

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

CITY OF ST. PETE BEACH, FLORIDA

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016



Prepared by:
Finance Department

Table of Contents

Introductory Section

| | |
|--|-------|
| Table of Contents | 1 - 2 |
| Principal City Officials | 3 |
| Letter of Transmittal..... | 3 - 7 |
| Organizational Chart..... | 8 |
| Certificate of Achievement for Excellence in Financial Reporting | 9 |

Financial Section

| | |
|--|---------|
| Independent Auditors' Report..... | 10 - 12 |
| Management's Discussion and Analysis..... | 13 - 25 |
| Basic Financial Statements | |
| Government-wide Financial Statements | |
| Statement of Net Position..... | 27 |
| Statement of Activities..... | 28 |
| Fund Financial Statements | |
| Balance Sheet—Governmental Funds | 29 |
| Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position..... | 30 |
| Statement of Revenues, Expenditures and Changes in Fund Balances—Governmental Funds..... | 31 |
| Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities..... | 32 |
| Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund | 33 |
| Statement of Net Position – Proprietary Funds..... | 34 |
| Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds | 35 |
| Statement of Cash Flows – Proprietary Funds | 36 |
| Statement of Fiduciary Net Position – Fiduciary Funds | 37 |
| Statement of Changes in Fiduciary Net Position – Fiduciary Funds | 38 |
| Notes to Financial Statements | 39 - 72 |
| Required Supplementary Information | |
| Schedules of Funding Progress – OPEB | 73 |
| Schedules of Changes in Net Pension Liability and Related Ratios – Police Plan | 74 |
| Schedules of Changes in Net Pension Liability and Related Ratios – Fire Plan..... | 75 |
| Schedules of Changes in Net Pension Liability and Related Ratios – General Employees Plan..... | 76 |
| Schedule of Contributions – Police Plan..... | 77 |
| Schedule of Contributions – Fire Plan | 78 |
| Schedule of Contributions – General Employees Plan | 79 |
| Schedules of Investment Returns | 80 |

| | |
|---|----|
| Combining Nonmajor Governmental Funds Financial Statements and Other Schedules | |
| Combining Balance Sheet – Nonmajor Governmental Funds | 82 |
| Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds | 83 |

Statistical Section

| | | |
|-------------|--|---------|
| Table I | Net Position by Component – Last Ten Fiscal Years | 85 |
| Table II | Changes in Net Position – Last Ten Fiscal Years..... | 86 - 87 |
| Table III | Fund Balances – Governmental Funds – Last Ten Fiscal Years | 88 |
| Table IV | Changes in Fund Balances – Governmental Funds – Last Ten Fiscal Years | 89 |
| Table V | Program Revenue by Function / Program – Last Ten Fiscal Years..... | 90 |
| Table VI | Tax Revenues by Source – Governmental Funds – Last Ten Fiscal Years | 91 |
| Table VII | Assessed Value and Estimated Actual Value of Taxable Property - Last Ten Fiscal Years | 92 |
| Table VIII | Direct and Overlapping Property Tax Rates – Last Ten Fiscal Years | 93 |
| Table IX | Principal Property Taxpayers – Current and Ten Years Ago | 94 |
| Table X | Property Tax Levies and Collections – Last Ten Fiscal Years..... | 95 |
| Table XI | Direct and Overlapping Governmental Activities Debt | 96 |
| Table XII | Ratios of Outstanding Debt by Type | 97 |
| Table XIII | Pledged Revenue Coverage – Last Ten Fiscal Years | 98 - 99 |
| Table XIV | Demographic and Economic Statistics – Last Ten Fiscal Years | 100 |
| Table XV | Principal Employers – Current Year and Nine Years Ago..... | 101 |
| Table XVI | Full-Time Equivalent Government Employees by Function/Program - Last Ten Fiscal Years | 102 |
| Table XVII | Operating Indicators by Function/Program – Last Ten Fiscal Years | 103 |
| Table XVIII | Capital Asset Statistics by Function/Program – Last Ten Fiscal Years..... | 104 |

Other Schedules and Reports

| | |
|---|-----------|
| Schedule Required by State of Florida, Office of the Auditor General, Rule 10.557(3)(n) | 105 |
| Independent Auditors’ Report on Internal Control over Financial Reporting and On Compliance and Other Matters Based on an Audit of Financial Statements in Accordance with <i>Government Auditing Standards</i> | 106 - 107 |
| Independent Auditors’ Management Letter Required by Chapter 10.550, Rules of the State of Florida Office of the Auditor General..... | 108 - 110 |
| Independent Accountants’ Examination Report..... | 111 |
| Management’s Response to Findings..... | 112 |

**CITY OF ST. PETE BEACH, FLORIDA
PRINCIPAL CITY OFFICIALS
SEPTEMBER 30, 2016**

Mayor

Deborah Schechner

City Commission

District 1—Terry Finnerty
District 2—Domonick Falkenstein
District 3—Ward Friszlowski
District 4—Melinda Pletcher

City Officials

City Manager—Wayne Saunders

City Clerk—Rebecca Haynes
City Attorney—Andrew Dickman
Administrative Services Director—Elaine Edmunds
Fire Chief—James Kilpatrick
Community Development Director—Jennifer Bryla
Public Works Director—Michael Clarke
Recreation Director—Jennifer McMahon



THE SUNSET CAPITAL OF FLORIDA

155 Corey Avenue
St. Pete Beach, FL 33706-1839
www.stpetebeach.org

March 31, 2017

The Honorable Mayor and City Commission
City of St. Pete Beach, Florida

The Comprehensive Annual Financial Report of the City of St. Pete Beach, Florida, for the fiscal year ended September 30, 2016, is submitted herewith pursuant to Florida law and the Rules of the Auditor General of the State of Florida. The organization, form and contents of this report plus the accompanying financial statements and statistical tables are formulated in accordance with the principles prescribed by the Governmental Accounting Standards Board, State of Florida, City Charter and the Government Finance Officers Association. This Annual Financial Report was prepared by the Finance Division and represents the official report of the City's financial condition and results of operations to the citizens of St. Pete Beach, City Commission, City administrative personnel, investment firms, rating agencies, and other interested persons.

Responsibilities for both the accuracy of the presented data and the completeness of the presentation, including all disclosures, rest with the City. We believe the data is accurate in all material aspects; that it is presented in a manner designed to fairly set forth the financial position and results of the City's operations as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial activity 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 statement in accordance with accounting principles. The concept of reasonable assurance recognized that the cost of a control should not exceed the benefits likely to be derived and 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 assurance of proper recording of financial transactions.

The City's financial statements have been audited by James Moore & Co, P.L. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of St. Pete Beach for the year ended September 30, 2016 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 unmodified opinion that the City of St. Pete Beach's financial statements for the fiscal year ended September 30, 2016, and are fairly presented in conformity with generally accepted accounting principles. The independent auditor's report is presented as the first component of the financial section of this report.

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

THE REPORTING ENTITY AND ITS ORGANIZATION

The funds related to the City of St. Pete Beach that are included in our Comprehensive Annual Financial Report represent those funds for which the primary government is financially accountable. There are no other entities or organizations for which the City of St. Pete Beach is financially accountable that should be included in the Comprehensive Annual Financial Report. The criteria used in determining the reporting entity are consistent with the Government Accounting Standards Board (GASB) Statement 14, which defines a reporting entity. Based on these criteria, the various funds (being all the funds of the City) shown in the Table of Contents are included in this report.

The City of St. Pete Beach is a busy resort community located on a barrier island with direct access to the Gulf of Mexico and connects to the mainland near St. Petersburg by a causeway and to the other barrier islands by bridges. In 1957 all four towns on Long Key merged into St. Petersburg Beach. The City of St. Petersburg Beach was chartered in 1957. In an effort to keep its identity separate from the City of St. Petersburg, the City changed its name to St. Pete Beach in 1994.

The City operates under the City Commission/City Manager form of government. The City Commission is composed of a mayor and four commission members and as a group is responsible for enacting ordinances, resolutions, and regulations governing the City, as well as appointing members to various statutory and advisory boards, the City Manager, the City Attorney and the City Clerk.

The City has a land area of approximately two and one quarter square miles and a year round resident population of 9,373. The beautiful beaches of the City are a major attraction. The population swells during full season with a combination of seasonal residents and vacationers.

The City provides the full range of municipal services normally associated with a city of its size, including fire and emergency medical protection, street construction and maintenance, planning and zoning, recreation and parks, library, as well as general administrative services. In addition, wastewater services, reclaimed water and stormwater management are provided under the enterprise fund concept whereby user charges are set by the City Commission to ensure adequate coverage of operating expenses and payments of outstanding debt as well as the recovery of the cost of capital improvements through the recognition of depreciation. On January 6, 2013 the City dissolved the police department and contracted with the Pinellas County Sheriff's Office for police protection. Pinellas County provides potable water and jail/court systems.

BUDGETARY INFORMATION

The annual budget serves as the foundation for the City's financial planning and control. Department directors are required to submit their budget requests to the 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 City Commission. The City Commission 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 City Commission may, by ordinance, make additional appropriations or transfer any unencumbered appropriation from any department or from reserves to another department. Budget to actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted.

ECONOMIC CONDITION AND OUTLOOK

The City of St. Pete Beach is one of twenty-four incorporated municipalities within Pinellas County. It is a community of combined residential and recreational interests. The City is located at the southern end of Pinellas County, Florida and is the second largest producer of tourist tax revenue in the county. The tourist industry plays an intricate part of our local economy. When there is a decline in the economy, it is felt in our community. After several years of declining tourism, the City of St. Pete Beach has experienced an increase in tourism during the past four years.

St. Pete Beach property values increased for the fourth year in a row in fiscal year 2016 after several years of declining property values. Since the property values have increased, the millage rate that would be required to generate the same amount of tax revenue as the previous year is 2.9305 compared to the 2015 millage rate of 3.1500.

The City Commission adopted a millage for fiscal year 2016 of 3.15 which was equal the millage set in fiscal year 2015. Property values increased 7.9% during 2016.

FINANCIAL TRENDS – LONG TERM FINANCIAL PLANNING

The City prepares a five-year Capital Improvements Program (CIP), which is updated annually. The CIP is an integral component of the City’s financial management system even though this document does not appropriate funds. A copy of the CIP is available on the City’s website at www.stpetebeach.org.

The latest CIP was adopted by the City Commission for FY 2017 through FY 2021. This document projects the City’s major capital expenditures and related operating expenditures for a rolling five-year period. Projections are updated during the annual budget process.

Current CIP projections were developed assuming a gradual upturn in the national and local economies. The following schedule summarizes projected increases in major rates. Future property tax projections are to be determined (TBD), due to uncertainty regarding recent and future property tax reform initiatives and changes in the economy.

The City implemented a stormwater fee which was assessed on all property tax bills beginning November 1, 2010. The initial fee was \$36 per property. These monies were used to hire a consultant to determine an equitable residential unit (ERU) for future charges. The ERU rate was determined to be \$44.30 and was implemented in fiscal year 2012. In fiscal year 2016, the initial fee was increased to \$55.89 and the variable amount was increased to \$58.86 per ERU.

The City has contracted with rate consultants to review both the wastewater and stormwater rates. The results of their analysis are reflected in the table below.

| | <u>FY 2017</u> | <u>FY 2018</u> | <u>FY 2019</u> | <u>FY 2020</u> | <u>FY 2021</u> |
|---------------------------------------|----------------|----------------|----------------|----------------|----------------|
| Wastewater | 8.25% | 8.25% | TBD | TBD | TBD |
| Stormwater Fee – Annual Assessment | | | | | |
| Tier 1 – Flat Fee | 3% | 3% | 3% | 3% | TBD |
| Tier 2 Per ERU | 35% | 13.5% | 12% | 10.5% | TBD |

MAJOR INITIATIVES

Part of the increase in ad valorem revenue has been used to increase the transfer to the capital projects fund from \$1,904,000 in fiscal year 2015 to \$1,975,000 in fiscal year 2016. A higher level of effort is needed for infrastructure, particularly in the area of street rehabilitation. Revenue and expenditure projections have been carefully monitored to adjust quickly to any variances identified.

The millage rate was increased in fiscal year 2016. The City adopted a millage rate of 3.1500 in 2016, which is equal to the previous year’s millage but higher than the rolled-back rate of 2.9305. Various infrastructure projects and capital purchases had been delayed during the recession. Increased dollars were budgeted for the Public Services Department to better maintain resources throughout the city. The millage rate of 3.1500 resulted in an increase in ad valorem tax revenue of \$452,000 from the previous year had the millage been set at the roll-back rate.

The City has local retirement plans for police officers, firefighters and union general employees. Even though police services have been outsourced, the City is still responsible for the unfunded liability of the plan. The City is concerned about the increasing unfunded actuarial accrued liabilities on all three pension funds. Thru the collective bargaining process, all three funds have been significantly modified. A hybrid plan has been established with reduced benefits in the defined benefit plan partially offset by the addition of a defined contribution plan. In this way, employees will shoulder some of the burden of volatility in the markets.

During fiscal year 2015, the City issued \$21,000,000 in bonds. There were three separate bond issues that will be paid back over periods ranging from 15 to 30 years. Monies are dedicated to three large road projects, wastewater and stormwater system improvements and a planned future expansion of the library.

The Wastewater and Reclaimed Water Funds were previously reported as special revenue funds and were converted to enterprise funds in fiscal year 2010. The Stormwater Fund, established in November 2010, is funded by two separate assessments on the property tax bill. The City Commission had established a policy to set fees for these activities that are designed to recover the cost of providing services including capital costs such as depreciation and debt service. Fees are charged to external users for the services provided. A rate study analysis conducted in fiscal year 2015 for both the wastewater and stormwater funds has resulted in projected increases for both funds.

A general evaluation of the City's financial position indicates that available cash and investments are sufficient for coverage of end of year operating liabilities and for future operational purposes.

AWARDS

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 St. Pete Beach, Florida for its comprehensive annual financial report for the fiscal year ended September 30, 2015. This was the twentieth consecutive year that the City of St. Pete Beach has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

Recognition by GFOA, as evidenced by this award, is verification of the Finance Department's dedication to producing documents that effectively communicate the City's financial condition.

ACKNOWLEDGMENTS

Preparation of the City's CAFR was made possible by the efforts of everyone in the Finance Division, with special recognition to Sheila Dalton, Accountant, who compiled this report. Other City Departments, although not as extensively involved in year-end audit activities, contributed significantly to the success of the audit by ensuring the accuracy of accounting information recorded throughout the year. Everyone's efforts are greatly appreciated.

We also extend our sincere appreciation to the City Commission of the City of St. Pete Beach for their dedication and support.

Finally, appreciation is expressed to the City's auditors, James Moore & Co., P.L., who contributed suggestions and comments that were used in the preparation of the CAFR. Their testing, suggestions and attention to detail made the CAFR better than it would have been otherwise.

Respectfully Submitted,

Elaine Edmunds

Elaine Edmunds, CGFO
Administrative Services Director

City of St. Pete Beach
Organization Chart





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of St. Pete Beach
Florida**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2015

Executive Director/CEO

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor, City Commission, and City Manager,
City of St. Pete Beach, Florida:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of St. Pete Beach, Florida (the City), as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

121 Executive Circle
Daytona Beach, FL 32114-1180
Telephone: 386/257-4100
Fax: 386/255-3261
dab@jmco.com

5931 NW 1st Place
Gainesville, FL 32607-2063
Telephone: 352/378-1331
Fax: 352/372-3741
gmv@jmco.com

2477 Tim Gamble Place, Suite 200
Tallahassee, FL 32308-4386
Telephone: 850/386-6184
Fax: 850/422-2074
tlh@jmco.com

Member of AGN International with offices in principal cities worldwide

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, Schedule Required by State of Florida, Office of the Auditor General Rule 10.557(3)(n), and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

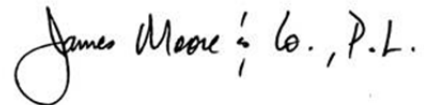
The combining and individual nonmajor fund financial statements and Schedule Required by State of Florida, Office of the Auditor General Rule 10.557(3)(n) are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2017, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Daytona Beach, Florida
March 31, 2017

A handwritten signature in black ink that reads "James Moore & Co., P.L." The signature is written in a cursive style with a large initial 'J'.

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of St. Pete Beach, Florida, (the "City"), we offer the readers of these basic financial statements this narrative overview and analysis of the City's financial activities for the fiscal year that ended on September 30, 2016. This 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 4) and the City's financial statements (beginning on page 27).

FINANCIAL HIGHLIGHTS

- The assets plus deferred outflows of resources of the City exceeded its liabilities plus deferred inflows of resources at the close of the fiscal year by \$42,526,261 (net position).
- The City's total net position increased by \$3,486,225. Of this amount, \$2,980,331 is attributable to an increase in the net investment in capital assets. The net position of governmental activities increased by \$1,247,163. Construction of Pass A Grille Way, Phase II was budgeted in FY16. The project is still in the engineering phase as of the end of the fiscal year and has been carried forward to FY17. General Fund revenues such as building permits and parking fees were higher than projected (\$139,475 and \$791,054 respectively). The increase in revenue was from home renovations and increased attendance at the beaches. Additionally, the city received a \$1,600,000 settlement from BP Oil relating to the Deepwater Horizon oil spill which occurred in the Gulf of Mexico in April of 2010. The actual net amount received after attorney fees was \$1,167,737. There are no outside restrictions on the use of this money. With the exception of attorney fees, no funds have been expended to date.
- The net position of the business-type funds improved by \$2,239,062. Of this amount, \$2,322,718 is from an increase in net investment in capital assets, a decrease in a restriction on long-term debt requirements (\$88,170) and an increase of \$4,514 in unrestricted net position. The largest changes occurred in the stormwater fund. The stormwater fund had an increase in net investment in capital assets of \$1,058,576. Additional information can be found on pages 34 and 35.
- As of September 30, 2016, the City of St. Pete Beach's governmental funds reported combined ending fund balances of \$21,974,235 which is a decrease of \$655,759 over the previous year. This decrease is largely due to the Pass-A-Grille Way Phase I reconstruction project. Approximately \$735,000 from restricted long term debt proceeds were used toward this project.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$6,052,922, or 41% of total general fund expenditures excluding capital items. Part of the transfer to the capital improvement fund is for a bond payment of \$734,768 which is paid from pledged general fund revenues.
- Prior to Fiscal Year 2010, the wastewater and reclaimed water funds were reported as special revenue funds and have since been converted to enterprise funds. Additionally, a stormwater fund was established in Fiscal Year 2011 as an enterprise fund. The City Commission had established a policy to set fees and assessments for these activities that are designed to recover the cost of providing services including capital costs such as depreciation and debt service. Fees are charged to external users for the services provided.
- The City implemented a stormwater fee which was assessed on all property tax bills beginning November 1, 2010. The assessment amount for fiscal year 2016 was \$55.49 per property. These monies were used for the general administration of the fund. In November 2011 the second tier of the stormwater assessments was instituted and charged to the properties in the City. The second tier amount is \$58.86 per ERU for fiscal year 2016.

