Unrestricted | <u>9,391,005</u> | <u>2,335,652</u> | <u>11,726,657</u> |
| Total net position | <u>27,962,050</u> | <u>6,307,406</u> | <u>34,269,456</u> |
| Total liabilities, deferred inflows of resources, and net position | <u>\$ 37,669,045</u> | <u>12,829,003</u> | <u>50,498,048</u> |

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, 2015

| 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 | \$ 2,455,360 | 911,866 | 5,471 | 322,516 | (1,215,507) | - | (1,215,507) |
| Physical environment | 418,301 | 336 | - | 141,766 | (276,199) | - | (276,199) |
| Public safety | 2,564,285 | 626,273 | - | 30,692 | (1,907,320) | - | (1,907,320) |
| Culture and recreation | 1,441,765 | 636,413 | 1,155 | 1,273,095 | 468,898 | - | 468,898 |
| Parking | 255,765 | 1,285,041 | - | - | 1,029,276 | - | 1,029,276 |
| Interest and other fees on long term debt | 192,169 | - | - | - | (192,169) | - | (192,169) |
| Total governmental activities | 7,327,645 | 3,459,929 | 6,626 | 1,768,069 | (2,093,021) | - | (2,093,021) |
| Business-type activities: | | | | | | | |
| Sanitation | 1,178,884 | 1,126,910 | 3,300 | - | - | (48,674) | (48,674) |
| Stormwater | 476,227 | 671,303 | - | - | - | 195,076 | 195,076 |
| Marina | 1,872,121 | 1,991,260 | - | - | - | 119,139 | 119,139 |
| Total business-type activities | 3,527,232 | 3,789,473 | 3,300 | - | - | 265,541 | 265,541 |
| Total primary government | \$ 10,854,877 | 7,249,402 | 9,926 | 1,768,069 | (2,093,021) | 265,541 | (1,827,480) |
| General revenues: | | | | | | | |
| Taxes: | | | | | | | |
| Property taxes | | | | | \$ 1,758,259 | - | 1,758,259 |
| Franchise taxes | | | | | 527,772 | - | 527,772 |
| Utility taxes | | | | | 722,008 | - | 722,008 |
| Intergovernmental revenues: | | | | | | | |
| Local option gas tax | | | | | 60,523 | - | 60,523 |
| Local option sales tax | | | | | 412,999 | - | 412,999 |
| Communications services tax | | | | | 244,507 | - | 244,507 |
| Half-cent sales tax, unrestricted | | | | | 260,469 | - | 260,469 |
| State revenue sharing, unrestricted | | | | | 211,515 | - | 211,515 |
| Alcoholic beverage license tax, unrestricted | | | | | 20,006 | - | 20,006 |
| Motor fuel tax | | | | | 2,649 | - | 2,649 |
| Local business tax receipts | | | | | 71,842 | - | 71,842 |
| Investment earnings | | | | | 20,966 | 777 | 21,743 |
| Miscellaneous revenues | | | | | 49,415 | 10,648 | 60,063 |
| Gain on disposal of capital assets | | | | | 5,220 | 28,211 | 33,431 |
| BP Settlement | | | | | 746,904 | - | 746,904 |
| Total general revenues and transfers | | | | | 5,115,054 | 39,636 | 5,154,690 |
| Change in net position | | | | | 3,022,033 | 305,177 | 3,327,210 |
| Net position - beginning | | | | | 26,129,587 | 6,068,142 | 32,197,729 |
| Prior period adjustment | | | | | (1,189,570) | (65,913) | (1,255,483) |
| Net position - beginning as restated | | | | | 24,940,017 | 6,002,229 | 30,942,246 |
| Net position - ending | | | | | \$ 27,962,050 | 6,307,406 | 34,269,456 |

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

CITY OF MADEIRA BEACH, FLORIDA

**Balance Sheet
Governmental Funds
September 30, 2015**

| | General Fund | Local Option Sales Tax Fund | Archibald Fund | Total Governmental Funds |
|---|-------------------------|--|---------------------------|---|
| Assets | | | | |
| Cash and cash equivalents | \$ 2,116,798 | 47,808 | 138,827 | 2,303,433 |
| Investments | 8,811,556 | 570,867 | - | 9,382,423 |
| Accounts receivable, net | 154,995 | - | 1,206 | 156,201 |
| Advance to other funds | 398,282 | - | - | 398,282 |
| Due from other governments, net | 394,977 | 27,124 | - | 422,101 |
| Inventories | 874 | - | - | 874 |
| Prepaid items | 7,440 | - | 30 | 7,470 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total assets | \$ 11,884,922 | 645,799 | 140,063 | 12,670,784 |
| Liabilities, Deferred Inflows of Resources and Fund Balances | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 178,161 | 12,500 | 697 | 191,358 |
| Accrued expenditures | 117,472 | - | 7,935 | 125,407 |
| Unearned revenue | 13,517 | - | - | 13,517 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total liabilities | 309,150 | 12,500 | 8,632 | 330,282 |
| Deferred inflows of resources: | | | | |
| Local business tax - future year | 55,943 | - | - | 55,943 |
| Rental inspection - future year | 11,990 | - | - | 11,990 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total deferred inflows of resources | 67,933 | - | - | 67,933 |
| Fund balances: | | | | |
| Nonspendable: | | | | |
| Inventories | 874 | - | - | 874 |
| Prepaid items | 7,440 | - | 30 | 7,470 |
| Advance due to other funds | 398,282 | - | - | 398,282 |
| Restricted: | | | | |
| Capital acquisitions and improvements | - | 633,299 | - | 633,299 |
| Transportation impact fee reserve | 11,266 | - | - | 11,266 |
| Parks and Recreation | - | - | 111,209 | 111,209 |
| Building Fund | 166,100 | - | - | 166,100 |
| Committed: | | | | |
| Emergency reserve | 2,096,952 | - | - | 2,096,952 |
| BP settlement | 452,123 | - | - | 452,123 |
| Debt service | 192,000 | - | - | 192,000 |
| Future appropriations | 191,900 | - | - | 191,900 |
| Assigned: | | | | |
| Purchase obligations | 2,398,286 | - | - | 2,398,286 |
| Compensated absences | 221,785 | - | 20,192 | 241,977 |
| Unassigned | 5,370,831 | - | - | 5,370,831 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total fund balances | 11,507,839 | 633,299 | 131,431 | 12,272,569 |
| Total liabilities, deferred inflows of resources and fund balances | \$ 11,884,922 | 645,799 | 140,063 | 12,670,784 |

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

CITY OF MADEIRA BEACH, FLORIDA
Reconciliation of the Balance Sheet
to the Statement of Net Position
For the Year Ended September 30, 2015

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

| | | |
|---|--------------------|-----------------------------|
| Fund balances- total governmental funds | | \$ 12,272,569 |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds: | | |
| Governmental capital assets | \$ 33,349,070 | |
| Less accumulated depreciation | <u>(8,520,383)</u> | 24,828,687 |
| Pension related items recognized pursuant to GASB 68 are not reported in the governmental funds but will be recognized in pension expense on a long-term basis and therefore reports in the Statement of Net Position | | |
| Net pension liability | (925,680) | |
| Deferred outflows of resources - pension related | 169,574 | |
| Deferred inflows of resources - pension related | <u>(323,831)</u> | (1,079,937) |
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds: | | |
| Bonds payable, net of bond discount | (7,651,861) | |
| Accrued interest payable | (103,756) | |
| Compensated absences | (241,977) | |
| Other post-employment benefits | <u>(61,675)</u> | <u>(8,059,269)</u> |
| Net position of governmental activities | | \$ <u><u>27,962,050</u></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, 2015

| | <u>General Fund</u> | <u>Local Option Sales Tax Fund</u> | <u>Archibald Fund</u> | <u>Total Governmental Funds</u> |
|--|-------------------------|--|---------------------------|---|
| Revenues | | | | |
| Taxes: | | | | |
| Property taxes | \$ 1,758,259 | - | - | 1,758,259 |
| Franchise taxes | 527,772 | - | - | 527,772 |
| Utility taxes | 722,008 | - | - | 722,008 |
| Licenses and permits | 452,182 | - | - | 452,182 |
| Intergovernmental revenue | 1,957,982 | 412,999 | - | 2,370,981 |
| Charges for services | 436,059 | - | 315,267 | 751,326 |
| Parking enforcement | 1,285,041 | - | - | 1,285,041 |
| Fines and forfeitures | 159,890 | - | - | 159,890 |
| Investment earnings | 20,418 | 548 | - | 20,966 |
| Miscellaneous revenue | 322,283 | - | - | 322,283 |
| | <u>7,641,894</u> | <u>413,547</u> | <u>315,267</u> | <u>8,370,708</u> |
| Total revenues | | | | |
| Expenditures | | | | |
| Current: | | | | |
| General government | 2,149,840 | - | - | 2,149,840 |
| Physical environment | 306,922 | - | - | 306,922 |
| Public safety | 2,518,423 | - | - | 2,518,423 |
| Culture and recreation | 887,025 | - | 193,279 | 1,080,304 |
| Parking | 243,278 | - | - | 243,278 |
| Debt service: | | | | |
| Cost of issuance | 63,393 | - | - | 63,393 |
| Principal | 100,000 | - | - | 100,000 |
| Interest | 228,980 | - | - | 228,980 |
| Capital outlay: | | | | |
| General government | 5,607,566 | 660,072 | 21,077 | 6,288,715 |
| Physical environment | - | - | - | - |
| Public safety | 40,724 | - | - | 40,724 |
| Culture and recreation | 86,440 | - | - | 86,440 |
| | <u>12,232,591</u> | <u>660,072</u> | <u>214,356</u> | <u>13,107,019</u> |
| Total expenditures | | | | |
| Excess (deficiency) of revenues over expenditures | <u>(4,590,697)</u> | <u>(246,525)</u> | <u>100,911</u> | <u>(4,736,311)</u> |
| Other Financing Sources (Uses) | | | | |
| Debt proceeds | 3,010,000 | - | - | 3,010,000 |
| Proceeds from sale of capital assets | 6,870 | - | - | 6,870 |
| BP settlement | 746,904 | - | - | 746,904 |
| | <u>3,763,774</u> | <u>-</u> | <u>-</u> | <u>3,763,774</u> |
| Total other financing sources | | | | |
| Net change in fund balances | (826,923) | (246,525) | 100,911 | (972,537) |
| Fund balances - beginning | <u>12,334,762</u> | <u>879,824</u> | <u>30,520</u> | <u>13,245,106</u> |
| Fund balances - ending | <u>\$ 11,507,839</u> | <u>633,299</u> | <u>131,431</u> | <u>12,272,569</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, 2015

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

| | | |
|--|----|-----------|
| Net change in fund balances - total governmental funds | \$ | (972,537) |
|--|----|-----------|

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 | \$ 6,415,879 | | |
| Current year depreciation | <u>(839,295)</u> | | 5,576,584 |

Governmental funds report the proceeds from the sale of capital assets as an other revenue source. However in the Statement of Activities the gain is included in General Revenues and the loss is included in direct expenses.

| | | | |
|--|-----------------|--|----------|
| Proceeds from the sale of capital assets | (6,870) | | |
| Gain on disposal of capital assets | 5,220 | | |
| Loss on disposal of capital assets | <u>(43,302)</u> | | (44,952) |

| | | |
|---|--|-------------|
| The issuance of long-term debt provides current financial resources to governmental funds; however, are reported as long-term debt in the Statement of Net Position | | (3,010,000) |
|---|--|-------------|

| | | |
|--|--|---------|
| Repayment of bond principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities in the Statement of Net Position | | 100,000 |
|--|--|---------|

| | | |
|---|--|-----------|
| The in-kind donation of capital assets increases capital assets in the Statement of Net Position and is recognized as a capital donation in the Statement of Activities | | 1,226,845 |
|---|--|-----------|

Some expenses reported in the Statement of Activities do not require the use of current financial resources, and therefore, are not reported as expenditure in governmental funds:

| | | | |
|--|----------------|--|----------------|
| Compensated absences | (54,177) | | |
| Other post-employment benefits | (9,567) | | |
| Amortization of bond discount | (1,296) | | |
| Pension expense - GASB 68 | 109,633 | | |
| Accrued interest expense on long-term debt | <u>101,500</u> | | <u>146,093</u> |

| | | |
|---|----|-------------------------|
| Change in net position of governmental activities | \$ | <u><u>3,022,033</u></u> |
|---|----|-------------------------|

