

City of Madeira Beach, Florida

Comprehensive Annual Financial Report



*For the Fiscal Year Ended
September 30, 2010*

The John's Pass Bridge construction project was completed in 2010 by the Florida Department of Transportation. This five year, \$77 million project, replaced the old bridge which was built in 1972. The new bridge features wider traffic lanes, bike lanes on both sides, and wider sidewalks. It was constructed with a wider navigation channel and concrete pilings designed to provide protection from collisions. The new bridge is expected to last 75 years.

Aerial photography was provided by Resort Graphics International, Inc., as part of a 36 month project to promote the resort area of Madeira Beach and John's Pass via aerial images accessible on the City's website.

**COMPREHENSIVE
ANNUAL FINANCIAL REPORT
of the
CITY OF MADEIRA BEACH
FLORIDA**

**FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2010**

PREPARED BY THE FINANCE DEPARTMENT

CITY OF MADEIRA BEACH, FLORIDA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

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INTRODUCTORY SECTION

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Madeira Beach

...two miles long and a SMILE wide!

March 22, 2011

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

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the City of Madeira Beach, Florida, for the fiscal year ended September 30, 2010. In addition to meeting legal requirements of the City Charter, Florida Statutes and the Rules of the Auditor General of the State of Florida, the report continues to present the City's tradition of full financial disclosure. This report was compiled by the staff of the Finance Department, and represents the official report of the City's financial position and operations to the citizens, Board of City Commissioners, management personnel of the City, rating agencies and other interested parties.

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

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

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

The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Madeira Beach's financial statements for the fiscal year ended September 30, 2010, are fairly presented in conformity with Accounting Principles Generally Accepted in the United States of America.

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

Profile of the Government

The City of Madeira Beach originally began as a fishing village. Located on a barrier island at John's Pass with direct access to the Gulf of Mexico, Madeira Beach connects to the mainland near St. Petersburg by a free causeway and to the other barrier islands by bridges. The City of Madeira Beach was incorporated in 1947 with a City Manager form of government. The City has a land area of approximately one square mile and a year round resident population of 4,427. The white sandy beaches of the city are an attraction to approximately 8,000 tourists annually.

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

The annual budget serves as the foundation for the City's financial planning and control. Department heads are required to submit their budget requests to the City Manager, who then uses these requests as the starting point for developing a proposed budget. The City Manager is required by the City Charter to present the proposed budget to the Board of City Commissioners prior to July 1. The Board of City Commissioners is required to hold public hearings on the proposed budget and to adopt a final budget by September 30, the close of the City's fiscal year. The appropriated budget is prepared by fund and department. The City Manager may transfer any unencumbered appropriation or portion thereof between classifications of expenditures within a department. The Board of City Commissioners may, by ordinance, make additional appropriations or transfer any unencumbered appropriation from any department or from contingency to another department or contingency. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the General and Special Projects Funds, this comparison is presented on pages 17-18 as part of the basic financial statements for the governmental funds.

Local Economy

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

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

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

Long-term financial planning

The City allocates 30 percent of the coming year's general fund budget for unforeseen emergencies. Assignments of general fund balance are also made for vehicle replacements and compensated absences. These assignments, although not legally required, reflect funds that are earmarked for specific purposes as identified by management.

Relevant financial policies

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

Major Initiatives

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

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

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

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Madeira Beach for its comprehensive annual financial report for the fiscal year ended September 30, 2009. This was the twelfth consecutive year that the City has received this prestigious award.

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

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

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

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

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

Respectfully submitted,

Bill Mallory

Bill Mallory
Interim City Manager

Monica D. Mitchell

Monica D. Mitchell, CPA, CGFO
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Madeira Beach
Florida

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2009

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



President

Executive Director

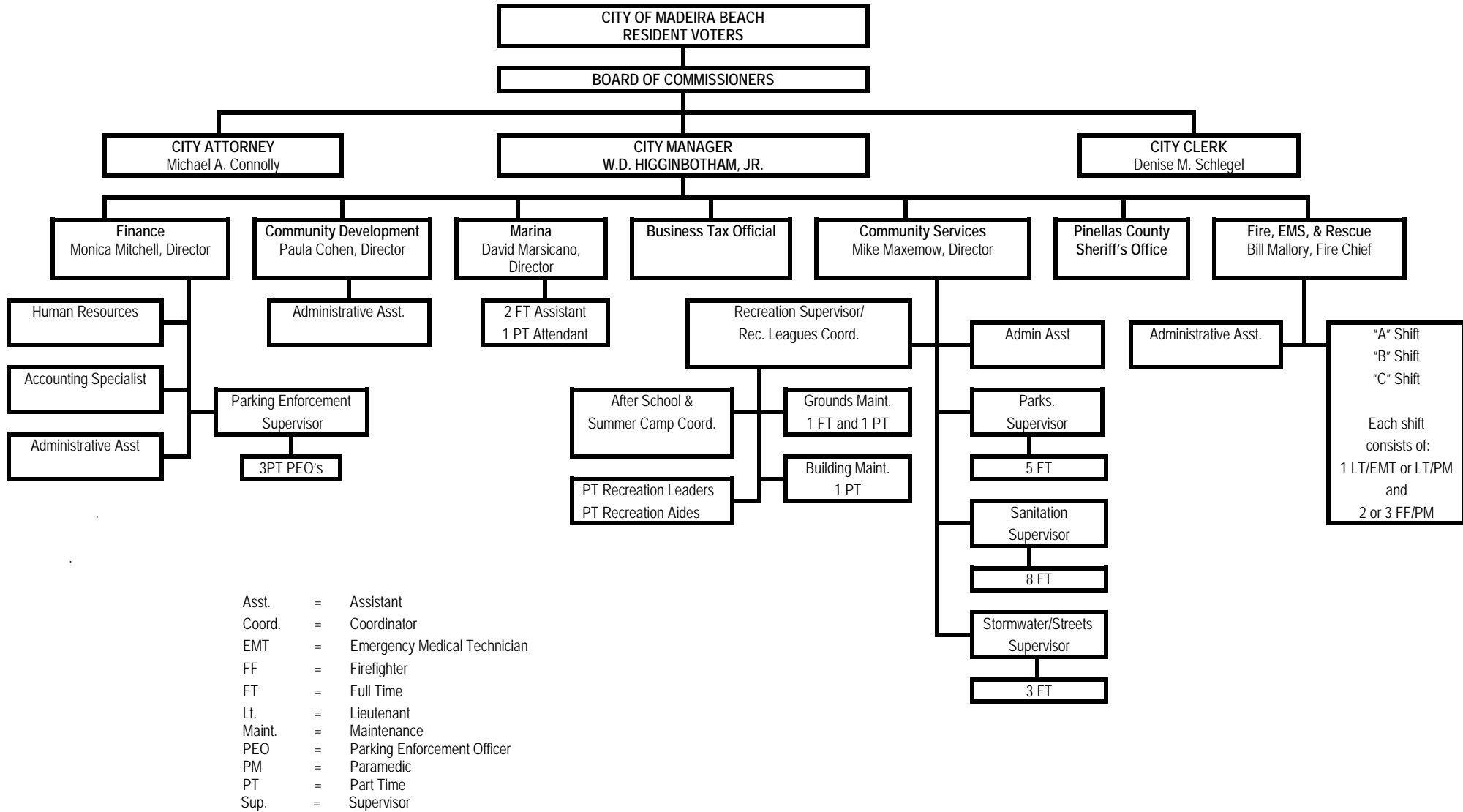
**CITY OF MADEIRA BEACH
PRINCIPAL CITY OFFICIALS
SEPTEMBER 30, 2010**

MAYOR	Patricia J. Shontz
COMMISSIONER/VICE MAYOR DISTRICT 1	Terry Lister
COMMISSIONER DISTRICT 2	Carol Reynolds
COMMISSIONER DISTRICT 3	Nancy Oakley
COMMISSIONER DISTRICT 4	Steve Kochick
CITY MANAGER	W.D. Higginbotham, Jr.
CITY ATTORNEY	Michael A. Connolly
CITY CLERK	Denise M. Schlegel
COMMUNITY DEVELOPMENT DIRECTOR	Paula Cohen
COMMUNITY SERVICES DIRECTOR	Michael Maxemow
FINANCE DIRECTOR	Monica D. Mitchell
FIRE CHIEF	Bill Mallory
MARINA DIRECTOR	David J. Marsicano

THE CITY OF MADEIRA BEACH, FLORIDA

ORGANIZATIONAL CHART

SEPTEMBER 2010



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FINANCIAL SECTION

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Mayer Hoffman McCann P.C.

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Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Madeira Beach, Florida (the City), as of and for the year ended September 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the City of Madeira Beach, Florida, as of September 30, 2010, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the general fund and the special projects fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2011 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 11 is not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted

principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Madeira Beach, Florida's basic financial statements. The accompanying introductory section, capital asset schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The capital asset schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Mayer Hoffman McCann P.C.

Clearwater, Florida
March 14, 2011

**CITY OF MADEIRA BEACH, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2010**

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

Since Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts, please read it in conjunction with the Transmittal Letter (beginning on page i) and the City's financial statements (beginning on page 12).

Financial Highlights

The assets of the City of Madeira Beach exceeded its liabilities at September 30, 2010 by \$29,261,655 (net assets). Of this amount, \$14,134,154 (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors.

The City's total net assets increased by \$1,159,468. Approximately 90% of this increase can be found in the governmental funds. The Special Projects Fund in particular experienced an increase in net assets of \$342,902, largely due to the collection in Penny for Pinellas revenues which have been set aside for future capital projects. In addition, several General Fund revenues exceeded budgetary estimates, while several departments reported expenditures significantly below the budgeted amounts. For a more detailed explanation of budgetary highlights, see pages 9-10.

As of September 30, 2010, the City of Madeira Beach's governmental funds reported combined ending fund balances of \$13,429,855 an increase of \$1,115,010 in comparison with the prior year. Approximately 56 percent of the total fund balance amount, \$7,530,501, is available for spending at the City's discretion (unassigned fund balance).

Long-term liabilities for compensated absences decreased \$54,618 from the prior year due to the retirement of several employees, while long-term liabilities for other post-employment benefits amounted to \$14,595 in the initial year of recording this liability. The City has no other long-term obligations.

Overview of the Financial Statements

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

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

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. The focus of the Statement of Net Assets (the "unrestricted net assets") is designed to be similar to bottom line results for the City and its governmental and business-type activities. This statement combines and consolidates governmental fund current resources (short-term spendable resources) with capital assets and long-term obligations. Over time, the increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

**CITY OF MADEIRA BEACH, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2010**

The *statement of activities* presents information showing how the City's net assets changed during the most recent fiscal year, focusing on both the gross and net costs of various activities, both governmental and business-type, that are supported by the government's general tax and other revenues. This is intended to summarize and simplify the user's analysis of the cost of various governmental services and/or subsidy to various business-type activities.

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

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

The government-wide financial statements can be found on pages 12-13 of this report.

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

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

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

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

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

The basic governmental fund financial statements can be found on pages 14-18 of this report.

**CITY OF MADEIRA BEACH, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2010**

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

The proprietary fund statements provide the same type of information as the government-wide financial statements, only in more detail. The basic proprietary fund financial statements can be found on pages 19-22 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. They can be found on pages 23-40 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. For the current year, the City's assets exceeded liabilities by \$29,261,655.

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

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

The following table reflects the condensed Statement of Net Assets for the current year as compared to the previous year. For more detailed information, see the Statement of Net Assets on page 12.

	Governmental activities		Business-type activities		Totals	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$13,648,983	\$12,528,772	\$2,907,638	\$2,652,862	\$16,556,621	\$15,181,634
Capital assets	6,976,034	7,097,593	6,308,041	6,424,302	13,284,075	13,521,895
Total assets	20,625,017	19,626,365	9,215,679	9,077,164	29,840,696	28,703,529
Long-term liabilities outstanding	183,513	236,138	61,515	48,913	245,028	285,051
Other liabilities	219,127	213,926	114,886	102,365	334,013	316,291
Total liabilities	402,640	450,064	176,401	151,278	579,041	601,342
Net assets:						
Invested in capital assets	6,976,034	7,097,593	6,308,041	6,424,302	13,284,075	13,521,895
Restricted	1,843,426	0	0	0	1,843,426	0
Unrestricted	11,402,917	12,078,708	2,731,237	2,501,584	14,134,154	14,580,292
Total net assets	\$20,222,377	\$19,176,301	\$9,039,278	\$8,925,886	\$29,261,655	\$28,102,187

**CITY OF MADEIRA BEACH, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2010**

At September 30, 2010, the City is able to report positive balances in total net assets, both for the City as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the previous fiscal year.

The following table reflects the condensed Statement of Activities for the current year as compared to the previous year. For more detailed information see the Statement of Activities on page 13.