OVERVIEW OF THE FINANCIAL STATEMENTS

The City's basic financial statements are comprised of three parts: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The remainder of the financial statements is comprised of the following parts: 1) the required supplementary information consisting of Pension Trust Fund Schedules, 2) Combining and Individual Fund Statements and Schedules, and 3) the Statistical Section consisting of selected financial and demographic information, generally presented on a multi-year basis.

Managements' Discussion and Analysis (MD&A) is intended to serve as an introduction to the basic financial statements and required supplementary information. The MD&A represents management's examination and analysis of the City's financial condition and financial performance as a whole. Summary financial statement data, key financial and operational indicators used in the strategic plan, budget and other management tools were used for this analysis.

The basic financial statements include two kinds of statements. The first type of statement consists of government-wide financial statements. The government-wide financial statements provide both short and long term financial information about the City's overall financial status. The government-wide financial statements are presented by its governmental activities and its business-type activities. The government-wide financial statements report information about the City using full accrual accounting methods and economic resources focus as utilized by similar business activities in the private sector. Information concerning all of the City's assets and liabilities, both financial and capital, and debt are presented whereas the reader can signify the short and long term portions. Likewise, all revenues and expenses received during the year, regardless of when cash is received or paid are reported.

The remaining statements are fund financial statements that focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide financial statements. The governmental fund statements tell how the general government accounts for all current financial resources in servicing the community, what was financed in the short-term, as well as what remains for future spending. Proprietary fund statements offer short and long-term financial information about the activities the government operates like a business, such as the City's Sewer, Stormwater and Reclaimed Water. Fiduciary fund statements are used to account for assets held by the government in a trustee capacity. Currently there are three pension trust funds, which consist of the General Employees', Police Officers', and Firefighters' Retirement Trust Funds.

Government-Wide Financial Statements

The government-wide financial statements (see pages 27-28) are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. The government-wide financial statements consist of a Statement of net Position and a Statement of Activities. Both statements represent an overview of the City as a whole, separating its operations between Governmental and Business-type activities. All information is presented utilizing the economic resources measurement focus and accrual basis of accounting. This method better matches revenues and expenses to the period in which the revenue is earned and the expense attributed. Fiduciary funds, such as pension trust funds, are excluded from these Government-wide Financial Statements because they represent money and funds legally set aside for use by the employee groups they benefit. Their assets and income do not flow through these statements, nor are the liabilities for which taxpayers may ultimately be responsible included.

The Statement of Net Position presents information on all of the City's assets and deferred outflows of resources and liabilities and deferred inflows of resources at the end of its fiscal year, with the difference between them reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the City's financial position is improving or deteriorating. Net position increases when revenues exceed expenses. Increases to assets and deferred outflows of resources without a corresponding increase to liabilities and deferred inflows of resources results in increased net position, which indicates an improved financial condition. The focus of the Statement of Net Position (the "unrestricted net position") is designed to be similar to bottom line results for the City and its governmental and business-type activities. This statement combines and consolidates governmental fund current resources (short-term spendable resources) with capital assets and long-term obligations.

The Government-wide Statement of Net Position can be found on page 27 of this report.

The *Statement of Activities* (see page 28) presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused paid time off).

The Government-wide financial statements are for functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) and 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, streets, economic development, public safety and culture and recreation. The business-type activities of the City consist of Wastewater, Reclaimed Water and Stormwater.

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 three categories: governmental funds, proprietary funds and fiduciary funds.

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. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can be readily converted into cash. 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 Balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of St. Pete Beach adopts an annual appropriated budget for the general and capital improvement funds. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

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

The governmental fund financial statements can be found on pages 29 – 33 of this report.

Proprietary Funds

The City maintains only one of the two proprietary fund types. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises—where the intent is that the costs of providing goods or services to the general public on a continuing basis should be financed or recovered through user charges. The City uses enterprise funds to account for its Wastewater, Reclaimed Water and Stormwater activities. 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 basic proprietary fund financial statements can be found on pages 34-36 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government (e.g. pension beneficiaries). Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City of St. Pete Beach's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Trust Funds are a type of fiduciary fund used by the City. They are used to account for assets held by the government in a trust capacity. The City is the trustee, or fiduciary, for its employees' pension plans. Currently there are three pension trust funds, which consist of the General Employees, Police Officers', and Firefighters' Retirement Trust.

The basic fiduciary fund financial statements can be found on pages 37-38 and 83-84 of this report.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes present information about the City's significant accounting policies, account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any. They can be found on pages 66-67 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. For the current year, the City's assets exceeded liabilities by \$44,749,369.

The City's net position reflects \$44,159,955 of its net investment in capital assets. Capital assets include land, buildings, improvements, vehicles and equipment, less any related debt (excluding unexpended bond proceeds) used to acquire those assets that are still outstanding. The City of St. Pete Beach uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of St. Pete Beach investment in its capital assets is report net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

(This space left blank intentionally)

The following table reflects the condensed Statement of Net Position compared to the prior year. For more detailed information see the Statement of Net Position (page 27).

Statement of Net Position

| | Governmental Activities | | Business-type Activities | | Totals | |
|---|-------------------------|--------------|--------------------------|--------------|--------------|--------------|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| Current assets | \$25,128,969 | \$24,426,402 | \$10,939,187 | \$11,717,586 | 36,068,156 | \$36,143,988 |
| Non-current other assets | - | 221,053 | - | - | - | 221,053 |
| Capital assets, Net | 31,298,276 | 28,027,359 | 20,917,894 | 17,443,654 | 52,216,170 | 45,471,013 |
| Deferred Outflows of Resources | 1,901,723 | 2,695,178 | 30,952 | 93,461 | 19,32,675 | 2,788,639 |
| Total Assets and Deferred Outflows of Resources | 58,328,968 | 55,369,992 | 31,888,033 | 29,254,701 | 90,217,001 | 84,624,693 |
| Current liabilities | 4,172,781 | 2,811,793 | 2,016,173 | 1,158,924 | 6,188,954 | 3,972,831 |
| Long-term liabilities less current portion | 13,298,928 | 14,231,359 | 9,591,741 | 10,047,285 | 22,890,669 | 24,276,530 |
| Other non-current liabilities | 17,237,643 | 16,137,613 | 718,178 | 698,638 | 17,955,821 | 16,836,251 |
| Deferred Inflows of Resources | 655,296 | 472,070 | - | 26,975 | 655,296 | 499,045 |
| Total liabilities and deferred outflow of resources | 35,364,648 | 33,652,835 | 12,326,092 | 11,931,822 | 47,690,740 | 45,584,657 |
| Net Position: | | | | | | |
| Net investment in capital assets | 26,880,493 | 26,222,880 | 17,279,462 | 14,956,744 | 44,159,955 | 41,179,624 |
| Restricted | 3,005,075 | 683,376 | 172,025 | 260,195 | 3,177,100 | 943,571 |
| Unrestricted | (6,921,248) | (5,189,099) | 2,110,454 | 2,105,940 | (4,810,794) | (3,083,159) |
| Total net position | \$22,964,320 | \$21,717,157 | \$19,561,941 | \$17,322,879 | \$42,526,261 | \$39,040,036 |

Restricted assets apply to assets whose use is subject to constraints that are either external or imposed by law. Outside restrictions include debt covenants (\$483,179), restricted donations for the library (\$198,063) state restrictions on confiscated property (\$5,317) court ordered monies set aside for pending lawsuit (\$2,279,442), and county restrictions on transportation impact fees collected (\$211,099).

Unrestricted net position increased from the prior year due to increases in the net pension liabilities and the reclassification of the above court ordered monies set aside for a pending lawsuit from unrestricted to restricted net position.

(This space left blank intentionally)

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 28.

**Changes in Net Position
As of September 30**

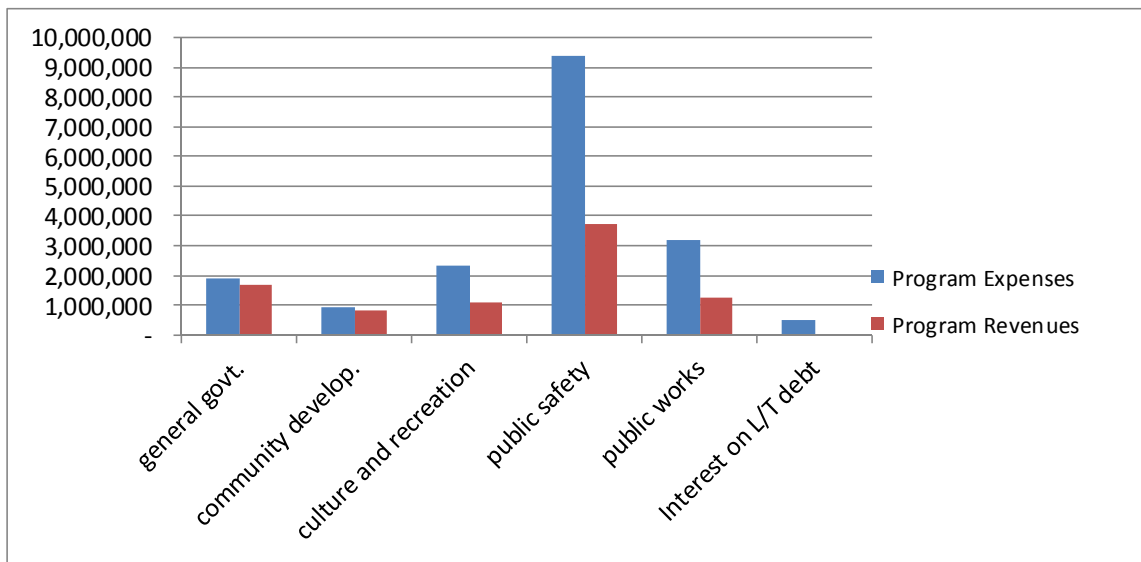
| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
|--|-------------------------|-------------------|--------------------------|-------------------|--------------------------|-------------------|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$4,155,262 | \$3,771,928 | 7,535,415 | \$6,734,145 | 11,690,677 | 10,506,073 |
| Operating grants and contributions | 3,369,796 | 1,650,010 | - | - | 3,369,796 | 1,650,010 |
| Capital grants and Contributions | 919,891 | 138,212 | 1,043,852 | - | 1,963,743 | 138,212 |
| General revenues: | | | | | | |
| Property taxes | 7,235,035 | 6,783,032 | - | - | 7,235,035 | 6,783,032 |
| Franchise and utility taxes | 3,312,619 | 3,373,281 | - | - | 3,312,619 | 3,373,281 |
| State sales tax | 634,191 | 567,057 | - | - | 634,191 | 567,057 |
| State excise tax – public safety | 264,986 | 269,876 | - | - | 264,986 | 269,876 |
| Other taxes | 971,639 | 975,369 | - | - | 971,639 | 975,369 |
| Other intergovernmental revenues | 97,134 | - | - | - | 97,134 | - |
| State revenue sharing | 273,574 | 272,972 | - | - | 273,574 | 272,972 |
| Investment income | 66,585 | 17,210 | 29,313 | 1,827 | 66,585 | 19,037 |
| Miscellaneous | 49,193 | 108,059 | - | - | 49,193 | 108,059 |
| Total revenues | 21,349,905 | 17,927,006 | 8,608,580 | 6,735,972 | 29,958,485 | 24,662,978 |
| Expenses: | | | | | | |
| General government | 1,871,615 | 1,818,174 | - | - | 1,871,615 | 1,818,174 |
| Community development | 914,014 | 839,776 | - | - | 914,014 | 839,776 |
| Culture and Recreation | 2,339,008 | 2,254,188 | - | - | 2,339,008 | 2,554,188 |
| Public safety | 11,492,306 | 7,436,516 | - | - | 11,492,306 | 7,436,516 |
| Public works | 3,161,814 | 3,641,112 | - | - | 3,161,814 | 3,641,112 |
| Wastewater | - | - | 5,000,215 | 4,222,963 | 5,000,215 | 4,222,963 |
| Reclaimed water | - | - | 831,244 | 761,196 | 831,244 | 761,196 |
| Stormwater | - | - | 391,015 | 320,452 | 391,015 | 320,452 |
| Interest on long term debt | 471,029 | 227,514 | - | - | 471,029 | 227,514 |
| Total expenses | 20,249,786 | 16,217,280 | 6,222,474 | 5,304,611 | 26,472,260 | 21,521,891 |
| Excess before transfers and special item | 1,100,119 | 1,709,726 | 2,386,106 | 1,431,361 | 3,486,225 | 3,141,087 |
| Transfers | 147,044 | 57,909 | (147,044) | (57,909) | - | - |
| Special item – Legal Settlements | - | (652,137) | - | - | - | (652,137) |
| Change in net position | 1,247,163 | 1,115,498 | 2,239,062 | 1,373,452 | 3,486,225 | 2,488,950 |
| Net Position – Beginning | 21,717,157 | 20,601,659 | 17,322,879 | 15,949,427 | 39,040,036 | 36,551,086 |
| Net Position – Ending | 22,964,320 | 21,717,157 | 19,561,941 | 17,322,879 | 42,526,261 | 39,040,036 |

- Property taxes were higher (\$452,003) than the previous year because the City adopted the same millage rate as the previous year of 3.1500 mills which is above the roll-back millage rate of 2.9305 mills. Property values increased 7.49% The City Commission made a conscious decision to maintain the 2015 millage rate so that infrastructure improvements that had to be postponed during the economic downturn could be addressed.

- In governmental activities, charges for services increased by \$383,334 (10%) which is attributable to an increase in the amount collected from parking revenues. The area experienced a mild winter in 2016 which increased tourism to our city.
- In governmental activities, public safety expenses increased by approximately \$4.0 million due to a \$1.8 million loss realized related to the disposal and demolition of the old police department, increased parking enforcement costs and increases in the City's police and fire pension liabilities.
- Governmental activities increased the City of St. Pete Beach's net position by \$3,470,271, thereby accounting for 60% of the total growth in the net position of the City of St. Pete Beach

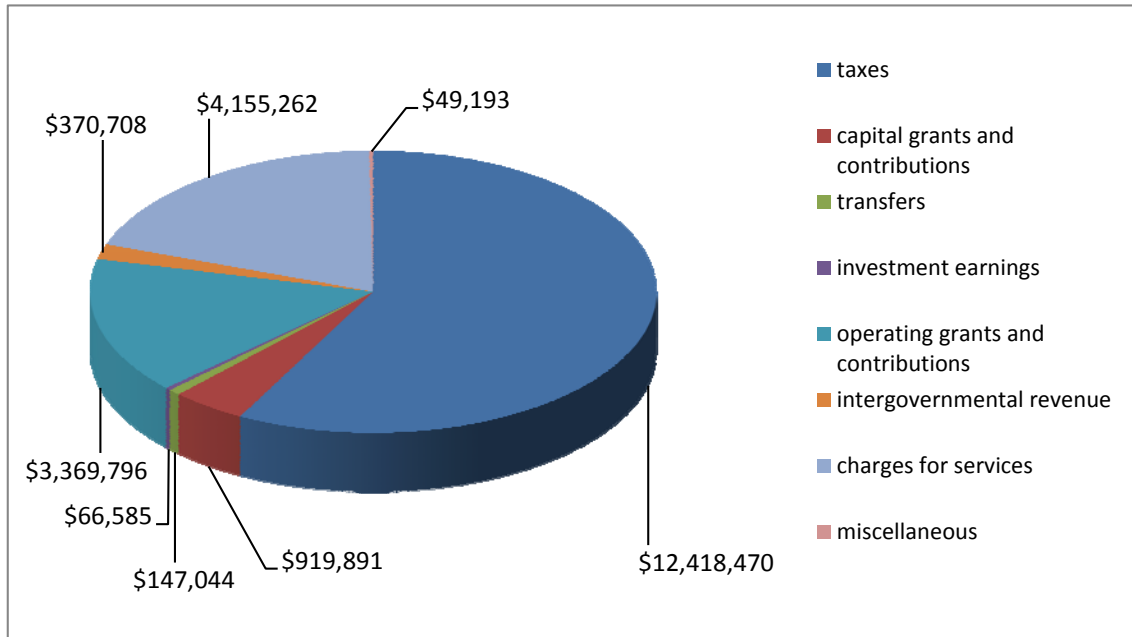
Governmental Activities

Expenses and Revenues – Governmental Activities



(This space left blank intentionally)

Revenues by Source - Governmental Activities

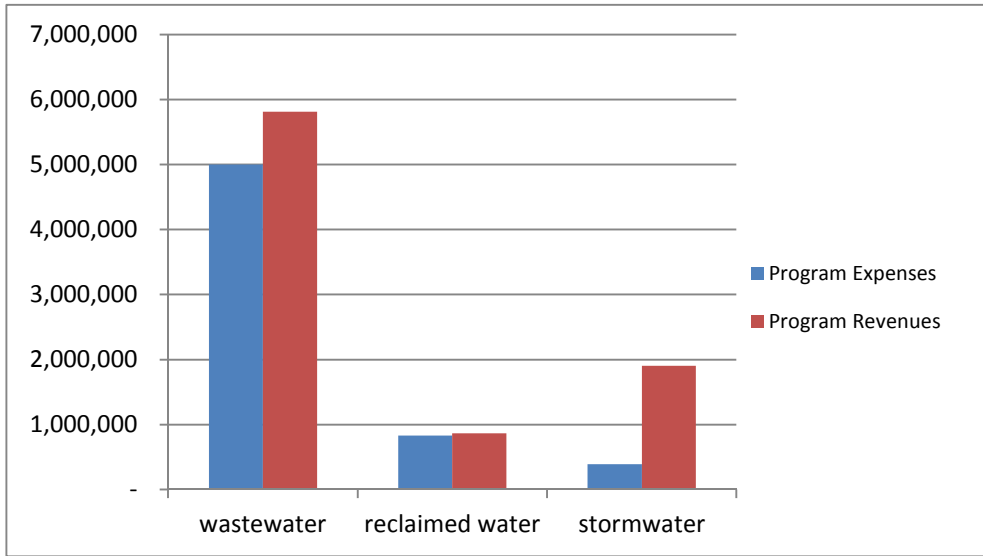


Overall revenues increased by \$3,422,899. Taxes increased by \$452,003 due to an increase in property values and maintaining the same millage rate as the previous year. Charges for services increased \$383,334 due to increased revenues from city parking meters. Building permit revenues increased \$105,000 due to increased construction activity. Operating grants and contributions increased by \$1,719,786. Of this amount, \$1,600,000 is a result of the BP Oil settlement monies. Capital grants and contributions increased by \$781,679. Pinellas County is sharing in the cost for the rehabilitation of Pass A Grille Way Phase I and has contributed \$716,544 toward this project. Community Development costs are \$74,238 higher than the previous year. The Director position was vacant for one half of FY15. Also, the position of Zoning Tech was added in the final two months of FY15. The current fiscal year reflects a full year of employment for both positions. New building software was purchased in FY16 for a cost of \$65,926. Public Safety costs increased \$1,903,132. Part of this increase is a result of a 2.92% increase in the City's contract with the Pinellas County Sheriff's office for police protection. An additional \$60,000 was added to the law enforcement budget above the scheduled increase for additional deputies during holidays, tourist season and special events. The fire department hired three more paramedics. The cost for these medics is offset by a reimbursement from Pinellas County Emergency Management Services. The transfer to the capital improvements fund increased \$71,000 over the prior year transfer. Public service department costs decreased \$472,298. Several smaller road projects were delayed due to the intense effort being applied toward the Pass A Grille Way Phase I project.