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

CITY OF MADEIRA BEACH, FLORIDA
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2015

| | <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 | | | | |
| Taxes: | | | | |
| Property tax | \$ 1,726,100 | 1,726,100 | 1,758,259 | 32,159 |
| Franchise tax | 492,500 | 492,500 | 527,772 | 35,272 |
| Utility tax | 707,700 | 707,700 | 722,008 | 14,308 |
| Licenses and permits | 294,100 | 294,100 | 452,182 | 158,082 |
| Intergovernmental revenue | 2,376,200 | 1,911,721 | 1,957,982 | 46,261 |
| Charges for services | 484,900 | 484,900 | 436,059 | (48,841) |
| Parking enforcement | 1,016,500 | 1,016,500 | 1,285,041 | 268,541 |
| Fines and forfeitures | 148,000 | 148,000 | 159,890 | 11,890 |
| Investment earnings | 15,000 | 15,000 | 20,418 | 5,418 |
| Miscellaneous revenue | 188,400 | 188,400 | 322,283 | 133,883 |
| Total revenues | <u>7,449,400</u> | <u>6,984,921</u> | <u>7,641,894</u> | <u>656,973</u> |
| Expenditures | | | | |
| General government: | | | | |
| City Manager | 448,100 | 675,911 | 652,701 | (23,210) |
| Community Development | 419,800 | 440,259 | 450,926 | 10,667 |
| Finance | 395,637 | 397,137 | 388,816 | (8,321) |
| City Clerk/Commission | 346,500 | 348,000 | 291,311 | (56,689) |
| Non-Departmental | 371,987 | 357,400 | 366,086 | 8,686 |
| Total general government | <u>1,982,024</u> | <u>2,218,707</u> | <u>2,149,840</u> | <u>(68,867)</u> |
| Physical environment: | | | | |
| Central Services | 311,800 | 311,800 | 306,922 | (4,878) |
| Total physical environment | <u>311,800</u> | <u>311,800</u> | <u>306,922</u> | <u>(4,878)</u> |
| Public safety: | | | | |
| Fire | 1,379,400 | 1,380,406 | 1,316,523 | (63,883) |
| Law Enforcement | 1,172,100 | 1,205,100 | 1,201,900 | (3,200) |
| Total public safety | <u>2,551,500</u> | <u>2,585,506</u> | <u>2,518,423</u> | <u>(67,083)</u> |
| Culture and recreation: | | | | |
| Parks | 202,500 | 202,500 | 212,512 | 10,012 |
| Recreation | 656,500 | 576,300 | 560,639 | (15,661) |
| John's Pass Village | 126,700 | 126,700 | 113,874 | (12,826) |
| Total culture and recreation | <u>985,700</u> | <u>905,500</u> | <u>887,025</u> | <u>(18,475)</u> |
| Parking enforcement: | | | | |
| Parking | 290,900 | 290,900 | 243,278 | (47,622) |
| Total physical environment | <u>290,900</u> | <u>290,900</u> | <u>243,278</u> | <u>(47,622)</u> |
| Capital Outlay | 7,942,162 | 7,993,710 | 5,734,730 | (2,258,980) |
| Debt Service | 406,800 | 406,800 | 392,373 | (14,427) |
| Total expenditures | <u>14,470,886</u> | <u>14,712,923</u> | <u>12,232,591</u> | <u>(2,480,332)</u> |
| Excess (deficiency) of revenues over expenditures | <u>(7,021,486)</u> | <u>(7,728,002)</u> | <u>(4,590,697)</u> | <u>3,137,305</u> |
| Other Financing Sources (Uses) | | | | |
| Debt proceeds | 2,955,000 | 2,955,000 | 3,010,000 | 55,000 |
| BP settlement | - | 746,904 | 746,904 | - |
| Interfund payable | 29,000 | 29,000 | - | (29,000) |
| Proceeds from sale of capital assets | - | - | 6,870 | 6,870 |
| Total other financing sources (uses) | <u>2,984,000</u> | <u>3,730,904</u> | <u>3,763,774</u> | <u>32,870</u> |
| Net change in fund balances | <u>(4,037,486)</u> | <u>(3,997,098)</u> | <u>(826,923)</u> | <u>3,170,175</u> |
| Fund balances - beginning | 12,334,762 | 12,334,762 | 12,334,762 | - |
| Fund balances - ending | <u>\$ 8,297,276</u> | <u>8,337,664</u> | <u>11,507,839</u> | <u>3,170,175</u> |

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

CITY OF MADEIRA BEACH, FLORIDA
Local Option Sales Tax Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2015

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|-------------------------|------------------|-----------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Intergovernmental revenue | \$ 365,000 | 365,000 | 412,999 | 47,999 |
| Investment earnings | 1,100 | 1,100 | 548 | (552) |
| Total revenues | <u>366,100</u> | <u>366,100</u> | <u>413,547</u> | <u>47,447</u> |
| Expenditures | | | | |
| General government: | | | | |
| Capital outlay | <u>65,000</u> | <u>801,086</u> | <u>660,072</u> | <u>(141,014)</u> |
| Total expenditures | <u>65,000</u> | <u>801,086</u> | <u>660,072</u> | <u>(141,014)</u> |
| Excess (deficiency) of revenues over expenditures | <u>301,100</u> | <u>(434,986)</u> | <u>(246,525)</u> | <u>188,461</u> |
| Fund balances - beginning | <u>879,824</u> | <u>879,824</u> | <u>879,824</u> | <u>-</u> |
| Fund balances - ending | <u>\$ 1,180,924</u> | <u>444,838</u> | <u>633,299</u> | <u>(188,461)</u> |

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

City of Madeira Beach, Florida
Archibald Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2015

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | Variance with Final Budget Positive (Negative) |
|--|-------------------------|----------------------|-----------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Charges for services | \$ 292,000 | 292,000 | 315,267 | 23,267 |
| Total revenues | <u>292,000</u> | <u>292,000</u> | <u>315,267</u> | <u>23,267</u> |
| Expenditures | | | | |
| Culture and recreation: | | | | |
| Parks | 285,900 | 285,900 | 214,356 | (71,544) |
| Total expenditures | <u>285,900</u> | <u>285,900</u> | <u>214,356</u> | <u>(71,544)</u> |
| Excess (deficiency) of revenues over expenditures | <u>6,100</u> | <u>6,100</u> | <u>100,911</u> | <u>94,811</u> |
| Fund balances - beginning | <u>30,520</u> | <u>30,520</u> | <u>30,520</u> | <u>-</u> |
| Fund balances - ending | <u><u>\$ 36,620</u></u> | <u><u>36,620</u></u> | <u><u>131,431</u></u> | <u><u>(94,811)</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, 2015

| | | Business-type Activities - Enterprise Funds | | | |
|--|----|--|----------------------------|------------------------|--------------|
| | | Sanitation Fund | Stormwater Fund | Marina Fund | Total |
| Assets | | | | | |
| Current assets: | | | | | |
| Cash and cash equivalents | \$ | 881,881 | 492,398 | 524,135 | 1,898,414 |
| Investments | | 396,535 | 431,722 | - | 828,257 |
| Accounts receivable, net | | 2,000 | 1,000 | 6,460 | 9,460 |
| Due from other governments, net | | 158,482 | 99,953 | - | 258,435 |
| Inventories | | - | - | 57,387 | 57,387 |
| Prepaid items | | 561 | 235 | 4,254 | 5,050 |
| Restricted cash and cash equivalents: | | | | | |
| Bond debt service renewal & replacement | | - | 870 | - | 870 |
| Investments, bond proceeds | | - | 6,147,794 | - | 6,147,794 |
| Customer deposits | | - | - | 40,468 | 40,468 |
| Total current assets | | 1,439,459 | 7,173,972 | 632,704 | 9,246,135 |
| Capital assets: | | | | | |
| Buildings | | - | - | 494,724 | 494,724 |
| Improvements other than buildings | | - | 2,964,882 | 1,049,977 | 4,014,859 |
| Vehicles and equipment | | 868,395 | 62,278 | 143,535 | 1,074,208 |
| Construction in progress | | - | 356,753 | - | 356,753 |
| Less accumulated depreciation | | (508,788) | (725,753) | (734,249) | (1,968,790) |
| Total capital assets (net of accumulated depreciation) | | 359,607 | 2,658,160 | 953,987 | 3,971,754 |
| Total assets | | 1,799,066 | 9,832,132 | 1,586,691 | 13,217,889 |
| Deferred outflows of resources | | | | | |
| Pension related | | 9,396 | - | - | 9,396 |
| Total assets and deferred inflows of resources | \$ | 1,808,462 | 9,832,132 | 1,586,691 | 13,227,285 |

(Continued)

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, 2015

| | Business-type Activities - Enterprise Funds | | | |
|--|--|----------------------------|------------------------|-------------------|
| | Sanitation Fund | Stormwater Fund | Marina Fund | Total |
| Liabilities | | | | |
| Current liabilities: | | | | |
| Accounts payable and other current liabilities | \$ 53,806 | 11,056 | 65,377 | 130,239 |
| Advance from other funds | - | - | 23,137 | 23,137 |
| Compensated absences | 3,386 | 1,453 | 1,458 | 6,297 |
| Revenue bonds payable | - | 344,000 | - | 344,000 |
| Current liabilities payable from restricted assets: | | | | |
| Customer deposits payable | - | - | 40,468 | 40,468 |
| Total current liabilities | <u>57,192</u> | <u>356,509</u> | <u>130,440</u> | <u>544,141</u> |
| Noncurrent liabilities: | | | | |
| Compensated absences | 30,471 | 13,075 | 13,124 | 56,670 |
| Other post-employment benefits | 11,891 | 2,292 | 4,506 | 18,689 |
| Advance from other funds | - | - | 375,145 | 375,145 |
| Net pension liability | 51,291 | - | - | 51,291 |
| Revenue bonds payable | - | 5,856,000 | - | 5,856,000 |
| Total noncurrent liabilities | <u>93,653</u> | <u>5,871,367</u> | <u>392,775</u> | <u>6,357,795</u> |
| Total liabilities | 150,845 | 6,227,876 | 523,215 | 6,901,936 |
| Deferred inflows of resources | | | | |
| Pension related | 17,943 | - | - | 17,943 |
| Total liabilities and deferred inflows of resources | <u>168,788</u> | <u>6,227,876</u> | <u>523,215</u> | <u>6,919,879</u> |
| Net Position | | | | |
| Net investment in capital assets | 359,607 | 2,658,160 | 953,987 | 3,971,754 |
| Unrestricted | 1,280,067 | 946,096 | 109,489 | 2,335,652 |
| Total net position | <u>1,639,674</u> | <u>3,604,256</u> | <u>1,063,476</u> | <u>6,307,406</u> |
| Total liabilities, deferred inflows of resources and net position | <u>\$ 1,808,462</u> | <u>9,832,132</u> | <u>1,586,691</u> | <u>13,227,285</u> |

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, 2015

| | Business-type Activities - Enterprise Funds | | | |
|--|--|----------------------------|------------------------|------------------|
| | Sanitation Fund | Stormwater Fund | Marina Fund | Total |
| Operating revenues: | | | | |
| Charges for sales and services | \$ 1,126,910 | 671,303 | 1,991,260 | 3,789,473 |
| Miscellaneous | 4,556 | 1,212 | 4,880 | 10,648 |
| Total operating revenues | <u>1,131,466</u> | <u>672,515</u> | <u>1,996,140</u> | <u>3,800,121</u> |
| Operating expenses: | | | | |
| Personnel | 372,686 | 158,202 | 191,442 | 722,330 |
| Supplies and services | 717,141 | 158,423 | 1,613,759 | 2,489,323 |
| Depreciation | 89,057 | 86,431 | 60,760 | 236,248 |
| Total operating expenses | <u>1,178,884</u> | <u>403,056</u> | <u>1,865,961</u> | <u>3,447,901</u> |
| Operating income (loss) | <u>(47,418)</u> | <u>269,459</u> | <u>130,179</u> | <u>352,220</u> |
| Non operating revenues (expenses): | | | | |
| Gain on disposal of capital assets | 26,750 | 1,080 | 381 | 28,211 |
| Intergovernmental revenue | 3,300 | - | - | 3,300 |
| Interest expense and fiscal charges | - | (20,965) | (6,160) | (27,125) |
| Revenue bonds cost of issuance | - | (52,206) | - | (52,206) |
| Investment earnings (loss) | 269 | 503 | 5 | 777 |
| Total nonoperating revenues (expenses) | <u>30,319</u> | <u>(71,588)</u> | <u>(5,774)</u> | <u>(47,043)</u> |
| Change in net position | (17,099) | 197,871 | 124,405 | 305,177 |
| Total net position - beginning | 1,722,686 | 3,406,385 | 939,071 | 6,068,142 |
| Prior period adjustment | (65,913) | - | - | (65,913) |
| Total net position - beginning as restated | <u>1,656,773</u> | <u>3,406,385</u> | <u>939,071</u> | <u>6,002,229</u> |
| Total net position - ending | <u>\$ 1,639,674</u> | <u>3,604,256</u> | <u>1,063,476</u> | <u>6,307,406</u> |