City of Madeira Beach's Changes in Net Assets

	Governmental activities		Business-type activities		Totals	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program revenues:						
Charges for services	\$916,944	\$1,340,140	\$3,285,851	\$2,924,157	\$4,202,795	\$4,264,297
Operating grants and contributions	298,564	32,490	3,407	3,406	301,971	35,896
Capital grants and contributions	0	10,500	19,848	84,580	19,848	95,080
General revenues:						
Property taxes	1,694,316	2,018,974	0	0	1,694,316	2,018,974
Other taxes	1,298,111	1,166,572	0	0	1,298,111	1,166,572
Other	1,390,200	1,450,205	13,262	127,037	1,403,462	1,577,242
Total revenues	5,598,135	6,018,881	3,322,368	3,139,180	8,920,503	9,158,061
Expenses:						
General government	1,312,167	1,086,703	0	0	1,312,167	1,086,703
Physical environment	237,705	260,610	0	0	237,705	260,610
Transportation	342,946	337,064	0	0	342,946	337,064
Public safety	2,093,721	2,394,698	0	0	2,093,721	2,394,698
Culture and recreation	859,420	976,627	0	0	859,420	976,627
Sanitation	0	0	954,521	1,111,563	954,521	1,111,563
Stormwater	0	0	191,310	207,445	191,310	207,445
Marina	0	0	1,200,024	1,034,711	1,200,024	1,034,711
John's Pass Village	0	0	423,876	299,483	423,876	299,483
Parking	0	0	145,345	0	145,345	0
Total expenses	4,845,959	5,055,702	2,915,076	2,653,202	7,761,035	7,708,904
Increase (decrease) in net assets before transfers and special items	752,176	963,179	407,292	485,978	1,159,468	1,449,157
Transfers	293,900	194,000	(293,900)	(194,000)	0	0
Proceeds from sale of sewer system	0	200,000	0	0	0	200,000
Increase (decrease) in net assets	1,046,076	1,357,179	113,392	291,978	1,159,468	1,649,157
Net assets - October 1	19,176,301	17,819,122	8,925,886	8,633,908	28,102,187	26,453,030
Net assets - September 30	\$20,222,377	\$19,176,301	\$9,039,278	\$8,925,886	\$29,261,655	\$28,102,187

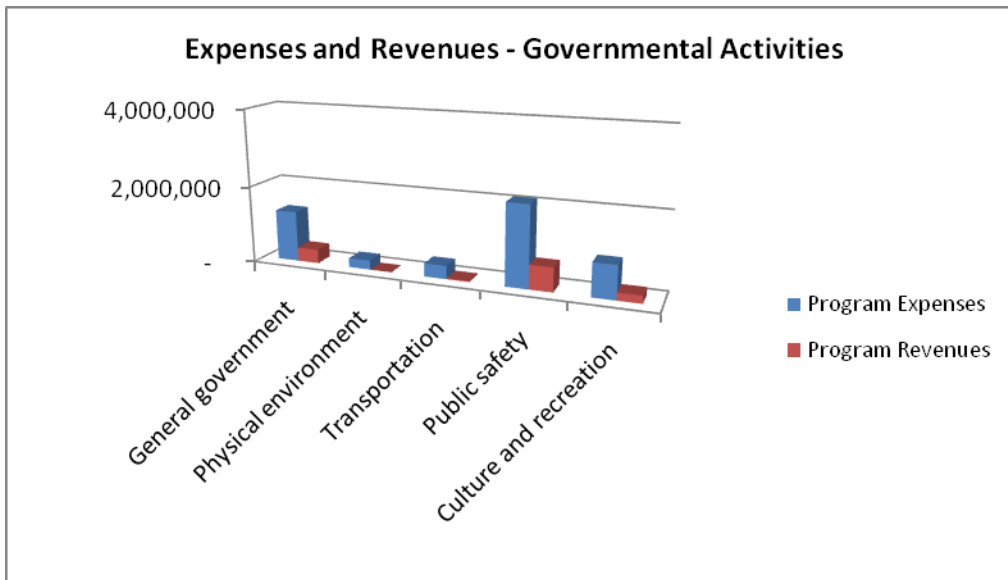
**CITY OF MADEIRA BEACH, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2010**

Governmental activities

Governmental activities increased the City's net assets by \$1,046,076 which, when added to the increase in net assets of the business-type activities, resulted in a total increase in net assets of \$1,159,468.

The Special Projects Fund accounts for \$342,902 of the increase in net assets, due to the collection in Penny for Pinellas revenues which have been set aside for future projects. The remainder of the increase in governmental net assets can be found in the General Fund, due to a transfer from the Parking Fund and reductions in expenses due to cost cutting measures employed in all departments.

Ad valorem tax revenues decreased 16% from the prior year due to reductions in taxable value. Charges for services decreased due to parking meter revenues being transferred from the General Fund to the new Parking Fund. There is a corresponding decrease in public safety expenses as parking enforcement costs have been transferred to the new Parking Fund as well. Operating grants have increased significantly due to recognition of Flood Mitigation Assistance Grants which are received from the Florida Department of Community Affairs. There is a corresponding increase in general government expenses for these pass-through grants.



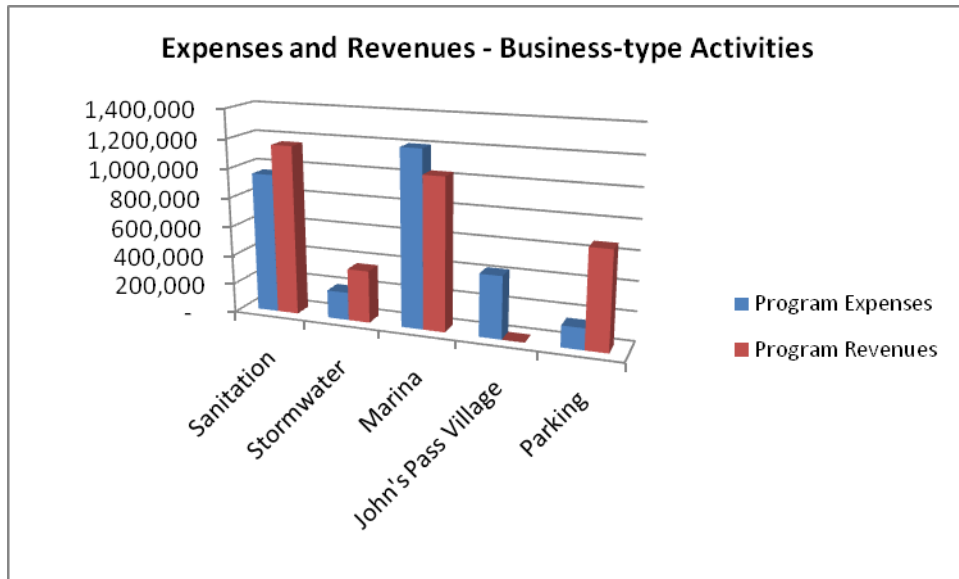
Business-type activities

Business-type activities increased the City's net assets by \$113,392 which, when added to the increase in net assets of the governmental activities, resulted in a total increase in net assets of \$1,159,468.

The Sanitation and Stormwater funds posted increases in net assets of \$210,973 and \$169,497 respectively, while the Marina and John's Pass Village funds showed decreases of \$181,733 and \$85,345. The new Parking Fund showed no change in net assets at the end of its first year.

**CITY OF MADEIRA BEACH, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2010**

A change in the formula for the Administrative Services Allocation accounts for most of the decrease in expenses for the Sanitation and Stormwater Funds, while it accounts for the increase in expenses for the Marina and John's Pass Village Funds. The Marina Fund also experienced significant increases in the cost of fuel for resale, and professional services fees.



Financial Analysis of the City's Funds

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

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

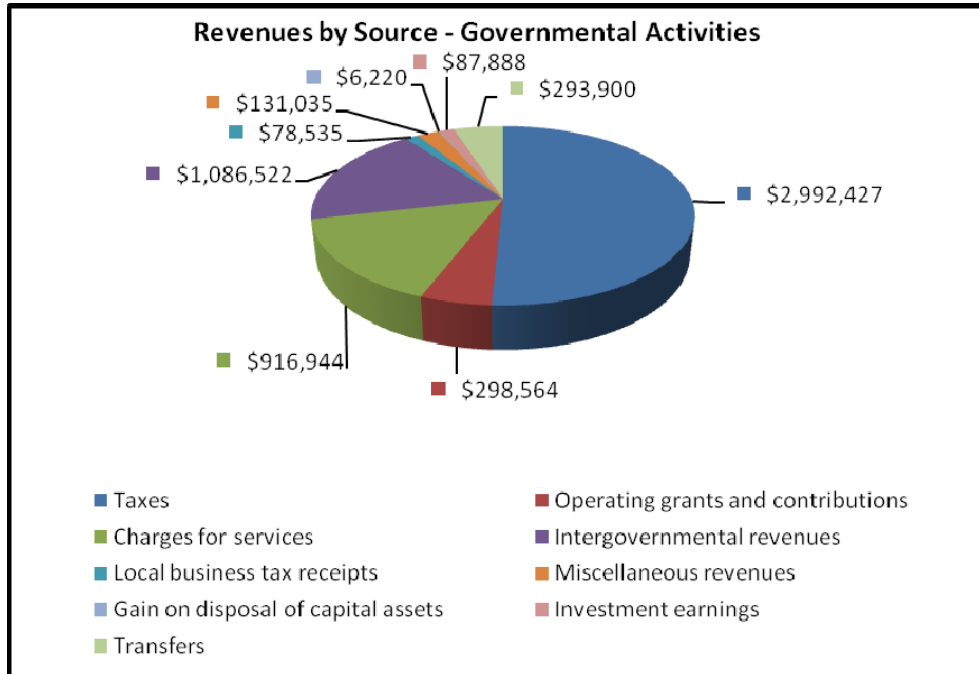
As of September 30, 2010, the City's governmental funds reported combined ending fund balances of \$13,429,855, an increase of \$1,115,010 in comparison with the prior year. Approximately .08 percent of this amount (\$10,276) is classified as nonspendable to indicate that it is not available for new spending, 13.73 percent (\$1,843,426) is classified as restricted because it is restricted for purposes that are externally imposed, 30.12 percent (\$4,045,652) is classified as assigned to reflect management's intent to use these resources for specific purposes, and 54.5 percent (\$7,530,501) constitutes unassigned fund balance, which is available for spending at the City's discretion.

The General Fund is the chief operating fund of the City. At September 30, 2010, the unassigned fund balance of the General Fund was \$7,530,501 while the total fund balance was \$11,586,429. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and

**CITY OF MADEIRA BEACH, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2010**

total fund balance to total fund expenditures. Unassigned fund balance represents 146 percent of total General Fund expenditures, while total fund balance represents 225 percent of that same amount.

The fund balance of the City's General Fund increased by \$772,108 during the current fiscal year, which represents a positive variance in comparison to the final revised budget, which estimated a decrease of \$16,458.



General Fund Budgetary Highlights

Differences between the original budget and the final amended budget amounted to \$16,458. This amount is attributed to prior year purchase orders which were carried forward. There were no other budget amendments during the fiscal year which affected general fund expenditures. Significant budgetary variances between the final amended budget and actual results are as follows:

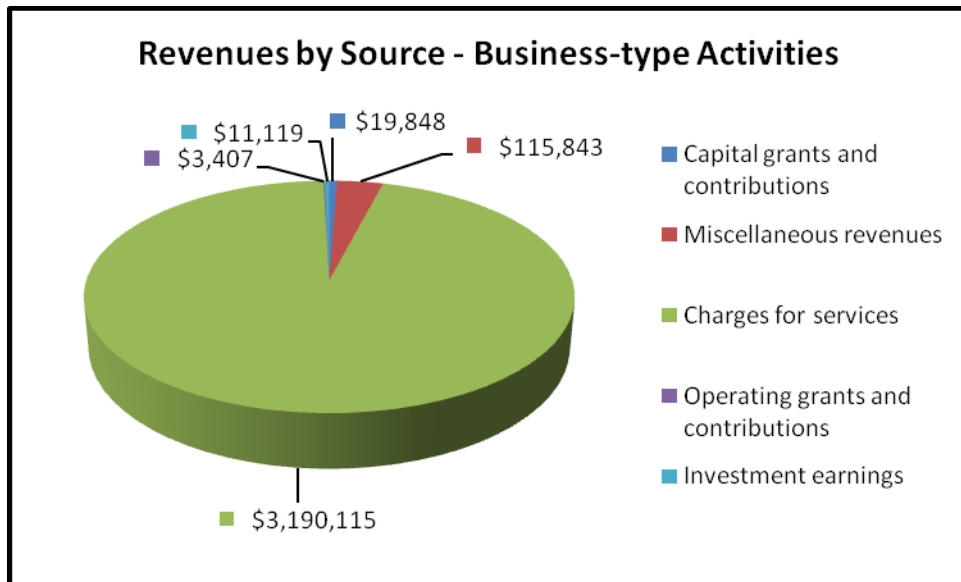
- ❖ Intergovernmental Revenue – Revenues received exceeded budgetary estimates by 20% due to the receipt of pass-through funding from the Florida Department of Community Services for flood mitigation assistance grants in the amount of \$264,946. The corresponding expenditure is recorded in the Community Development Department.
- ❖ Investment earnings – Revenues received exceeded estimates by 204% due to conservative budgeting and higher than expected returns.
- ❖ Miscellaneous revenue – Revenues received exceeded budgetary estimates by 79% due to fees paid by Flatiron Construction for usage of the South Beach parking lot as a staging area for the John's Pass Bridge construction project, recognition of the forfeiture balance from ICMA, and a refund received for overpayment of the prior year's Workers Compensation premium.