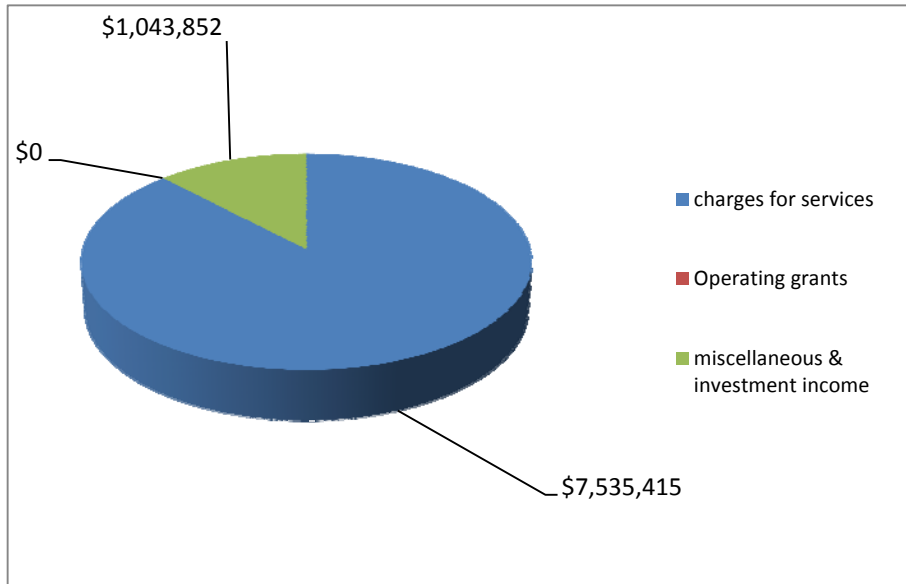
Business-type Activities

Business-type activities increased the City's net position by \$2,239,062 which, when added to the increase in net position of the governmental activities, resulted in a total increase in net position of \$5,709,333.

Expenses and Revenues – Business-type Activities



Revenues by Source – Business Activities



There was a 9.75% increase to the wastewater rates in FY16. Due to the age and condition of the wastewater fund infrastructure, the City has experienced a significant increase in the number of projects necessary to upgrade the overhaul the system . Wastewater charges increased \$777,252. Reclaimed water rates remained unchanged. Stormwater assessments were increased. The first tier of the stormwater assessment increased 45% and the second tier increased 25%. As a result, stormwater charges increased \$70,563.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

Governmental Funds: The focus of the City of St. Pete Beach'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 of St. Pete Beach'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, 2016, the City's governmental funds reported combined ending fund balances of \$21,974,235, a decrease of \$655,759 in comparison to the prior year. Approximately .1% of this amount (\$208,978) is non-spendable. Non-spendable refers to assets that cannot be spent because of their form and include items such as inventory, prepaid expenses and long term receivables.

Another 66.76% of this amount (\$14,670,598) is restricted which means there are externally enforceable limitations on the use of the funds. Such limitations have been placed by contributors or laws and regulations of other governmental entities. During fiscal year 2015, the City issued Capital Improvement Revenue Bonds resulting in proceeds of \$13,048,318. These proceeds are to be spent on several large projects including a total reconstruction of Pass A Grille Way and Blind Pass Road. Additionally, approximately \$2,000,000 is being held for future construction projects as determined by the City Commission. Of the bond proceeds received in fiscal year 2015, \$647,797 was expended in fiscal year 2015 and \$734,998 had been expended in the current fiscal year leaving a balance of \$11,665,523 of unexpended bond proceeds restricted for the purposes set forth in the bond documentation.

Approximately 4.74% of combined ending fund balances for governmental funds (\$1,041,737) is assigned which reflects monies intended to be used for a specific purpose. The total assigned amount consists of monies that have been assigned for the payment of compensated absences (\$410,628), an insurance stabilization fund (\$51,454) and monies set aside for future capital improvements (\$579,655). Compensated absences refer to paid time off made available to employees and the balance of sick leave accumulated prior to the establishment of the current PTO system. The unassigned balance is 27.55% (\$6,052,922) which is available for spending at the City's discretion.

The general fund is the chief operating fund of the City. At September 30, 2016, the unassigned balance of the general fund was \$6,052,922 while the total fund balance was \$9,781,142. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 36.2% of total general fund expenditures excluding capital items while total fund balance represents 58.5% of that same amount.

During the current fiscal year, the City's general fund balance increased by \$2,979,501.

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.

The Unrestricted net position of the enterprise funds at September 30, 2016 show a positive balance of \$2,110,454 compared to a balance of \$2,105,940 the previous year. A rate study for wastewater and reclaimed water was completed at the end of fiscal year 2010. Based on the study, a 4% increase was required for wastewater and an 8% increase for reclaimed water in fiscal year 2014. A 9.75% rate increase in the wastewater rates was implemented in fiscal year 2016. No changes were made to the reclaimed water rates in fiscal year 2016. The assessment of \$36 per property to pay for the establishment of this fund was collected in fiscal year 2011. A second tier of the stormwater assessment based on impervious surface was implemented in fiscal year 2012. The first tier of the stormwater assessment increased 45% and the second tier increased 25% in fiscal year 2016.

The City was placed under a Department of Environmental Protection (DEP) consent order in 2014 for spills associated with the wastewater system. A significant effort is underway to update the system. The city hired a rate consultant during fiscal year 2015 to review our rate structure now that these mandatory capital improvements are known. Rate increases are anticipated for future years.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the year, there was \$855,233 increase in appropriations between the original and final amended budget. Following are the main components of the increase:

- \$207,987 supplemental appropriation for encumbrances brought forward from the previous fiscal year. The increase was funded from reserves.
- \$446,246 increase the legal budget for settlement costs required to be paid as a result of lawsuits and the settlement costs of the BP oil spill lawsuit. The increase was funded from reserves and from the funds received from BP for the oil spill.
- \$122,500 supplemental appropriation for the cost of hiring 3 additional paramedics. The costs are offset by an increase in EMS reimbursement.
- \$78,500 increase the community development department budget for costs associated with hiring a consultant for the Pass A Grille design work. These costs were funded from reserves.

CAPITAL AND DEBT ADMINISTRATION

Capital Assets: The City of St. Pete Beach’s investment in capital assets for its governmental and business-type activities as of September 30, 2016 amounts to \$52,216,170 (net of accumulated depreciation). This investment in capital assets includes land, buildings, furniture, machinery and equipment and infrastructure.

Capital projects completed during the current fiscal year include:

- Beach Walkovers
- Landscaping along the Pinellas Bayway
- Landscaping along state roadways
- Street rehabilitation
- Library improvements in staff work areas
- Egan Park Improvements
- Improvements to the Warren Webster building
- Rehabilitation of lift stations 8 and 3

City of St. Pete Beach’s Capital Assets

| | <u>Governmental Activities</u> | | <u>Business-type Activities</u> | | <u>Totals</u> | |
|------------------------------------|--------------------------------|-------------------|---------------------------------|-------------------|---------------------|-------------------|
| | <u>2016</u> | <u>2015</u> | <u>2016</u> | <u>2015</u> | <u>2016</u> | <u>2015</u> |
| Land and improvements | \$3,905,294 | \$3,905,294 | \$310,117 | \$310,117 | \$4,215,411 | \$4,215,411 |
| Capital projects in process | 6,668,953 | 1,513,513 | 3,388,108 | 576,568 | 10,057,061 | 2,090,081 |
| Building and improvements | 11,434,492 | 13,329,502 | 111,064 | 115,448 | 11,545,556 | 13,444,950 |
| Furniture, machinery and equipment | 1,442,457 | 1,684,879 | 469,031 | 168,173 | 1,911,488 | 1,853,052 |
| Infrastructure | 7,847,080 | 7,594,171 | 16,639,574 | 16,273,348 | 24,486,654 | 23,867,519 |
| Total | 31,298,276 | 28,027,359 | 20,917,894 | 17,443,654 | \$52,216,170 | 45,471,013 |

Additional information on the City of St. Pete Beach’s capital assets can be found in note D on page 54 of this report.

Long-term debt: At the end of the current fiscal year, the City of St. Pete Beach had total long term debt outstanding of \$28,835,949 excluding compensated absences. The amount of long-term debt secured by specified revenues sources total \$23,324,552.

City of St. Pete Beach's Outstanding Debt

| | Governmental Activities | | Business-type Activities | | Totals | |
|-----------------------|-------------------------|---------------------|--------------------------|---------------------|---------------------|---------------------|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| Revenue bonds | \$13,505,000 | \$14,205,000 | \$7,754,000 | \$ 8,000,000 | \$21,259,000 | \$22,205,000 |
| State revolving loans | - | - | 2,065,552 | 2,249,010 | 2,065,552 | 2,249,010 |
| Capital leases | 154,554 | 229,191 | 356,843 | - | 511,397 | 229,191 |
| Total | \$13,659,554 | \$14,434,191 | \$10,176,395 | \$10,249,010 | \$23,835,949 | \$24,683,201 |

Additional information on the City of St. Pete Beach's long term debt can be found in note E on pages 55-57 of this report.

Economic Factors and Next Year's Budgets and Rates

- After several years of decline, property values are showing an upward trend. Property values increased 7.49% in fiscal year 2016 and another 7.08% in fiscal year 2017. The Pinellas County Property Appraiser is projecting a moderate increase for fiscal year 2018 as the economy continues to recover.
- The State of Florida, by Constitution, does not have a state personal income tax and, therefore, the State operates primarily using sales, gasoline and corporate income taxes. Local governments (cities, counties and school boards) primarily rely on property and a limited array of permitted other taxes (sales, gasoline, utilities services, etc.) and fees (franchise, business tax, etc.) for their governmental activities. There are a limited number of state-shared revenues and recurring and non-recurring (one-time) grants from both the state and federal governments.
- The outsourcing of the police department has resulted in annual savings of approximately \$1.5 million. A significant portion of this savings is being used to fund infrastructure needs with a particular focus being placed on street and roadway improvements. The city has continued in its commitment to apply the savings toward infrastructure projects. In fiscal year 2016, a transfer of \$1,975,000 was made to the Capital Improvement fund from the general fund.
- The City incurred \$21 million of additional debt in fiscal year 2015. All monies are for infrastructure improvements. A significant portion is to fund two large street rehabilitation projects continuing in the coming years.
- The City received \$1,167,737 in BP oil money proceeds net of attorney fees. There are no restrictions on the use of this money. The City Commission intends to apply this money toward improvements to our wastewater system.
- The City is under a consent order with the State of Florida Department of Environmental Protection effective October 28, 2014 with regard to the city wastewater system. This order mandates certain improvement to the wastewater system to be completed by specific dates. The City hired a rate consultant this year to update our current wastewater model to include the additional projects at their specified completion date. Rate increases are projected for the next five years to accommodate these improvements.
- Along with the roadway improvements mentioned above, the city is addressing stormwater improvements to accompany these projects. A study of the stormwater was completed and the assessment fees will increase over the next four years to accommodate these improvements.

The City continues to monitor the unfunded liabilities in the three sponsored City pension plans. The general employees' plan has an earnings assumption of 7.65% and the fire pension boards' earnings assumption is 7.70%. The actual rate of return on investment was 9.72% and 9.25% respectively. However, the smoothed rate of return for the prior four years for the general pension plan was 7.66% and the fire pension plan of 7.4%. As a result, the total unfunded liability of the two pension plan combined dropped from \$9,339,422 as of October 1, 2015 to \$9,339,422 as of October 1, 2016. The police pension plan board earnings assumption is 7%. The actual return on investment was 9.22%. However, the smoothed annualized rate of return for the prior four years was 7.39%. As a result, the unfunded liability in the police pension plan increased from \$5,036,614 to \$6,170,998.

FINANCIAL CONTACT

The City's financial statements are designed to present users (citizens, taxpayers, customers, investors and creditors) with a general overview of the City's finances and to demonstrate the City's accountability. If you have questions about the report or need additional financial information, contact the City's Administrative Services Director at City Hall at 155 Corey Avenue, St. Pete Beach, Florida 33706, telephone number (727) 363-9250.

BASIC FINANCIAL STATEMENTS

These basic financial statements contain Government-wide Financial Statements, Fund Financial Statements and Notes to the Financial Statements.

CITY OF ST. PETE BEACH, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2016

| | <u>Governmental Activities</u> | <u>Business-type Activities</u> | <u>Total</u> |
|---|------------------------------------|-------------------------------------|----------------------|
| ASSETS | | | |
| Equity in pooled cash | \$ 7,338,721 | \$ 3,083,235 | \$ 10,421,956 |
| Investments | 2,246,785 | - | 2,246,785 |
| Receivables, net | 1,158,930 | 1,002,256 | 2,161,186 |
| Internal balances | 522,723 | (522,723) | - |
| Due from other governments | - | 479,289 | 479,289 |
| Inventories | 251 | 61,625 | 61,876 |
| Prepays | 4,800 | - | 4,800 |
| Other assets | 1,959 | - | 1,959 |
| Restricted assets: | | | |
| Equity in pooled cash | 13,854,800 | 6,835,505 | 20,690,305 |
| Capital assets: | | | |
| Non-depreciable capital assets | 10,574,247 | 3,698,225 | 14,272,472 |
| Other capital assets, net of depreciation | 20,724,029 | 17,219,669 | 37,943,698 |
| Total assets | <u>\$ 56,427,245</u> | <u>\$ 31,857,081</u> | <u>\$ 88,284,326</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred outflows related to pensions | <u>\$ 1,901,723</u> | <u>\$ 30,952</u> | <u>\$ 1,932,675</u> |
| LIABILITIES | | | |
| Accounts payable and accrued liabilities | \$ 2,804,949 | \$ 1,278,048 | \$ 4,082,997 |
| Customer deposits | 123,617 | - | 123,617 |
| Unearned revenue | 140,008 | - | 140,008 |
| Accrued interest payable | 156,793 | 125,517 | 282,310 |
| Due to fiduciary funds | 176,160 | - | 176,160 |
| Noncurrent liabilities: | | | |
| Due within one year: | | | |
| Bonds and notes payable | 645,000 | 533,346 | 1,178,346 |
| Capital leases | 76,383 | 77,165 | 153,548 |
| Compensated absences | 49,871 | 2,097 | 51,968 |
| Due in more than one year: | | | |
| Bonds and notes payable | 12,860,000 | 9,286,206 | 22,146,206 |
| Capital leases | 78,171 | 279,678 | 357,849 |
| Compensated absences | 360,757 | 25,857 | 386,614 |
| Net OPEB obligation | 61,063 | 4,513 | 65,576 |
| Net pension liability | 17,176,580 | 713,665 | 17,890,245 |
| Total liabilities | <u>\$ 34,709,352</u> | <u>\$ 12,326,092</u> | <u>\$ 47,035,444</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred inflows related to pensions | <u>\$ 655,296</u> | <u>\$ -</u> | <u>\$ 655,296</u> |
| NET POSITION | | | |
| Net investment in capital assets | \$ 26,880,493 | \$ 17,279,462 | \$ 44,159,955 |
| Restricted for: | | | |
| Library | 198,063 | - | 198,063 |
| Legal settlements | 2,279,442 | - | 2,279,442 |
| Debt service | 311,154 | 172,025 | 483,179 |
| Law enforcement | 5,317 | - | 5,317 |
| Transportation improvements | 211,099 | - | 211,099 |
| Unrestricted | (6,921,248) | 2,110,454 | (4,810,794) |
| Total net position | <u>\$ 22,964,320</u> | <u>\$ 19,561,941</u> | <u>\$ 42,526,261</u> |