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

CITY OF MADEIRA BEACH, FLORIDA
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2015

| | <u>Sanitation Fund</u> | <u>Stormwater Fund</u> | <u>Marina Fund</u> | <u>Total</u> |
|---|----------------------------|----------------------------|------------------------|--------------------|
| Cash Flows from Operating Activities | | | | |
| Receipts from customers | \$ 1,151,665 | 632,913 | 1,997,829 | 3,782,407 |
| Payments to suppliers | (719,211) | (270,941) | (1,601,927) | (2,592,079) |
| Payments to employees | (373,942) | (154,851) | (188,874) | (717,667) |
| Net cash provided by operating activities | <u>58,512</u> | <u>207,121</u> | <u>207,028</u> | <u>472,661</u> |
| Cash Flows from Noncapital Financing Activities | | | | |
| Intergovernmental revenue | 3,300 | - | - | 3,300 |
| Cash Flows from Capital and Related Financing Activities | | | | |
| Purchase, acquisition and construction of capital assets | (192,543) | (345,497) | (40,652) | (578,692) |
| Proceeds from sale of capital assets | 26,750 | 1,080 | 6,350 | 34,180 |
| Proceeds from bond issuance | - | 6,200,000 | - | 6,200,000 |
| Cost of bond issuance | - | (52,206) | - | (52,206) |
| Interest paid on revenue bonds | - | (20,965) | - | (20,965) |
| Interest paid on advance from other funds | - | - | (6,160) | (6,160) |
| Payment on advance from other funds | - | - | (22,793) | (22,793) |
| Net cash provided (used) by capital and related financing activities | <u>(165,793)</u> | <u>5,782,412</u> | <u>(63,255)</u> | <u>5,553,364</u> |
| Cash Flows from Investing Activities | | | | |
| Purchase of investments | (345,802) | (6,495,399) | - | (6,841,201) |
| Investment income | 269 | 503 | 5 | 777 |
| Net cash provided (used) by investing activities | <u>(345,533)</u> | <u>(6,494,896)</u> | <u>5</u> | <u>(6,840,424)</u> |
| Net increase (decrease) in cash and cash equivalents | (449,514) | (505,363) | 143,778 | (811,099) |
| Cash and cash equivalents - Beginning of year | <u>1,331,395</u> | <u>998,631</u> | <u>420,825</u> | <u>2,750,851</u> |
| Cash and cash equivalents - End of year | <u>\$ 881,881</u> | <u>493,268</u> | <u>564,603</u> | <u>1,939,752</u> |
| Composed of: | | | | |
| Cash and cash equivalents | \$ 881,881 | 492,398 | 524,135 | 1,898,414 |
| Restricted cash and cash equivalents | | | | |
| Bond debt service | - | 870 | - | 870 |
| Customer deposits | - | - | 40,468 | 40,468 |
| | <u>\$ 881,881</u> | <u>493,268</u> | <u>564,603</u> | <u>1,939,752</u> |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities | | | | |
| Operating income (loss) | \$ (47,418) | 269,459 | 130,179 | 352,220 |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | | | |
| Depreciation expense | 89,057 | 86,431 | 60,760 | 236,248 |
| (Increase) decrease in accounts receivable | (487) | 169 | 745 | 427 |
| (Increase) decrease in due from other governments | 20,686 | (39,771) | - | (19,085) |
| (Increase) decrease in inventories | - | - | 37,046 | 37,046 |
| (Increase) decrease in prepaid items | (561) | (235) | (1,254) | (2,050) |
| (Increase) decrease in deferred outflows | (4,482) | - | - | (4,482) |
| Increase (decrease) in accounts payable, non capital | (1,509) | (112,283) | (23,960) | (137,752) |
| Increase (decrease) in compensated absences | 367 | 277 | 193 | 837 |
| Increase (decrease) in other post-employment benefits | 4,452 | 3,074 | 2,375 | 9,901 |
| Increase (decrease) in net pension liability | 19,691 | - | - | 19,691 |
| Increase (decrease) in deferred inflows | (21,284) | - | - | (21,284) |
| Increase in customer deposits | - | - | 944 | 944 |
| Net cash provided (used) by operating activities | <u>\$ 58,512</u> | <u>207,121</u> | <u>207,028</u> | <u>472,661</u> |
| Noncash operating activities: | | | | |
| None | - | - | - | - |
| Noncash investing, capital and financing activities: | | | | |
| None | - | - | - | - |

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

CITY OF MADEIRA BEACH, FLORIDA

Notes to Financial Statements

September 30, 2015

(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. 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

September 30, 2015

(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, 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

September 30, 2015

(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 proceeds of the Pinellas County discretionary sales surtax. Expenditures are restricted to infrastructure improvements.

The *Archibald Fund* is a special revenue fund used to account for 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 parks and recreation related purposes.

The City reports three major proprietary funds, which are enterprise funds financed and operated in a manner similar to the private sector. Costs 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 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.

CITY OF MADEIRA BEACH, FLORIDA

Notes to Financial Statements - Continued

September 30, 2015

(1) Summary of Significant Accounting Policies - Continued

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

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 non-operating 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 non-operating 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, certificates of deposit and short-term investments with original maturities of three months or less from the date of acquisition. Investments are reported at fair market value.

The City is governed by the City Investment Policy adopted by Resolution 2015-34 on September 8, 2015 and by Chapter 218.415(17), *Florida Statutes*, which authorizes investments in the following securities:

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

CITY OF MADEIRA BEACH, FLORIDA

Notes to Financial Statements - Continued

September 30, 2015

(1) Summary of Significant Accounting Policies - Continued

(d) Assets, Liabilities and Net Position or Equity

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 are restricted in accordance with bond issues and 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.

CITY OF MADEIRA BEACH, FLORIDA

Notes to Financial Statements - Continued

September 30, 2015

(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, 2015.

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 the non-vesting 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 absence liability 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

September 30, 2015

(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 external 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 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. The government-wide statement of net position reports \$1,394,219 of restricted net position.

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 spendable form or legally or contractually required to be maintained intact.

CITY OF MADEIRA BEACH, FLORIDA

Notes to Financial Statements - Continued

September 30, 2015

(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. Commitments may only be adopted, amended, and rescinded via Resolution by the Board of Commissioners.

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 Commissioners. In the General Fund, assigned balances represent the intended uses as established by the City Manager and Assistant City Manager/Finance Director.

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.

Per the fund balance policy adopted by the Board of Commissioners in September 2015, the City reserves one-third of the General Fund operating budget for unforeseen emergencies, as reported in the committed balance of the General Fund. These funds would be available upon approval by the Board of Commissioners following an event such as a flood or hurricane. As of September 30, 2015, \$2,096,952 has been committed for this purpose.

CITY OF MADEIRA BEACH, FLORIDA

Notes to Financial Statements - Continued

September 30, 2015

(1) Summary of Significant Accounting Policies - Continued

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

10. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

(e) New Accounting Standard

The City adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The Net Pension Liability as defined by GASB 68 is the difference between the actuarial present value of projected pension benefit payments attributable to a participant's past service and the respective pension plan's fiduciary net position. See Note (4)(d) for the net pension liability as of September 30, 2015. The effects of implementing the new accounting standards are disclosed in Note (4)(g)

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

The Board of Commissioners may also amend the adopted budget to provide supplemental appropriations or to revise budgeted estimates. The City adopted 26 budget amendments in fiscal year 2015, as described in Management's Discussion and Analysis.

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 re-appropriated and honored during the subsequent year.

CITY OF MADEIRA BEACH, FLORIDA

Notes to Financial Statements - Continued

September 30, 2015

(2) Stewardship, Compliance and Accountability

(b) Excess of Expenditures Over Appropriations

For the year ended September 30, 2015 expenditures exceeded budget in three General Fund departments as follows: Community Development \$10,667; Non-Departmental \$8,686 and Parks \$10,012. The excess expenditures were offset by under budgeted expenditures of departments within the governmental functions General Government and Culture and Recreation.

(3) Detailed Notes on All Funds

(a) Deposits and Investments

As of September 30, 2015, the City had the following cash and investment balances:

| | <u>Balance</u> | <u>Percentage</u> |
|-----------------------------------|---------------------|-------------------|
| Cash in bank and petty cash | \$ 2,936,160 | 14% |
| Money market funds | 1,307,025 | 6% |
| Local government investment pools | 7,549,074 | 37% |
| Certificates of deposits | <u>8,809,400</u> | <u>43%</u> |
| | <u>\$20,601,659</u> | <u>100%</u> |

The carrying amount of the City's operating cash deposits was \$2,925,293 and the bank balance was \$3,085,226. Operating cash deposits were covered by Federal Depository Insurance.

The City adopted a new investment policy on September 8, 2015, defining investment objectives, standards of prudence, maturity guidelines, liquidity requirements, and performance measurements. Authorized investments include U.S. Treasury obligations, non-negotiable collateralized bank deposits or savings accounts, money market funds, and local government investment pools. The investment policy is designed to address the following risk factors:

(This space left blank intentionally)

CITY OF MADEIRA BEACH, FLORIDA

Notes to Financial Statements - Continued

September 30, 2015

(3) Detailed Notes on All Funds - Continued

(a) Deposits and Investments

Interest rate risk:

Fixed income securities expose the City to the risk of prevailing interest rate changes. The City's investment policy controls for this risk by requiring a maximum maturity of two years with respect to certificates of deposit and 5.5 years for U.S. Treasuries. Management has further limited the magnitude of interest rate risk by laddering non-negotiable CDs with short-term maturities. As of September 30, 2015, the City held the following CDs:

| <u>Institution</u> | <u>Term</u> | <u>Rate</u> | <u>Fair Value</u> |
|------------------------|-------------|-------------|---------------------|
| US Ameribank | 365 days | 0.35% | \$ 500,000 |
| US Ameribank | 90 days | 0.20% | 500,000 |
| US Ameribank | 90 days | 0.20% | 500,000 |
| US Ameribank | 90 days | 0.20% | 500,000 |
| US Ameribank | 365 days | 0.45% | 2,000,000 |
| US Ameribank | 120 days | 0.30% | 1,000,000 |
| Bank United | 180 days | 0.25% | 2,000,000 |
| Florida Community Bank | 120 days | 0.25% | 1,500,000 |
| Seaside Bank | 365 days | 0.35% | 309,400 |
| | | | <u>\$ 8,809,400</u> |

Credit risk:

Credit risk is the risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to fulfill its obligations. The selection of banking and investment institutions exposes the City to the possibility of default by external parties. To mitigate credit risk, the City holds all investments on deposit with members of the State of Florida Collateral Pool, which maintains the ability to assess banking institutions for collateralized assets in the event of default.

The City invests only in money market funds and local government investment pools with the highest credit quality ratings. As of September 30, 2015, the City held assets in the following investment pools:

| <u>Local Government Investment Pool</u> | <u>Rating</u> | <u>Rating Agency</u> | <u>Fair Value</u> |
|---|---------------|----------------------|---------------------|
| Florida Education Investment Trust | AAAm | Standard and Poor's | \$ 4,148,009 |
| Florida SAFE Investment Pool | AAAm | Standard and Poor's | 3,222,749 |
| Florida Prime | AAAm | Standard and Poor's | 178,316 |
| | | | <u>\$ 7,549,074</u> |

CITY OF MADEIRA BEACH, FLORIDA

Notes to Financial Statements - Continued

September 30, 2015

(3) Detailed Notes on All Funds - Continued

(a) Deposits and Investments

Custodial risk:

All cash and securities are held in the name of the City of Madeira Beach and are insured by FDIC or collateralized via the State of Florida Qualified Public Depository Program.

Concentration risk:

Concentration risk refers to the risk of loss resulting from over-exposure to a specific security or asset class. The City's investment policy addresses concentration risk by requiring maximum allocations to specific investment sectors and issuers. As of September 30, 2015, the City met its investment policy guidelines with respect to sector and issuer allocation.

(b) Receivables

The City has provided for an allowance for potentially uncollectible accounts. Accounts receivable are reflected net of the allowance. The General Fund allowance of \$749 has been estimated by management. The Sanitation and Stormwater Funds allowance totals \$13,421 and is estimated by management as 5% of unbilled revenues included in accounts receivable.

Due from other governments, net in the amount of \$680,536 is composed of the following:

| | |
|---------------------------------------|-------------------|
| State of Florida | |
| Boating improvement grant | \$ 322,516 |
| Half Cent Sales Tax | 19,500 |
| Communication Services Tax | 19,000 |
| Alcoholic beverage licenses | 13,356 |
| Pinellas County | |
| Local Option Sales Tax | 27,124 |
| Local Option Gas Tax | 5,216 |
| Utility service taxes | 15,788 |
| Less: Allowance for doubtful accounts | (750) |
| Fines and forfeitures | 350 |
| Sanitation fees | 166,716 |
| Less: Allowance for doubtful accounts | (8,234) |
| Stormwater fees | 105,140 |
| Less: Allowance for doubtful accounts | <u>(5,186)</u> |
| Total due from other governments | <u>\$ 680,536</u> |

CITY OF MADEIRA BEACH, FLORIDA

Notes to Financial Statements - Continued

September 30, 2015

(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, 2015 was \$398,282 and reflected as internal balance on the Statement of Net Position and as Advance to/from other funds in the fund financial statements.

(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 taxes and rental inspections which were billed in July for the coming fiscal year.