**CITY OF MADEIRA BEACH, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2010**

- ❖ Community Development expenditures exceeded the budgeted amount due to payment of flood mitigation assistance grants in the amount of \$264,946. The corresponding grant revenue is recorded as Intergovernmental Revenue.
- ❖ Finance Department expenditures exceeded the budgeted amount due to additional costs incurred to upgrade financial software applications to an externally hosted platform as part of the City's ongoing emergency preparedness effort.
- ❖ City Clerk/Commission expenditures were 35% lower than anticipated because funds budgeted for city attorney non-retainer services were not needed and the contingency account was not exhausted.
- ❖ Law Enforcement expenditures exceeded the budgeted amount due to additional duties performed by the Pinellas County Sheriff's Office that were not included in the contract amount.

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

Unrestricted net assets of the enterprise funds at September 30, 2010 amounted to \$2,731,237.



Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of September 30, 2010 amounts to \$13,284,075 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, vehicles, equipment and construction in progress. Infrastructure has historically been recorded by the City under the classification of improvements; therefore, no retroactive reporting of infrastructure was necessary to comply with GASB-34.

Capital projects completed during the current fiscal year include:

- ❖ Replacement of fuel tanks and dispensers at the Municipal Marina

**CITY OF MADEIRA BEACH, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2010**

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

	Governmental activities		Business-type activities		Totals	
	2010	2009	2010	2009	2010	2009
Land	\$2,370,228	\$2,370,228	\$414,447	\$414,447	\$2,784,675	\$2,784,675
Buildings	220,818	246,151	108,769	126,586	329,587	372,737
Improvements other than buildings	3,630,216	3,779,100	5,459,534	5,444,081	9,089,750	9,223,181
Vehicles and equipment	722,397	669,739	224,936	237,810	947,333	907,549
Construction in progress	32,375	32,375	100,355	201,378	132,730	233,753
Total	\$6,976,034	\$7,097,593	\$6,308,041	\$6,424,302	\$13,284,075	\$13,521,895

Additional information on the City's capital assets can be found on pages 31-33 of the Notes to the Financial Statements in this report.

Long-term debt. The City has no long-term debt as of September 30, 2010.

Next Year's Budgets and Rates

During the current fiscal year, unassigned fund balance in the General Fund increased by \$861,962 to \$7,530,501. The City was able to balance the 2011 fiscal year budget while maintaining the ad valorem tax rate at 1.7954 mills, without appropriating fund balance for General Fund operations.

Throughout fiscal year 2010 fees were introduced or amended in anticipation of the 2011 budget cycle. Sanitation service fees were increased to include curbside recycling, softball fees were increased for sponsors located outside of the City of Madeira Beach, and an hourly fee was introduced for room rentals at the recreation complex. A Special Agreement Fee was implemented to allow the City to recover its cost for all Board of Commissioners and administrative review and approval of Special Agreements including all legal and recording fees, a new fee was added to allow the City to recover its cost for Municipal Code Compliance Review for building permits issued by Treasure Island, as well as a new fee to cover the cost of plan review and inspection performed by the Fire Department. A registration fee was introduced for adult kickball leagues, a new fee was developed to provide for a commercial self-fire inspection program, and slip rental fees were reduced at the Municipal Marina to better match supply and demand, while a new fee was created for storage of certain non-motorized boats.

Requests for Information

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

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City of Madeira Beach, Florida
Statement of Net Assets
September 30, 2010

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 13,413,385	\$ 2,528,003	\$ 15,941,388
Accounts receivable	117,555	19,874	137,429
Due from other governmental units	107,766	287,213	394,979
Inventories	5,298	46,980	52,278
Prepaid items	4,978	1,750	6,728
Restricted assets:			
Cash and cash equivalents	-	23,818	23,818
Capital assets (net of accumulated depreciation):			
Land	2,370,228	414,447	2,784,675
Buildings	220,818	108,769	329,587
Improvements other than buildings	3,630,216	5,459,534	9,089,750
Vehicles and equipment	722,397	224,936	947,333
Construction in progress	32,375	100,355	132,730
Total assets	20,625,017	9,215,679	29,840,696
LIABILITIES			
Accounts payable and other current liabilities	178,753	89,975	268,728
Unearned revenue	40,374	1,093	41,467
Liabilities payable from restricted assets	-	23,818	23,818
Noncurrent liabilities:			
Due within one year	17,270	5,773	23,043
Due in more than one year	166,243	55,742	221,985
Total liabilities	402,640	176,401	579,041
NET ASSETS			
Invested in capital assets	6,976,034	6,308,041	13,284,075
Restricted for capital acquisitions and improvements	1,843,426	-	1,843,426
Unrestricted	11,402,917	2,731,237	14,134,154
Total net assets	\$ 20,222,377	\$ 9,039,278	\$ 29,261,655

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, 2010

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
Expenses				Governmental Activities	Business-type Activities	Total
Functions/Programs						
Primary Government:						
Governmental activities:						
General government	\$ 1,312,167	\$ 98,119	\$ 264,946	\$ -	\$ (949,102)	\$ (949,102)
Physical environment	237,705	-	-	-	(237,705)	(237,705)
Transportation	342,946	-	29,844	-	(313,102)	(313,102)
Public safety	2,093,721	618,752	3,774	-	(1,471,195)	(1,471,195)
Culture and recreation	859,420	200,073	-	-	(659,347)	(659,347)
Total governmental activities	<u>4,845,959</u>	<u>916,944</u>	<u>298,564</u>	<u>-</u>	<u>(3,630,451)</u>	<u>(3,630,451)</u>
Business-type activities:						
Sanitation	954,521	1,154,523	3,407	-	203,409	203,409
Stormwater	191,310	356,465	-	-	165,155	165,155
Marina	1,200,024	1,012,880	-	19,848	-	(167,296)
John's Pass Village	423,876	95,736	-	-	(328,140)	(328,140)
Parking	145,345	666,247	-	-	520,902	520,902
Total business-type activities	<u>2,915,076</u>	<u>3,285,851</u>	<u>3,407</u>	<u>19,848</u>	<u>-</u>	<u>394,030</u>
Total primary government	<u>\$ 7,761,035</u>	<u>\$ 4,202,795</u>	<u>\$ 301,971</u>	<u>\$ 19,848</u>	<u>(3,630,451)</u>	<u>394,030</u>
General revenues:						
Taxes:						
Property taxes				1,694,316	-	1,694,316
Franchise taxes				567,205	-	567,205
Utility taxes				730,906	-	730,906
Intergovernmental revenues:						
Local option gas tax				57,761	-	57,761
Local option sales tax				332,957	-	332,957
Communications services tax				264,269	-	264,269
Half-cent sales tax, unrestricted				214,561	-	214,561
State revenue sharing, unrestricted				202,518	-	202,518
Alcoholic beverage license tax, unrestricted				10,974	-	10,974
Motor fuel tax				3,482	-	3,482
Local business tax receipts				78,535	-	78,535
Investment earnings				87,888	11,119	99,007
Miscellaneous revenues				131,035	20,107	151,142
Transfers				293,900	(293,900)	-
Gain (loss) on disposal of capital assets				6,220	(17,964)	(11,744)
Total general revenues and transfers				<u>4,676,527</u>	<u>(280,638)</u>	<u>4,395,889</u>
Change in net assets				1,046,076	113,392	1,159,468
Net assets - beginning				<u>19,176,301</u>	<u>8,925,886</u>	<u>28,102,187</u>
Net assets - ending				<u>\$ 20,222,377</u>	<u>\$ 9,039,278</u>	<u>\$ 29,261,655</u>

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

City of Madeira Beach, Florida
Balance Sheet
Governmental Funds
September 30, 2010

	General Fund	Special Projects Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 11,590,861	\$ 1,822,524	\$ 13,413,385
Accounts receivable	117,555	-	117,555
Due from other governmental units	86,864	20,902	107,766
Inventories	5,298	-	5,298
Prepaid items	4,978	-	4,978
	<u>\$ 11,805,556</u>	<u>\$ 1,843,426</u>	<u>\$ 13,648,982</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 93,630	\$ -	\$ 93,630
Accrued expenditures	85,123	-	85,123
Unearned revenue	40,374	-	40,374
	<u>219,127</u>	<u>-</u>	<u>219,127</u>
Fund Balances:			
Nonspendable:			
Inventories	5,298	-	5,298
Prepaid items	4,978	-	4,978
Restricted:			
Capital acquisitions and improvements	-	1,843,426	1,843,426
Assigned:			
Encumbrances	10,397	-	10,397
Vehicle replacements	517,847	-	517,847
Compensated absences	172,702	-	172,702
Proceeds from sale of sewer system	3,344,706	-	3,344,706
Unassigned	7,530,501	-	7,530,501
	<u>11,586,429</u>	<u>1,843,426</u>	<u>13,429,855</u>
Total fund balances	<u>11,586,429</u>	<u>1,843,426</u>	<u>13,429,855</u>
Total liabilities and fund balances	<u>\$ 11,805,556</u>	<u>\$ 1,843,426</u>	
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			6,976,034
Compensated absences and other post-employment benefits not due and payable in the current period are not reported in the funds.			(183,512)
Net assets of governmental activities			<u>\$ 20,222,377</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, 2010

	<u>General Fund</u>	<u>Special Projects Fund</u>	<u>Total Governmental Funds</u>
REVENUES			
Taxes:			
Property tax	\$ 1,694,316	\$ -	\$ 1,694,316
Franchise tax	567,205	-	567,205
Utility tax	730,906	-	730,906
Licenses and permits	94,809	-	94,809
Intergovernmental revenue	1,653,837	332,957	1,986,794
Charges for services	581,914	-	581,914
Fines and forfeitures	98,693	-	98,693
Investment earnings	77,943	9,945	87,888
Miscellaneous revenue	131,035	-	131,035
	<u>5,630,658</u>	<u>342,902</u>	<u>5,973,560</u>
EXPENDITURES			
Current:			
General government	1,576,040	-	1,576,040
Physical environment	345,023	-	345,023
Transportation	239,738	-	239,738
Public safety	2,043,324	-	2,043,324
Culture and recreation	765,942	-	765,942
Capital outlay:			
General government	50,889	-	50,889
Physical environment	40,520	-	40,520
Transportation	3,380	-	3,380
Public safety	9,993	-	9,993
Culture and recreation	86,196	-	86,196
	<u>5,161,045</u>	<u>-</u>	<u>5,161,045</u>
Excess (deficiency) of revenues over expenditures	<u>469,613</u>	<u>342,902</u>	<u>812,515</u>
OTHER FINANCING SOURCES			
Transfers in	293,900	-	293,900
Sale of capital assets	8,595	-	8,595
	<u>302,495</u>	<u>-</u>	<u>302,495</u>
Net change in fund balances	772,108	342,902	1,115,010
Fund balances - beginning	<u>10,814,321</u>	<u>1,500,524</u>	<u>12,314,845</u>
Fund balances - ending	<u>\$ 11,586,429</u>	<u>\$ 1,843,426</u>	<u>\$ 13,429,855</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, 2010

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

Net change in fund balances - total governmental funds (page 15)		\$ 1,115,010
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	190,979	
Current year depreciation	<u>(310,162)</u>	(119,183)
The net effect of various transactions involving capital assets (i.e., sales, trade-ins and donations) is to increase (decrease) net assets		
		(2,376)
The non-current portion of compensated absences does not require the use of current financial resources and, therefore, is not reported as an expenditure in the governmental funds.		
		63,436
The non-current portion of other post-employment benefits does not require the use of current financial resources and, therefore, is not reported as an expenditure in the governmental funds.		
		<u>(10,811)</u>
Change in net assets of governmental activities (page 13)		<u>\$ 1,046,076</u>

City of Madeira Beach, Florida
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes:				
Property tax	\$ 1,648,300	\$ 1,648,300	\$ 1,694,316	\$ 46,016
Franchise tax	484,000	484,000	567,205	83,205
Utility tax	590,000	590,000	730,906	140,906
Licenses and permits	111,600	111,600	94,809	(16,791)
Intergovernmental revenue	1,376,220	1,376,220	1,653,837	277,617
Charges for services	594,645	594,645	581,914	(12,731)
Fines and forfeitures	45,000	45,000	98,693	53,693
Investment earnings	25,600	25,600	77,943	52,343
Miscellaneous revenue	73,030	73,030	131,035	58,005
	4,948,395	4,948,395	5,630,658	682,263
EXPENDITURES				
General government:				
City Manager	194,265	194,265	194,016	249
Community Development	286,370	286,370	502,245	(215,875)
Finance	343,460	343,460	345,133	(1,673)
City Clerk/Commission	468,215	468,215	302,492	165,723
Non-Departmental	302,800	302,800	283,043	19,757
Total general government	1,595,110	1,595,110	1,626,929	(31,819)
Physical environment:				
Public Works	390,735	390,735	385,543	5,192
Total physical environment	390,735	390,735	385,543	5,192
Transportation:				
Streets	248,885	248,885	243,118	5,767
Total transportation	248,885	248,885	243,118	5,767
Public safety:				
Fire	1,176,205	1,189,363	1,142,595	46,768
Law Enforcement	909,900	909,900	910,722	(822)
Total public safety	2,086,105	2,099,263	2,053,317	45,946
Culture and recreation:				
Parks	418,035	419,785	370,248	49,537
Recreation	504,425	505,975	481,890	24,085
Total culture and recreation	922,460	925,760	852,138	73,622
Total expenditures	5,243,295	5,259,753	5,161,045	98,708
Excess (deficiency) of revenues over expenditures	(294,900)	(311,358)	469,613	780,971
OTHER FINANCING SOURCES				
Transfers in	293,900	293,900	293,900	-
Sale of capital assets	1,000	1,000	8,595	7,595
Total other financing sources	294,900	294,900	302,495	7,595
Net change in fund balances	-	(16,458)	772,108	788,566
Fund balances - beginning	10,814,321	10,814,321	10,814,321	-
Fund balances - ending	\$ 10,814,321	\$ 10,797,863	\$ 11,586,429	\$ 788,566