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

**CITY OF ST. PETE BEACH, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | |
|---|----------------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|----------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-type Activities | Total |
| Governmental activities: | | | | | | | |
| General government | \$ 1,871,615 | \$ 79,421 | \$ 1,609,618 | \$ - | \$ (182,576) | \$ - | \$ (182,576) |
| Community development | 914,014 | 802,469 | - | - | (111,545) | - | (111,545) |
| Public safety | 11,492,306 | 2,217,923 | 1,513,490 | - | (7,760,893) | - | (7,760,893) |
| Public works | 3,161,814 | - | 232,502 | 919,891 | (2,009,421) | - | (2,009,421) |
| Culture and recreation | 2,339,008 | 1,055,449 | 14,186 | - | (1,269,373) | - | (1,269,373) |
| Interest on long-term debt | 471,029 | - | - | - | (471,029) | - | (471,029) |
| Total governmental activities | <u>20,249,786</u> | <u>4,155,262</u> | <u>3,369,796</u> | <u>919,891</u> | <u>(11,804,837)</u> | <u>-</u> | <u>(11,804,837)</u> |
| Business-type activities: | | | | | | | |
| Wastewater | 5,000,215 | 5,806,838 | - | 3,070 | - | 809,693 | 809,693 |
| Reclaimed water | 831,244 | 866,099 | - | - | - | 34,855 | 34,855 |
| Stormwater | 391,015 | 862,478 | - | 1,040,782 | - | 1,512,245 | 1,512,245 |
| Total business-type activities | <u>6,222,474</u> | <u>7,535,415</u> | <u>-</u> | <u>1,043,852</u> | <u>-</u> | <u>2,356,793</u> | <u>2,356,793</u> |
| Total primary government | <u>\$ 26,472,260</u> | <u>\$ 11,690,677</u> | <u>\$ 3,369,796</u> | <u>\$ 1,963,743</u> | <u>(11,804,837)</u> | <u>2,356,793</u> | <u>(9,448,044)</u> |
| General revenues: | | | | | | | |
| Property taxes | | | | | 7,235,035 | - | 7,235,035 |
| Sales taxes | | | | | 634,191 | - | 634,191 |
| Casualty and fire insurance premium taxes | | | | | 264,986 | - | 264,986 |
| Franchise and utility taxes | | | | | 3,312,619 | - | 3,312,619 |
| Other taxes | | | | | 971,639 | - | 971,639 |
| State revenue sharing | | | | | 273,574 | - | 273,574 |
| Other intergovernmental revenues | | | | | 97,134 | - | 97,134 |
| Investment earnings | | | | | 66,585 | 29,313 | 95,898 |
| Miscellaneous revenues | | | | | 49,193 | - | 49,193 |
| Transfers | | | | | 147,044 | (147,044) | - |
| Total general revenues and transfers | | | | | <u>13,052,000</u> | <u>(117,731)</u> | <u>12,934,269</u> |
| Change in net position | | | | | 1,247,163 | 2,239,062 | 3,486,225 |
| Net position - beginning | | | | | 21,717,157 | 17,322,879 | 39,040,036 |
| Net position - ending | | | | | <u>\$ 22,964,320</u> | <u>\$ 19,561,941</u> | <u>\$ 42,526,261</u> |

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

CITY OF ST. PETE BEACH, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016

| | <u>General</u> | <u>Capital Improvement Projects</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|----------------------|---|--|---|
| ASSETS | | | | |
| Equity in pooled cash | \$ 9,401,747 | \$ 11,575,358 | \$ 216,416 | \$ 21,193,521 |
| Investments | 746,785 | 1,500,000 | - | 2,246,785 |
| Receivables, net | 643,426 | 515,504 | - | 1,158,930 |
| Due from other funds | - | 449,835 | - | 449,835 |
| Advances to other funds | 201,968 | - | - | 201,968 |
| Inventories | 2,010 | - | - | 2,010 |
| Prepaid items | 5,000 | - | - | 5,000 |
| Total assets | <u>\$ 11,000,936</u> | <u>\$ 14,040,697</u> | <u>\$ 216,416</u> | <u>\$ 25,258,049</u> |
| LIABILITIES | | | | |
| Accounts payable and accrued liabilities | \$ 780,009 | \$ 1,934,940 | \$ - | \$ 2,714,949 |
| Customer deposits | 123,617 | - | - | 123,617 |
| Unearned revenue | 140,008 | - | - | 140,008 |
| Due to other funds | 176,160 | 129,080 | - | 305,240 |
| Total liabilities | <u>\$ 1,219,794</u> | <u>\$ 2,064,020</u> | <u>\$ -</u> | <u>\$ 3,283,814</u> |
| FUND BALANCES | | | | |
| Nonspendable: | | | | |
| Inventories | \$ 2,010 | \$ - | \$ - | 2,010 |
| Prepaid items | 5,000 | - | - | 5,000 |
| Advances to other funds | 201,968 | - | - | 201,968 |
| Restricted for: | | | | |
| Library | 198,063 | - | - | 198,063 |
| Legal settlements | 2,279,442 | - | - | 2,279,442 |
| Capital improvement projects | - | 11,665,523 | - | 11,665,523 |
| Debt service | - | 311,154 | - | 311,154 |
| Law enforcement | - | - | 5,317 | 5,317 |
| Transportation improvements | - | - | 211,099 | 211,099 |
| Assigned to: | | | | |
| Capital improvement projects | 579,655 | - | - | 579,655 |
| Compensated absences | 410,628 | - | - | 410,628 |
| Insurance stabilization | 51,454 | - | - | 51,454 |
| Unassigned | 6,052,922 | - | - | 6,052,922 |
| Total fund balances | <u>\$ 9,781,142</u> | <u>\$ 11,976,677</u> | <u>\$ 216,416</u> | <u>\$ 21,974,235</u> |

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

CITY OF ST. PETE BEACH, FLORIDA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2016

| | | |
|--|--------------|----------------------|
| Fund balances - total governmental funds | | \$ 21,974,235 |
| <p>Amounts reported for governmental activities in the statement of activities are different because:</p> | | |
| <p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds</p> | | |
| Total governmental capital assets | 49,955,668 | |
| Less: accumulated depreciation | (18,657,392) | 31,298,276 |
| <p>On the governmental fund statements, a net pension liability is not recorded until an amount is due and payable and the pension plan's fiduciary net position is not sufficient for payment of those benefits (no such liability exists at the end of the current fiscal year). On the Statement of Net Position, the City's net pension liability of the defined benefit pension plans is reported as a noncurrent liability. Additionally, deferred outflows and deferred inflows related to pensions are also reported in accordance with GASB Statement No. 68.</p> | | |
| Net pension liability | (17,176,580) | |
| Deferred outflows related to pensions | 1,901,723 | |
| Deferred inflows related to pensions | (655,296) | (15,930,153) |
| <p>Unmatured long-term indebtedness consisting of a judgment payable is not reported in the governmental funds as these amounts are not due and payable in the current period.</p> | | |
| | | (90,000) |
| <p>Long-term liabilities, including bonds payable and notes payable, are not due and payable in the current period and, therefore, are not reported in the funds. These liabilities, deferred outflows, and other debt-related deferred charges consist of the following:</p> | | |
| Bonds and notes payable | (13,505,000) | |
| Capital leases payable | (154,554) | |
| Accrued interest payable | (156,793) | |
| Net OPEB obligation | (61,063) | |
| Compensated absences | (410,628) | (14,288,038) |
| Net position of governmental activities | | \$ 22,964,320 |

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

CITY OF ST. PETE BEACH, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

| | <u>General</u> | <u>Capital Improvement Projects</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|---------------------|---|--|---|
| Revenues | | | | |
| Taxes | \$ 11,586,058 | \$ 971,639 | \$ - | \$ 12,557,697 |
| Permits and fees | 804,309 | - | - | 804,309 |
| Intergovernmental | 1,888,965 | 1,017,025 | - | 2,905,990 |
| Charges for services | 3,094,998 | - | - | 3,094,998 |
| Investment income | 31,396 | 35,189 | - | 66,585 |
| Miscellaneous | 2,307,370 | - | - | 2,307,370 |
| Total revenues | <u>19,713,096</u> | <u>2,023,853</u> | <u>-</u> | <u>21,736,949</u> |
| Expenditures | | | | |
| Current: | | | | |
| General government | 2,167,169 | - | - | 2,167,169 |
| Community development | 913,254 | - | - | 913,254 |
| Library | 581,115 | - | - | 581,115 |
| Public safety | 7,234,624 | - | 2 | 7,234,626 |
| Public works | 2,739,746 | - | 76 | 2,739,822 |
| Recreation | 1,122,687 | - | - | 1,122,687 |
| Capital outlay | - | 6,645,674 | - | 6,645,674 |
| Debt service: | | | | |
| Principal retirement | - | 774,637 | - | 774,637 |
| Interest and fiscal charges | - | 360,768 | - | 360,768 |
| Total expenditures | <u>14,758,595</u> | <u>7,781,079</u> | <u>78</u> | <u>22,539,752</u> |
| Excess (deficiency) of revenues over expenditures | <u>4,954,501</u> | <u>(5,757,226)</u> | <u>(78)</u> | <u>(802,803)</u> |
| Other financing sources (uses) | | | | |
| Transfers in | - | 2,122,044 | - | 2,122,044 |
| Transfers out | (1,975,000) | - | - | (1,975,000) |
| Total other financing sources (uses) | <u>(1,975,000)</u> | <u>2,122,044</u> | <u>-</u> | <u>147,044</u> |
| Net change in fund balances | <u>2,979,501</u> | <u>(3,635,182)</u> | <u>(78)</u> | <u>(655,759)</u> |
| Fund balances, beginning of year | 6,801,641 | 15,611,859 | 216,494 | 22,629,994 |
| Fund balances, end of year | <u>\$ 9,781,142</u> | <u>\$ 11,976,677</u> | <u>\$ 216,416</u> | <u>\$ 21,974,235</u> |

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

CITY OF ST. PETE 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, 2016

| | |
|--|---------------------|
| Net change in fund balances - total governmental funds | \$ (655,759) |
| Differences in amounts reported for governmental activities in the statement of activities are: | |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives. | |
| Capital outlay expenditures | 6,645,674 |
| Depreciation expense | (1,519,592) |
| The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, donations, CIP project abandoned) is to decrease net position. | |
| | (1,855,165) |
| Bond and loan proceeds are reported as financing sources in the governmental funds. However, the issuance of debt is reported as long-term debt payable in the statement of net position. Repayment of bond and note principal is an expenditure in the governmental funds, but the repayment of debt principal reduces long-term liabilities in the statement of net position. These amounts are as follows: | |
| Principal repayment of general long-term debt | 774,637 |
| Governmental funds report contributions to defined benefit pension plans as expenditures. However, in the Statement of Activities, the amount contributed to defined benefit pension plans reduces future net pension liability. Also included in pension expense in the Statement of Activities are amounts required to be amortized in accordance with GASB Statement No. 68. | |
| Change in net pension liability and deferred inflows/outflows related to pensions | (2,122,936) |
| Unmatured long-term indebtedness consisting of a judgment payable is not reported in the governmental funds as these amounts are not due and payable in the current period. | |
| | 133,500 |
| Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. These adjustments are as follows: | |
| Change in accrued interest on long-term debt | (110,261) |
| Change in compensated absences liability | (33,972) |
| Change in net OPEB obligation | (8,963) |
| Change in net position of governmental activities | \$ 1,247,163 |

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

CITY OF ST. PETE BEACH, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2016

| | <u>Budgeted Amounts</u> | | | Variance with Final Budget - Positive (Negative) |
|---------------------------------------|-------------------------|---------------------|---------------------|---|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | |
| REVENUES | | | | |
| Taxes | \$ 11,608,715 | \$ 11,608,715 | \$ 11,586,058 | \$ (22,657) |
| Permits and fees | 643,550 | 643,550 | 804,309 | 160,759 |
| Intergovernmental | 1,717,439 | 1,839,939 | 1,888,965 | 49,026 |
| Charges for services | 2,278,921 | 2,278,921 | 3,094,998 | 816,077 |
| Fines and forfeitures | 100 | 100 | - | (100) |
| Investment income | 10,000 | 10,000 | 31,396 | 21,396 |
| Miscellaneous | 646,713 | 2,260,695 | 2,307,370 | 46,675 |
| Total revenues | <u>16,905,438</u> | <u>18,641,920</u> | <u>19,713,096</u> | <u>1,071,176</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government: | | | | |
| Mayor and Council | 82,797 | 82,797 | 77,344 | 5,453 |
| City Clerk | 235,748 | 235,748 | 206,453 | 29,295 |
| City Manager | 500,374 | 500,374 | 478,019 | 22,355 |
| Legal | 300,000 | 789,264 | 788,773 | 491 |
| Information technology | 300,589 | 308,304 | 252,475 | 55,829 |
| Administrative services | 420,491 | 375,491 | 364,105 | 11,386 |
| Total general government | <u>1,839,999</u> | <u>2,291,978</u> | <u>2,167,169</u> | <u>124,809</u> |
| Community development: | | | | |
| Planning | 303,151 | 378,901 | 324,862 | 54,039 |
| Building | 493,370 | 540,970 | 489,409 | 51,561 |
| Code enforcement | 96,681 | 96,681 | 98,983 | (2,302) |
| Total community development | <u>893,202</u> | <u>1,016,552</u> | <u>913,254</u> | <u>103,298</u> |
| Library | <u>666,501</u> | <u>609,501</u> | <u>581,115</u> | <u>28,386</u> |
| Public safety: | | | | |
| Law enforcement | 2,846,707 | 2,891,707 | 2,891,325 | 382 |
| Fire safety | 2,451,514 | 2,527,875 | 2,191,300 | 336,575 |
| Parking enforcement | 459,666 | 459,666 | 535,970 | (76,304) |
| EMS | 1,455,753 | 1,579,253 | 1,616,029 | (36,776) |
| Total public safety | <u>7,213,640</u> | <u>7,458,501</u> | <u>7,234,624</u> | <u>223,877</u> |
| Public works: | | | | |
| Administration | 692,229 | 682,044 | 669,755 | 12,289 |
| Building maintenance | 364,303 | 364,580 | 303,996 | 60,584 |
| Streets | 1,135,107 | 1,209,743 | 1,009,645 | 200,098 |
| Parks | 787,993 | 802,926 | 756,350 | 46,576 |
| Total public works | <u>2,979,632</u> | <u>3,059,293</u> | <u>2,739,746</u> | <u>319,547</u> |
| Recreation: | | | | |
| Community center | 868,883 | 932,561 | 914,354 | 18,207 |
| Aquatics | 331,374 | 280,078 | 208,333 | 71,745 |
| Total recreation | <u>1,200,257</u> | <u>1,212,639</u> | <u>1,122,687</u> | <u>89,952</u> |
| Total expenditures | <u>14,793,231</u> | <u>15,648,464</u> | <u>14,758,595</u> | <u>889,869</u> |
| Excess of revenues over expenditures | <u>2,112,207</u> | <u>2,993,456</u> | <u>4,954,501</u> | <u>1,961,045</u> |
| Other financing sources (uses) | | | | |
| Transfers out | (1,975,000) | (1,975,000) | (1,975,000) | - |
| Net change in fund balances | <u>137,207</u> | <u>1,018,456</u> | <u>2,979,501</u> | <u>1,961,045</u> |
| Fund balances, beginning of year | 6,801,641 | 6,801,641 | 6,801,641 | - |
| Fund balances, end of year | <u>\$ 6,938,848</u> | <u>\$ 7,820,097</u> | <u>\$ 9,781,142</u> | <u>\$ 1,961,045</u> |

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

CITY OF ST. PETE BEACH, FLORIDA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2016

| | Business-type Activities - Enterprise Funds | | | |
|--|--|----------------------------|---------------------|----------------------|
| | Wastewater | Reclaimed Water | Stormwater | Total |
| ASSETS | | | | |
| Equity in pooled cash and cash equivalents | \$ 508,250 | \$ 1,380,956 | \$ 1,194,029 | \$ 3,083,235 |
| Accounts receivable, net | 834,791 | 148,273 | 19,192 | 1,002,256 |
| Due from other governments | - | - | 479,289 | 479,289 |
| Inventories | 61,625 | - | - | 61,625 |
| Due from other funds | - | - | 129,080 | 129,080 |
| Restricted current assets | | | | |
| Equity in pooled cash | 528,969 | - | 207,059 | 736,028 |
| Total current assets | <u>1,933,635</u> | <u>1,529,229</u> | <u>2,028,649</u> | <u>5,491,513</u> |
| Noncurrent assets: | | | | |
| Restricted cash | 4,476,757 | - | 1,622,720 | 6,099,477 |
| Capital assets: | | | | |
| Land | 310,117 | - | - | 310,117 |
| Building and improvements | 129,409 | - | - | 129,409 |
| Infrastructure | 14,231,431 | 11,591,189 | 565,408 | 26,388,028 |
| Machinery and equipment | 735,316 | 108,084 | 28,071 | 871,471 |
| Construction in progress | 1,237,312 | 24,304 | 2,126,492 | 3,388,108 |
| Accumulated depreciation | (4,736,921) | (5,375,789) | (56,529) | (10,169,239) |
| Total capital assets, net | <u>11,906,664</u> | <u>6,347,788</u> | <u>2,663,442</u> | <u>20,917,894</u> |
| Total noncurrent assets | <u>16,383,421</u> | <u>6,347,788</u> | <u>4,286,162</u> | <u>27,017,371</u> |
| Total assets | <u>\$ 18,317,056</u> | <u>\$ 7,877,017</u> | <u>\$ 6,314,811</u> | <u>\$ 32,508,884</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Deferred outflows related to pensions | \$ 21,014 | \$ 5,680 | \$ 4,258 | \$ 30,952 |
| LIABILITIES | | | | |
| Current liabilities: | | | | |
| Accounts payable and accrued liabilities | \$ 1,117,285 | \$ 134,407 | \$ 26,356 | \$ 1,278,048 |
| Due to other funds | 53,777 | - | 396,058 | 449,835 |
| Advances from other funds | - | 201,968 | - | 201,968 |
| Compensated absences | 1,926 | 41 | 130 | 2,097 |
| Payable from restricted assets: | | | | |
| Current maturities on long-term debt | 362,346 | - | 171,000 | 533,346 |
| Current maturities on capital leases | 77,165 | - | - | 77,165 |
| Accrued interest payable | 89,458 | - | 36,059 | 125,517 |
| Total current liabilities | <u>1,701,957</u> | <u>336,416</u> | <u>629,603</u> | <u>2,667,976</u> |
| Noncurrent liabilities: | | | | |
| Bonds and notes payable, net | 6,541,206 | - | 2,745,000 | 9,286,206 |
| Capital leases, net | 279,678 | - | - | 279,678 |
| Compensated absences | 23,747 | 507 | 1,603 | 25,857 |
| Net OPEB obligation | 3,079 | 876 | 558 | 4,513 |
| Net pension liability | 484,531 | 130,961 | 98,173 | 713,665 |
| Total noncurrent liabilities | <u>7,332,241</u> | <u>132,344</u> | <u>2,845,334</u> | <u>10,309,919</u> |
| Total liabilities | <u>\$ 9,034,198</u> | <u>\$ 468,760</u> | <u>\$ 3,474,937</u> | <u>\$ 12,977,895</u> |
| NET POSITION | | | | |
| Net investment in capital assets | \$ 9,461,129 | \$ 6,347,788 | \$ 1,470,545 | \$ 17,279,462 |
| Restricted for debt service | 101,408 | - | 70,617 | 172,025 |
| Unrestricted | (258,665) | 1,066,149 | 1,302,970 | 2,110,454 |
| Total net position | <u>\$ 9,303,872</u> | <u>\$ 7,413,937</u> | <u>\$ 2,844,132</u> | <u>\$ 19,561,941</u> |