(e) Capital Assets

Capital asset activity for the year ended September 30, 2015 was as follows:

| | Beginning Balance 10/01/14 | Additions | Transfers In (Out) | Deletions | Ending Balance 9/30/15 |
|--|----------------------------------|--------------------|-----------------------|--------------------|------------------------------|
| Governmental activities | | | | | |
| Non-Depreciable Assets | | | | | |
| Land and land rights | \$ 2,784,675 | \$ - | \$ - | \$ - | \$2,784,675 |
| Const. in progress | 7,201,689 | 6,027,664 | (12,106,417) | - | 1,122,936 |
| Depreciable Assets | | | | | |
| Buildings | 1,143,790 | 375,782 | 7,480,104 | (711,902) | 8,287,774 |
| Improvements | 13,646,378 | 851,062 | 4,456,569 | (231,328) | 18,722,681 |
| Equipment | 2,283,869 | 388,217 | 169,744 | (410,826) | 2,431,004 |
| Totals at historical cost | <u>27,060,401</u> | <u>7,642,725</u> | <u>12,106,417</u> | <u>(1,354,056)</u> | <u>33,349,070</u> |
| Less accumulated depreciation | | | | | |
| Buildings | (993,390) | (164,723) | - | 706,718 | (451,395) |
| Improvements | (6,522,011) | (497,318) | - | 238,444 | (6,750,885) |
| Equipment | (1,474,790) | (177,254) | - | 363,941 | (1,288,103) |
| Total accumulated depreciation | <u>(8,990,191)</u> | <u>(839,295)</u> | <u>-</u> | <u>1,309,103</u> | <u>(8,520,383)</u> |
| Governmental activities capital assets, net | <u>\$18,070,210</u> | <u>\$6,803,430</u> | <u>\$ -</u> | <u>\$ (44,953)</u> | <u>\$24,828,687</u> |

CITY OF MADEIRA BEACH, FLORIDA

Notes to Financial Statements - Continued

September 30, 2015

(3) Detailed Notes on All Funds - Continued

(e) Capital Assets - Continued

| | Beginning Balance 10/01/14 | Additions | Transfers In (Out) | Deletions | Ending Balance 9/30/15 |
|---|----------------------------------|-------------------|-----------------------|-------------------|------------------------------|
| Business-type activities | | | | | |
| Non-Depreciable Assets | | | | | |
| Const. in progress | \$ 330,939 | \$ 351,926 | \$ (326,112) | \$ - | \$ 356,753 |
| Depreciable Assets | | | | | |
| Buildings | 497,724 | - | - | - | 497,724 |
| Improvements | 3,691,226 | - | 326,112 | (2,749) | 4,014,859 |
| Vehicles and equipment | 895,673 | 226,767 | - | (48,281) | 1,074,209 |
| Totals at historical cost | <u>5,412,612</u> | <u>578,693</u> | <u>326,112</u> | <u>(50,760)</u> | <u>5,940,545</u> |
| Less accumulated depreciation | | | | | |
| Buildings | (53,999) | (17,158) | - | - | (71,157) |
| Improvements | (1,163,779) | (111,091) | - | - | (1,274,870) |
| Vehicles and equipment | (559,556) | (107,999) | - | 44,791 | (622,764) |
| Total accumulated depreciation | <u>(1,777,334)</u> | <u>(236,248)</u> | <u>-</u> | <u>44,791</u> | <u>(1,968,791)</u> |
| Business-type activities capital assets, net | <u>\$ 3,635,278</u> | <u>\$ 342,445</u> | <u>\$ -</u> | <u>\$ (5,969)</u> | <u>\$ 3,971,754</u> |

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

| | |
|---|---------------------|
| Governmental activities: | |
| General government | \$ 260,383 |
| Physical environment | 108,821 |
| Public safety | 108,241 |
| Culture and recreation | 349,714 |
| Parking enforcement | <u>12,136</u> |
| Total depreciation expense - governmental activities | \$ <u>839,295</u> |
| Business-type activities: | |
| Sanitation | \$ 89,057 |
| Stormwater | 86,431 |
| Marina | <u>60,760</u> |
| Total depreciation expense - business-type activities | <u>236,248</u> |
| Total depreciation expense | \$ <u>1,075,543</u> |

CITY OF MADEIRA BEACH, FLORIDA

Notes to Financial Statements - Continued

September 30, 2015

(3) Detailed Notes on All Funds - Continued

(f) Construction Commitments

The following schedule represents open purchase orders related to construction in progress as of September 30, 2015:

| <u>Capital Project Description</u> | |
|--------------------------------------|---------------------|
| General Fund | |
| Municipal Complex Reconstruction | \$ 232,921 |
| Gulf Boulevard Underground Utilities | 1,920,218 |
| Village Boulevard Improvements | 15,300 |
| Marina Dock Improvements | 5,400 |
| Local Option Sales Tax Fund | |
| Crystal Island Roadway Improvements | <u>87,760</u> |
| Total Governmental Funds | <u>2,261,599</u> |
| Stormwater Enterprise Fund | |
| Crystal Island Drainage Improvements | <u>183,190</u> |
| Total construction commitments | <u>\$ 2,444,789</u> |

(g) Long-term Liabilities

The General Fund has typically been used in prior years to liquidate long-term liabilities other than debt. Long-term liability activity for the year ended September 30, 2015 was as follows:

| <u>Governmental Activities</u> | <u>Balance October 1, 2014</u> | <u>Increases</u> | <u>Decreases</u> | <u>Balance September 30, 2015</u> | <u>Amount due within one year</u> |
|--------------------------------|--|---------------------|---------------------|---|---|
| Revenue Bond, Series 2013 | \$ 4,760,000 | \$ - | \$ (100,000) | \$ 4,660,000 | \$ 90,000 |
| Unamortized discount | (19,435) | - | 1,296 | (18,139) | |
| Subtotal | <u>4,740,565</u> | <u>-</u> | <u>(98,704)</u> | <u>4,641,861</u> | <u>90,000</u> |
| Revenue Bond, Series 2014 | <u>-</u> | <u>3,010,000</u> | <u>-</u> | <u>3,010,000</u> | <u>190,000</u> |
| Total Revenue Bonds | 4,740,565 | 3,010,000 | (98,704) | 7,651,861 | 280,000 |
| Compensated absences | 187,800 | 269,923 | (215,746) | 241,977 | 24,197 |
| Other postemployment benefits | 52,108 | 9,567 | - | 61,675 | - |
| | <u>\$ 4,980,473</u> | <u>\$ 3,289,490</u> | <u>\$ (314,450)</u> | <u>\$ 7,955,513</u> | <u>\$ 304,197</u> |

CITY OF MADEIRA BEACH, FLORIDA

Notes to Financial Statements - Continued

September 30, 2015

(3) Detailed Notes on All Funds - Continued

(g) Long-term Liabilities - Continued

| <u>Business-type Activities</u> | <u>Balance October 1, 2014</u> | <u>Increases</u> | <u>Decreases</u> | <u>Balance September 30, 2015</u> | <u>Amount due within one year</u> |
|---------------------------------|--|---------------------|--------------------|---|---|
| Revenue Bond, Series 2015 | \$ - | \$ 6,200,000 | \$ - | \$ 6,200,000 | \$ 344,000 |
| Compensated absences | 54,951 | 55,851 | (47,475) | 62,967 | 6,297 |
| Other postemployment benefits | 16,327 | 2,363 | - | 18,690 | - |
| | <u>\$ 70,918</u> | <u>\$ 6,258,214</u> | <u>\$ (47,475)</u> | <u>\$ 6,281,657</u> | <u>\$ 350,297</u> |

Governmental Activities Long-Term Liabilities are comprised of the following at September 30, 2015:

Capital Improvement Revenue Bonds, Series 2013, in the amount of \$4,760,000 were issued to finance the construction of the City Centre project. Composed of serial bonds in the amount of \$1,020,000 with interest rates from 3.00% to 3.50% payable semiannually October 1 and April 1 due in annual principal installments from \$90,000 to \$115,000 from October 1, 2014 to October 1, 2023 and term bonds in the amount of \$3,740,000 with interest rates from 4.00% to 5.00% payable semiannually on October 1 and April 1 due in principal installments from \$120,000 to \$285,000 from October 1, 2024 to October 1, 2043. Secured by public services taxes, half-cent sales tax, franchise fees, Pinellas County interlocal payments and state revenue sharing.

Interlocal Payments Revenue Bond, Series 2014, in the amount of \$3,010,000 were issued to finance undergrounding of utilities on Gulf Boulevard. Composed of a serial bond with an interest rate of 1.43%, payable semiannually May 1 and November 1, commencing May 1, 2015, and annual principal installments from \$190,000 to \$1,704,000 from November 1, 2015 to November 1, 2018. Secured by reimbursements from Pinellas County under an interlocal agreement for the project.

Compensated absences, unused accrued vacation and sick time pay for governmental funds.

Other post employment benefits, health insurance implicit rate subsidy for governmental fund retirees.

(This space left blank intentionally)

CITY OF MADEIRA BEACH, FLORIDA

Notes to Financial Statements - Continued

September 30, 2015

(3) Detailed Notes on All Funds - Continued

(g) Long-term Liabilities - Continued

The annual debt service requirements to amortize the governmental activities long-term liabilities, exclusive of compensated absences and other post employment benefits, as of September 30, 2015 are as follows:

| Year Ending September 30, | Capital Improvement Revenue Bonds, Series 2013 | | |
|------------------------------|--|------------------|------------------|
| | Principal | Interest | Total |
| 2016 | \$ 90,000 | 207,513 | 297,513 |
| 2017 | 95,000 | 204,813 | 299,813 |
| 2018 | 95,000 | 201,963 | 296,963 |
| 2019 | 100,000 | 199,113 | 299,113 |
| 2020 | 100,000 | 196,113 | 296,113 |
| 2021-2025 | 560,000 | 931,475 | 1,491,475 |
| 2026-2030 | 675,000 | 817,925 | 1,492,925 |
| 2031-2035 | 835,000 | 654,650 | 1,489,650 |
| 2036-2040 | 1,055,000 | 427,500 | 1,482,500 |
| 2041-2043 | 1,055,000 | 135,250 | 1,190,250 |
| | <u>\$ 4,660,000</u> | <u>3,976,313</u> | <u>8,636,313</u> |

The pledged revenues totaled \$1,684,338 provided a coverage ratio of 5:1 for the debt service principal and interest payments on the Series 2013 bonds totaling \$309,013.

| Year Ending September 30, | Interlocal Payments Revenue Bond, Series 2014 | | |
|------------------------------|---|----------------|------------------|
| | Principal | Interest | Total |
| 2016 | \$ 190,000 | 41,685 | 231,685 |
| 2017 | 485,000 | 36,858 | 521,858 |
| 2018 | 631,000 | 28,879 | 659,879 |
| 2019 | 1,704,000 | 12,184 | 1,716,184 |
| | <u>\$ 3,010,000</u> | <u>119,606</u> | <u>3,129,606</u> |

The pledged revenues totaled \$141,766 provided a coverage ratio of 7:1 for the debt service principal and interest payments on the Series 2014 bonds totaling \$19,967.

Business-type Activities Long-Term Liabilities: The Business-type Activities long-term liabilities are comprised of the following as of September 30, 2015:

Stormwater System Revenue Bond, Series 2015, in the amount of \$6,200,000 were issued to finance improvements to the stormwater system. Composed of a serial bond with an interest rate of 2.59%, payable semiannually April 1 and October 1, commencing October 1, 2015, and annual principal installments from \$341,000 to \$488,000 from October 1, 2015 to October 1, 2030. Secured by the gross revenues of the Stormwater Fund and a backup covenant to budget and

CITY OF MADEIRA BEACH, FLORIDA

Notes to Financial Statements - Continued

September 30, 2015

(3) Detailed Notes on All Funds - Continued

(g) Long-term Liabilities - Continued

appropriate non-ad valorem revenues.

Compensated absences, unused accrued vacation and sick time pay for enterprise funds.

Other post employment benefits, health insurance implicit rate subsidy for enterprise fund retirees.

The annual debt service requirement to amortize the business-type activities long-term liabilities, exclusive of compensated absences and other post employment benefits, as of September 30, 2015 is as follows:

| Year Ending September 30, | Stormwater System Revenue Bonds, Series, 2015 | | |
|------------------------------|---|------------------|------------------|
| | Principal | Interest | Total |
| 2016 | \$ 344,000 | 161,840 | 505,840 |
| 2017 | 352,000 | 151,670 | 503,670 |
| 2018 | 362,000 | 142,554 | 504,554 |
| 2019 | 371,000 | 133,178 | 504,178 |
| 2020 | 381,000 | 123,569 | 504,569 |
| 2021-2025 | 2,054,000 | 464,827 | 2,518,827 |
| 2026-2030 | 2,336,000 | 184,563 | 2,520,563 |
| | <u>\$ 6,200,000</u> | <u>1,362,201</u> | <u>7,562,201</u> |

The pledged revenues totaled \$671,303 and, after payment of stormwater fund operating expenses, provided a coverage ratio of 16.94:1 for the debt service principal and interest payments on the Series 2015 bonds totaling \$20,965.

(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.

CITY OF MADEIRA BEACH, FLORIDA

Notes to Financial Statements - Continued

September 30, 2015

(4) **Other Information - Continued**

(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, 2015, 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.

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/> |

CITY OF MADEIRA BEACH, FLORIDA

Notes to Financial Statements - Continued

September 30, 2015

(4) Other Information - Continued

(c) Other Postemployment Benefits (OPEB) - Continued

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

| Description | Calculated amount |
|--|-------------------|
| Annual Required Contribution (ARC) | \$ 21,493 |
| Interest on Net OPEB Obligation (NOO) | 3,422 |
| Adjustment to Annual Required Contribution (ARC) | (3,939) |
| Annual OPEB Cost (Expense) | 20,976 |
| Age Adjusted Contributions Made | (9,046) |
| Change in Net OPEB Obligation (NOO) | 11,930 |
| Net OPEB Obligation (NOO) - Beginning of Year | 68,435 |
| Net OPEB Obligation (NOO) - End of Year | \$ 80,365 |

The assumptions used in the actuarial valuation include:

- 1% payroll growth rate
- 0% investment return
- 0% post-retirement benefit increases
- 5% healthcare cost trend rate
- 0% general inflation rate

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 accrued liability is being amortized as a level

CITY OF MADEIRA BEACH, FLORIDA

Notes to Financial Statements - Continued

September 30, 2015

(4) Other Information - Continued

(c) Other Postemployment Benefits (OPEB) - Continued

percentage of payroll over thirty years (closed basis).

Funded Status and Funding Progress: As of September 30, 2013, the latest actuarial valuation date, 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.