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

City of Madeira Beach, Florida
Special Projects Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2010

	<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	\$ 375,000	\$ 375,000	\$ 332,957	\$ (42,043)
Investment earnings	1,500	1,500	9,945	8,445
Total revenues	<u>376,500</u>	<u>376,500</u>	<u>342,902</u>	<u>(33,598)</u>
EXPENDITURES				
General government:				
Non-Departmental	<u>10,000</u>	<u>10,000</u>	<u>-</u>	<u>10,000</u>
Total general government	<u>10,000</u>	<u>10,000</u>	<u>-</u>	<u>10,000</u>
Transportation:				
Streets	<u>75,000</u>	<u>75,000</u>	<u>-</u>	<u>75,000</u>
Total transportation	<u>75,000</u>	<u>75,000</u>	<u>-</u>	<u>75,000</u>
Culture and Recreation:				
Recreation	<u>200,000</u>	<u>200,000</u>	<u>-</u>	<u>200,000</u>
Total culture and recreation	<u>200,000</u>	<u>200,000</u>	<u>-</u>	<u>200,000</u>
Total expenditures	<u>285,000</u>	<u>285,000</u>	<u>-</u>	<u>285,000</u>
Net change in fund balances	91,500	91,500	342,902	251,402
Fund balances - beginning	<u>1,500,524</u>	<u>1,500,524</u>	<u>1,500,524</u>	<u>-</u>
Fund balances - ending	<u>\$ 1,592,024</u>	<u>\$ 1,592,024</u>	<u>\$ 1,843,426</u>	<u>\$ 251,402</u>

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

City of Madeira Beach, Florida
Statement of Net Assets
Proprietary Funds
September 30, 2010

Business-type Activities - Enterprise Funds

	<u>Sanitation Fund</u>	<u>Stormwater Fund</u>	<u>Marina Fund</u>	<u>John's Pass Village Fund</u>	<u>Parking Fund</u>	<u>Total</u>
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 957,236	\$ 899,253	\$ 107,370	\$ 561,764	\$ 2,380	\$ 2,528,003
Accounts receivable	4,522	216	14,868	268	-	19,874
Due from other funds	-	-	-	-	270	270
Due from other governmental units	195,100	69,142	19,848	363	2,760	287,213
Inventories	-	-	46,980	-	-	46,980
Prepaid items	-	-	1,750	-	-	1,750
Restricted cash and cash equivalents:						
Customer deposits	-	-	23,818	-	-	23,818
Total current assets	1,156,858	968,611	214,634	562,395	5,410	2,907,908
Capital assets:						
Land	-	-	-	414,447	-	414,447
Buildings	-	-	18,790	235,564	-	254,354
Improvements other than buildings	-	2,551,047	956,659	4,434,488	-	7,942,194
Vehicles and equipment	630,257	73,587	92,670	6,000	7,069	809,583
Construction in progress	-	-	100,355	-	-	100,355
Less accumulated depreciation	(478,845)	(408,941)	(497,751)	(1,822,491)	(4,864)	(3,212,892)
Total capital assets (net of accumulated depreciation)	151,412	2,215,693	670,723	3,268,008	2,205	6,308,041
Total assets	1,308,270	3,184,304	885,357	3,830,403	7,615	9,215,949

Business-type Activities - Enterprise Funds

	Sanitation Fund	Stormwater Fund	Marina Fund	John's Pass Village Fund	Parking Fund	Total
LIABILITIES						
Current liabilities:						
Accounts payable and other current liabilities	35,190	1,609	43,600	2,515	7,061	89,975
Due to other funds	-	-	-	270	-	270
Compensated absences	4,026	232	1,487	-	28	5,773
Unearned revenue	-	-	1,093	-	-	1,093
Current liabilities payable from restricted assets:						
Customer deposits payable	-	-	23,818	-	-	23,818
Total current liabilities	39,216	1,841	69,998	2,785	7,089	120,929
Noncurrent liabilities:						
Compensated absences	36,224	2,094	13,385	-	255	51,958
Other post-employment benefits	2,432	271	810	-	271	3,784
Total noncurrent liabilities	38,656	2,365	14,195	-	526	55,742
Total liabilities	77,872	4,206	84,193	2,785	7,615	176,671
NET ASSETS						
Invested in capital assets	151,412	2,215,693	670,723	3,268,008	2,205	6,308,041
Unrestricted	1,078,986	964,405	130,441	559,610	(2,205)	2,731,237
Total net assets	\$ 1,230,398	\$ 3,180,098	\$ 801,164	\$ 3,827,618	\$ (0)	\$ 9,039,278

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

City of Madeira Beach, Florida
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended September 30, 2010

	Business-type Activities - Enterprise Funds					
	Sanitation Fund	Stormwater Fund	Marina Fund	John's Pass Village Fund	Parking Fund	Total
Operating revenues:						
Charges for sales and services	\$ 1,154,523	\$ 356,465	\$ 1,012,880	\$ 95,736	\$ 666,247	\$ 3,285,851
Intergovernmental revenue	3,407	-	19,848	-	-	23,255
Miscellaneous	2,294	-	5,917	11,896	-	20,107
Total operating revenues	1,160,224	356,465	1,038,645	107,632	666,247	3,329,213
Operating expenses:						
Personnel	443,343	46,835	174,054	-	81,802	746,034
Supplies and services	451,717	81,898	993,177	249,328	62,797	1,838,917
Depreciation	59,461	62,577	32,793	174,548	746	330,125
Total operating expenses	954,521	191,310	1,200,024	423,876	145,345	2,915,076
Operating income (loss)	205,703	165,155	(161,379)	(316,244)	520,902	414,137
Non operating revenues (expenses):						
Investment earnings	4,370	4,342	550	1,857	-	11,119
Gain (loss) on sale of capital assets	900	-	(20,904)	(911)	2,951	(17,964)
Total nonoperating revenues (expenses)	5,270	4,342	(20,354)	946	2,951	(6,845)
Income (loss) before transfers	210,973	169,497	(181,733)	(315,298)	523,853	407,292
Transfers in	-	-	-	324,327	50,474	374,801
Transfers out	-	-	-	(94,374)	(574,327)	(668,701)
Change in net assets	210,973	169,497	(181,733)	(85,345)	-	113,392
Total net assets - beginning	1,019,425	3,010,601	982,897	3,912,963	-	8,925,886
Total net assets - ending	\$ 1,230,398	\$ 3,180,098	\$ 801,164	\$ 3,827,618	\$ -	\$ 9,039,278

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

City of Madeira Beach, Florida
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2010

	<u>Sanitation Fund</u>	<u>Stormwater Fund</u>	<u>Marina Fund</u>	<u>John's Pass Village Fund</u>	<u>Parking Fund</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers	\$ 1,168,203	\$ 361,737	\$ 1,095,183	\$ 107,001	\$ 663,217	\$ 3,395,341
Payments to suppliers	(405,921)	(59,065)	(863,334)	(102,775)	(55,736)	(1,486,831)
Payments to employees	(438,709)	(46,116)	(167,358)	-	(81,248)	(733,431)
Payments to general fund for services	(43,125)	(24,045)	(166,400)	(148,075)	-	(381,645)
Net cash provided (used) by operating activities	<u>280,448</u>	<u>232,511</u>	<u>(101,909)</u>	<u>(143,849)</u>	<u>526,233</u>	<u>793,434</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers (to) from other funds	-	-	-	229,953	(523,853)	(293,900)
Payments received on non-ad valorem assessments	-	-	-	38,805	-	38,805
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>268,758</u>	<u>(523,853)</u>	<u>(255,095)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Acquisition and construction of capital assets	-	-	(233,719)	-	-	(233,719)
Proceeds from sales of capital assets	900	-	990	-	-	1,890
Net cash provided (used) by capital and related financing activities	<u>900</u>	<u>-</u>	<u>(232,729)</u>	<u>-</u>	<u>-</u>	<u>(231,829)</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest received	4,370	4,342	550	1,857	-	11,119
Net increase (decrease) in cash and cash equivalents	285,718	236,853	(334,088)	126,766	2,380	317,629
Cash and cash equivalents - October 1	<u>671,518</u>	<u>662,400</u>	<u>465,276</u>	<u>434,998</u>	<u>-</u>	<u>2,234,192</u>
Cash and cash equivalents - September 30	<u>\$ 957,236</u>	<u>\$ 899,253</u>	<u>\$ 131,188</u>	<u>\$ 561,764</u>	<u>\$ 2,380</u>	<u>\$ 2,551,821</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating income (loss)	<u>\$ 205,703</u>	<u>\$ 165,155</u>	<u>\$ (161,379)</u>	<u>\$ (316,244)</u>	<u>\$ 520,902</u>	<u>414,137</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation expense	59,461	62,577	32,793	174,548	746	330,125
(Increase) decrease in accounts receivable	(234)	-	(6,230)	(268)	-	(6,732)
(Increase) decrease in due from other funds	-	-	-	-	(270)	(270)
(Increase) decrease in due from other governments	8,213	5,272	64,732	(363)	(2,760)	75,094
(Increase) decrease in inventories	-	-	(21,468)	-	-	(21,468)
(Increase) decrease in prepaid items	60	-	398	-	-	458
Increase (decrease) in accounts payable, non capital	5,373	(730)	4,573	(1,792)	7,061	14,485
Increase (decrease) in due to other funds	(2,762)	(482)	(20,060)	270	-	(23,034)
Increase (decrease) in unearned revenue	-	-	(1,485)	-	-	(1,485)
Increase (decrease) in accrued expenses	4,634	719	6,696	-	554	12,603
Increase (decrease) in customer deposits	-	-	(479)	-	-	(479)
Net cash provided (used) by operating activities	<u>\$ 280,448</u>	<u>\$ 232,511</u>	<u>\$ (101,909)</u>	<u>\$ (143,849)</u>	<u>\$ 526,233</u>	<u>\$ 793,434</u>
Noncash investing, capital and financing activities:						
Contributions of capital assets from government	\$ -	\$ -	\$ -	\$ -	\$ 2,720	\$ 2,720

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

**CITY OF MADEIRA BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2010**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

The following is a summary of the more significant policies:

A. Reporting Entity:

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

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

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

B. Government-wide and Fund Financial Statements:

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use or

**CITY OF MADEIRA BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2010**

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.

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 and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received.

The City reports the following major governmental funds:

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

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

**CITY OF MADEIRA BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2010**

to time, other one-time revenues and the related expenditures for specific projects, are accounted for in this fund as well.

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

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

Stormwater Fund – To account for the stormwater utility fee revenues, and expenses for drainage and stormwater related projects, including NPDES reporting and compliance.

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

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

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

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

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, as well as intergovernmental revenues not restricted to specific functions or activities, are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

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

**CITY OF MADEIRA BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2010**

D. Assets, Liabilities and Net Assets or Equity:

1. Deposits and investments:

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Investments are reported at fair value.

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

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

2. Internal balances:

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

3. Property taxes:

Property taxes are levied on October 1 of each year, on property values assessed on January 1 of the same year, and are due and payable on March 31 of the following year. Discounts are allowed for early payment at the rate of 4% in the month of November, 3% in the month of December, 2% in the month of January and 1% in the month of February. Taxes paid in March are not subject to discount. Delinquent taxes on real property bear interest at 18% per year. All unpaid taxes are delinquent on April 1 following the year in which they are assessed. On or about May 31 following the tax year, certificates are sold for all delinquent taxes on real property. Application for a tax deed on any unredeemed tax certificates may be made to the certificate holder after a period of two years. Unsold certificates are held by the County.

4. Inventories and prepaid items:

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

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

**CITY OF MADEIRA BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2010**

5. Restricted assets:

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

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 market 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, 2010.

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

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

7. Compensated absences:

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

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

8. Accrued liabilities and long-term obligations:

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

**CITY OF MADEIRA BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2010**

9. Fund equity:

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

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

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

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

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

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

The City of Madeira Beach does not have a formally adopted stabilization arrangement or minimum fund balance policy; however, one third of the following year's general fund budget has historically been earmarked for unforeseen emergencies. This amount was previously reported as a designation of fund balance, but is now included in the unassigned fund balance of the general fund. For the fiscal year ending September 30, 2010, \$1,895,372 of the unassigned fund balance has been earmarked for unforeseen emergencies. These funds would be available for use with the approval of the Board of Commissioners following an event such as a flood or hurricane.