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

CITY OF ST. PETE BEACH, FLORIDA
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

| | Business-type Activities - Enterprise Funds | | | Total |
|---|--|----------------------------|---------------------|----------------------|
| | Wastewater | Reclaimed Water | Stormwater | |
| Operating revenues | | | | |
| Charges for services | \$ 5,806,807 | \$ 866,099 | \$ 862,478 | \$ 7,535,384 |
| Other revenues | 31 | - | - | 31 |
| Total operating revenues | 5,806,838 | 866,099 | 862,478 | 7,535,415 |
| Operating expenses | | | | |
| Personal services | 487,857 | 98,687 | 151,739 | 738,283 |
| Contractual and other services | 3,822,184 | 493,115 | 169,016 | 4,484,315 |
| Depreciation | 458,867 | 239,442 | 16,702 | 715,011 |
| Total operating expenses | 4,768,908 | 831,244 | 337,457 | 5,937,609 |
| Operating income | 1,037,930 | 34,855 | 525,021 | 1,597,806 |
| Nonoperating revenues (expenses) | | | | |
| Interest earnings | 20,333 | 1,232 | 7,748 | 29,313 |
| Interest and amortization expense | (231,307) | - | (53,558) | (284,865) |
| Total nonoperating revenues (expenses) | (210,974) | 1,232 | (45,810) | (255,552) |
| Income (loss) before contributions and transfers | 826,956 | 36,087 | 479,211 | 1,342,254 |
| Capital contributions and impact fees | 3,070 | - | - | 3,070 |
| Capital grants | - | - | 1,040,782 | 1,040,782 |
| Transfers out | (147,044) | - | - | (147,044) |
| Change in net position | 682,982 | 36,087 | 1,519,993 | 2,239,062 |
| Net position, beginning of year | 8,620,890 | 7,377,850 | 1,324,139 | 17,322,879 |
| Net position, end of year | \$ 9,303,872 | \$ 7,413,937 | \$ 2,844,132 | \$ 19,561,941 |

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

CITY OF ST. PETE BEACH, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

| | Business-type Activities - Enterprise Funds | | | |
|--|--|----------------------------|---------------------|---------------------|
| | Wastewater | Reclaimed Water | Stormwater | Total |
| Cash flows from operating activities | | | | |
| Cash received from customers | \$ 6,015,604 | \$ 871,758 | \$ 857,199 | \$ 7,744,561 |
| Cash paid to employees | (449,380) | (89,186) | (144,780) | (683,346) |
| Cash paid to suppliers | (3,180,404) | (383,062) | (164,783) | (3,728,249) |
| Net cash provided by operating activities | <u>2,385,820</u> | <u>399,510</u> | <u>547,636</u> | <u>3,332,966</u> |
| Cash flows from noncapital financing activities | | | | |
| Transfers to other funds | (147,044) | - | - | (147,044) |
| Interfund loans | 53,777 | (71,176) | 266,978 | 249,579 |
| Net cash provided by (used in) noncapital financing activities | <u>(93,267)</u> | <u>(71,176)</u> | <u>266,978</u> | <u>102,535</u> |
| Cash flows from capital and related financing activities | | | | |
| Acquisition and construction of capital assets | (1,635,410) | (24,166) | (2,104,350) | (3,763,926) |
| Capital grants | - | - | 561,493 | 561,493 |
| Principal payments of long-term debt | (345,458) | - | (84,000) | (429,458) |
| Interest paid | (264,680) | - | (83,337) | (348,017) |
| Net cash provided by (used in) capital and related financing activities | <u>(2,245,548)</u> | <u>(24,166)</u> | <u>(1,710,194)</u> | <u>(3,979,908)</u> |
| Cash flows from investing activities | | | | |
| Interest received | 20,333 | 1,232 | 7,748 | 29,313 |
| Net change in cash and cash equivalents | <u>67,338</u> | <u>305,400</u> | <u>(887,832)</u> | <u>(515,094)</u> |
| Cash and cash equivalents, beginning of year | 5,446,638 | 1,075,556 | 3,911,640 | 10,433,834 |
| Cash and cash equivalents, end of year | <u>\$ 5,513,976</u> | <u>\$ 1,380,956</u> | <u>\$ 3,023,808</u> | <u>\$ 9,918,740</u> |
| Cash and cash equivalents classified as: | | | | |
| Unrestricted | \$ 508,250 | \$ 1,380,956 | \$ 1,194,029 | \$ 3,083,235 |
| Restricted | 5,005,726 | - | 1,829,779 | 6,835,505 |
| Total cash and cash equivalents | <u>\$ 5,513,976</u> | <u>\$ 1,380,956</u> | <u>\$ 3,023,808</u> | <u>\$ 9,918,740</u> |
| Reconciliation of operating income to net cash provided by operating activities: | | | | |
| Operating income | \$ 1,037,930 | \$ 34,855 | \$ 525,021 | \$ 1,597,806 |
| Adjustments to reconcile net operating income to net cash provided by operating activities: | | | | |
| Depreciation | 458,867 | 239,442 | 16,702 | 715,011 |
| Changes in assets and liabilities: | | | | |
| Accounts receivable | 208,766 | 5,659 | (5,279) | 209,146 |
| Inventories | 10,726 | - | - | 10,726 |
| Accounts payable and accrued liabilities | 631,054 | 110,053 | 4,233 | 745,340 |
| Compensated absences | 1,085 | (605) | (617) | (137) |
| Net pension liability | 37,392 | 10,106 | 7,576 | 55,074 |
| Net cash provided by operating activities | <u>\$ 2,385,820</u> | <u>\$ 399,510</u> | <u>\$ 547,636</u> | <u>\$ 3,332,966</u> |
| Non-cash investing, capital, and financing activities: | | | | |
| Capital assets contributed from other sources | \$ 3,070 | \$ - | \$ - | \$ 3,070 |
| Capital assets acquired through capital lease | \$ 356,843 | \$ - | \$ - | \$ 356,843 |

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

CITY OF ST. PETE BEACH, FLORIDA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2016

| | Pension Trust Funds |
|--|------------------------------------|
| | |
| ASSETS | |
| Cash and cash equivalents with trustee | \$ 1,800,629 |
| Receivables | |
| Due from general fund | 176,160 |
| Interest and dividends receivable | 42,845 |
| Total receivables | 219,005 |
| Investments, at fair value | |
| Government agency obligations | 3,673,522 |
| Asset-backed securities and collateralized obligations | 2,567,396 |
| Corporate bonds | 3,509,932 |
| Foreign stocks and bonds | 188,508 |
| Fixed-income mutual funds | 5,782,241 |
| Equities - common stock | 6,388,955 |
| Equities - mutual funds | 9,001,902 |
| Real estate funds | 1,050,000 |
| Total investments | 32,162,456 |
| Total assets | \$ 34,182,090 |
| LIABILITIES | |
| Accounts payable | \$ 79,384 |
| NET POSITION | |
| Restricted for pensions | \$ 34,102,706 |

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

CITY OF ST. PETE BEACH, FLORIDA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

| | Pension Trust Funds |
|--|------------------------------------|
| | |
| Additions | |
| Contributions: | |
| Employer | \$ 1,669,537 |
| Plan members | 84,406 |
| State - insurance premium taxes | 264,986 |
| Total contributions | 2,018,929 |
| Investment earnings | |
| Net appreciation (depreciation) in fair value of investments | 2,176,655 |
| Interest and dividends | 986,861 |
| Total investment earnings | 3,163,516 |
| Less: investment expense | (204,516) |
| Net investment income (loss) | 2,959,000 |
| Total additions | 4,977,929 |
| Deductions | |
| Benefit payments and refunds | 3,789,972 |
| Administrative expenses | 75,234 |
| Total deductions | 3,865,206 |
| Change in net position | 1,112,723 |
| Net position restricted for pensions, beginning of year | 32,989,983 |
| Net position restricted for pensions, end of year | \$ 34,102,706 |

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

CITY OF ST. PETE BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared to conform with the standards set forth by the Governmental Accounting Standards Board (GASB). The following is a summary of the more significant accounting and reporting policies.

1. Defining the Reporting Entity

The City of St. Pete Beach, Florida (the City) is a municipal corporation established pursuant to the laws of Florida and operates under applicable provisions of Florida Statutes, Chapter 166.

The City follows the principles of Section 2100, "Defining the Reporting Entity" of GASB "Codification of Governmental Accounting and Financial Reporting Standards", which established standards for defining and reporting on the "Financial Reporting Entity". The financial reporting entity includes the primary government, organizations for which the primary government is financially accountable and other organizations for which, if excluded, would cause the reporting entity's financial statements to be misleading or incomplete. Financial accountability is defined as the appointment of a voting majority to an organization's board and either displays the ability to impose its will on that organization, the possibility that the organization will impose or provide a financial burden or benefit to the primary government, or management of the primary government has operational responsibility for the component unit and manages the component unit in essentially the same manner in which it manages its own programs or departments. The City has no such applicable organizations that meet these requirements; therefore, the accompanying financial statements include only information relative to the primary government.

2. Basic Financial Statements – GASB Statement #34

The City presents its comprehensive annual financial report in accordance with the provisions of GASB Statement #34 – "Basic Financial Statements – and – Management's Discussion and Analysis – for State and Local Governments". This standard establishes the financial reporting requirements for state and local governments. The Statement establishes specific standards for basic financial statements, management's discussion and analysis (MD&A), and certain required supplementary information.

As part of reporting pursuant to GASB Statement #34, there is a reporting requirement regarding infrastructure; that is roads, sidewalks, curbing, and drainage improvements, etc. All major general infrastructure assets that were acquired or significantly reconstructed, or that received significant improvements, in fiscal years ending after June 30, 1980, are required to be retroactively reported. All newly acquired or improved infrastructure assets must be reported in accordance with GASB Statement #34. The City has included infrastructure assets acquired prior to June 30, 1980 that still have remaining useful lives.

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. The government-wide financial statements are presented using a full accrual, economic resource basis, which incorporates long-term assets and receivables and long-term liabilities. Governmental activities include the General Fund, Capital Improvement Projects Fund, Police Confiscation Fund, and the Transportation Impact Fee Fund. Business-type activities include the Wastewater, Stormwater, and Reclaimed Water Enterprise Funds. The City's Fiduciary Funds are not included in the government-wide financial statements since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the City.

The government-wide Statement of Activities reports the gross and net cost for the various functional categories (general government, community development, fire, etc.) of the City that are otherwise supported by general government revenues. The expenses for each functional category are reduced by program revenues to ascertain the net costs for that function. Program revenues are defined as charges for services, and operating and capital grants that specifically relate to a specific program function. Charges for services include revenue arising from charges to customers or applicants, who purchase, use or directly benefit from the goods, services, or privileges provided. Operating and capital grants consist of revenues received from governments, organizations or individuals that are specifically attributable to a program and are restricted for either operating expenditures / expenses or capital expenditures / expenses associated with the specific program.

CITY OF ST. PETE BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Proprietary Funds distinguish operating revenues and expenses from non-operating items. Operating revenues generally result from providing services in conjunction with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's proprietary enterprise funds are charges to customers for services. Operating expenses for the City's proprietary enterprise funds include the cost of personnel, contractual services, supplies and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenue and expenses.

The fund financial statements are similar to the financial statements presented in the previous reporting model. The emphasis in the new model is on major funds in both the governmental activities and business-type activities, and non-major funds are summarized into a single column.

3. Basis of Presentation

The accounts of the City are organized on the basis of funds, each of which is considered an independent fiscal and accounting entity with a self-balancing set of accounts recording its assets, liabilities, fund equity, revenues, and expenditures, as appropriate. City resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The accompanying basic financial statements present each major fund as a separate column on the fund financial statements and all non-major funds are aggregated and presented in a single column:

Governmental Funds: This fund category accounts for the acquisition, use, and balances of the City's expendable financial resources and the related current liabilities. It is through these funds that most governmental functions typically are financed. The City has presented the following major governmental funds:

General Fund: The General Fund is the main operating fund of the City. It is used to account for all financial resources except those that are required to be accounted for in another fund. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital costs that are not paid through other funds are paid from the General Fund.

Capital Improvement Projects Fund: The Capital Improvement Projects Fund is used to account for intergovernmental revenue that is restricted in use for infrastructure improvements or police and fire vehicles, as well as other funds received and expended for construction, renovation, expansion and major improvement of various City facilities, acquisition of land and other large nonrecurring projects.

Special Revenue Funds: This fund type is used to account for specific revenue sources (other than major capital projects or special assessments) that are restricted by law or administrative action to expenditure for specific purposes. The City is not reporting any major special revenue funds. The Police Confiscation Fund, a non-major fund, is used to account for the proceeds from the sale of confiscated property. The Transportation Impact Fee Fund, also a non-major fund, is used to account for transportation impact fees and transportation related expenditures.

Proprietary Funds: This fund category accounts for all assets, liabilities, equities, revenues and expenses related to the City's activities that are similar to businesses in the private sector. The City's Proprietary Funds are presented in accordance with GASB Statement #62 – "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants (AICPA) Pronouncements". The City's Proprietary Fund types consist of the following:

Enterprise Fund: This fund type is used to account for operations (a) that are financed and operated in a manner similar to private enterprises, where the intent of the governing body is that costs (expenses, including depreciation) of providing goods or services to the public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

CITY OF ST. PETE BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The City has three Enterprise Funds that are presented as major proprietary funds:

Wastewater Fund: This fund is used to account for the provision of sewer services to the residents of the City and sewer impact fees. Activities of the sewer system include operations and maintenance of the system. All costs are financed through charges to utility customers.

Reclaimed Water Fund: This fund is used to account for the provision of reclaimed water services to the residents of the City. Activities of the reclaimed water system include operations and maintenance of the system and collection of system user fees. All costs are financed through charges to utility customers.

Stormwater Fund: This fund, which the City has elected to report as a major fund, is used to account for the collection of stormwater utility fees. These fees will be used to address stormwater drainage issues, provide for preventative maintenance and major capital improvements to areas subject to flooding. All costs are financed through charges to utility customers.

Fiduciary Fund: This fund category accounts for assets held by the City in a trustee capacity or as agent for individuals, private organizations, other governmental units, and/or other funds.

Trust Fund: This fund is used to account for assets held by the City in a trustee capacity. The Pension Trust Funds are used to account for the Police, Firefighters' and General Pension Funds.

Measurement Focus: This concept refers to the accounting emphasis of the various funds. The following is a summary of the measure and focus of each fund type:

Governmental Fund Types: General, Capital Improvement, and Special Revenue Funds are accounted for on a "spending" or "financial flow" measurement focus with an emphasis on determination of financial position and changes in financial position rather than on net income determination. Accordingly, reported unassigned fund balances represent available, spendable or appropriable resources.

Proprietary and Fiduciary Fund Types: The measurement focus of a Proprietary Fund and Fiduciary Fund is on determination of net income, financial position and cash flows using the accrual basis of accounting. The Wastewater, Reclaimed and Stormwater Funds, as well as the Pension Trust Funds, are accounted for on a cost of services or "economic resources" measurement focus. Accordingly, all assets and liabilities are included on their balance sheets, and the reported fund equity (total reported assets less total reported liabilities) provides an indication of the economic net worth of the fund. Operating statements for these Funds use an income determination measurement focus and, therefore, report increases (revenues) and decreases (expenses) in total economic net worth.

4. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses and the related assets and liabilities are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Modified Accrual: The modified accrual basis of accounting is utilized for the governmental fund types. Under this basis, revenues are recognized when they become susceptible to accrual, that is, when they become both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers revenues collected within sixty days after year-end to be available. Substantially all intergovernmental revenues, utility taxes, franchise fees, infrastructure surtax and interest are susceptible to accrual.

CITY OF ST. PETE BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property taxes are billed and substantially collected within the same fiscal year. Revenues that are received as reimbursement of grant expenditures are recognized as the expenditures are incurred, up to the grant award amount.

Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general long-term debt are recognized when due.

Accrual: The accrual basis of accounting is utilized for the government-wide financial statements and the Proprietary Funds and Fiduciary Fund - Pension Trust Funds. Under this basis, revenues are recognized in the period earned and expenses are recognized in the period that the liability is incurred.

5. Budget and Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the financial statements.

- (a) By the end of June, the City Manager and Administrative Services Director submit to the Finance and Budget Review Committee (a citizen advisory committee) a proposed operating budget for the ensuing fiscal year. The operating budget includes proposed expenditures and the sources of receipts to finance them.
- (b) By August 1, the City Manager, Administrative Services Director, and Finance and Budget Review Committee submit budget recommendations to the City Commission.
- (c) Public hearings are conducted in September to obtain taxpayer comments.
- (d) By mid-September, the budget is approved by the Commission and becomes the basis for the millage levied by the Commission.
- (e) The budget is legally adopted at the department level. The City Manager is authorized to approve transfers between line items within any department. Transfers between departments and increases or decreases in total budget for a fund must have prior approval of the Commission.
- (f) Budgets for funds that have formal budgetary integration are adopted on a basis consistent with generally accepted accounting principles.
- (g) Appropriations lapse at year-end. Encumbrances outstanding at year-end are re-appropriated and charged against the ensuing year's budget and thus are not reflected in budget to actual presentations.
- (h) Budgeted amounts are as originally adopted, or as amended in accordance with City ordinance.
- (i) The General Fund, Wastewater Fund, Reclaimed Water Fund and Stormwater Fund are budgeted by the City. The budget serves as legal authorization for all expenditures.