Required Supplementary Information – Schedule of Funding Progress

| 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) |
|-----------------------------|--|--|--|--------------------------|---------------------------|--|
| 9/30/2015 | N/A | N/A | N/A | N/A | N/A | N/A |
| 9/30/2014 | N/A | N/A | N/A | N/A | N/A | N/A |
| 9/30/2013 | \$ - | \$ 108,265 | \$ 108,265 | 0.00% | \$ 1,924,475 | 5.63% |

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

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

CITY OF MADEIRA BEACH, FLORIDA

Notes to Financial Statements - Continued

September 30, 2015

(4) **Other Information - Continued**

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

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

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

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2015 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 |
|-------------------|------------------|---------------------------|--|---------------------|
| 9/30/2015 | \$ 20,976 | \$ 9,046 | 43.1% | \$ 80,365 |
| 9/30/2014 | 20,856 | 8,472 | 40.6% | 68,435 |
| 9/30/2013 | 20,738 | 8,472 | 40.9% | 56,051 |

(This space left blank intentionally)

CITY OF MADEIRA BEACH, FLORIDA

Notes to Financial Statements - Continued

September 30, 2015

(4) **Other Information – Continued**

(d) **Employee Retirement Systems and Pension Plans**

Florida Retirement System

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

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

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

Early retirement benefits may also be provided; however, there is a reduction in benefits for each year prior to normal retirement. Generally, membership is compulsory for all full-time and part-time employees. Presently, the System requires a 3.00% contribution from covered members in the regular and special risk classes. The employer’s statutory contribution rates as a percent of earnings were as follows:

| | 10/1/2014- 6/30/2015 | 7/1/2015- 9/30/2015 |
|---|-------------------------|------------------------|
| Regular employees – members not qualifying for other classes | 7.37% | 7.26% |
| Special Risk employees – members employed as firefighters | 19.82% | 22.04% |
| DROP – members enrolled in the Deferred Retirement Option Program | 12.28% | 12.88% |

CITY OF MADEIRA BEACH, FLORIDA

Notes to Financial Statements - Continued

September 30, 2015

(4) **Other Information – Continued**

(d) **Employee Retirement Systems and Pension Plans – Continued**

The 2015 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> |
|------------------------------|----------------------------------|--------------------------|
| 9/30/2015 | \$ 150,208 | 100% |
| 9/30/2014 | 129,125 | 100% |
| 9/30/2013 | 109,857 | 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.

Pension liabilities, Pension expense and Deferred Outflows (Inflows) of Resources related to pensions- At September 30, 2015, the City reported a liability of \$666,260 for the FRS Plan component and \$310,711 for the HIS Plan component for its proportionate share of the FRS Pension Plan's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The City's proportionate share at June 30, 2015 for the FRS Plan component was .005158269%. The City's proportionate share at June 30, 2015 for the HIS Plan component was .003046655%. The City's proportionate shares at June 30, 2014 were .005160665% and .003069745% for the FRS and HIS Plan components, respectively. For the fiscal year

CITY OF MADEIRA BEACH, FLORIDA

Notes to Financial Statements - Continued

September 30, 2015

(4) Other Information – Continued

(d) Employee Retirement Systems and Pension Plans – Continued

ended September 30, 2015 the City recognized pension expense of \$(122,358) and \$6,650 for the FRS and HIS Plan components, respectively. Deferred Outflows and Inflows of resources related to pensions are from the following sources:

FRS Plan Component

| | Deferred Outflows | Deferred Inflows |
|---|----------------------|---------------------|
| Differences between expected and actual experience | \$ 70,337 | \$ 15,802 |
| Changes in assumptions | 44,222 | - |
| Net difference between projected and actual earnings on investments | - | 159,092 |
| Changes in proportion and differences between City contributions and proportionate share of contributions | - | 148,148 |
| Contributions subsequent to the measurement date | 36,154 | - |
| | <u>\$ 150,713</u> | <u>\$ 323,042</u> |

HIS Plan Component

| | Deferred Outflows | Deferred Inflows |
|---|----------------------|---------------------|
| Differences between expected and actual experience | \$ - | \$ - |
| Changes in assumptions | 24,445 | - |
| Net difference between projected and actual earnings on investments | 30 | (138) |
| Changes in proportion and differences between City contributions and proportionate share of contributions | - | 18,870 |
| Contributions subsequent to the measurement date | 3,782 | - |
| | <u>\$ 28,257</u> | <u>\$ 18,732</u> |

(This space left blank intentionally)

CITY OF MADEIRA BEACH, FLORIDA

Notes to Financial Statements - Continued

September 30, 2015

(4) Other Information – Continued

(d) Employee Retirement Systems and Pension Plans – Continued

The deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability in the fiscal year ended September 30, 2016. Other amounts related to deferred outflows and inflows of resources will be recognized as pension expense as follows:

| <u>Fiscal year ending September 30,</u> | <u>FRS component</u> | <u>HIS component</u> |
|---|----------------------|----------------------|
| 2016 | \$ 34,439 | \$ 3,573 |
| 2017 | 34,439 | 3,573 |
| 2018 | 34,439 | 3,573 |
| 2019 | 34,439 | 3,573 |
| 2020 | 10,373 | 3,573 |
| Thereafter | 18 | 1,004 |

Net Pension Liability –

| | <u>FRS component</u> | <u>HIS component</u> |
|---|--------------------------|--------------------------|
| City's proportionate share of Total Pension Liability | \$ 8,323,937 | \$ 312,258 |
| City's proportionate share of Plan Fiduciary Net Position | <u>(7,657,677)</u> | <u>(1,547)</u> |
| City's proportionate share of Net Pension Liability | <u>\$ 666,260</u> | <u>\$ 310,711</u> |
| Plan Fiduciary Net Position as a Percentage of the Total Net Pension Liability | 92% | .50% |

(This space left blank intentionally)

CITY OF MADEIRA BEACH, FLORIDA

Notes to Financial Statements - Continued

September 30, 2015

(4) Other Information - Continued

(d) Employee Retirement Systems and Pension Plans - Continued

Change in Net Pension Liability –

| | <u>FRS component</u> | <u>HIS component</u> |
|--|----------------------|----------------------|
| Beginning balance – City’s proportionate share | \$ 314,876 | \$ 284,870 |
| Service Cost | 109,048 | 6,627 |
| Interest on total pension liability | 604,630 | 12,352 |
| Effect of economic/demographic gain or loss | 83,220 | 18,514 |
| Employer contributions | (125,763) | (11,652) |
| Member contributions | (36,020) | - |
| Net investment income | (284,663) | (6) |
| Administrative expense | 932 | 6 |
| | <hr/> | <hr/> |
| Ending balance – City’s proportionate share | <u>\$ 666,260</u> | <u>\$ 310,711</u> |

Actuarial Assumptions – The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions:

| | <u>FRS component</u> | <u>HIS component</u> |
|---------------------------|--|--|
| Valuation date | July 1, 2015 | July 1, 2015 |
| Measurement date | June 30, 2015 | June 30, 2015 |
| Inflation | 2.60% | 2.60% |
| Salary increases | 3.25%, average, includes inflation | 3.25%, average, includes inflation |
| Investment rate of return | 7.65%, net of expense, includes inflation | 3.80%, Municipal Bond Rate |
| Mortality tables | Generation RP-2000 with Projection Scale BB tables | Generation RP-2000 with Projection Scale BB tables |
| Discount rate | 7.65% | 3.80% |

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013.

The long-term expected rate of return on Pension Plan investments was not based on historical returns, but instead is based on a forward looking capital market economic model. The allocation policy’s description of each asset class was used to map the target allocation to the

CITY OF MADEIRA BEACH, FLORIDA

Notes to Financial Statements - Continued

September 30, 2015

(4) Other Information - Continued

(d) Employee Retirement Systems and Pension Plans - Continued

asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions and includes an adjustment for the inflation assumption. The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized as follows:

| Asset Class | Target Allocation (1) | Annual Arithmetic Return | Compound Annual (Geometric) Return | Standard Deviation |
|---------------------------------|-----------------------------|--------------------------------|---|-----------------------|
| Cash | 1.00% | 3.11% | 3.10% | 1.65% |
| Intermediate-Term Bonds | 18.00% | 4.18% | 4.05% | 5.15% |
| High Yield Bonds | 3.00% | 6.79% | 6.25% | 10.95% |
| Broad US Equities | 26.50% | 8.51% | 6.95% | 18.90% |
| Developed Foreign Entities | 21.20% | 8.66% | 6.85% | 20.40% |
| Emerging Market Equities | 5.30% | 11.58% | 7.60% | 31.15% |
| Private Equity | 6.00% | 11.80% | 8.11% | 30.00% |
| Hedge Funds/Absolute Return | 7.00% | 5.81% | 5.35% | 10.00% |
| Real Estate (Property) | 12.00% | 7.11% | 6.35% | 13.00% |
| Total | 100.00% | | | |
| Assumed Inflation – Mean | | 2.60% | | 2.00% |

(1) As outlined in the Pension Plan’s Investment Policy

Sensitivity of the City’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following table represents the City’s proportionate share of the net pension liability calculated at the respective discount rates and the proportionate share using a rate 1% less than and 1% more than the current rate.

| FRS component | 1% Decrease (6.65%) | Current Discount Rate (7.65%) | 1% Increase (8.65%) |
|--|------------------------|-------------------------------------|------------------------|
| City’s Proportionate share of the net pension liability | \$ 1,726,429 | \$ 666,260 | \$ 208,423 |

CITY OF MADEIRA BEACH, FLORIDA

Notes to Financial Statements - Continued

September 30, 2015

(4) Other Information - Continued

(d) Employee Retirement Systems and Pension Plans - Continued

| HIS component | 1% Decrease (2.80%) | Current Discount Rate (3.80%) | 1% Increase (4.80%) |
|--|------------------------|-------------------------------------|------------------------|
| City's Proportionate share of the net pension liability | \$ 354,041 | \$ 310,711 | \$ 274,580 |

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, 2015, employer contributions required and made totaled \$139,864 and covered payroll totaled \$1,401,956.

Participation in the plan at September 30, 2015 was as follows:

| Years of Service | Percent vested | Number of employees |
|---------------------|----------------|------------------------|
| 5 or more | 100% | 9 |
| 4 | 0% | 4 |
| 3 | 0% | 3 |
| 2 | 0% | 2 |
| 1 | 0% | 6 |
| 0 | 0% | 9 |

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)

CITY OF MADEIRA BEACH, FLORIDA

Notes to Financial Statements - Continued

September 30, 2015

(4) Other Information - Continued

(d) Employee Retirement Systems and Pension Plans - Continued

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 12% of the City Manager's base salary. The City Manager is eligible to participate immediately upon employment and is immediately vested. The City has designated a retirement age of 62 for this plan. Distributions of the vested amount for retirement, death, disability, hardship or direct rollover to another eligible retirement plan are permitted.

Deferred Compensation Plan

The City offers its employees a choice of two deferred compensation plans created in accordance with Internal Revenue Code Section 457(b). The plans, which are available to all City employees, permit them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or other unforeseen non-reimbursed emergency. Limited loan provisions are available under the terms and conditions of the respective plans. 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, 2015, and therefore it is not subject to the requirements of the Single Audit Act.

(f) Subsequent Events

The City has evaluated whether any events have occurred subsequent to September 30, 2015 and before the issuance of the financial statements that would have an impact on the City's financial condition as of September 30, 2015 or would influence the conclusions reached by a reader of the financial statements regarding the City's overall financial condition. Management has evaluated such events through April 11, 2016 which is the date the financial statements were available to be issued and determined there were no events that should be disclosed.

CITY OF MADEIRA BEACH, FLORIDA

Notes to Financial Statements - Continued

September 30, 2015

(4) **Other Information - Continued**

(g) **Prior Period Adjustment – Change in Accounting Principle**

During the year 2015, the City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. As a result, the October 1, 2014 beginning net position has been restated. The effects of implementing the statements are as follows:

Governmental Activities

| | | |
|--|----|-----------|
| Increase in deferred outflows of resources | \$ | 169,574 |
| Increase in deferred inflows of resources | | (323,831) |
| Increase in net pension liability – FRS | | (925,680) |
| Decrease in net position | | 1,189,570 |

Business-type Activities – Water and Sewer Operating Fund

| | | |
|--|----|----------|
| Increase in deferred outflows of resources | \$ | 9,396 |
| Increase in deferred inflows of resources | | (17,943) |
| Increase in net pension liability – FRS | | (51,921) |
| Decrease in net position | | 65,913 |

Section III

Required Supplementary Information



CITY OF MADEIRA BEACH

SCHEDULE OF CHANGES TO THE NET PENSION LIABILITY AND RELATED RATIOS

FLORIDA RETIREMENT SYSTEM - CITY'S PROPORTIONATE SHARE

(Two years of data available for GASB 68)

September 30, 2015

| | <u>9/30/2015</u> | <u>9/30/2014</u> |
|---|--------------------|--------------------|
| FRS Pension Plan | | |
| Total Pension Liability | \$ 8,323,937 | \$ 8,056,612 |
| Plan Fiduciary Net Position | <u>(7,657,677)</u> | <u>(7,741,736)</u> |
| Net Pension Liability | <u>\$ 666,260</u> | <u>\$ 314,876</u> |
| Plan Net Position as a Percentage of Total Net Pension Liability | 92% | 96% |
| Service Cost | \$ 109,048 | \$ 116,463 |
| Interest on the total pension liability | 604,630 | 592,956 |
| Effect of economic/demographic gain or loss | 83,220 | 41,658 |
| Employer contributions | (125,763) | (147,420) |
| Member contributions | (36,020) | (35,222) |
| Net investment income | (284,663) | (1,359,479) |
| Administrative expense | <u>932</u> | <u>947</u> |
| Net change in net pension liability | 351,384 | (790,097) |
| Net pension liability - beginning | 314,876 | 1,104,973 |
| Net pension liability - ending | <u>\$ 666,260</u> | <u>\$ 314,876</u> |
| Covered employee payroll | \$ 953,426 | \$ 891,237 |
| Net pension liability as a percentage of covered employee payroll | 70% | 35% |
| Retiree Health Insurance Subsidy (HIS Plan) | | |
| Total Pension Liability | \$ 312,258 | \$ 289,896 |
| Plan Fiduciary Net Position | <u>(1,547)</u> | <u>(2,867)</u> |
| Net Pension Liability | <u>\$ 310,711</u> | <u>\$ 287,029</u> |
| Plan Net Position as a Percentage of Total Net Pension Liability | 0.50% | 0.99% |
| Service Cost | \$ 6,627 | \$ 5,844 |
| Interest on the total pension liability | 12,352 | 12,583 |
| Effect of economic/demographic gain or loss | 16,355 | 11,861 |
| Employer contributions | (11,652) | (34,162) |
| Member contributions | - | - |
| Net investment income | (6) | (7) |
| Administrative expense | <u>6</u> | <u>2</u> |
| Net change in net pension liability | 23,682 | (3,879) |
| Net pension liability - beginning | 287,029 | 290,908 |
| Net pension liability - ending | <u>\$ 310,711</u> | <u>\$ 287,029</u> |
| Covered employee payroll | \$ 953,426 | \$ 891,237 |
| Net pension liability as a percentage of covered employee payroll | 33% | 32% |