10. Comparative data/reclassifications:

Certain amounts presented in the prior year may have been reclassified in order to be consistent with the current year's presentation.

NOTE 2: RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets:

**CITY OF MADEIRA BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2010**

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets.

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities:

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities.

NOTE 3: 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 ordinance, transfer part or all of any unencumbered appropriation balance among departments.

The Board of Commissioners may make supplemental appropriations in excess of those estimated for the year up to the amount of available revenues. During fiscal year 2010, the City made several amendments to the budget, consisting of line item transfers. Supplemental appropriations are different than line item transfers because they have the effect of changing the originally adopted budget total by recognizing additional revenue or taking funds from unbudgeted reserves and appropriating them for spending. There were no supplemental appropriations made during 2010 in any funds.

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

B. Excess of expenditures over appropriations

For the year ended September 30, 2010, expenditures did not exceed appropriations in any fund.

C. Deficit fund equity

There were no funds with deficit fund equity balance as of September 30, 2010.

NOTE 4: DETAILED NOTES ON ALL FUNDS

A. Deposits and investments:

At year-end, the carrying amount of the City's deposits was \$4,599,648 and the bank balance was \$4,754,827. Change machine and petty cash funds of \$2,559 are not on deposit with a financial institution. All bank deposits were covered by Federal Depository Insurance or held in banks that are members of the State of

**CITY OF MADEIRA BEACH, FLORIDA
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Florida's Collateral Pool as specified under Florida law, which limits local government deposits to "qualified public depositories." The State of Florida Collateral Pool is a multiple financial institution pool with the ability to assess its members for collateral shortfalls if a member institution fails. For this reason, the City considers its deposits insured or collateralized. The City's pooled cash account is held pursuant to a banking services agreement, under which interest is earned on excess funds. Interest earnings on pooled cash are allocated monthly among the funds based on the percentage of each fund's cash balances to the total.

Florida Municipal Investment Trust

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

The City's balance in the 0-2 Year High Quality Bond Fund as of September 30, 2010 was \$11,170,493.

Credit Risk:

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

Custodial Credit Risk:

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

Concentration risk:

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

Interest Rate Risk:

Interest rate risk exists when there is a possibility that changes in interest rates could adversely affect an investment's fair value. Interest rate risk disclosures are required for external investment pools. The FMLvT 0-2 Year High Quality Bond Fund has an Effective Duration of .70 years, and a Weighted Average Maturity of .78 years. Both of these methods are approved by GASB 40.

Foreign Currency Risk:

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

State Board of Administration Local Government Investment Pool

On November 29, 2007, the State Board of Administration (SBA) implemented a temporary freeze on the assets held in the Local Government Investment Pool due to an unprecedented amount of withdrawals from the Pool coupled with the absence of market liquidity for certain securities contained therein. Many participants withdrew funds following reports that 3.4% of the Pool was invested in asset-backed commercial

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NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2010**

paper that was subject to sub-prime mortgage risk. On December 4, 2007, based on the recommendations of an independent financial advisor, the SBA restructured the Pool into two separate funds. Fund A consisted of all money market appropriate assets, which amounted to approximately 86% of the Pool assets. Fund B consisted of assets that had either defaulted on a payment, paid more slowly than expected and/or had any significant credit and liquidity risk. \$5,670,235 of the City's balance was allocated to Fund A and \$952,661 of the City's balance was allocated to Fund B. On December 21, 2007, Fund A, now known as the LGIP, received a principal stability rating of "AAAM" from Standard & Poor's.

The City's entire balance of \$192,506 at September 30, 2010 resides in Fund B. As a participant in Fund B, the City invests in pools of investments and therefore owns a share of the pool, not the underlying securities. Although the City has redeemed 80% of the original amount allocated to Fund B, full realization of the entire principal value of Fund B assets is still not readily determinable. The SBA's interpretation in regards to Fund B is that because it does not meet the requirements of a SEC 2a-7-like fund, it is not permitted to use amortized cost to maintain a constant net asset value of \$1.00 per share. Therefore, the SBA provides a Fair Value Factor (Net Asset Value divided by the Participant Balance) which equates to a Net Asset Value for the City of Madeira Beach of \$136,113 and an Unrealized Loss of \$56,393 as of September 30, 2010.

Credit Quality Risk:

Because Fund B is not rated by a nationally recognized statistical rating agency as of September 30, 2010, credit quality risk is not applicable.

Interest Rate Risk:

The weighted average life (based on expected future cash flows) of Fund B at September 30, 2010 is estimated to be 7.49 years. However, because Fund B consists of restructured or defaulted securities there is considerable uncertainty regarding the weighted average life.

Securities Lending:

Fund B did not participate in a securities lending program during the fiscal year ending September 30, 2010.

B. Receivables:

No allowance provision is deemed necessary by the City for accounts receivable as the City places liens on those properties considered collectible and writes off the balances of those accounts considered uncollectible.

C. Unearned Revenue:

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

D. Capital assets:

Capital asset activity for the year ended September 30, 2010 was as follows:

CITY OF MADEIRA BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$2,370,228	\$0	\$0	\$2,370,228
Construction in progress	32,375	0	0	32,375
Total capital assets, not being depreciated	<u>2,402,603</u>	<u>0</u>	<u>0</u>	<u>2,402,603</u>
Capital assets, being depreciated:				
Buildings	1,362,396	0	0	1,362,396
Improvements other than buildings	7,619,731	3,379	0	7,623,110
Vehicles and equipment	1,911,570	187,600	(109,478)	1,989,692
Total capital assets, being depreciated	<u>10,893,697</u>	<u>190,979</u>	<u>(109,478)</u>	<u>10,975,198</u>
Less accumulated depreciation for:				
Buildings	(1,116,245)	(25,333)	0	(1,141,578)
Improvements other than buildings	(3,840,631)	(152,263)	0	(3,992,894)
Vehicles and equipment	(1,241,831)	(132,566)	107,102	(1,267,295)
Total accumulated depreciation	<u>(6,198,707)</u>	<u>(310,162)</u>	<u>107,102</u>	<u>(6,401,767)</u>
Total capital assets, being depreciated, net	<u>4,694,990</u>	<u>(119,183)</u>	<u>(2,376)</u>	<u>4,573,431</u>
Governmental activities capital assets, net	<u>\$7,097,593</u>	<u>(\$119,183)</u>	<u>(\$2,376)</u>	<u>\$6,976,034</u>
	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$414,447	\$0	\$0	\$414,447
Construction in progress	201,378	256,114	(357,137)	100,355
Total capital assets, not being depreciated	<u>615,825</u>	<u>256,114</u>	<u>(357,137)</u>	<u>514,802</u>
Capital assets, being depreciated:				
Buildings	273,743	0	(19,389)	254,354
Improvements other than buildings	7,696,147	279,999	(33,952)	7,942,194
Vehicles and equipment	824,142	57,463	(72,022)	809,583
Total capital assets, being depreciated	<u>8,794,032</u>	<u>337,462</u>	<u>(125,363)</u>	<u>9,006,131</u>
Less accumulated depreciation for:				
Buildings	(147,157)	(6,409)	7,981	(145,585)
Improvements other than buildings	(2,252,066)	(256,698)	26,104	(2,482,660)
Vehicles and equipment	(586,332)	(67,699)	69,384	(584,647)
Total accumulated depreciation	<u>(2,985,555)</u>	<u>(330,806)</u>	<u>103,469</u>	<u>(3,212,892)</u>
Total capital assets, being depreciated, net	<u>5,808,477</u>	<u>6,656</u>	<u>(21,894)</u>	<u>5,793,239</u>
Business-type activities capital assets, net	<u>\$6,424,302</u>	<u>\$262,770</u>	<u>(\$379,031)</u>	<u>\$6,308,041</u>

**CITY OF MADEIRA BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2010**

Transfer of assets between Governmental Activities and Business-Type Activities:

The following asset was transferred from the general fund to the parking fund:

Assets transferred from governmental to business-type activities:	
Vehicles and equipment:	
Change machine	\$ 2,720
Less: Accumulated Depreciation	<u>(681)</u>
Net transfer of assets from governmental to business-type activities	<u>\$ 2,039</u>

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

Governmental activities:	
General government	\$ 25,066
Physical environment	16,078
Transportation	101,337
Public safety	76,419
Culture and recreation	<u>91,262</u>
Total depreciation expense - governmental activities	<u>\$ 310,162</u>
Business-type activities:	
Sanitation	\$ 59,461
Stormwater	62,577
Marina	32,793
John's Pass Village	174,548
Parking	<u>1,427</u>
Total depreciation expense - business-type activities	<u>\$ 330,806</u>

Depreciation expense of \$1,427 in the parking fund includes \$681 of accumulated depreciation on the asset that was transferred from the general fund.

E. Construction commitments:

The City does not have any open purchase orders related to the construction in progress as of September 30, 2010. Therefore, there are no construction commitments at year end.

F. Interfund transfers:

Transfers to/from other funds for the year ended September 30, 2010 were as follows:

**CITY OF MADEIRA BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2010**

Recipient Fund	Amount	Purpose
General Fund	\$43,900	Transfer from the John's Pass Village Fund to reimburse the cost of one Parks Department employee's wages and benefits.
General Fund	\$250,000	Transfer from the Parking Fund to reimburse parking meter revenues that were previously recorded in the General Fund.
John's Pass Village Fund	\$324,327	Transfer from the Parking Fund to reimburse parking meter revenues that were previously recorded in the John's Pass Village Fund.
Parking Fund	\$50,474	Transfer from the John's Pass Village Fund to balance the Parking Fund budget.

G. Long-term liabilities:

There are no general obligation or revenue bonds outstanding. Long-term liability activity for the year ended September 30, 2010 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Compensated absences	\$236,138	\$149,701	(\$213,137)	\$172,702	\$17,270
Other postemployment benefits	<u>0</u>	<u>10,811</u>	<u>0</u>	<u>10,811</u>	<u>0</u>
Long-term liabilities	<u><u>236,138</u></u>	<u><u>160,512</u></u>	<u><u>(213,137)</u></u>	<u><u>183,513</u></u>	<u><u>17,270</u></u>
Business-type activities:					
Compensated absences	48,913	36,175	(27,357)	57,731	5,773
Other postemployment benefits	<u>0</u>	<u>3,784</u>	<u>0</u>	<u>3,784</u>	<u>0</u>
Long-term liabilities	<u><u>\$48,913</u></u>	<u><u>\$39,959</u></u>	<u><u>(\$27,357)</u></u>	<u><u>\$61,515</u></u>	<u><u>\$5,773</u></u>

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

H. Restricted assets:

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

NOTE 5: 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.

**CITY OF MADEIRA BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
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The City does not retain risk. Commercial insurance coverage is maintained in amounts management feels is adequate to protect and safeguard the assets of the City. In the opinion of the City's management and legal counsel, legal claims and litigation are not anticipated to have a material impact on the financial position of the City. The amount of insurance settlements has not exceeded insurance coverage for any of the past three fiscal years.

B. Contingent liabilities:

The City participates in several programs that are fully or partially funded by grants received from state, county or federal governmental agency sources. Expenditures financed by grants are subject to audit by the appropriate grantor government or agency. If expenditures are disallowed due to non-compliance with grant program regulations, the City may be required to reimburse the grantor. As of September 30, 2010, 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 has implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for the fiscal year ended September 30, 2010. The requirements of this statement are being applied prospectively, with the actuarially determined liability of \$14,595 as of the September 30, 2010 actuarial date. Even though the City does not provide any postretirement health care or life insurance benefits for employees, there is an implicit rate subsidy because retirees are able to purchase insurance coverage at the same premium cost applicable to active employees. This practice creates an OPEB liability based on the theory that retirees have higher utilization of health care benefits than active employees, and the retirees are therefore subsidized by the active employees. This liability must be actuarially determined and recognized in the financial statements.

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

Number of Covered Participants:

Actives	48
Retirees	5
Eligible Spouses	1
Total	54

Funding Policy: For all retired employees, the employee contributes 100% of the active premium rate and may also purchase spouse coverage at the active premium rate. The City does not contribute any amount. Plan provisions and contribution requirements are established and may be amended by the City Manager. The postretirement medical and dental benefits are currently funded on a pay-as-you go basis (i.e., the City funds

**CITY OF MADEIRA BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2010**

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

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2010 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
9/30/2010	\$30,260	\$15,665	51.8%	\$14,595
9/30/2009	N/A	N/A	N/A	N/A
9/30/2008	N/A	N/A	N/A	N/A

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

**CITY OF MADEIRA BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2010**

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

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

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)
9/30/2010	\$0	\$394,926	\$394,926	0.00%	\$2,432,872	16.23%
9/30/2009	N/A	N/A	N/A	N/A	N/A	N/A
9/30/2008	N/A	N/A	N/A	N/A	N/A	N/A

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

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

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

**CITY OF MADEIRA BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2010**

D. Employee retirement systems and pension plans:

Florida Retirement System

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

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

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

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

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

	10/1/2009 - 6/30/2010	7/1/2010- 9/30/2010
Regular employees - members not qualifying for other classes	9.85%	10.77%
Special Risk Employees - members employed as firefighters	20.92%	23.25%
DROP - members enrolled in the Deferred Retirement Option Program	10.91%	12.25%

The 2010 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.