CITY OF ST. PETE BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

6. Assets, Liabilities and Fund Equity

Cash, Pooled Cash and Investments and Cash Equivalents: Cash balances of each fund, except for the Pension Trust Funds, are pooled for operating and investment purposes and are held primarily in an interest bearing checking account. Restricted cash equivalents are invested primarily in interest-bearing accounts with the Florida State Board of Administration and Florida Surplus Asset Fund Trust. The interest earned is allocated to each fund based on the fund's average balance in the pooled cash account.

The City considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents. Deposits with the State Board of Administration, which are investments, are considered to be a cash equivalent and are reported at amortized cost or net position value. The amortized cost value of the State Board of Administration approximates fair value. Deposits with the Florida Surplus Asset Fund Trust and Florida Municipal Investment Trust Fund (FMIVT), which are investments, are reported at net position value.

Investments: Investments in the Pension Trust Funds consist of U. S. Government and Federal Agency securities, asset backed securities, collateralized mortgage obligations, corporate bonds, common - equity stocks and mutual funds, fixed income mutual funds, foreign equity stocks and bonds, unit investment trusts and money market funds. These investments are recorded at fair value.

Investments in common stock and bonds traded on a national securities exchange are valued at the last reported sales price on the last business day of the year. Securities traded in the over-the-counter market and listed securities for which no sale was reported on that date are valued at the mean between the last reported bid and asked prices. Investments in mutual fund type securities are valued at the net position value of the fund based on the underlying assets held in the funds. The fair value of an investment is the amount that could be reasonably expected to be received for it in a current sale between a willing buyer and a willing seller, other than in a forced or liquidation sale.

Receivables and payables: 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 business-type activities are reported in the government-wide financial statements as "internal balances."

Wastewater Fund and Reclaimed Water Fund revenues are generally recognized on the basis of cycle billings which are rendered bimonthly. Stormwater Fund fees are billed annually as a non - Ad valorem assessment and are recognized as revenue when billed in November of each year. No provision has been made for an allowance for doubtful accounts as the City considers all accounts to be collectible. The City records revenues for services delivered during the current fiscal year that will not be billed until the next fiscal year and includes these amounts in accounts receivable. These revenues and related receivables are based on a daily proration of the billing that occurs in the next fiscal year.

Supplies Inventory: Inventory is valued using the average cost basis and consists of expendable supplies held for consumption. The cost of the supplies is recorded as an expenditure at the time the inventory is consumed.

Prepaid Items: Payments made to vendors and others for services that will benefit periods beyond September 30, 2016 are recorded as prepaid items and are accounted for using the consumption method of accounting in the governmental funds. .

Restricted Assets: Assets are restricted to indicate that they are legally segregated for a specific future use. Cash equivalents have been restricted in the Wastewater and Stormwater Funds to meet loan escrow and sinking fund requirements.

CITY OF ST. PETE BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets: Capital assets, which include land and land rights; buildings and other land improvements; furniture, machinery and equipment; and infrastructure assets are reported in the applicable governmental or business-type activity in the government-wide financial statements. The City defines capital assets as assets with an initial, individual cost of \$2,500 or more and an estimated useful life in excess of one year. These assets are capitalized at historical cost, or estimated historical cost if actual cost information is not available. Donated capital assets are capitalized at their fair market value on the date donated. Additions, improvements and other capital outlays that significantly extend the useful life of the asset are also capitalized.

Depreciation, which is computed on a straight-line basis, is provided for in amounts sufficient to charge the cost of depreciable assets to operations over their estimated useful lives. Depreciation is not provided for construction in progress. Interest cost incurred on construction in process is not capitalized as part of the cost of assets acquired in the governmental funds. Interest cost incurred on construction in process is capitalized as part of the cost of assets acquired in the enterprise funds. The estimated useful lives of the assets are as follows:

| Category | Useful Life |
|---------------------------------------|---------------|
| Buildings and other land improvements | 15 – 50 years |
| Furniture machinery and equipment | 3 – 20 years |
| Infrastructure | 12 – 40 years |

Unearned Revenues: Revenues which are measurable, but not earned, are reported as unearned revenue. In the governmental funds and government-wide financial statements, unearned revenues include local business taxes collected prior to September 30, which are for the local business tax that pertain to the subsequent fiscal year, and rental payments that have been received in advance.

Compensated Absences: The City records the “vested” portion of accumulated unused compensated absences at year-end based on each employee’s accumulated hours and rate of pay at the balance sheet date. An additional liability has also been accrued for related payroll taxes and retirement benefit costs. Generally, employees use their compensated absences as they are earned. The payment of compensated absences is charged to the General Fund, Wastewater Fund, Reclaimed Water Fund or Stormwater Fund, depending upon the department in which the individual being paid is employed.

Deferred Inflows of Resources and Deferred Outflows of Resources Related to Pensions: Deferred inflows of resources and deferred outflows of resources related to pension plans that are derived from the difference between projected and actual earnings on the respective plan investments are amortized to pension expense over a closed five year period. Deferred inflows of resources and deferred outflows of resources related to pensions that are derived from differences between expected and actual experience with regard to economic or demographic factors (difference between expected and actual experience) in the measurement of the respective pension plan’s total pension liability are amortized to pension expense over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the respective pension plan (active and inactive employees) determined as of the beginning of the measurement period. Contributions to the pension plan from the employer subsequent to the measurement date of the net pension liability and before the end of the reporting period are reported as a deferred outflow of resources related to pensions. This contribution is included as an increase in the respective pension plan fiduciary net position in the subsequent fiscal year.

CITY OF ST. PETE BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Position: The government-wide financial statements utilize a net position presentation. Net Position is presented in three components – net investment in capital assets, restricted and unrestricted. The net investment in capital assets component consists of capital assets less accumulated depreciation and any related long-term debt. The related long-term debt has been reduced by unexpended bond proceeds when applicable. Restricted assets consist of the portion of net position that have constraints placed on them either externally by third parties (grantors and contributors) or by law through provisions of enabling legislation. Unrestricted net position consists of items that do not meet the definition of “net investment in capital assets” or “restricted”. Designations of net position made by the City’s management are included in this component because these constraints are internal and management can remove or modify them. The government-wide statement of net position reports \$3,005,075 of restricted net position.

Fund Balance Classification: The City reports fund balances in accordance with the provisions of GASB Statement Number 54 – “Fund Balance Reporting and Governmental Fund Type Definitions”. GASB Statement Number 54 provides that governmental fund financial statements will present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- **Nonspendable:** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The City has classified Supplies Inventory, Prepaid Items, and Long-Term Receivables as being Nonspendable as these items are not expected to be converted to cash or are not expected to be converted to cash within the next current year.
- **Restricted:** This classification includes amounts for which constraints have been placed on the use of the resources through either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation. The City has included restrictions for Library Expenditures pursuant to the request of the donor of the funds, Unexpended Bond Proceeds pursuant to the bond issuance documents, Long-term Debt Requirements as stipulated in the respective debt covenants, Law Enforcement that is restricted per Florida statute for police education expenditures, and Transportation Improvements which are unexpended impact fees that are legally restricted for transportation projects.
- **Committed:** This classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action by the City Commission, in this case by ordinance. These amounts cannot be used for any other purpose unless the City Commission removes or changes the specified use by taking the same type of action (ordinance) that was employed when the funds were initially committed.
- **Assigned:** This classification includes amounts that are constrained by the City’s intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Commission or through the City Commission delegating this responsibility to the City Manager whereby through the budgetary process a portion of the fund balance of the General Fund can be assigned for a specific purpose. When applicable, this classification includes the remaining positive fund balance for governmental funds other than the General Fund. Within the General Fund, the City Commission has assigned a portion of the fund balance for future capital projects, the future payment of compensated absences, and unanticipated insurance costs. This classification also includes subsequent year contractual obligations (encumbrances) to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

CITY OF ST. PETE BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- **Unassigned:** This classification includes the residual fund balance for the General Fund and also includes negative residual fund balances of any other governmental fund that cannot be eliminated by the offsetting of Assigned fund balance amounts.

The City would typically use the Restricted fund balances first, followed by Committed resources and then Assigned resources as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first and to defer the use of these other classified funds.

7. Revenues and Expenditures

Property Taxes: The amount of taxes receivable at year-end is immaterial and, therefore, not accrued. Under Florida law, the assessment of all properties and the collection of all county, municipal and School Board property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector. The laws of the State regulating tax assessment are also designed to assure a consistent property valuation method statewide. State statutes permit cities to levy property taxes at a rate of up to 10 mills. The millage rate in effect for the fiscal year ended September 30, 2016, was 3.150.

All property is reassessed according to its fair market value on January 1 of each year. Each assessment roll is submitted to the Executive Director of the State Department of Revenue for review to determine if the rolls meet all of the appropriate requirements of State statutes.

The tax levy of the City is established by the City Commission prior to October 1 of each year and the Pinellas County Property Appraiser incorporates the millage into the total tax levy, which includes the municipalities, independent districts and the County School Board tax requirements.

All taxes are due and payable on November 1 of each year or as soon thereafter as the assessment roll is certified and delivered to the Tax Collector. The Pinellas County Tax Collector bills and collects all property taxes levied within the County. All unpaid taxes become delinquent April 1 following the year in which they are assessed. 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. The taxes paid in March are without discount.

Delinquent taxes on real property bear interest of 18% per year. On or prior to June 1, 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 by the certificate holder after a period of two years. Unsold certificates are held by the County.

Delinquent taxes on personal property bear interest of 18% per year until the tax is satisfied either by seizure and sale of the property or by the five-year statute of limitations.

The City does not accrue its portion of the County-held certificates due to the immaterial amount.

Grants: Amounts received are restricted as to use in accordance with applicable grant requirements. Generally, these funds are subject to compliance requirements and must be returned to the grantors if they exceed the cost of the program or are used in violation of the grant regulations.

CITY OF ST. PETE BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

8. Bond Premium / Issuance Costs

In the governmental funds, bond premiums and issuance costs are recognized as current period other financing sources and current period expenditures, respectively.

In the government-wide statements, bond premiums and issuance costs pertaining to repayment insurance costs are deferred and amortized over the term of the bonds using the bonds outstanding method, which approximates the effective interest method. Bond premiums are reported as unearned revenues and issuance costs pertaining to repayment insurance are reported as unamortized debt costs.

9. Implementation of New Accounting Standards

At September 30, 2016 and for the year then ended, the City has implemented Governmental Accounting Standards Board (GASB) Statement No 72, *Fair Value Measurement and Application* and GASB Statement No 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*.

The primary objective of GASB Statement No 72 is to improve accounting and financial reporting over items measured at fair value. See Note (B) for the effect of GASB 72 on investment disclosure.

GASB Statement No 76 supersedes GASB Statement No 55. The Statement reduces the Generally Accepted Accounting Principles (GAAP) hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement had no effect on the City's financial statements.

NOTE B - CASH, POOLED CASH AND CASH EQUIVALENTS AND INVESTMENTS

A- Pooled Cash

The City maintains a cash pool that is available for all funds except the Fiduciary Fund types. The City also has amounts invested with the State Board of Administration, Florida Municipal Investment Trust Fund (FMIVT) and Florida Surplus Asset Fund Trust (FL SAFE Fund) that are not pooled and includes restricted cash as well as cash that is available to the General Fund and Wastewater Fund.

Deposits

Florida Statutes and City policy require that all City demand accounts be in financial institutions that pledge collateral with the State Treasurer pursuant to Chapter 280, Florida Statutes. The City is required to verify that monies are on deposit with "qualified public depositories" as defined in Florida Statutes Section 280.02. Florida Statutes require that all qualified public depositories provide collateral each month equal to a least 50 percent of the public funds on deposit with the institution that are in excess of deposit insurance amounts. The carrying amount of the City's deposits as of September 30, 2016 was \$8,913,466, excluding \$2,925 petty cash and cash on-hand funds that are maintained. The State Treasurer may assess other qualified public depositories for a pro rata share of any loss suffered by a public depositor in excess of its depository's collateral. Since the City uses only authorized public depositories, all funds, including time deposits, deposited with financial institutions are in compliance with the City's policies.

Investments

Florida Statutes (218.415) authorize municipalities to invest excess funds in time deposits or savings accounts of financial institutions approved by the State Treasurer, obligations of the U. S. Government, U. S. Government Instrumentalities, State of Florida Local Government Surplus Trust Fund (State Board of Administration), and mutual funds investing in U. S. Government Securities.

CITY OF ST. PETE BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE B - CASH, POOLED CASH AND CASH EQUIVALENTS AND INVESTMENTS (continued)

The City adopted its own investment policy that also authorizes the City to invest in the following: a) Florida Municipal Investment Trust Fund, Florida Surplus Asset Fund Trust and any other investment pool organized pursuant to Florida Statutes Sections 163.01 and 218.415; b) Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; c) Certificates, notes, bonds, or bills of the United States, or other obligations of the United States or its Agencies which are backed by the full faith and credit of the U. S. and include, but are not limited to: Government National Mortgage Association (GNMA), Farmers Home Administration, Small Business Administration (SBA), General Services Administration (GSA), Federal Housing Administration, and Housing and Urban Development (HUD); d) Obligations of government-sponsored corporations (Instrumentalities) which are eligible as collateral for advances to member banks as determined by the Board of Governors of the Federal Reserve (Instrumentalities are usually AAA rated, but have no explicit government guarantee) and include, but are not limited to: Federal National Mortgage Association (FNMA), Federal Farm Credit Banks, Federal Home Loan Bank (FHLB), Federal Home Loan Mortgage Corporation (FHLMC), Student Loan Marketing Association, and Tennessee Valley Authority (TVA); e) Collateralized Mortgage Obligations with very accurately defined maturities issued by Federal Agencies and their Instrumentalities that are rated AAA by a nationally recognized rating agency; (f) Non-negotiable Certificates of Deposit, which can be insured, collateralized at the Federal Reserve or qualify as State Public Deposits, as defined by Florida Statutes; g) Taxable or Tax Exempt Government bonds, notes or other obligations of investment grade quality (as established by a nationally recognized rating agency), municipal corporation, special district, and authority or political subdivision thereof; h) Repurchase Agreements with primary dealers or with the City's primary state qualified public depository that are evidenced by a Master Agreement to engage in this investment option and are fully collateralized by U. S. Government Obligations or any Agency or Instrumentality thereof (Reverse Repurchase Agreements are prohibited); and i) Securities in, or other interests in, any open-ended or closed-end management type investment company or investment trust registered under the Investment Company Act of 1940, provided the portfolio is limited to obligations of the U. S. Government or any agency or instrumentality thereof (Mutual Funds).

The City's investment policy states that, to the extent possible, investment maturities and liquidity shall be matched to anticipated cash flow requirements and unless an investment is matched to a specific cash flow such as a reserve requirement or other longer-term investment horizon, investments shall not have a maturity date of more than five (5) years from the date of purchase.

The Local Government Surplus Trust Fund (Florida PRIME) is an external investment pool administered by the Florida State Board of Administration which is a three-member board made up of the State-elected officials of Governor, Chief Financial Officer and Attorney General. This Board is empowered by Florida law to invest funds at the request of local governments. The Florida PRIME is treated as a "2a-7 like" pool and is valued using the pooled share price (amortized cost), which approximates fair value. The Florida PRIME funds may be withdrawn upon demand. Fund B was accounted for as a fluctuating net asset value (NAV) pool.

The Florida Surplus Asset Fund Trust (Florida Safe Investment Pool) is a common law trust organized in 2007 under the laws of the State of Florida. The trust is administered by Prudent Man Advisors, Inc. and an elected five member Board of Trustees that oversees all actions and decides on general policies. The trust includes a liquid money market-like investment called the "FL SAFE Fund" and one or more Term Series portfolios that have a fixed duration. Participants in the trust may invest in the Fund and any Term Series portfolios and in a value-added program called the "Fixed Income Investment Program," through which the participants may purchase investments for their own portfolio. The Fund is accounted as a Stable Net Position Value investment pool.

The City measures and records its investments, assets whose use is limited, and restricted assets using fair value measurement guidelines established by GASB Statement No 72. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- Level 1: Quoted prices for identical investments in active markets;
- Level 2: Observable inputs other than quoted market prices; and,
- Level 3: Unobservable inputs.

CITY OF ST. PETE BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE B - CASH, POOLED CASH AND CASH EQUIVALENTS AND INVESTMENTS (continued)

The City's deposits and investments as of September 30, 2016, are:

| Cash/Investment | Maturity | Fair Value | Rating | Fair Value Measurement | | |
|--|-----------------|--------------|---------------|------------------------|------------|---------|
| | | | | Level 1 | Level 2 | Level 3 |
| State Board of Administration – Florida PRIME | N/A | \$ 2,762,526 | AAAm | n/a | n/a | n/a |
| Florida Municipal Investment Trust - 0-2 Year High Quality Bond Fund | N/A | 103,205 | AAAf/S1 | - | 103,205 | - |
| Florida Safe Investment Pool | N/A | 19,330,136 | AAAm | - | 19,330,136 | - |
| Florida Safe Fixed Income Investment Program – Certificates of Deposit | 2/17 to 9/18 | 2,246,785 | Non- rated | - | 2,246,785 | - |
| Cash on deposit | | 8,916,394 | | | | |
| Total deposits and investments | | \$33,359,046 | | | | |

The City does not participate in any securities lending transactions nor has it used, held or written derivative financial instruments.

Interest Rate Risk – In compliance with the City's investment policy, as of September 30, 2016, the City minimized the interest rate risk, related to the decline in value of securities due to rising interest rates, by limiting the effective duration of security types not to exceed five years, except for required debt sinking fund purposes, and investing in short-term securities or similar investment pools so that securities mature to meet the cash requirements for ongoing operations, thereby avoiding the need to sell securities in the secondary market prior to maturity.

Credit Risk – In compliance with the City's investment policy, as of September 30, 2016, the City minimized credit risk due to default of a security issuer or backer, by limiting investments to the safest types of securities and government investment pools, and by pre-qualifying the financial institutions with which the City does business.