CITY OF MADEIRA BEACH
Schedule of EMS Allowable Costs - Budget and Actual
For the year ended September 30, 2015

| | <u>Budgetary</u> <u>Basis Actual</u> | <u>Budget</u> | <u>Variance</u> <u>Over (Under)</u> |
|---|---|-------------------|--|
| REVENUES | | | |
| EMS reimbursement | <u>\$ 381,169</u> | <u>\$ 381,169</u> | <u>\$ -</u> |
| Reflected in the Statement of Activities on page 16 as: | | | |
| Public Safety - Charges for Services | <u>\$ 626,273</u> | | |
| Composed of: | | | |
| EMS reimbursement | \$ 381,169 | | |
| Fire protection service | 236,634 | | |
| Infrastructure inspections fees | 8,445 | | |
| CPR training | <u>25</u> | | |
| Total Public Safety - Charges for Services | <u>\$ 626,273</u> | | |
| EXPENSES | | | |
| Salaries, wages and employee benefits | \$ 340,765 | \$ 329,619 | \$ 11,146 |
| Medical services | 3,954 | 3,000 | 954 |
| Accounting and auditing | - | 2,500 | (2,500) |
| Insurance | 12,235 | 7,500 | 4,735 |
| Repairs and maintenance | 34,339 | 16,950 | 17,389 |
| Fuel | 8,551 | 16,800 | (8,249) |
| Uniforms | 9,182 | 3,200 | 5,982 |
| Licenses, permits and certifications | <u>1,818</u> | <u>1,600</u> | <u>218</u> |
| | <u>\$ 410,844</u> | <u>\$ 381,169</u> | <u>\$ 29,675</u> |
| Reflected in the Statement of Activities on page 16 as: | | | |
| Fire Protection - Expenses | <u>\$ 2,564,285</u> | | |
| Composed of: | | | |
| EMS expenses | \$ 410,844 | | |
| Fire expenses | 950,275 | | |
| Law enforcement expenses | <u>1,203,166</u> | | |
| Total Public Safety - Expenses | <u>\$ 2,564,285</u> | | |

CITY OF MADEIRA BEACH
Schedule of Revenues and Expenditures - Deepwater Horizon Oil Spill
For the year ended September 30, 2015

| | |
|---|--------------------------|
| REVENUES | |
| Deepwater Horizon Oil Spill settlement | \$ 746,904 |
| EXPENDITURES | |
| Operating - legal | <u>167,111</u> |
| EXCESS OF REVENUES OVER EXPENDITURES | 579,793 |
| Fund balance - beginning | <u>-</u> |
| Fund balance - ending | <u><u>\$ 579,793</u></u> |
| Reflected in the Governmental Funds Balance Sheet as: | |
| Fund Balance - General Fund | |
| Restricted | |
| BP Settlement | \$ 452,123 |
| Assigned | |
| Purchase obligations | <u>127,670</u> |
| | <u><u>\$ 579,793</u></u> |

Section IV

Statistical Section



Statistical Section

The City's ability to maintain its current financial position depends largely on its broader environment. The extent to which various trends are moving in favorable or unfavorable directions impacts the alternatives available to the City in managing its resources. Of particular concern are the following factors:

- Financial trends, such as changes in financial position from one year to the next
- Revenue capacity, including the City's ability to manage its most significant own-source revenue
- Debt capacity, particularly with respect to any limiting factors
- Socioeconomic data, which help define the context in which the City operates
- Operating indicators defining the nature and extent of the City's service levels

Statistical schedules are provided to help illustrate the resulting economic condition created by these factors:

Financial trend schedules – beginning on page 62
Revenue capacity schedules – beginning on page 67
Debt capacity schedules – beginning on page 71
Socioeconomic schedules – beginning on page 74
Operating schedules – beginning on page 76

CITY OF MADEIRA BEACH, FLORIDA
Schedule 1 - Net Position by Component
Last Ten Fiscal Years

| | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> |
|---|----------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Governmental activities | | | | | | | | | | |
| Invested in capital assets, net of related debt | \$ 6,934,604 | 7,353,902 | 7,232,486 | 7,097,593 | 6,976,034 | 6,776,719 | 6,597,288 | 7,520,304 | 13,799,242 | 17,176,826 |
| Restricted | - | - | - | - | 1,843,426 | 2,157,106 | 2,226,885 | 1,847,565 | 1,491,307 | 1,394,219 |
| Unrestricted | <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> | <u>10,839,038</u> | <u>9,391,005</u> |
| Total governmental activities net position | <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> | <u>26,129,587</u> | <u>27,962,050</u> |
| Business-type activities | | | | | | | | | | |
| Invested in capital assets, net of related debt | \$ 8,944,507 | 6,391,839 | 6,329,622 | 6,424,302 | 6,308,041 | 6,700,068 | 6,470,374 | 6,654,254 | 3,635,279 | 3,971,754 |
| Unrestricted | <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> | <u>2,432,863</u> | <u>2,335,652</u> |
| Total business-type net position | <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> | <u>6,068,142</u> | <u>6,307,406</u> |
| Primary government | | | | | | | | | | |
| Invested in capital assets, net of related debt | \$ 15,879,111 | 13,745,741 | 13,562,108 | 13,521,895 | 13,284,075 | 13,476,787 | 13,067,662 | 14,174,558 | 17,434,521 | 21,148,580 |
| Restricted | - | - | - | - | 1,843,426 | 2,157,106 | 2,226,885 | 1,847,565 | 1,491,307 | 1,394,219 |
| Unrestricted | <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> | <u>13,271,901</u> | <u>11,726,657</u> |
| Total primary government net position | <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> | <u>32,197,729</u> | <u>34,269,456</u> |

Notes:

* GASB Nos. 62, 63 and 65 were implemented in 2012 and changes have not been restated for 2011 and prior years.

* GASB Nos. 68 and 71 were implemented in 2015 and changes have not been restated for 2014 and prior years.

CITY OF MADEIRA BEACH, FLORIDA
Schedule 2 - Changes in Net Position
Last Ten Fiscal Years

| | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> |
|---|---------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|-------------------|
| Expenses | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| General government | \$ 1,122,940 | 1,813,398 | 1,130,296 | 1,086,703 | 1,312,167 | 1,341,581 | 1,414,883 | 1,524,928 | 1,738,593 | 2,455,360 |
| Physical environment | 198,930 | 220,830 | 257,527 | 260,610 | 237,705 | 318,218 | 212,283 | 441,568 | 397,459 | 418,301 |
| Transportation | 381,944 | 496,778 | 405,240 | 337,064 | 342,946 | 340,079 | 424,878 | 7,316 | - | 2,564,285 |
| Public safety | 2,215,395 | 2,340,684 | 2,460,537 | 2,394,698 | 2,093,721 | 2,256,879 | 2,313,010 | 2,325,689 | 2,419,548 | 1,441,765 |
| Culture and recreation | 951,054 | 1,117,355 | 1,053,540 | 976,627 | 859,420 | 931,641 | 931,781 | 892,963 | 1,226,418 | 255,765 |
| Parking | - | - | - | - | - | - | - | - | 266,139 | 192,169 |
| Total governmental activities expenses | <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> | <u>6,048,157</u> | <u>7,327,645</u> |
| Business-type activities: | | | | | | | | | | |
| Sanitation | \$ 1,084,902 | 1,151,053 | 1,165,309 | 1,111,563 | 954,521 | 1,026,855 | 1,011,249 | 987,491 | 1,120,079 | 1,178,884 |
| Sewer | 952,421 | 868,932 | - | - | - | - | - | - | - | - |
| Stormwater | 160,835 | 195,439 | 207,037 | 207,445 | 191,310 | 163,079 | 193,432 | 373,158 | 455,957 | 476,227 |
| Marina | 716,146 | 889,377 | 1,298,083 | 1,034,711 | 1,200,024 | 1,260,832 | 1,654,840 | 1,800,831 | 2,095,009 | 1,872,121 |
| John's Pass Village | 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>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> | <u>3,671,045</u> | <u>3,527,232</u> |
| Total government expenses | <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> | <u>9,719,202</u> | <u>10,854,877</u> |
| Program Revenues | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| General government | \$ 9,131 | 40,100 | 38,353 | 60,420 | 98,119 | 177,728 | 272,485 | 251,011 | 808,209 | 911,866 |
| Physical environment | 48,000 | 10,000 | 500 | - | - | - | - | - | - | 336 |
| Public safety | 722,257 | 714,202 | 750,530 | 789,634 | 618,752 | 585,333 | 575,210 | 553,202 | 601,222 | 626,273 |
| Culture and recreation | 519,891 | 508,616 | 488,054 | 490,086 | 200,073 | 203,200 | 255,098 | 287,036 | 1,017,541 | 636,413 |
| Parking | - | - | - | - | - | - | - | - | 717,859 | 1,285,041 |
| Operating grants and contributions | 30,441 | 31,063 | 32,268 | 32,490 | 298,564 | 390,330 | 49,504 | - | - | 6,626 |
| Capital grants and contributions | - | 78,795 | - | 10,500 | - | - | - | - | 230,813 | 1,768,069 |
| Total governmental activities program revenues | <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> | <u>3,375,644</u> | <u>5,234,624</u> |
| Business-type activities: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| Sanitation | \$ 1,091,642 | 1,177,699 | 1,207,575 | 1,156,865 | 1,154,523 | 1,178,605 | 1,084,248 | 1,152,111 | 1,145,198 | 1,126,910 |
| Sewer | 1,218,377 | - | - | - | - | - | - | - | - | - |
| Stormwater | 352,261 | 359,856 | 362,219 | 360,048 | 356,465 | 374,918 | 322,611 | 362,754 | 347,898 | 671,303 |
| Marina | 708,350 | 877,384 | 1,203,823 | 969,331 | 1,012,880 | 1,221,047 | 1,640,660 | 1,866,683 | 2,185,742 | 1,991,260 |
| John's Pass Village | 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 | 2,426 | 3,393 | 4,701 | 3,406 | 3,407 | - | - | - | - | 3,300 |
| Capital grants and contributions | 2,787 | 198,013 | 264,537 | 84,580 | 19,848 | - | - | - | - | - |
| Total business-type activities program revenues | <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> | <u>3,678,838</u> | <u>3,792,773</u> |
| Total government program revenues | <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> | <u>7,054,482</u> | <u>9,027,397</u> |

(Continued)

CITY OF MADEIRA BEACH, FLORIDA
Schedule 2 - Changes in Net Position
Last Ten Fiscal Years

| | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> |
|---|-----------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | (Continued) | | | | | | | | | |
| Net (Expense)/Revenue | | | | | | | | | | |
| Governmental activities | \$ (3,540,543) | (4,606,269) | (3,997,435) | (3,672,572) | (3,630,451) | (3,831,807) | (4,144,538) | (3,973,485) | (3,195,091) | (2,093,021) |
| Business-type activities | 503,944 | (452,015) | 596,186 | 451,661 | 394,030 | 670,075 | 534,469 | 680,755 | 7,793 | 265,541 |
| Total governmental net expense | <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> | <u>(3,187,298)</u> | <u>(1,827,480)</u> |
| General Revenues and Other Changes in Net Position | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Taxes: | | | | | | | | | | |
| Property taxes | \$ 2,061,249 | 2,417,146 | 2,232,709 | 2,018,974 | 1,694,316 | 1,506,269 | 1,444,836 | 1,424,325 | 1,490,180 | 1,758,259 |
| Franchise and utility taxes | 1,022,197 | 1,060,469 | 1,062,953 | 1,166,572 | 1,298,111 | 1,207,346 | 1,167,978 | 1,158,034 | 1,246,640 | 1,249,780 |
| Intergovernmental revenues | 1,233,980 | 1,209,167 | 1,240,610 | 1,140,996 | 1,086,522 | 1,055,587 | 1,096,656 | 1,127,736 | 1,165,875 | 1,212,668 |
| Local business tax receipts | 80,141 | 80,524 | 84,356 | 79,969 | 78,535 | 76,886 | 65,474 | 71,022 | 71,249 | 71,842 |
| Investment earnings | 305,879 | 508,916 | 272,689 | 74,681 | 87,888 | (599) | 71,210 | 26,261 | 19,742 | 20,966 |
| Gain/(loss) on disposal of capital assets | 2,197 | 11,970 | 3,472 | (19,492) | 6,220 | (33,846) | - | - | - | 5,220 |
| Miscellaneous revenues | 91,555 | 69,586 | 100,150 | 174,051 | 131,035 | 130,715 | 155,071 | 134,551 | 178,873 | 796,319 (1) |
| Transfers | (199,945) | 2,942,701 | 195,800 | 194,000 | 293,900 | 338,076 | 44,400 | 75,500 | 4,536,084 | - |
| Total governmental activities | <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> | <u>8,708,643</u> | <u>5,115,054</u> |
| Business-type activities: | | | | | | | | | | |
| Investment earnings | \$ 121,535 | 79,925 | 43,357 | 10,589 | 11,119 | 1,306 | 2,486 | 331 | 180 | 777 |
| Gain/(loss) on disposal of capital assets | 720 | - | 3,025 | 15,753 | (17,964) | (9,847) | 18,975 | 37,220 | - | 28,211 |
| Miscellaneous revenues | 16,439 | 12,462 | 6,170 | 7,975 | 20,107 | 16,085 | 18,082 | 16,468 | 19,551 | 10,648 |
| Transfers | 199,945 | (2,942,701) | (195,800) | (194,000) | (293,900) | (338,076) | (44,400) | (75,500) | (4,536,084) | - |
| Total business-type activities | <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> | <u>(4,516,353)</u> | <u>39,636</u> |
| Total government | <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> | <u>4,192,290</u> | <u>5,154,690</u> |
| Change in Net Position | | | | | | | | | | |
| Governmental activities | \$ 1,056,710 | 3,694,210 | 1,195,304 | 1,357,179 | 1,046,076 | 448,627 | (98,913) | 43,944 | 5,513,552 | 3,022,033 |
| Business-type activities | 842,583 | (3,302,329) | 452,938 | 291,978 | 113,392 | 339,543 | 538,612 | 659,274 | (4,508,560) | 305,177 |
| Total government | <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> | <u>1,004,992</u> | <u>3,327,210</u> |

(1) 2015 Includes BP Settlement funds in the amount of \$746,904.