**CITY OF MADEIRA BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2010**

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

<u>Fiscal</u> <u>Year Ended</u>	<u>Required</u> <u>Contribution</u>	<u>%</u> <u>Contributed</u>
9/30/2010	\$181,629	100%
9/30/2009	\$195,632	100%
9/30/2008	\$193,959	100%

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

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

General Employee 401(a) Plan

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

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, 2010, employer contributions required and made totaled \$83,010 and covered payroll totaled \$922,338. Participation in the plan at September 30, 2010 was as follows:

<u>Years</u> <u>of Service</u>	<u>Percent</u> <u>Vested</u>	<u>Number of</u> <u>Employees</u>
5 or more	100%	20
4	0%	1
3	0%	1
2	0%	2
1	0%	1

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

**CITY OF MADEIRA BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2010**

Deferred Compensation Plan

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

E. Single Audit Act

The City did not expend more than the \$500,000 single audit threshold for the fiscal year ended September 30, 2010, and therefore it is not subject to the requirements of the Single Audit Act.

F. Termination Benefits

The City is not obligated to any past or current employees for termination benefits, such as early retirement incentives or severance benefits, as of September 30, 2010.

G. Subsequent Events

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

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CAPITAL ASSETS
USED IN THE OPERATION
OF GOVERNMENTAL FUNDS

City of Madeira Beach, Florida
Capital Assets Used in the Operation of Governmental Funds
Comparative Schedules by Source
September 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Governmental funds capital assets:		
Land	\$ 2,370,228	\$ 2,370,228
Buildings	1,362,396	1,362,396
Improvements other than buildings	7,623,110	7,619,731
Vehicles and equipment	1,989,692	1,911,570
Construction in progress	<u>32,375</u>	<u>32,375</u>
Total governmental funds capital assets	<u>\$ 13,377,801</u>	<u>\$ 13,296,300</u>
Investments in governmental funds capital assets by source:		
General fund revenues	\$ 3,744,632	\$ 3,628,761
Special revenue fund revenues	3,448,256	3,448,256
Transfers from enterprise funds	676,704	711,074
Donations	2,412,509	2,412,509
Assets acquired prior to October 1, 1989 from undetermined sources	<u>3,095,700</u>	<u>3,095,700</u>
	<u>\$ 13,377,801</u>	<u>\$ 13,296,300</u>

City of Madeira Beach, Florida
Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity
September 30, 2010

	<u>Land</u>	<u>Buildings</u>	<u>Improvements Other Than Buildings</u>	<u>Vehicles and Equipment</u>	<u>Total</u>
<u>Function and Activity</u>					
General government:					
City Manager	\$ -	\$ -	\$ -	\$ 9,996	\$ 9,996
Community Development	-	-	-	64,861	64,861
Finance	-	-	-	49,047	49,047
City Clerk/Commission	-	-	-	98,065	98,065
Non-Departmental	253,039	711,902	224,673	98,009	1,287,623
Total general government	<u>253,039</u>	<u>711,902</u>	<u>224,673</u>	<u>319,978</u>	<u>1,509,592</u>
Physical environment:					
Public Works	20,413	94,845	4,875,926	351,103	5,342,287
Total physical environment	<u>20,413</u>	<u>94,845</u>	<u>4,875,926</u>	<u>351,103</u>	<u>5,342,287</u>
Public Safety:					
Fire	-	-	-	943,219	943,219
Law Enforcement	-	-	-	106,363	106,363
Total public safety	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,049,582</u>	<u>1,049,582</u>
Culture and recreation:					
Parks	2,096,776	177,625	1,688,656	123,575	4,086,632
Recreation	-	378,024	833,855	145,454	1,357,333
Total culture and recreation	<u>2,096,776</u>	<u>555,649</u>	<u>2,522,511</u>	<u>269,029</u>	<u>5,443,965</u>
Total governmental funds capital assets	<u>\$ 2,370,228</u>	<u>\$ 1,362,396</u>	<u>\$ 7,623,110</u>	<u>\$ 1,989,692</u>	<u>\$ 13,345,426</u>

City of Madeira Beach, Florida
Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes by Function and Activity
For the fiscal year ended September 30, 2010

	Governmental Funds Capital Assets 10/1/2009	Acquisitions	Disposals	Transfers	Governmental Funds Capital Assets 9/30/2010
<u>Function and Activity</u>					
General government:					
City Manager	\$ 6,649	\$ 3,347	\$ -	\$ -	\$ 9,996
Community Development	24,380	40,481	-	-	64,861
Finance	47,709	1,338	-	-	49,047
City Clerk/Commission	96,056	2,009	-	-	98,065
Non-Departmental	1,283,909	3,714	-	-	1,287,623
	<u>1,458,703</u>	<u>50,889</u>	<u>-</u>	<u>-</u>	<u>1,509,592</u>
Physical environment:					
Public Works	5,385,258	43,901	(86,872)	-	5,342,287
	<u>5,385,258</u>	<u>43,901</u>	<u>(86,872)</u>	<u>-</u>	<u>5,342,287</u>
Public Safety:					
Fire	934,691	9,993	(1,465)	-	943,219
Law Enforcement	112,846	-	(3,763)	(2,720)	106,363
	<u>1,047,537</u>	<u>9,993</u>	<u>(5,228)</u>	<u>(2,720)</u>	<u>1,049,582</u>
Culture and recreation:					
Parks	4,086,632	-	-	-	4,086,632
Recreation	1,285,795	86,196	(14,658)	-	1,357,333
	<u>5,372,427</u>	<u>86,196</u>	<u>(14,658)</u>	<u>-</u>	<u>5,443,965</u>
Total governmental funds capital asset	<u>\$ 13,263,925</u>	<u>\$ 190,979</u>	<u>\$ (106,758)</u>	<u>\$ (2,720)</u>	<u>\$ 13,345,426</u>

STATISTICAL SECTION

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

Contents	Page
<u>Financial Trends</u>	44
These schedules contain trend information to help the reader understand and assess how the City's financial position has changed over time.	
<u>Revenue Capacity</u>	49
These schedules contain information to help the reader understand and assess the factors affecting the City's ability to generate own-source revenues, such as property taxes.	
<u>Debt Capacity</u>	53
These schedules present information to help the reader understand and assess the City's debt burden and its ability to issue additional debt.	
There are no limitations placed upon the amount of debt the City of Madeira Beach may issue by either the City Charter or the City's Code of Ordinances, or by Florida Statutes.	
<u>Demographic and Economic Information</u>	54
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place, and to facilitate comparison of financial statement information over time and among governments.	
<u>Operating Information</u>	56
These schedules contain contextual information about the City's operations and resources to assist readers in using financial statement information to understand and assess the City's economic condition.	

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City of Madeira Beach, Florida
Net Assets by Component
Last Ten Fiscal Years
(accrual basis of accounting)

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Governmental activities										
Invested in capital assets, net of related debt	*	*	\$ 4,578,156	\$ 4,791,669	\$ 5,450,410	\$ 6,934,604	\$ 7,353,902	\$ 7,232,486	\$ 7,097,593	\$ 6,976,034
Restricted	*	*	-	-	-	-	-	-	-	1,843,426
Unrestricted	*	*	<u>4,685,582</u>	<u>5,543,365</u>	<u>6,232,005</u>	<u>5,799,196</u>	<u>9,269,916</u>	<u>10,586,636</u>	<u>12,078,708</u>	<u>11,402,917</u>
Total governmental activities net assets	*	*	<u>\$ 9,263,738</u>	<u>\$ 10,335,034</u>	<u>\$ 11,682,415</u>	<u>\$ 12,733,800</u>	<u>\$ 16,623,818</u>	<u>\$ 17,819,122</u>	<u>\$ 19,176,301</u>	<u>\$ 20,222,377</u>
Business-type activities										
Invested in capital assets, net of related debt	*	*	\$ 7,252,316	\$ 8,395,581	\$ 8,405,077	\$ 8,944,507	\$ 6,391,839	\$ 6,329,622	\$ 6,424,302	\$ 6,308,041
Restricted	*	*	-	-	-	-	-	-	-	-
Unrestricted	*	*	<u>3,604,357</u>	<u>2,474,061</u>	<u>2,235,639</u>	<u>2,538,792</u>	<u>1,789,131</u>	<u>2,304,286</u>	<u>2,501,584</u>	<u>2,731,237</u>
Total business-type net assets	*	*	<u>\$ 10,856,673</u>	<u>\$ 10,869,642</u>	<u>\$ 10,640,716</u>	<u>\$ 11,483,299</u>	<u>\$ 8,180,970</u>	<u>\$ 8,633,908</u>	<u>\$ 8,925,886</u>	<u>\$ 9,039,278</u>
Primary government										
Invested in capital assets, net of related debt	*	*	\$ 11,830,472	\$ 13,187,250	\$ 13,855,487	\$ 15,879,111	\$ 13,745,741	\$ 13,562,108	\$ 13,521,895	\$ 13,284,075
Restricted	*	*	-	-	-	-	-	-	-	1,843,426
Unrestricted	*	*	<u>8,289,939</u>	<u>8,017,426</u>	<u>8,467,644</u>	<u>8,337,988</u>	<u>11,059,047</u>	<u>12,890,922</u>	<u>14,580,292</u>	<u>14,134,154</u>
Total government net assets	*	*	<u>\$ 20,120,411</u>	<u>\$ 21,204,676</u>	<u>\$ 22,323,131</u>	<u>\$ 24,217,099</u>	<u>\$ 24,804,788</u>	<u>\$ 26,453,030</u>	<u>\$ 28,102,187</u>	<u>\$ 29,261,655</u>

Note:

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

City of Madeira Beach, Florida
Changes in Net Assets
Last Ten Fiscal Years
(accrual basis of accounting)

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Expenses										
Governmental activities:										
General government	*	*	\$ 1,108,319	\$ 1,194,170	\$ 1,166,824	\$ 1,122,940	\$ 1,813,398	\$ 1,130,296	\$ 1,086,703	\$ 1,312,167
Physical environment	*	*	343,827	108,769	199,371	198,930	220,830	257,527	260,610	237,705
Transportation	*	*	188,931	328,840	297,571	381,944	496,778	405,240	337,064	342,946
Public safety	*	*	1,938,079	1,952,298	2,117,793	2,215,395	2,340,684	2,460,537	2,394,698	2,093,721
Culture and recreation	*	*	780,703	844,920	924,474	951,054	1,117,355	1,053,540	976,627	859,420
Total governmental activities expenses	*	*	<u>4,359,859</u>	<u>4,428,997</u>	<u>4,706,033</u>	<u>4,870,263</u>	<u>5,989,045</u>	<u>5,307,140</u>	<u>5,055,702</u>	<u>4,845,959</u>
Business-type activities:										
Sanitation	*	*	950,404	951,066	1,039,268	1,084,902	1,151,053	1,165,309	1,111,563	954,521
Sewer	*	*	1,352,345	1,006,931	987,424	952,421	868,932	-	-	-
Stormwater	*	*	128,129	113,462	121,713	160,835	195,439	207,037	207,445	191,310
Marina	*	*	387,816	576,235	658,556	716,146	889,377	1,298,083	1,034,711	1,200,024
John's Pass Village	*	*	222,648	271,285	250,374	277,805	341,919	306,732	299,483	423,876
Parking	*	*	-	-	-	-	-	-	-	145,345
Total business-type activities expenses	*	*	<u>3,041,342</u>	<u>2,918,979</u>	<u>3,057,335</u>	<u>3,192,109</u>	<u>3,446,720</u>	<u>2,977,161</u>	<u>2,653,202</u>	<u>2,915,076</u>
Total government expenses	*	*	<u>\$ 7,401,201</u>	<u>\$ 7,347,976</u>	<u>\$ 7,763,368</u>	<u>\$ 8,062,372</u>	<u>\$ 9,435,765</u>	<u>\$ 8,284,301</u>	<u>\$ 7,708,904</u>	<u>\$ 7,761,035</u>
Program Revenues										
Governmental activities:										
Charges for services:										
General government	*	*	\$ 21,141	\$ 26,096	\$ 20,025	\$ 9,131	\$ 40,100	\$ 38,353	\$ 60,420	\$ 98,119
Physical Environment	*	*	-	-	500	48,000	10,000	500	-	-
Public safety	*	*	675,264	691,619	669,540	722,257	714,202	750,530	789,634	618,752
Culture and recreation	*	*	498,367	519,962	545,478	519,891	508,616	488,054	490,086	200,073
Operating grants and contributions	*	*	5,499	20,634	30,699	30,441	31,063	32,268	32,490	298,564
Capital grants and contributions	*	*	251,632	374,456	2,885	-	78,795	-	10,500	-
Total governmental activities program revenues	*	*	<u>1,451,903</u>	<u>1,632,767</u>	<u>1,269,127</u>	<u>1,329,720</u>	<u>1,382,776</u>	<u>1,309,705</u>	<u>1,383,130</u>	<u>1,215,508</u>
Business-type activities:										
Charges for services:										
Sanitation	*	*	962,388	997,343	971,553	1,091,642	1,177,699	1,207,575	1,156,865	1,154,523
Sewer	*	*	895,214	925,745	772,814	1,218,377	-	-	-	-
Stormwater	*	*	134,542	147,425	141,715	352,261	359,856	362,219	360,048	356,465
Marina	*	*	391,506	528,652	604,709	708,350	877,384	1,203,823	969,331	1,012,880
John's Pass Village	*	*	364,016	323,509	331,114	320,210	378,360	530,492	530,633	95,736
Parking	*	*	-	-	-	-	-	-	-	666,247
Operating grants and contributions	*	*	24	597	2,422	2,426	3,393	4,701	3,406	3,407
Capital grants and contributions	*	*	36,996	-	444,675	2,787	198,013	264,537	84,580	19,848
Total business-type activities program revenues	*	*	<u>2,784,686</u>	<u>2,923,271</u>	<u>3,269,002</u>	<u>3,696,053</u>	<u>2,994,705</u>	<u>3,573,347</u>	<u>3,104,863</u>	<u>3,309,106</u>
Total government program revenues	*	*	<u>\$ 4,236,589</u>	<u>\$ 4,556,038</u>	<u>\$ 4,538,129</u>	<u>\$ 5,025,773</u>	<u>\$ 4,377,481</u>	<u>\$ 4,883,052</u>	<u>\$ 4,487,993</u>	<u>\$ 4,524,614</u>