A reconciliation of the amount of petty cash, deposits and investments reported as cash equivalents to the Statement of Net Position as of September 30, 2016, is as follows:

| | |
|---|---------------|
| As reported in Statement of Net Position: | |
| Unrestricted | |
| Equity in Pooled Cash | \$ 10,421,956 |
| Investments | 2,246,785 |
| Restricted investments and cash equivalents – | |
| Equity in pooled cash | 20,690,305 |
| Total | \$ 33,359,046 |

CITY OF ST. PETE BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE B - CASH, POOLED CASH AND CASH EQUIVALENTS AND INVESTMENTS (continued)

Police Officers' Retirement System

Deposits

Salem Trust Company holds un-invested cash and short term investments in its capacity as custodian of the Police Officers Retirement System (the Police Pension). The cash is held on deposit and short term investments are held in money market type accounts that are invested in short-term U. S. government, corporate and bank obligations.

Investments

The Board of Trustees of the Police Pension are authorized to invest and reinvest in: 1. Time, savings and money market deposit accounts insured by the Federal Deposit Insurance Corporation; 2. Obligations issued by the United States Government or by an agency of the United States Government; 3. Stocks, commingled funds and group trusts, mutual funds and bonds or other evidences of indebtedness, issued or guaranteed by a corporation organized under the laws of the United States, any state or organized territory of the United States or the District of Columbia, bonds issued by U. S. corporations, structured mortgage products issued by the United States Government, and mortgage related or asset backed securities not issued by the United States Government, and bonds issued by municipal issuers provided that all such securities meet the following criteria: a. Fixed income securities shall be Investment Grade as measured by Standard & Poor's (S&P) or Moody's; b. equity securities must be traded on a national exchange; c. not more than 5% of the Police Pension assets shall be invested in the common stock of any one issuing company, nor shall the aggregate investment in any one issuing company exceed 5% of the outstanding capital stock of the company, and the value of bonds by any single corporation shall not exceed 5% of the total Police Pension assets; 4. Real Estate and Real Estate Investment Trusts - not to exceed 15% of the total Police Pension assets, and 5. Foreign Securities - to include fixed income and equity securities. Investments in corporate common stock and convertible bonds shall not exceed 75% of the Police Pension assets at market value. Foreign securities shall not exceed 25% of the assets of the Police Pension.

The Police Pension held the following investments as of September 30, 2016:

| Salem Trust Company: | Fair Value | Moody's Rating | Level 1 | Level 2 | Level 3 |
|--|----------------------|-------------------|-----------|-----------|---------|
| U. S. Government, Federal Agency and Municipal Securities | \$ 1,193,351 | Aaa to A1 | | 1,193,351 | |
| Asset backed securities and collateralized obligations | 1,027,658 | Aaa to Baa1 | | 1,027,658 | |
| Fixed income mutual funds | 506,607 | N/A | 506,607 | | |
| Corporate bonds | 1,189,256 | Aa1 to Baa3 | | 1,189,256 | |
| Equities – mutual funds | 6,365,608 | N/A | 6,365,607 | | |
| Total Investments | <u>\$ 10,282,480</u> | | | | |

Credit Risk and Interest Rate Risk – Credit Risk - The Police Pension investment managers will disclose to the Board of Trustees on a quarterly basis any securities that do not meet the investment criteria of the Police Pension. Such non-compliant investments may be held until it is economically feasible to dispose of such investments in accordance with the prudent man standard of care, but no additional investment may be made in this security unless authorized by law or ordinance. Interest Rate Risk – The fixed income portion of the Police Pension assets are expected to perform at a rate equal to the Lehman Brothers Intermediate Aggregate Bond Index.

CITY OF ST. PETE BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE B - CASH, POOLED CASH AND CASH EQUIVALENTS AND INVESTMENTS (continued)

Firefighters' Retirement System

Deposits

Salem Trust Company holds un-invested cash and short term investments in its capacity as custodian of Firefighters' Retirement System (the Firefighters' Pension). The cash is held on deposit and the short term investments held in money market type accounts that are invested in short-term U. S. government and agency obligations.

Investments

The Board of Trustees of the Firefighters' Pension are authorized to invest and reinvest in: 1. Time, savings and money market deposit accounts insured by the Federal Deposit Insurance Corporation; 2. Obligations issued by the United States Government or by an agency of the United States Government; 3. Stocks, commingled funds and group trusts, mutual funds and bonds or other evidences of indebtedness, issued or guaranteed by a corporation organized under the laws of the United States, any state or organized territory of the United States or the District of Columbia, bonds issued by U. S. corporations, structured mortgage products issued by the United States Government, and mortgage related or asset backed securities not issued by the United States Government, and bonds issued by municipal issuers provided that all such securities meet the following criteria: a. Fixed income securities shall be Investment Grade as measured by Standard & Poor's (S&P) or Moody's; b. equity securities must be traded on a national exchange; c. not more than 5% of the Firefighters' Pension assets shall be invested in the common stock of any one issuing company, nor shall the aggregate investment in any one issuing company exceed 5% of the outstanding capital stock of the company, and the value of bonds by any single corporation shall not exceed 5% of the total Firefighters' Pension assets; 4. Real Estate and Real Estate Investment Trusts - not to exceed 15% of the total Firefighters' Pension assets, and 5. Foreign Securities - to include fixed income and equity securities. Investments in corporate common stock and convertible bonds shall not exceed 75% of the Firefighters' Pension assets at market value. Foreign securities shall not exceed 25% of the assets of the Firefighters' Pension.

The Firefighters' Pension held the following investments as of September 30, 2016:

| Salem Trust Company: | Fair Value | S&P Rating | Level 1 | Level 2 | Level 3 |
|---|--------------|-------------|-----------|---------|-----------|
| U. S. Government, Federal Agency and Municipal Securities | \$ 890,017 | Aaa to A1 | | 890,018 | |
| Asset backed securities and collateralized obligations | 777,759 | Aaa to Baa1 | | 777,759 | |
| Fixed income mutual funds | 478,414 | N/A | 478,414 | | |
| Foreign stocks and bonds | 165,668 | Aa1 to Baa2 | | 165,668 | |
| Corporate bonds | 972,658 | Aa1 to Baa3 | | 972,658 | |
| Real estate funds | 1,050,000 | N/A | | | 1,050,000 |
| Equities – common stocks | 5,205,115 | N/A | 5,205,115 | | |
| Equities – mutual funds | 1,024,242 | N/A | 1,024,242 | | |
| Total Investments | \$10,563,873 | | | | |

Credit Risk and Interest Rate Risk – Credit Risk - The Firefighters' Pension investment managers will disclose to the Board of Trustees on a quarterly basis any securities that do not meet the investment criteria of the Firefighters' Pension. Such non-compliant investments may be held until it is economically feasible to dispose of such investments in accordance with the prudent man standard of care, but no additional investment may be made in this security unless authorized by law or ordinance. Interest Rate Risk – The fixed income portion of the Firefighters' Pension assets are expected to perform at a rate equal to the Lehman Brothers Intermediate Aggregate Bond Index.

CITY OF ST. PETE BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE B - CASH, POOLED CASH AND CASH EQUIVALENTS AND INVESTMENTS (continued)

General Employees' Retirement System

Deposits

Salem Trust Company holds un-invested cash and short term investments in its capacity as custodian of General Employees' Retirement System (the General Pension). The cash is held on deposit and short term investments are held in money market type accounts that are invested in short-term U. S. government, corporate and bank obligations.

Investments

The Board of Trustees of the General Pension are authorized to invest and reinvest in: 1. Time, savings and money market deposit accounts insured by the Federal Deposit Insurance Corporation; 2. Obligations issued by the United States Government or by an agency of the United States Government; 3. Stocks, commingled funds and group trusts, mutual funds and bonds or other evidences of indebtedness, issued or guaranteed by a corporation organized under the laws of the United States, any state or organized territory of the United States or the District of Columbia, bonds issued by U. S. corporations, structured mortgage products issued by the United States Government, and mortgage related or asset backed securities not issued by the United States Government, and bonds issued by municipal issuers provided that all such securities meet the following criteria: a. Fixed income securities shall be Investment Grade as measured by Standard & Poor's (S&P) or Moody's; b. equity securities must be traded on a national exchange; c. not more than 5% of the General Pension assets shall be invested in the common stock of any one issuing company, nor shall the aggregate investment in any one issuing company exceed 5% of the outstanding capital stock of the company, and the value of bonds by any single corporation shall not exceed 5% of the total General Pension assets; 4. Real Estate and Real Estate Investment Trusts - not to exceed 15% of the total General Pension assets, and 5. Foreign Securities - to include fixed income and equity securities. Investments in corporate common stock and convertible bonds shall not exceed 75% of the General Pension assets at market value. Foreign securities shall not exceed 25% of the assets of the General Pension.

The General Pension held the following investments as of September 30, 2016:

| Salem Trust Company: | Fair Value | S&P Rating | Level 1 | Level 2 | Level 3 |
|--|---------------------|----------------|-----------|-----------|---------|
| U. S. Government, Federal Agency and Municipal Securities | 1,590,154 | Aaa to A1 | | 1,590,154 | |
| Asset backed securities and collateralized obligations | 761,979 | Aaa to Baa1 | | 761,979 | |
| Fixed income mutual funds | 4,797,220 | N/A | 4,797,220 | | |
| Foreign stocks and bonds | 22,840 | Aa1 to Baa2 | | 22,840 | |
| Corporate bonds | 1,348,018 | Aaa to Baa3 | | 1,348,018 | |
| Equities – common stocks | 1,183,840 | N/A | 1,183,840 | | |
| Equities – mutual funds | 1,612,052 | N/A | 1,612,052 | | |
| Total Investments | <u>\$11,316,103</u> | | | | |

Credit Risk and Interest Rate Risk – Credit Risk - The General Pension investment managers will disclose to the Board of Trustees on a quarterly basis any securities that do not meet the investment criteria of the General Pension. Such non-compliant investments may be held until it is economically feasible to dispose of such investments in accordance with the prudent man standard of care, but no additional investment may be made in this security unless authorized by law or ordinance. Interest Rate Risk – The fixed income portion of the General Pension assets are expected to perform at a rate equal to the Lehman Brothers Intermediate Aggregate Bond Index.

CITY OF ST. PETE BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE C - INTER-FUND TRANSACTIONS

The outstanding balances between funds are short-term loans to cover short-term cash flow needs and expected to be repaid in full over the course of the next fiscal year. Individual fund interfund receivables and payables for the primary government at September 30, 2016, are comprised of the following:

| | Due From Other Funds | Due to Other Funds |
|-----------------------------------|-------------------------|-----------------------|
| General Fund | \$ - | \$ 176,160 |
| Capital Improvement Projects Fund | 449,835 | 129,080 |
| Wastewater fund | | 53,777 |
| Stormwater Fund | 129,080 | 396,058 |
| Fiduciary funds | 176,160 | |
| | \$ 755,075 | \$ 755,075 |

| | Advances to Other Funds | Advances from Other Funds |
|----------------------|----------------------------|---------------------------------|
| General Fund | \$201,968 | |
| Reclaimed Water Fund | | \$201,968 |

The interfund receivables between the General Fund and fiduciary funds represent year-end adjustments based upon actual versus required contributions.

The General Fund has advanced funds to the Reclaimed Water Fund for the purpose of funding operations. The advance will be repaid by future revenues of the Reclaimed Water Fund.

The City makes routine transfers between its funds in the course of the fiscal year. The principle purposes of these transfers are to allocate resources for construction or other capital projects. These transfers are consistent with the activities of the funds involved. Transfers of resources from a fund receiving revenue to the fund through which the resources are to be expended are recorded as transfers and are reported as other financing sources (uses) in the Governmental Funds and as transfers in (out) in the Proprietary Funds. Inter-fund transfers consist of the following for the year ended September 30, 2016:

| | Transfers In | Transfers Out |
|-----------------------------------|--------------|---------------|
| General Fund | \$ - | \$ 1,975,000 |
| Capital Improvement Projects Fund | 2,122,044 | - |
| Wastewater Fund | - | 147,044 |
| | \$ 2,122,044 | \$ 2,122,044 |

CITY OF ST. PETE BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE D - CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2016, was as follows:

| | Balance 10-01-15 | Additions / Transfers-in | Deletions / Transfers-out | Balance 9-30-16 |
|---|----------------------|-----------------------------|------------------------------|----------------------|
| Governmental Activities | | | | |
| <u>Non-depreciable assets:</u> | | | | |
| Capital projects in process | \$1,513,513 | \$ 7,449,309 | \$ 2,293,869 | \$ 6,668,953 |
| Land, land rights and improvements | 3,905,294 | - | - | 3,905,294 |
| <u>Depreciable assets:</u> | | | | |
| Buildings and other improvements | 20,941,243 | 73,870 | 2,574,605 | 18,440,508 |
| Furniture, machinery and equipment | 4,555,091 | 308,985 | 540,496 | 4,323,580 |
| Infrastructure | 15,841,154 | 831,987 | 55,808 | 16,617,333 |
| Total at historical cost | <u>\$ 46,756,295</u> | <u>\$ 8,664,151</u> | <u>\$ 5,464,778</u> | <u>\$ 49,955,668</u> |
| <u>Less accumulated depreciation for:</u> | | | | |
| Buildings and other improvements | \$ 7,611,741 | \$ 646,124 | \$ 1,251,849 | \$ 7,006,016 |
| Furniture, machinery and equipment | 2,870,212 | 348,132 | 337,221 | 2,881,123 |
| Infrastructure | 8,246,983 | 525,336 | 2,066 | 8,770,253 |
| Total accumulated depreciation | <u>18,728,936</u> | <u>1,519,592</u> | <u>1,591,136</u> | <u>18,657,392</u> |
| Capital assets, net | <u>\$ 28,027,359</u> | <u>\$ 7,144,559</u> | <u>\$3,873,642</u> | <u>\$ 31,298,276</u> |

| | Balance 10-1-15 | Additions / Transfers-in | Deletions / Transfers-out | Balance 9-30-16 |
|---|----------------------|-----------------------------|------------------------------|----------------------|
| Business-Type Activities | | | | |
| <u>Non-depreciable assets:</u> | | | | |
| Land, land rights and improvements | \$ 310,117 | \$ - | \$ - | \$ 310,117 |
| Capital projects in process | 576,568 | 3,613,435 | 801,895 | 3,388,108 |
| <u>Depreciable assets:</u> | | | | |
| Buildings and other improvements | 129,409 | - | - | 129,409 |
| Furniture, machinery and equipment | 747,702 | 401,638 | 277,869 | 871,471 |
| Infrastructure | 25,364,725 | 1,044,305 | 21,002 | 26,388,028 |
| Total at historical cost | <u>\$ 27,128,521</u> | <u>\$ 5,059,378</u> | <u>\$ 1,100,766</u> | <u>\$ 31,087,133</u> |
| <u>Less accumulated depreciation for:</u> | | | | |
| Buildings and other land improvements | \$13,961 | \$ 4,384 | \$ - | \$ 18,345 |
| Furniture, machinery and equipment | 579,529 | 65,345 | 230,639 | 402,440 |
| Infrastructure | 9,091,377 | 645,282 | - | 9,748,454 |
| Total accumulated depreciation | <u>9,684,867</u> | <u>715,011</u> | <u>230,639</u> | <u>10,169,239</u> |
| Capital assets, net | <u>\$ 17,443,654</u> | <u>\$ 4,344,367</u> | <u>\$ 870,127</u> | <u>\$ 20,917,894</u> |

Depreciation was charged to governmental activities as follows:

| | |
|-----------------------|---------------------|
| General government | \$ 189,765 |
| Community development | 760 |
| Recreation | 600,818 |
| Library | 34,388 |
| Parking enforcement | 18,410 |
| Public safety | 253,459 |
| Public services | 421,992 |
| | <u>\$ 1,519,592</u> |

See the statement of revenue, expenses, and changes in net position for breakdown of depreciation for business-type activities.

In accordance with GASB Statement #51 – “Accounting and Financial Reporting for Intangible Assets”, the City includes computer software purchases as a capital asset in the category of “Furniture, machinery and equipment” and property easements are included within the category of “Land, land rights and improvements”.

CITY OF ST. PETE BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE E - LONG-TERM DEBT

Long-term debt activity for the fiscal year ended September 30, 2016 was as follows:

| | Balance 10-1-15 | Increases | Decreases | Balance 9-30-16 | Due Within One Year |
|--|---------------------|-------------------|--------------------|----------------------|------------------------|
| Governmental Activities | | | | | |
| Revenue Bonds, Series 2006 | \$ 1,205,000 | \$ - | \$ 385,000 | \$ 820,000 | \$ 400,000 |
| Capital Improvement Revenue Bonds, Series 2015 | 13,000,000 | | 315,000 | 12,685,000 | 245,000 |
| Capital leases | 229,191 | - | 74,637 | 154,554 | 76,383 |
| Accumulated unused Compensated absences | 376,656 | 342,814 | 308,842 | 410,628 | 49,871 |
| | <u>\$14,810,847</u> | <u>\$342,814</u> | <u>\$1,083,479</u> | <u>\$14,070,182</u> | <u>\$ 771,254</u> |
| | | | | | |
| | Balance 10-1-15 | Increases | Decreases | Balance 9-30-16 | Due Within One Year |
| Business-Type Activities | | | | | |
| State Revolving Loan (2003) | 137,145 | - | 15,382 | 121,763 | 15,855 |
| State Revolving Loan (2005) | 2,111,865 | - | 168,076 | 1,943,789 | 172,491 |
| Wastewater Utility System Revenue Bond, Series 2015 | 5,000,000 | - | 162,000 | 4,838,000 | 174,000 |
| Stormwater Improvement Assessment Bond, Series 2015 | 3,000,000 | - | 84,000 | 2,916,000 | 171,000 |
| Capital Leases | - | 356,843 | - | 356,843 | 77,165 |
| Accumulated unused Compensated absences | 28,091 | 26,799 | 26,936 | 27,954 | 2,097 |
| | <u>\$10,277,101</u> | <u>\$ 383,642</u> | <u>\$ 456,394</u> | <u>\$ 10,204,349</u> | <u>\$ 612,808</u> |

Long-term debt for the governmental activities is comprised of the following as of September 30, 2016:

Revenue Bonds, Series 2006: Revenue Bonds in the amount of \$3,915,000 were issued through the Florida Municipal Loan Council to finance a portion of the construction of the new Recreation Center. The remaining bonds mature in various amounts annually, ranging from \$385,000 to \$420,000, through October 1, 2018. Interest on the remaining bonds accrues at a rate of 5.00% and is payable semi-annually on April 1 and October 1. The bond principal and interest is secured by and payable from non – ad valorem revenues

\$ 820,000

Capital Improvement Revenue Bonds, Series 2015: Revenue Bonds in the amount of \$13,000,000 were issued for the principal purpose of acquiring, constructing and equipping various capital improvements within the City. The outstanding bonds mature in various amounts annually, ranging from \$245,000 to \$720,000, through May 1, 2045. Interest on the outstanding bonds accrues at rates ranging from 2% to 5% and is payable semi-annually on May 1 and November 1. The bond principal and interest is secured by and payable from the Local Government Half-cent Sales Tax, the Guaranteed Entitlement Revenues portion of the State of Florida Revenue Sharing Trust Fund, utility service Franchise Fees and utility Public Service Tax revenues.