CITY OF MADEIRA BEACH, FLORIDA
Schedule 3 - Fund Balances of Governmental Funds
Last Ten Fiscal Years

| | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> |
|------------------------------------|-------------|-------------|-------------|-------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| General fund: | | | | | | | | | | |
| Nonspendable | \$ * | * | * | * | 10,276 | 526,744 | 523,089 | 446,230 | 424,229 | 406,596 |
| Restricted | * | * | * | * | - | - | - | - | 580,963 | 177,366 |
| Committed | * | * | * | * | - | - | - | - | 1,855,566 | 2,932,975 |
| Assigned | * | * | * | * | 4,045,652 | 4,202,754 | 4,157,086 | 6,514,384 | 5,602,878 | 2,640,263 |
| Unassigned | * | * | * | * | 7,530,501 | 7,160,890 | 7,272,878 | 4,492,317 | 3,871,126 | 5,350,639 |
| Total general fund | \$ <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> | <u>12,334,762</u> | <u>11,507,839</u> |
| All other governmental funds: | | | | | | | | | | |
| Nonspendable | \$ * | * | * | * | - | - | - | - | - | 30 |
| Restricted | * | * | * | * | 1,843,426 | 2,157,106 | 2,226,885 | 1,847,565 | 910,344 | 744,508 |
| Assigned | * | * | * | * | - | - | - | - | - | 20,192 |
| Total all other governmental funds | \$ <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> | <u>910,344</u> | <u>764,730</u> |

Note:

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

CITY OF MADEIRA BEACH, FLORIDA
Schedule 4 - Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years

| | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> |
|--|---------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|-------------------|-------------------|
| Revenues | | | | | | | | | | |
| Taxes | \$ 3,835,389 | 3,477,615 | 3,295,662 | 3,185,546 | 2,992,427 | 2,713,615 | 2,612,814 | 2,582,359 | 2,736,820 | 3,008,039 |
| Licenses and permits | 90,908 | 100,457 | 101,810 | 104,013 | 94,809 | 88,378 | 78,584 | 312,009 | 637,928 | 452,182 |
| Intergovernmental revenue | 1,092,890 | 1,700,625 | 1,665,507 | 1,833,017 | 1,986,794 | 2,020,541 | 1,708,260 | 1,448,708 | 1,615,190 | 2,370,981 |
| Charges for services | 520,041 | 727,777 | 716,605 | 490,086 | 581,914 | 447,560 | 499,458 | 534,136 | 473,716 | 751,326 |
| Fines and forfeitures | 143,871 | 133,608 | 150,249 | 176,783 | 98,693 | 176,945 | 28,125 | 10,024 | 241,091 | 159,890 |
| Parking enforcement | | | | | | | | | 1,060,849 | 1,285,041 |
| Special assessments | 48,000 | 10,000 | 500 | - | - | - | - | - | - | - |
| Investment earnings | 305,879 | 508,916 | 272,689 | 74,681 | 87,888 | (599) | 71,210 | 25,364 | 17,959 | 20,966 |
| Miscellaneous revenue | 87,743 | 69,586 | 100,150 | 174,247 | 131,035 | 130,715 | 155,071 | 134,551 | 178,873 | 322,283 |
| Total revenues | \$ <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> | <u>6,962,426</u> | <u>8,370,708</u> |
| Expenditures | | | | | | | | | | |
| General Government | \$ 1,053,569 | 1,745,631 | 1,113,760 | 1,052,308 | 1,576,040 | 1,625,381 | 1,344,018 | 1,634,673 | 1,750,569 | 2,149,840 |
| Physical Environment | 178,268 | 192,853 | 233,223 | 242,947 | 345,023 | 310,116 | 188,376 | 322,053 | 284,055 | 306,922 |
| Transportation | 262,726 | 318,961 | 237,105 | 234,854 | 239,738 | 239,990 | 222,965 | 7,316 | - | - |
| Public Safety | 2,146,816 | 2,268,692 | 2,353,055 | 2,314,135 | 2,043,324 | 2,261,063 | 2,203,613 | 2,296,731 | 2,330,872 | 2,518,423 |
| Culture and recreation | 839,961 | 996,456 | 947,981 | 884,700 | 765,942 | 844,573 | 782,263 | 794,133 | 778,115 | 1,080,304 |
| Parking enforcement | | | | | | | | | 252,357 | 243,278 |
| Capital outlay | 1,872,004 | 675,131 | 273,106 | 205,034 | 190,978 | 16,469 | 360,741 | 531,369 | 6,563,339 | 6,415,879 |
| Debt Service: | | | | | | | | | | |
| Principal | - | - | - | - | - | - | - | - | - | 100,000 |
| Interest | - | - | - | - | - | - | - | - | 317,322 | 292,373 |
| Total expenditures | \$ <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> | <u>12,276,629</u> | <u>13,107,019</u> |
| Excess of revenue over expenditures | \$ (228,623) | 530,860 | 1,144,942 | 1,104,395 | 812,515 | 279,563 | 51,546 | (539,124) | (5,314,203) | (4,736,311) |
| Other Financing Sources (Uses) | | | | | | | | | | |
| Debt proceeds | \$ - | - | - | - | - | - | - | - | 4,760,000 | 3,010,000 |
| Discount on debt issued | - | - | - | - | - | - | - | - | (19,435) | - |
| Transfers in | 100,055 | 180,695 | 195,800 | 194,000 | 293,900 | 338,076 | 44,400 | 75,500 | 1,455,469 | - |
| Transfers out | (300,000) | (382,700) | - | - | - | - | - | - | - | - |
| Sale of capital assets | 2,197 | 11,970 | 3,472 | - | 8,595 | - | - | - | - | 6,870 |
| Proceeds from sale of sewer system | - | 3,144,706 | - | 200,000 | - | - | - | - | - | - |
| BP settlement | - | - | - | - | - | - | - | - | - | 746,904 |
| Total other financing sources (uses) | <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> | <u>6,196,034</u> | <u>3,763,774</u> |
| Net change in fund balances | \$ <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> | <u>881,831</u> | <u>(972,537)</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% | 5.9% | 6.2% |

CITY OF MADEIRA BEACH, FLORIDA
Schedule 5 - 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> |
|--------------------|-----------------|----------------------------------|------------------------------------|--|----------------------------|--|---|---|
| 2006 | 2005 | 2.1200 | \$ 986,163,400 | \$ 19,015,622 | \$1,005,179,022 | \$ 272,894,490 | \$ 1,278,073,512 | 78.6% |
| 2007 | 2006 | 1.9000 | 1,293,733,749 | 18,086,020 | 1,311,819,769 | 408,428,517 | 1,720,248,286 | 76.3% |
| 2008 | 2007 | 1.7954 | 1,273,943,913 | 17,068,930 | 1,291,012,843 | 354,121,147 | 1,645,133,990 | 78.5% |
| 2009 | 2008 | 1.7954 | 1,139,281,968 | 12,213,643 | 1,151,495,611 | 306,939,779 | 1,458,435,390 | 79.0% |
| 2010 | 2009 | 1.7954 | 952,765,601 | 12,313,001 | 965,078,602 | 246,661,893 | 1,211,740,495 | 79.6% |
| 2011 | 2010 | 1.7954 | 852,605,969 | 12,262,542 | 864,868,511 | 193,983,539 | 1,058,852,050 | 81.7% |
| 2012 | 2011 | 1.7954 | 815,231,351 | 12,352,060 | 827,583,411 | 171,265,400 | 998,848,811 | 82.9% |
| 2013 | 2012 | 1.7900 | 809,727,920 | 12,355,306 | 822,083,226 | 167,233,791 | 989,317,017 | 83.1% |
| 2014 | 2013 | 1.7900 | 849,197,646 | 11,819,516 | 861,017,162 | 188,929,449 | 1,049,946,611 | 82.0% |
| 2015 | 2014 | 1.9900 | 900,523,821 | 11,819,245 | 912,343,066 | 231,229,210 | 1,143,572,276 | 79.8% |

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
Schedule 6 - Property Tax Rates
Direct and Overlapping Governments
Per \$1,000 of Assessed Valuation
Last Ten Fiscal Years

| Fiscal Year | Tax Roll | City of Madeira Beach Operating Millage | Overlapping Rates | | | | Total Direct and Overlapping Rates |
|--------------------|-----------------|--|--------------------------|---------------|-----------------------------|----------------|---|
| | | | County* | School | Transit District | Other** | |
| 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 |
| 2014 | 2013 | 1.7900 | 6.2535 | 8.0600 | 0.7305 | 1.7959 | 18.6299 |
| 2015 | 2014 | 1.9900 | 6.2695 | 7.8410 | 0.7305 | 1.7799 | 18.6109 |

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
Schedule 7 - Principal Property Taxpayers
Current Year and Nine Years Ago

| <u>Taxpayer</u> | <u>2015</u> | | | <u>2006</u> | | |
|---|-----------------------|-------------|--|------------------------|-------------|--|
| | <u>Taxable Value</u> | <u>Rank</u> | <u>Percentage Total Assessed Valuation</u> | <u>Taxable Value</u> | <u>Rank</u> | <u>Percentage Total Assessed Valuation</u> |
| Investors Warranty of Amer Inc. | \$ 12,625,000 | 1 | 1.38% | | | |
| Publix Super Markets Inc. | 8,769,063 | 2 | 0.96% | | | |
| 919 Land Trust | 7,024,721 | 3 | 0.77% | \$ 5,528,900 | 6 | 0.55% |
| Shoreline Island Resort LLC | 6,413,656 | 4 | 0.70% | | | |
| R N J Madeira Beach Inc. | 4,783,000 | 6 | 0.52% | | | |
| Pines Madeira LLC | 4,425,000 | 5 | 0.49% | | | |
| Barefoot Beach Resort South LLC | 4,350,000 | 7 | 0.48% | 5,056,600 | 9 | 0.50% |
| Extra Space Properties Eighty Six LLC | 4,000,000 | 8 | 0.44% | 5,625,000 | 4 | 0.56% |
| Musca Properties LLC | 3,422,000 | 9 | 0.38% | | | |
| DAG Bros, Inc. | 3,152,278 | 10 | 0.35% | | | |
| TW / Beach Residences - Madeira | | | | 8,133,800 | 1 | 0.81% |
| Poseidon Ventures LTD | | | | 8,096,100 | 2 | 0.81% |
| All Seasons Resort, Inc. | | | | 5,267,200 | 7 | 0.52% |
| Madeira Shopping Center, Inc. | | | | 5,614,500 | 5 | 0.56% |
| Pines-Carter Fla, Inc. | | | | 5,200,000 | 8 | 0.52% |
| Hubbard Properties | | | | 5,928,500 | 3 | 0.59% |
| Paul R. Straubinger | | | | 4,613,400 | 10 | 0.46% |
| Total taxable valuation of ten largest taxpayers | 58,964,718 | | 6.5% | 59,064,000 | | 5.9% |
| Total taxable valuation of other taxpayers | 853,378,348 | | 93.5% | 946,115,022 | | 94.1% |
| Total taxable valuation of all taxpayers | <u>\$ 912,343,066</u> | | <u>100.0%</u> | <u>\$1,005,179,022</u> | | <u>100.0%</u> |

Source:
Pinellas County Property Appraiser

CITY OF MADEIRA BEACH, FLORIDA
Schedule 8 - 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> |
| 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% |
| 2014 | 2013 | 861,017,162 | 1.7900 | 1,541,221 | 1,452,929 | 94.27% | 659 | 1,453,587 | 94.31% |
| 2015 | 2014 | 912,343,066 | 1.9900 | 1,812,399 | 1,718,260 | 94.81% | 39,999 | 1,758,259 | 97.01% |

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

Source:
Pinellas County Tax Collector

CITY OF MADEIRA BEACH, FLORIDA
Schedule 9 - Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

| Fiscal Year | Governmental Activities | | Business-type | Total | Percentage of Personal Income | Per Capita |
|----------------|---------------------------------|--------------------------------|--------------------------------|---------------|-------------------------------------|---------------|
| | Revenue Bonds Series 2013 | Revenue Bond Series 2014 | Revenue Bond Series 2015 | | | |
| 2015 | \$ 4,660,000 | \$ 3,010,000 | \$ 6,200,000 | \$ 13,870,000 | 7.42% | \$ 3,153 |
| 2014 | 4,760,000 | - | - | - | - | - |
| 2013 | - | - | - | - | - | - |
| 2012 | - | - | - | - | - | - |
| 2011 | - | - | - | - | - | - |
| 2010 | - | - | - | - | - | - |
| 2009 | - | - | - | - | - | - |
| 2008 | - | - | - | - | - | - |
| 2007 | - | - | - | - | - | - |
| 2006 | - | - | - | - | - | - |

The City had no General Obligation bonded debt in the last 10 years.