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Net (Expense)/Revenue										
Governmental activities	*	*	\$ (2,907,956)	\$ (2,796,230)	\$ (3,436,906)	\$ (3,540,543)	\$ (4,606,269)	\$ (3,997,435)	\$ (3,672,572)	\$ (3,630,451)
Business-type activities	*	*	(256,656)	4,292	211,667	503,944	(452,015)	596,186	451,661	394,030
Total governmental net expense	*	*	<u>\$ (3,164,612)</u>	<u>\$ (2,791,938)</u>	<u>\$ (3,225,239)</u>	<u>\$ (3,036,599)</u>	<u>\$ (5,058,284)</u>	<u>\$ (3,401,249)</u>	<u>\$ (3,220,911)</u>	<u>\$ (3,236,421)</u>
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Taxes										
Property taxes	*	*	\$ 1,257,207	\$ 1,501,476	\$ 1,733,117	\$ 2,061,249	\$ 2,417,146	\$ 2,232,709	\$ 2,018,974	\$ 1,694,316
Franchise and utility taxes	*	*	918,316	911,971	928,499	1,022,197	1,060,469	1,062,953	1,166,572	1,298,111
Intergovernmental revenues	*	*	1,149,206	1,170,549	1,231,641	1,233,980	1,209,167	1,240,610	1,140,996	1,086,522
Local business tax receipts	*	*	81,245	77,504	73,741	80,141	80,524	84,356	79,969	78,535
Investment earnings	*	*	60,588	56,797	155,637	305,879	508,916	272,689	74,681	87,888
Gain/(loss) on disposal of capital assets	*	*	14,945	1,633	9,576	2,197	11,970	3,472	(19,492)	6,220
Miscellaneous revenues	*	*	138,677	60,616	108,376	91,555	69,586	100,150	174,051	131,035
Transfers	*	*	(248,025)	96,225	543,700	(199,945)	2,942,701	195,800	194,000	293,900
Proceeds from sale of sewer system	*	*	-	-	-	-	-	-	200,000	-
Transfer of capital assets, net	*	*	(2,950,705)	(11,675)	-	-	-	-	-	-
Total governmental activities	*	*	<u>421,454</u>	<u>3,865,096</u>	<u>4,784,287</u>	<u>4,597,253</u>	<u>8,300,479</u>	<u>5,192,739</u>	<u>5,029,751</u>	<u>4,676,527</u>
Business-type activities:										
Investment earnings	*	*	39,397	31,609	69,293	121,535	79,925	43,357	10,589	11,119
Gain/(loss) on disposal of capital assets	*	*	2,529	3,555	7,650	720	-	3,025	15,753	(17,964)
Miscellaneous revenues	*	*	46,018	58,063	26,164	16,439	12,462	6,170	7,975	20,107
Transfers	*	*	248,025	(96,225)	(543,700)	199,945	(2,942,701)	(195,800)	(194,000)	(293,900)
Transfer of capital assets, net	*	*	2,950,705	11,675	-	-	-	-	-	-
Total business-type activities	*	*	<u>3,286,674</u>	<u>8,677</u>	<u>(440,593)</u>	<u>338,639</u>	<u>(2,850,314)</u>	<u>(143,248)</u>	<u>(159,683)</u>	<u>(280,638)</u>
Total government	*	*	<u>\$ 3,708,128</u>	<u>\$ 3,873,773</u>	<u>\$ 4,343,694</u>	<u>\$ 4,935,892</u>	<u>\$ 5,450,165</u>	<u>\$ 5,049,491</u>	<u>\$ 4,870,068</u>	<u>\$ 4,395,889</u>
Change in Net Assets										
Governmental activities	*	*	\$ (2,486,502)	\$ 1,068,866	\$ 1,347,381	\$ 1,056,710	\$ 3,694,210	\$ 1,195,304	\$ 1,357,179	\$ 1,046,076
Business-type activities	*	*	3,030,018	12,969	(228,926)	842,583	(3,302,329)	452,938	291,978	113,392
Total government	*	*	<u>\$ 543,516</u>	<u>\$ 1,081,835</u>	<u>\$ 1,118,455</u>	<u>\$ 1,899,293</u>	<u>\$ 391,881</u>	<u>\$ 1,648,242</u>	<u>\$ 1,649,157</u>	<u>\$ 1,159,468</u>

Note:

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

City of Madeira Beach, Florida
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
General fund										
Nonspendable	*	*	*	*	*	*	*	*	*	\$ 10,276
Assigned	*	*	*	*	*	*	*	*	*	4,045,652
Unassigned	*	*	*	*	*	*	*	*	*	7,530,501
Total general fund	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>\$ 11,586,429</u>
All other governmental funds										
Restricted	*	*	*	*	*	*	*	*	*	\$ 1,843,426
Total all other governmental funds	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>\$ 1,843,426</u>

Note:

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

City of Madeira Beach, Florida
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Revenues										
Taxes	\$ 2,523,436	\$ 2,716,090	\$ 2,880,429	\$ 3,130,414	\$ 3,397,444	\$ 3,835,389	\$ 3,477,615	\$ 3,295,662	\$ 3,185,546	\$ 2,992,427
Licenses and permits	131,203	106,576	94,376	91,198	86,073	90,908	100,457	101,810	104,013	94,809
Intergovernmental revenue	3,726,723	1,231,768	959,585	825,895	503,738	1,092,890	1,700,625	1,665,507	1,833,017	1,986,794
Charges for services	239,533	238,719	675,233	1,067,660	1,129,927	520,041	727,777	716,605	490,086	581,914
Fines and forfeitures	104,704	104,023	160,828	171,685	118,442	143,871	133,608	150,249	176,783	98,693
Special assessments	-	-	87,426	6,501	500	48,000	10,000	500	-	-
Investment earnings (1)	-	-	60,588	56,797	155,637	305,879	508,916	272,689	74,681	87,888
Miscellaneous revenue	582,118	630,101	138,677	61,531	108,376	87,743	69,586	100,150	174,247	131,035
Total revenues	<u>7,307,717</u>	<u>5,027,277</u>	<u>5,057,142</u>	<u>5,411,681</u>	<u>5,500,137</u>	<u>6,124,721</u>	<u>6,728,584</u>	<u>6,303,172</u>	<u>6,038,373</u>	<u>5,973,560</u>
Expenditures										
General Government	719,961	800,594	1,002,911	1,118,056	1,098,861	1,053,569	1,745,631	1,113,760	1,052,308	1,576,040
Physical Environment	97,968	113,509	110,652	94,252	175,291	178,268	192,853	233,223	242,947	345,023
Transportation	173,299	187,131	187,462	200,747	179,545	262,726	318,961	237,105	234,854	239,738
Public Safety	1,881,483	2,028,452	1,822,139	1,909,747	2,030,356	2,146,816	2,268,692	2,353,055	2,314,135	2,043,324
Culture and recreation	700,912	729,335	703,370	737,896	803,727	839,961	996,456	947,981	884,700	765,942
Capital outlay	3,573,812	770,709	1,048,819	582,783	1,059,875	1,872,004	675,131	273,106	205,034	190,978
Debt Service:										
Principal	-	-	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-	-	-
Total expenditures	<u>7,147,435</u>	<u>4,629,730</u>	<u>4,875,353</u>	<u>4,643,481</u>	<u>5,347,655</u>	<u>6,353,344</u>	<u>6,197,724</u>	<u>5,158,230</u>	<u>4,933,978</u>	<u>5,161,045</u>
Excess of revenue over expenditures	160,282	397,547	181,789	768,200	152,482	(228,623)	530,860	1,144,942	1,104,395	812,515
Other Financing Sources (Uses)										
Transfers in	-	93,085	661,975	96,225	543,700	100,055	180,695	195,800	194,000	293,900
Transfers out	-	(433)	(910,000)	-	-	(300,000)	(382,700)	-	-	-
Sale of capital assets	15,877	3,319	14,945	1,633	9,576	2,197	11,970	3,472	-	8,595
Proceeds from sale of sewer system	-	-	-	-	-	-	3,144,706	-	200,000	-
Total other financing sources (uses)	<u>15,877</u>	<u>95,971</u>	<u>(233,080)</u>	<u>97,858</u>	<u>553,276</u>	<u>(197,748)</u>	<u>2,954,671</u>	<u>199,272</u>	<u>394,000</u>	<u>302,495</u>
Net change in fund balances	<u>\$ 176,159</u>	<u>\$ 493,518</u>	<u>\$ (51,291)</u>	<u>\$ 866,058</u>	<u>\$ 705,758</u>	<u>\$ (426,371)</u>	<u>\$ 3,485,531</u>	<u>\$ 1,344,214</u>	<u>\$ 1,498,395</u>	<u>\$ 1,115,010</u>
Debt services as a percentage of noncapital expenditures	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Notes:

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

City of Madeira Beach, Florida
Taxable and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Tax Roll</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</u>	<u>Ratio of Total Taxable Value to Total Estimated Actual Value</u>
2001	2000	\$ 434,662,290	\$ 18,038,460	\$ 452,700,750	\$ 77,385,190	\$ 530,085,940	85.40%
2002	2001	485,819,860	19,296,310	505,116,170	99,248,750	604,364,920	83.58%
2003	2002	573,192,670	18,769,940	591,962,610	138,279,530	730,242,140	81.06%
2004	2003	684,493,900	18,226,930	702,720,830	179,743,590	882,464,420	79.63%
2005	2004	795,009,700	18,099,150	813,108,850	220,588,710	1,033,697,560	78.66%
2006	2005	986,163,400	19,015,622	1,005,179,022	272,894,490	1,278,073,512	78.65%
2007	2006	1,293,733,749	18,086,020	1,311,819,769	408,428,517	1,720,248,286	76.26%
2008	2007	1,273,943,913	17,068,930	1,291,012,843	354,121,147	1,645,133,990	78.47%
2009	2008	1,139,281,968	12,213,643	1,151,495,611	306,939,779	1,458,435,390	78.95%
2010	2009	952,765,601	12,313,001	965,078,602	246,661,893	1,211,740,495	79.64%

Source:
Pinellas County Property Appraiser

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

**City of Madeira Beach, Florida
Property Tax Rates
Direct and Overlapping Governments
Per \$1,000 of Assessed Valuation
Last Ten Fiscal Years**

Fiscal Year	Tax Roll	City of Madeira Beach Operating Millage	Overlapping Rates				Total Direct & Overlapping Rates
			County	School	Transit District	Other*	
2001	2000	2.2000	6.0040	8.4330	0.6501	2.4032	19.6903
2002	2001	2.2000	6.1410	8.4870	0.6501	2.3162	19.7943
2003	2002	2.2000	6.1410	8.4490	0.6319	2.3162	19.7381
2004	2003	2.2000	6.8010	8.2430	0.6319	1.6562	19.5321
2005	2004	2.2000	6.8010	8.1220	0.6377	1.6557	19.4164
2006	2005	2.1200	6.8010	8.3900	0.6377	1.6555	19.6042
2007	2006	1.9000	5.4700	8.2100	0.6074	2.2678	18.4552
2008	2007	1.7954	5.4562	7.7310	0.5601	1.5121	17.0548
2009	2008	1.7954	5.4562	8.0610	0.5601	1.5551	17.4278
2010	2009	1.7954	5.4562	8.3460	0.5601	1.5106	17.6683

Source:
Pinellas County Property Appraiser

Notes:

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

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

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

**City of Madeira Beach, Florida
Principal Property Taxpayers
Current Year and Nine Years Ago**

Taxpayer	2010			2001		
	Taxable Value	Rank	Percentage Total Assessed Valuation	Taxable Value	Rank	Percentage Total Assessed Valuation
13620 GULF BLVD DEV LLC	\$ 16,570,024	1	1.72%			
HUBBARD PROPERTIES LLC	13,250,000	2	1.37%	3,307,800	7	0.73%
POSEIDEN VENTURES LTD	7,281,022	3	0.75%			
919 LAND TRUST	7,146,510	4	0.74%			
BAREFOOT BEACH RESORT SOUTH LLC	5,914,228	5	0.61%			
MADEIRA BEACH CORP LLC	5,904,063	6	0.61%			
PINES-CARTER FLA INC	5,345,000	7	0.55%	3,992,400	3	0.88%
DAG BROS INC	4,922,000	8	0.51%			
R N J MADEIRA BEACH INC	4,615,000	9	0.48%			
ALL SEASONS RESORT INC	<u>4,522,720</u>	10	<u>0.47%</u>	4,004,000	2	0.88%
AMERICAN GENERAL HOSPITALITY				5,986,100	1	1.32%
MADEIRA SHOPPING CENTER INC				3,819,800	4	0.84%
CHARLES I. LOCKE TRE				3,532,600	5	0.78%
WILLIAM R. MARSH				3,520,200	6	0.78%
COMMODORE BEACH CLUB				3,006,400	8	0.66%
SANDS MADEIRA REALTY INC				2,631,200	9	0.58%
PAUL STRAUBINGER				<u>2,485,100</u>	10	<u>0.55%</u>
Total Taxable Valuation of Ten Largest Taxpayers	75,470,567		7.82%	36,285,600		8.02%
Total Taxable Valuation of Other Taxpayers	<u>889,608,035</u>		<u>92.18%</u>	<u>416,415,150</u>		<u>91.98%</u>
Total Taxable Valuation of All Taxpayers	<u>\$ 965,078,602</u>		<u>100.00%</u>	<u>\$ 452,700,750</u>		<u>100.00%</u>

Source:
Pinellas County Property Appraiser

**City of Madeira Beach, Florida
Property Tax Levies and Collections
Last Ten Fiscal Years**

Fiscal Year	Tax Roll	Taxable Assessed Valuation	Tax Rate in Mills	Taxes Levied for the Fiscal Year*	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
					Amount	Percentage of Levy		Amount	Percentage of Levy
2001	2000	\$ 452,700,750	2.2000	\$ 995,942	\$ 964,976	96.89%	\$ 6,682	\$ 971,658	97.56%
2002	2001	505,116,170	2.2000	1,111,256	1,075,404	96.77%	563	1,075,967	96.82%
2003	2002	591,962,610	2.2000	1,302,318	1,256,645	96.49%	45,724	1,302,369	100.00%
2004	2003	702,720,830	2.2000	1,545,986	1,455,751	94.16%	40,276	1,496,027	96.77%
2005	2004	813,108,850	2.2000	1,788,839	1,692,841	94.63%	56,297	1,749,138	97.78%
2006	2005	1,005,179,022	2.1200	2,130,980	2,004,952	94.09%	122,293	2,127,245	99.82%
2007	2006	1,311,819,769	1.9000	2,492,458	2,294,853	92.07%	102,677	2,397,530	96.19%
2008	2007	1,291,012,843	1.7954	2,317,884	2,130,032	91.90%	181,766	2,311,798	99.74%
2009	2008	1,151,495,611	1.7954	2,067,395	1,837,207	88.87%	115,578	1,952,785	94.46%
2010	2009	965,078,602	1.7954	1,732,864	1,578,738	91.11%	-	1,578,738	91.11%

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

Source:
Pinellas County Tax Collector

**City of Madeira Beach, Florida
Computation of Direct and Overlapping Debt
September 30, 2009**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Percentage Applicable to City of Madeira Beach</u>	<u>Amount Applicable to City of Madeira Beach</u>
Debt repaid with property taxes	\$ -	N/A	\$ -
Other debt:			
Pinellas County Capital Leases	30,814	1.50%	461
Pinellas County School District State Bonds	29,955,000	1.50%	447,830
Pinellas County School District Capital Leases	<u>15,666,172</u>	1.50%	<u>234,211</u>
Total overlapping debt			682,501
City direct debt			<u>-</u>
Total direct and overlapping debt			<u>\$ 682,501</u>

The City's share is calculated based on the ratio of the City's taxable value of \$965,078,602 to the County's taxable value of \$64,553,359,536 for the 2009 tax roll.

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

**City of Madeira Beach, Florida
Demographic Statistics
Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Population (1)</u>	<u>Per Capita Personal Income (2)</u>	<u>Personal Income</u>	<u>Median Age (3)</u>	<u>Unemployment Rate (4)</u>
2001	4,511	\$32,585	146,990,935	43.00	3.8%
2002	4,521	\$33,361	150,825,081	43.90	4.6%
2003	4,529	\$33,658	152,437,082	44.00	5.2%
2004	4,504	\$37,230	167,683,920	44.20	4.5%
2005	4,510	\$39,602	178,605,020	44.20	3.8%
2006	4,514	\$42,178	190,391,492	44.50	3.4%
2007	4,525	\$42,919	194,208,475	44.50	4.2%
2008	4,519	\$43,064	194,606,216	45.00	6.5%
2009	4,427	*	*	45.30	11.1%
2010	*	*	*	*	*

* Data not available

Source: Florida Statistical Abstract 2009

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

(2) Table 5.10. Data for Pinellas County

(3) Table 1.38. Data for Pinellas County.

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

**City of Madeira Beach, Florida
Principal Employers
Current Year and Nine Years Ago**

Employer	2010			2001		
	Number of Employees	Rank	Percentage of Total City Employment	Number of Employees	Rank	Percentage of Total City Employment*
Winn Dixie	200	1	6.80%	125	3	*
Publix	175	2	5.95%	180	1	*
Broaderick Management Corp.	150	3	5.10%			
Pinellas County Schools (Madeira Beach Elementary and Middle Schools)	112	4	3.81%	160	2	*
City of Madeira Beach	56	5		60	7	*
Daquiri Deck & Oceanside Grill	35	6	1.19%			
U.S. Post Office	35	7	1.19%	42	9	*
Garrett Plumbing	25	8	0.85%			
Hubbard's Sea Adventures (Marina)	25	9	0.85%			
Lattitudes (Restaurant)	<u>25</u>	10	<u>0.85%</u>			
Hubbard Enterprises (Marina and Restaurant)				120	4	*
Eurpoa Sea Cruises				120	5	*
Santa Madeira Restaurant				100	6	*
Cajun Corporation (Restaurant)				46	8	*
Holiday Inn Motel				<u>38</u>	10	*
Total employment of ten largest employers	838		26.57%	991		
Total employment of other employers	<u>2,105</u>		<u>71.53%</u>	<u>*</u>		
Total employment of all employers	<u>2,943</u>		<u>98.10%</u>	<u>*</u>		

*Data not available

Source:
Pinellas County Economic Development

City of Madeira Beach, Florida
Full-time Equivalent City Government Employees by Function
Last Ten Fiscal Years

Function	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
General Government	13 (1)	13	13	12.5 (2)	13.5 (3)	13 (4)	13	13	11 (12)	9
Public Works:										
Administration	3	3	3	3	3	3	3	4	4	4
Streets	2.2	2.2	2.2	2.2	2.2	2.2	2.8	2	2	2
Sanitation	9	9	9	9	9	9	9	9	9	9
Sewer	1.6	1.6	1.6	1.6	1.6	1.6	0 (11)	0	0	0
Stormwater	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1	1	1
Public Safety:										
Fire:										
Firefighters and officers	13	13	13	13	13	13	13	13	13	11 (12)
Civilians	2 (5)	2	2	2	2	2	2	2	2	1 (12)
Parking Enforcement	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Parks and Recreation	12 (6)	12.5 (7)	12.5	15 (8)	15	15	15	14.5 (12)	13 (12)	12 (12)
Municipal Marina	<u>0</u>	<u>0</u>	<u>3 (9)</u>	<u>4 (10)</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>3 (12)</u>	<u>3</u>	<u>3.5 (13)</u>
Total	<u>59.5</u>	<u>60</u>	<u>63</u>	<u>66</u>	<u>67</u>	<u>66.5</u>	<u>65.5</u>	<u>64</u>	<u>60.5</u>	<u>55</u>

Source:
Adopted Budgets - City of Madeira Beach

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

**City of Madeira Beach, Florida
Operating Indicators by Function
Last Ten Fiscal Years**

Function	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<u>General Government</u>										
Building permits issued (1)	653	663	593	614	731	558	503	456	452	595
Occupational Licenses / Local Business Tax receipts issued	790	852	641	877	832	778	909	836	879	781
Checks deposited	*	*	*	*	5,150	4,983	4,821	4,216	4,430	4,022
A/P checks issued	*	*	*	*	2,854	2,723	2,760	2,352	2,703	2744
Employees paid										
Direct deposit	*	*	*	*	1,879	1,865	* (3)	*	*	*
Payroll checks issued	*	*	*	*	547	533	* (3)	*	*	*
Purchase orders processed	438	637	985	947	885	431	429	392	378	428
<u>Public Safety</u>										
Police (2)										
Arrests made	519	613	540	490	446	500	592	495	564	514
Traffic citations issued	*	1,227	1,336	1,212	1,221	1,494	2,307	1,776	1,771	1,828
Fire Department										
Emergency responses	1,696	1,648	1,573	1,594	1,508	1,476	1,430	1,308	1,496	1,549
Fires and other non-medical emergencies	792	536	553	717	658	592	587	511	542	576
Emergency medical calls	904	1,112	1,020	877	850	884	843	797	954	973
Inspections completed	329	457	414	360	330	494	475	218	225	109
Parking tickets processed	*	*	*	*	4,657	6,491	4,548	5,524	5,735	4,153
<u>Public Works</u>										
Refuse collected (tons per day)	*	*	*	21	19	18	18	18	16	15

Source:

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

Notes:

* Data not available

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

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

(3) Payroll outsourced during the fiscal year.

**City of Madeira Beach
Capital Asset Statistics by Function
Last Ten Fiscal Years**

Function	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Transportation										
Streets - paved (miles)	14.8	14.8	14.8	14.8	14.8	14.8	14.8	14.8	14.8	14.8
Streets - unpaved (miles)	0	0	0	0	0	0	0	0	0	0
Traffic signals	7	7	7	7	7	7	7	7	7	7
Public safety										
Fire Stations (1)	1	1	1	1	1	1	1	1	1	1
Police Stations (2)	0	0	0	0	0	0	0	0	0	0
Culture and recreation										
Parkland acreage	13.6	13.6	13.6	13.6	13.6	13.6	13.6	13.6	13.6	13.6
Playgrounds	1	1	1	1	1	1	1	1	1	1
Athletic fields	4	4	4	4	4	4	4	4	4	4
Tennis courts	4	4	4	4	4	4	4	4	4	4
Basketball courts	1	1	1	1	1	1	1	1	1	1
Community center	1	1	1	1	1	1	1	1	1	1
Marina	1	1	1	1	1	1	1	1	1	1
Beach access areas	12	12	12	12	12	12	12	12	12	12
Picnic areas	5	5	5	5	5	5	5	5	5	5
Sewers (3)										
Sanitary sewer lines	16.8	16.8	16.8	16.8	17.5	17.5	0	0	0	0
Number of lift stations	7	7	7	7	7	7	0	0	0	0
Average daily flow (MGD)	0.608	0.571	0.571	1	0.613	0.613	0	0	0	0

Source:
Various City departments

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

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OTHER REPORTS

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

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

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the City of Madeira Beach, Florida (the City), as of and for the year ended September 30, 2010, which collectively comprise the City of Madeira Beach, Florida's basic financial statements and have issued our report thereon dated March 14, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant

deficiencies that are also considered to be material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weakness, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of management, Board of City Commissioners, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Firm's signature

Mayer Hoffman Mc Cann P.C.

Clearwater, Florida
March 14, 2011

Section 10.554(1)(i)(5) Rules of the Auditor General provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on the financial statements, considering both quantitative and qualitative factors: 1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse and 2) control deficiencies that are not significant deficiencies. In connection with our audit, we noted no areas for improvement.

The Rules of the Auditor General (Section 10.554(1)(i)(6)) require that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in the management letter, unless disclosed in the notes to the financial statements. This information has been disclosed in the notes to the financial statements.

The Rules of the Auditor General (Section 10.554(1)(i)(7)(a)) requires that the auditor state whether or not the governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes and identify the specific condition or conditions met. In connection with our audit, we determined that the City did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

The Rules of the Auditor General (Section 10.554(1)(i)(7)(b)) requires a statement as to whether or not the financial report 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 current audit period and, if not, explanations of any significant differences. We determined that the financial statements of the City for the fiscal year ended September 30, 2010 are in agreement with the financial report filed with the Florida Department of Financial Services for the fiscal year ended September 30, 2010.

Pursuant to the Rules of the Auditor General (Section 10.554(1)(i)(7)(c)) we applied financial condition assessment procedures pursuant to Rule 10.556(7). It is management's responsibility to monitor the City's financial condition, and our financial condition assessment was based in part on representations made by management and the review of the financial information provided by the City.

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

Mayr Hoffman McCann P.C.

Clearwater, Florida
March 14, 2011