The Constitution of the State of Florida, Florida Statute 200.181 and the Charter of the City of Madeira Beach, Florida set no legal debt margin.

Prior to 09/30/14 the City had no outstanding debt.

CITY OF MADEIRA BEACH, FLORIDA
Schedule 10 - Computation of Direct and Overlapping Debt
September 30, 2015

| <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 | \$ 13,851,861 | 100.0% | \$ 13,851,861 |
| Pinellas County Government: | | | |
| Governmental Activities Notes | 11,558,515 | 1.53% | 176,784 |
| Capital Leases | 40,872 | 1.53% | 625 |
| Sewer Revenue Bonds | 162,450,000 | 1.53% | 2,484,627 |
| Pinellas County School Board: | | | |
| General Obligation Debt | 16,056,399 | 1.53% | 245,578 |
| Capital Leases | 971,601 | 1.53% | 14,860 |
| Total overlapping debt (2) | 191,077,387 | | 2,922,475 |
| Total direct and overlapping debt | | | \$ 16,774,336 |
| Total direct and overlapping debt per capita (3) | | | \$ 3,813 |

The City's share is calculated based on the ratio of the City's taxable value of \$912,343,066 to the County's taxable value of \$59,650,849,843 for the 2014 tax roll.

Sources:

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

Notes:

- (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: 4,399

CITY OF MADEIRA BEACH, FLORIDA
Schedule 11 - Pledged Revenue Coverage
Last Ten Fiscal Years

| Year | Pledged Revenues (1) | Revenue Bonds Series 2013 | | | Pinellas County | Revenue Bond Series 2014 | | | Stormwater | Revenue Bond Series 2015 | | |
|------|----------------------|---------------------------|------------|----------|---------------------|--------------------------|-----------|----------|-------------------|--------------------------|----------|----------|
| | | Principal | Interest | Coverage | Interlocal Payments | Principal | Interest | Coverage | Fund Net Revenues | Principal | Interest | Coverage |
| 2015 | \$ 1,684,333 | \$ 100,000 | \$ 209,013 | 5.45 | \$ 141,765 | \$ - | \$ 19,967 | 7.10 | \$ 355,181 | \$ - | \$20,965 | 16.94 |
| 2014 | 1,700,677 | - | 91,807 | 18.52 | - | - | - | - | - | - | - | - |
| 2013 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2012 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2011 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2010 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2009 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2008 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2007 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2006 | - | - | - | - | - | - | - | - | - | - | - | - |

Note:

(1) Pledged revenues consist of Public Services Taxes (electricity, water, gas and propane), half-cent sales taxes, state revenue sharing, electric and gas franchise fees.

The City had no outstanding debt prior to 09/30/14.

CITY OF MADEIRA BEACH, FLORIDA
Schedule 12 - Demographic and Economic Statistics
Last Ten Fiscal Years

| Fiscal Year | Population (1) | Per Capita Personal Income (1) | Personal Income | Median Age (1) | Unemployment Rate (2) |
|--------------------|-----------------------|---|----------------------------|---------------------------|----------------------------------|
| 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% |
| 2014 | 4,323 | 45,574 | 197,016,402 | 45.66 | 6.7% |
| 2015 | 4,399 | 42,475 | 186,847,525 | 54.80 | 6.0% |

Sources:

(1) Prior to fiscal year 2015, data was compiled using the State of Florida Bureau of Economic and Business Research (BEBR) database. Fiscal 2015 data is based on a comprehensive socioeconomic report conducted by Pinellas County Economic Development Department.

(2) Unemployment data is reported for Pinellas County rather than Madeira Beach, using the BEBR database.

CITY OF MADEIRA BEACH
Schedule 13 - Principal Employers
Current Year and Nine Years Ago

| Employer | 2015 | | | 2006 | | |
|--|--------------------------------|-------------|--|--------------------------------|-------------|---|
| | Number of Employees | Rank | Percentage of Total City Employment | Number of Employees | Rank | Percentage of Total City Employment* |
| Winn Dixie (Supermarket) | 200 | 1 | 5.23% | 100 | 5 | 6.13% |
| Madeira Beach Elementary and Middle School | 150 | 2 | 3.93% | 195 | 1 | 11.96% |
| Publix (Supermarket) | 140 | 3 | 3.66% | 146 | 3 | 8.96% |
| Nina Walker Century 21 Real Estate | 101 | 4 | 2.64% | | | |
| Bubba Gump Shrimp Co. (Restaurant) | 100 | 5 | 2.62% | | | |
| Friendly Fisherman Restaurant | 70 | 6 | 1.83% | | | |
| Hooters (Restaurant) | 56 | 7 | 1.47% | | | |
| City of Madeira Beach | 55 | 8 | 1.44% | 60 | 6 | 3.68% |
| McDonald's | 49 | 9 | 1.28% | 50 | 8 | 3.07% |
| Brown Boxer (Restaurant) | 40 | 10 | 1.05% | | | |
| Daiquiri Shak (Restaurant) | | | | 50 | 7 | 3.07% |
| Sculley's Boardwalk Grille (Restaurant) | | | | 150 | 2 | 9.20% |
| Hubbard Enterprises (Marina) | | | | 128 | 4 | 7.85% |
| United States Post Office | | | | 31 | 9 | 1.90% |
| Shoreline Island Resort Motel | | | | 30 | 10 | 1.84% |
| Total employment of ten largest employers | 961 | | 25.15% | 940 | | 57.67% |
| Total employment of other employers | 2,860 | | 74.85% | 690 | | 42.33% |
| Total employment of all employers | 3,821 | | 100.00% | 1,630 | | 100.00% |

Source:
Pinellas County Economic Development

CITY OF MADEIRA BEACH, FLORIDA
Schedule 14 - Full-time Equivalent City Government Employees by Function
Last Ten Fiscal Years

| Function | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> |
|---------------------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|--------------|-------------|--------------|
| General Government | 13 | 13 | 13 | 11 | 9 | 5 | 14.09 | 15.5 | 17 | 18.5 |
| Public Works: | | | | | | | | | | |
| Administration | 3 | 3 | 4 | 4 | 4 | 4 | 2.3 | 0.4 | 0.5 | 0.7 |
| Streets | 2.2 | 2.8 | 2 | 2 | 2 | 2 | 2 | 0 | 0 | 0 |
| Sanitation | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 7.2 | 7 | 6 |
| Sewer | 1.6 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Stormwater | 1.2 | 1.2 | 1 | 1 | 1 | 1 | 1 | 2.2 | 3 | 3 |
| Public Safety: | | | | | | | | | | |
| Fire: | | | | | | | | | | |
| Firefighters and officers | 13 | 13 | 13 | 13 | 11 | 11 | 13 | 13 | 13 | 13 |
| Civilians | 2 | 2 | 2 | 2 | 1 | 1 | 1 | 1 | 1 | 1 |
| Parking Enforcement | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 3.25 | 3.4 | 3.1 | 3.05 |
| Parks and Recreation | 15 | 15 | 14.5 | 13 | 12 | 12 | 12.9 | 13.19 | 7.2 | 11.1 |
| Municipal Marina | 4 | 4 | 3 | 3 | 3.5 | 3.5 | 3.5 | 3.3 | 3.6 | 3.6 |
| Total | <u>66.5</u> | <u>65.5</u> | <u>64</u> | <u>60.5</u> | <u>55</u> | <u>51</u> | <u>62.04</u> | <u>59.19</u> | <u>55.4</u> | <u>59.95</u> |

Source:
Adopted Budgets - City of Madeira Beach

CITY OF MADEIRA BEACH, FLORIDA
Schedule 15 - Operating Indicators by Function
Last Ten Fiscal Years

| Function | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| General Government | | | | | | | | | | |
| Community Development: | | | | | | | | | | |
| Building permits issued | 558 | 503 | 456 | 452 | 595 | 637 | 790 | 665 | 769 | 781 |
| Occupational licenses issued | 778 | 909 | 836 | 879 | 781 | 1,033 | 771 | 790 | 566 | 796 |
| Public Safety | | | | | | | | | | |
| Law Enforcement (1): | | | | | | | | | | |
| Arrests made | 500 | 592 | 495 | 564 | 514 | 495 | 73 | 510 | 371 | 569 |
| Traffic citations issued | 1,494 | 2,307 | 1,776 | 1,771 | 1,828 | 1,759 | 592 | 625 | 520 | 647 |
| Fire Department: | | | | | | | | | | |
| Emergency responses | 1,476 | 1,430 | 1,308 | 1,496 | 1,549 | 1,847 | 1,850 | 1,788 | 1,875 | 1,903 |
| Fires and other non-medical emergencies | 592 | 587 | 511 | 542 | 576 | 524 | 548 | 454 | 410 | 480 |
| Emergency medical calls | 884 | 843 | 797 | 954 | 973 | 1,323 | 1,302 | 1,334 | 1,465 | 1,423 |
| Fire inspections completed | 494 | 475 | 218 | 225 | 109 | 122 | 107 | 56 | 299 | 313 |
| Parking Enforcement: | | | | | | | | | | |
| Parking citations issued | 6,491 | 4,548 | 5,524 | 5,735 | 4,153 | 3,757 | 4,443 | 4,168 | 10,297 | 6,059 |

Notes:

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

CITY OF MADEIRA BEACH, FLORIDA
Schedule 16 - Capital Asset Statistics by Function
Last Ten Fiscal Years

| Function | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|---------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| 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 | 17.5 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Number of lift stations | 7 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Average daily flow (MGD) | 0.613 | 0 | 0 | 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



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*

The Honorable Mayor and Board of Commissioners
City of Madeira Beach, Florida

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Madeira Beach, Florida (the City) as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 11, 2016.

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.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Wells, Houser & Schatzel, P.A.
St. Petersburg, Florida
April 11, 2016

INDEPENDENT AUDITOR'S MANAGEMENT LETTER

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

Report on the Financial Statements

We have audited the financial statements of the City of Madeira Beach, Florida, as of and for the fiscal year ended September 30, 2015 and have issued our report thereon dated April 11, 2016.

Auditor's Responsibility

We have 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 Florida Auditor General.

Other Reports and Schedule

We have issued our Independent Auditors' Reports on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*, and Independent Accountant's Report on an examination conducted in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports which are dated April 11, 2016, should be considered in conjunction with this management letter.

Prior Audit Findings

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 significant findings and recommendations made in the preceding annual financial report. Corrective actions have been taken to address the prior year finding.

Official Title and Legal Authority

Section 10.554(1)(i)4., 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. The City of Madeira Beach, Florida, a municipal corporation, was established in 1947 under Chapter 51-276876, Laws of Florida. The City of Madeira Beach, Florida includes no component units.

Financial Condition

Section 10.554(1)(i)5.a., Rules of the Auditor General, requires that we report the results of our determination as to whether or not the City of Madeira Beach, Florida has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the condition(s) met. In connection with our audit, we determined that the City of Madeira Beach, Florida, did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the City of Madeira Beach, Florida's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by the same.

Annual Financial Report

Section 10.554(1)(i)5.b., Rules of the Auditor General, requires that we report the results of our determination as to whether the annual financial report for the City of Madeira Beach, Florida, for the fiscal year ended September 30, 2015, 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, 2015. In connection with our audit, we determined that these two reports were in agreement.

Special District Component Units

Section 10.554(1)(i)5.d. Rules of the Auditor General, requires that we determine whether or not a special district that is a component unit of a county, municipality, or special district, provided the financial information necessary for proper reporting of the component unit, within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. In connection with our audit, we determined that the City had no special district component units.

Other Matters

Sections 10.554(1)(i)2., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Sections 10.554(1)(i)3., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

Purpose of this Letter

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, City Commission Members, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.



Wells, Houser & Schatzel, P.A.
St. Petersburg, Florida
April 11, 2016

INDEPENDENT AUDITOR'S REPORT
REGARDING COMPLIANCE REQUIREMENTS IN RULES
OF THE AUDITOR GENERAL 10.556(10)

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

We have examined the City of Madeira Beach, Florida's (the City's) compliance with the requirements of Section 218.415, Florida Statutes during the year ended September 30, 2015. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the City's compliance with specified requirements.

In our opinion, the City of Madeira Beach, Florida complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2015.



Wells, Houser & Schatzel, P.A.
St. Petersburg, Florida
April 11, 2016

INDEPENDENT AUDITOR'S REPORT
REGARDING RULES OF THE AUDITOR GENERAL 10.557(3)(n)

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

We have audited the financial statements of the City of Madeira Beach, Florida (the City) as of and for the year ended September 30, 2015, and have issued our report thereon dated April 11, 2016 which contained an unmodified opinion on those financial statements.

Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Revenues and Expenditures – Deepwater Horizon Oil Spill is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Wells, Houser & Schatzel, P.A.
St. Petersburg, Florida
April 11, 2016