12,685,000

CITY OF ST. PETE BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE E - LONG-TERM DEBT (continued)

Capital Leases: The City currently leases a pumper fire truck under a lease-purchase agreement that expires in November, 2017. The lease terms require the City to pay any taxes, insurance and maintenance expenses related to the leased fire truck. The present value of future minimum lease payments is: 154,554

Accumulated unused compensated absences: Represents the vested portion of accumulated vacation and sick pay benefits due employees. 410,628

Total Governmental Activities Long-Term Debt \$14,070,182

Long-term debt for the business-type activities is comprised of the following as of September 30, 2016:

State Revolving Loan (2003): The City entered into a revolving loan agreement with the State of Florida Department of Environmental Protection (DEP) on November 5, 2001, whereby DEP agreed to finance a sanitary sewer and reclaimed water relocation – reconstruction project. The final amended agreement provided for a total amount of available loan proceeds of \$492,549. The total amount drawn on the loan, including capitalized interest and excluding service fees, was \$287,004. The loan is to be repaid in semi-annual installments of \$9,725, including interest at 3.05%, through September 15, 2023. The first payment was due March 15, 2004. The loan is secured by a lien on pledged revenues from the wastewater system after payment of operation and maintenance expenses. \$ 121,763

State Revolving Loan (2005): The City entered into a revolving loan agreement with the State of Florida Department of Environmental Protection (DEP) on May 14, 2004, whereby DEP agreed to finance a new master lift station. The final amended agreement provided for a total amount of available loan proceeds of \$3,630,146. The total amount drawn on the loan, excluding capitalized interest and service fees, was \$3,515,929. The remaining balance of the loan is to be repaid in semi-annual installments of \$111,053, including interest at 2.60%, through September 15, 2026. The first payment was due March 15, 2007. The loan is secured by a lien on pledged revenues from the wastewater system after payment of operation and maintenance expenses. 1,943,789

Wastewater Utility System Revenue Bond, Series 2015: A revenue bond in the amount of \$5,000,000 was issued for the principal purpose of financing costs of the acquisition, construction and equipping of various capital improvements to the City’s wastewater utility system. The bond matures in various amounts annually, ranging from \$162,000 to \$355,000, through May 1, 2035. Interest on the outstanding bond accrues at a rate of 4.02% and is payable semi-annually on May 1 and November 1. The bond principal and interest is secured by and payable from the net revenues, including connection fees, of the Wastewater Utility System. 4,838,000

Stormwater Improvement Assessment Bond, Series 2015: An assessment bond in the amount of \$3,000,000 was issued for the principal purpose of financing costs of the acquisition, construction and equipping of various stormwater improvements. The bond matures semi-annually on May 1 and November 1, in various amounts ranging from \$84,000 to \$126,000, through May 1, 2030. Interest on the outstanding bond accrues at a rate of 2.95% and is payable semi-annually on May 1 and November 1. The bond principal and interest is secured by and payable from the annual assessments levied on the real property benefited by the City’s Stormwater Utility System, and if necessary, other available non-Ad valorem revenues. 2,916,000

Capital leases (2016) – The City currently leases a vacuum truck under a lease- purchase agreement that expires in February, 2021. The lease terms require the City to pay any taxes, insurance and maintenance expenses related to the vacuum truck. The present value of future minimum lease payments is: 356,843

Accumulated unused compensated absences: Represents the vested portion of accumulated vacation and sick pay benefits due employees. 27,954

Total Business-Type Activities Long Term Debt \$10,204,349

CITY OF ST. PETE BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE E - LONG-TERM DEBT (continued)

The annual requirements to amortize the long-term debt for governmental activities bonds payables as of September 30, 2016, are as follows:

| | Principal | Interest | Total |
|-----------|----------------------|---------------------|----------------------|
| 2017 | \$ 645,000 | \$ 532,769 | \$ 1,177,769 |
| 2018 | 670,000 | 507,369 | 1,177,369 |
| 2019 | 260,000 | 489,369 | 749,369 |
| 2020 | 265,000 | 481,569 | 746,569 |
| 2021 | 275,000 | 470,969 | 745,969 |
| 2022-2026 | 1,600,000 | 2,147,345 | 3,747,345 |
| 2027-2031 | 1,935,000 | 2,108,627 | 4,043,627 |
| 2032-2036 | 2,325,000 | 1,416,575 | 3,741,575 |
| 2037-2041 | 2,825,000 | 912,444 | 3,737,444 |
| 2042-2045 | 2,705,000 | 284,832 | 2,989,832 |
| Total | <u>\$ 13,505,000</u> | <u>\$ 9,351,868</u> | <u>\$ 22,856,868</u> |

The City's governmental activities leases require additional payments of \$80,000 in 2017 and 2018. \$76,383 and \$78,171 of such payments, respectively, represent principal amounts.

The annual requirements to amortize the notes and bonds payable for business-type activities as of September 30, 2016, are as follows:

| | Principal | Interest | Total |
|-----------|---------------------|---------------------|----------------------|
| 2017 | \$ 533,346 | \$ 307,657 | \$ 841,003 |
| 2018 | 551,364 | 292,835 | 844,199 |
| 2019 | 568,518 | 277,455 | 845,973 |
| 2020 | 586,807 | 261,569 | 848,376 |
| 2021 | 605,240 | 245,164 | 850,404 |
| 2022-2026 | 3,275,277 | 962,855 | 4,238,132 |
| 2027-2031 | 2,360,000 | 507,306 | 2,867,306 |
| 2032-2036 | 1,339,000 | 137,244 | 1,476,244 |
| Total | <u>\$ 9,819,552</u> | <u>\$ 2,992,085</u> | <u>\$ 12,811,637</u> |

| Capital Leases | Total |
|----------------------------------|-------------------|
| 2017 | \$ 77,165 |
| 2018 | 77,165 |
| 2019 | 77,165 |
| 2020 | 77,165 |
| 2021 | 77,165 |
| | <u>385,825</u> |
| Less: Interest | <u>(28,982)</u> |
| Present value of lease liability | <u>\$ 356,843</u> |

The following is an analysis of the leased property under capital lease:

| | Cost | Accumulated Depreciation | Book Value |
|---------------------------|------------|-----------------------------|---------------|
| Governmental Activities: | | | |
| Pumper Fire Truck | \$ 379,132 | \$ 119,894 | \$ 259,237 |
| Business type Activities: | | | |
| Sewer Vac Truck | \$ 356,843 | \$ 20,816 | \$ 336,027 |

CITY OF ST. PETE BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE F - PENSIONS

Defined Benefit Plans

The City administers three defined benefit pension plans (the Plans): the Police Officers' Retirement System (Police Pension), the Firefighters' Retirement System (Firefighters' Pension) and the General Employees' Retirement System (General Pension). All three of the Plans are single employer defined benefit plans. The Plans are administered pursuant to the following laws: Police Pension - Florida Statutes Chapter 185; Firefighters' Pension - Florida Statutes Chapter 175, and General Pension - City Code of Ordinances Chapter 16, Article III. The Plans are reported herein as Fiduciary Funds as part of the City's reporting entity. The financial statements of each Plan are included in the Comprehensive Annual Financial Report of the City. The Plans do not issue stand-alone financial reports.

The investments of the Plans are held by the City in a trustee capacity and are maintained in segregated trust accounts for each Plan. The trust accounts are managed by a professional trustee pursuant to trust agreements with the City. The costs of administering the pension funds, including professional fees, are paid by each respective pension plan.

The Police Pension is administered by a 5-member Board of Trustees that is comprised of two legal residents appointed by the City Commission, two members of the system elected by a majority of the membership, and the fifth member is elected by the other four members and is appointed by the Commission.

The Firefighters' Pension is administered by a 5-member Board of Trustees that consists of two individuals appointed by the City Commission, two full-time firefighters who are elected by a majority of the members of the plan, and a fifth Trustee who is chosen by a majority of the other four members.

The General Pension is administered by a 5-member Board of Trustees that is made up of the Mayor, City Manager, two employee members elected by the membership, and one public member appointed by the City Commission.

The Plans' significant accounting policies are as follows (several of these policies are briefly disclosed in Note A to the financial statements):

Basis of Accounting: The Plans' financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plans are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plans.

Method Used to Value Investments: Investments are reported at fair value. Short-term money market type investments are reported at cost, which is equal to fair value. Securities traded on a national exchange are valued at the last reported sales price.

Plan Description: Each of the Plans provides retirement, disability, death benefits and deferred retirement option plans (DROP) to plan members and their beneficiaries. Each Plan has early retirement provisions and cost of living increase provisions.

Membership of the Plans: Membership of each plan consisted of the following at October 1, 2016:

| | <u>Police Pension</u> | <u>Firefighters' Pension</u> | <u>General Pension</u> |
|---|---------------------------|----------------------------------|----------------------------|
| Inactive plan members or beneficiaries currently receiving benefits | 27 | 24 | 75 |
| Inactive plan members entitled to but not yet receiving benefits | 7 | 3 | 43 |
| Active plan members | 0 | 26 | 21 |
| | <u>34</u> | <u>53</u> | <u>139</u> |

CITY OF ST. PETE BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE F – PENSIONS (continued)

Benefits Provided:

Police Pension:

1. As a result of the Police Department being merged into the Pinellas County Sheriff's Department, Plan members can elect to remain in the Police Pension or enter into the Florida Retirement System.
2. A freeze on all accrued benefits was implemented as of January 31, 2013 except for Plan members who have attained age 55 or 25 years of credited service as of that date. Such members will accrue benefits in accordance with the Plan provisions in effect prior to January 31, 2013: members hired before 10-1-81 will receive 3.2% of average final compensation for service to 10-1-81 plus 4% of average final compensation for service from 10-1-81 to 1-13-13 and for members hired after 10-1-81 will receive 3.2% of average final compensation for service up to 1-31-13.
3. For all Plan members that had not completed 10 years of credited service by January 31, 2013, the normal retirement date will be the earlier of attaining age 60 and the completion of 10 years of credited service or the completion of 30 years of credited service regardless of age.
4. Early retirement is the earlier of age 50 and 10 years of credited service and 20 years of credited service regardless of age for frozen benefits. There is no early retirement for those that don't have frozen benefits, except that if a member had 10 years of credited service on January 31, 2013 then prior retirement criteria applies to both benefits. The amount is equal to the accrued benefit, reduced 3% per year.
5. A member is 10% vested after 1 year of credited service plus 10% per year thereafter up to 100% after 10 years if they have frozen benefits and 100% after 10 years of credited service for all other participants. A member will receive the vested portion of their accrued benefit payable at the otherwise normal retirement date.
6. Members are eligible for total and permanent disability benefits after 10 years of credited service (for non-service incurred) or from the date of hire (for service-incurred). The benefits are accrued to the date of disability but not less than 50% of average final compensation for service-incurred disability.
7. Pre-retirement death benefits for vested individuals is equal to the value of accrued benefits payable on a monthly basis to the beneficiary for 10 years. For non-vested members, benefits include a refund of contributions without interest.
8. Retirees receive a 3% per year cost of living adjustment (COLA) commencing 7 years after retirement (10 years after retirement if they retired prior to March 14, 2006) on any frozen benefits. There is no COLA for members without frozen benefits.
9. Plan members will not be able to enter the Deferred Retirement Option Program (DROP) effective February 1, 2013 except for Plan members who have attained age 55 or 25 years of credited service as of that date. Participation is not to exceed 60 months and the member can elect a rate of return equal to 7.5% annual rate or actual net rate of investment return credited each fiscal quarter. The DROP balance as of September 30, 2016 was \$0.
10. Member contribution rates were lowered from 8.3% to 3% effective February 1, 2013 except for Plan members who have attained age 55 or 25 years of credited service as of that date who will continue to make contributions at 8.3%.

Firefighters' Pension:

1. A freeze on all accrued benefits was implemented as of December 31, 2012 except for Plan members who have attained the earlier of age 55 or 25 years of credited service as of that date, regardless of age. Such members will accrue benefits on the frozen portion in accordance with the Plan provisions in effect prior to December 31, 2012, receiving 3.4% of their average final compensation times credited service.
2. The normal retirement date for all Plan members that had not completed 10 years of credited service by January 1, 2013 such that the normal retirement date is the earlier of attaining age 60 or the completion of 30 years of credited service regardless of age. These members will receive 1.25% of their average final compensation times credited service.
3. The maximum combined benefit is 75% of average final compensation. If a member's accrued benefit as of January 1, 2013 is greater than or equal to 75% of average final compensation, the benefit percentage may not be reduced.
4. For members with frozen benefits, early retirement is the earlier of age 50 and 10 years of credited service or the completion of 20 years credited service, regardless of age. The benefit amount is the accrued benefit reduced by 3% for each year commencement of benefits precedes the normal retirement date. There is no early retirement for members without frozen benefits.

CITY OF ST. PETE BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE F – PENSIONS (continued)

5. A member becomes 100% vested after attaining 10 years of credited service and is 0% vested prior to attaining 10 years of credited service. The members will receive the vested portion of their accrued benefits payable at the otherwise normal retirement date. Pre-freeze members will continue to use the 10% per year vesting schedule.
6. Members are eligible for total and permanent disability benefits after 10 years of credited service (for non-service incurred) or from the date of hire (for service-incurred). The benefits are accrued to the date of disability but not less than 42% of average final compensation for service-incurred disability.
7. Pre-retirement death benefits for vested individuals is equal to the value of accrued benefits payable on a monthly basis to the beneficiary for 10 years. For non-vested members, member contributions are refunded.
8. Retirees receive a 3% per year cost of living adjustment (COLA) commencing 7 years after retirement on any frozen benefits. There is no COLA for members without frozen benefits.
9. Plan members will not be able to enter the Deferred Retirement Option Program (DROP) effective January 1, 2013 except for Plan members who have attained age 55 or 25 years of credited service as of that date. Participation is not to exceed 60 months and the member can elect a rate of return equal to 7.5% annual rate or the actual net rate of investment return credited each fiscal quarter. The DROP balance as of September 30, 2015 was \$-0-.
10. Member contribution rates were lowered from 10.3% to 3% effective February 1, 2013 except for Plan members who have attained age 55 or 25 years of credited service as of that date who will continue to make contributions at 10.3%.

General Pension:

1. A freeze on all accrued benefits was implemented as of September 30, 2012 except for Plan members who have attained age 55 or 25 years of credited service as of that date, regardless of age. Such members will accrue benefits on the frozen portion in accordance with the Plan provisions in effect prior to September 30, 2012, receiving 2.25% of their average final compensation times credited service.
2. The normal retirement date for members hired before October 1, 2002 is the earlier of age 55 or the completion of 25 years of credited service, regardless of age. For individuals hired after October 1, 2002, normal retirement is the earlier of age 60 with 10 years of credited service or the completion of 30 years credited service, regardless of age, and will receive 1.00% of average final compensation time credited service earned on and after October 1, 2012.
3. The maximum combined benefit is 75% of average final compensation.
4. For members with frozen benefits, early retirement is age 50 and the completion of 10 years of credited service. The benefit amount is the accrued benefit reduced by 1/15th for each year that the commencement of payments precedes normal retirement. There is no early retirement for members without frozen benefits.
5. A member becomes 10% vested after 1 year of credited service for frozen benefits and is 100% vested after attaining 10 years of credited service. Members without frozen benefits are 0% vested prior to attaining 10 years of credited service. A member will receive the vested portion of their accrued benefit payable at the otherwise normal retirement date or on a reduced basis beginning at early retirement.
6. Members are eligible for total and permanent disability after 10 years of credited service. The benefit is accrued to the date of disability.
7. Pre-retirement death benefits are equal to the value of the accrued benefit payable on a monthly basis to the designated beneficiary for 10 years.
8. Retirees receive a 3% per year cost of living adjustment (COLA) on any frozen benefits after completing 10 years of retirement. There is no COLA for members without frozen benefits.
9. Plan members will not be able to enter the Deferred Retirement Option Program (DROP) effective October 1, 2012 except for Plan members who have attained age 55 or 25 years of credited service as of that date. Participation is not to exceed 60 months and the member can elect a rate of return equal to 7.5% annual rate or the actual net rate of investment return credited each fiscal quarter. The DROP balance as of September 30, 2016 was \$74,758.
10. Member contribution rates were lowered from 7.6% to 3% effective February 1, 2013 except for Plan members who have attained age 55 or 25 years of credited service as of that date who will continue to make contributions at 7.6%.

CITY OF ST. PETE BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE F – PENSIONS (continued)

Net Pension Liability: During the year ended September 30, 2015, the City adopted GASB 68 *Accounting and Financial Reporting for Pensions*. This required the City to record on its financial statements, its net pension liability for the Police Pension, Firefighters’ Pension and General Pension. The net pension liability is measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees’ past periods of service (total pension liability), less the amount of the pension plan’s fiduciary net position.

The City’s pension liability recorded in the September 30, 2016 financial statements was measured as of September 30, 2016.

Actuarial Assumptions: The total pension liability was determined using the following actuarial assumptions:

| | <u>Police Pension</u> | <u>Firefighters’ Pension</u> | <u>General Pension</u> |
|----------------------------|---|---|--|
| Projected salary increases | 5% per year | 4.5% per year | 5% per year |
| Inflation rate | 2.5% | 2.5% | 2.3% |
| Discount rate | 7% | 7.70% | 7.65% |
| Investment rate of return | 7% | 7.70% | 7.65% |
| Mortality rate | RP 2000 Combined Healthy Mortality Table, Disabled Lives Set Forward 2 Years (female) Set Back 4 years (male) | Sex Distinct RP 2000 Combined Healthy Mortality Table, Disabled Lives Set Forward 5 Years | Sex Distinct RP 2000 Combined Healthy Mortality Table, Disabled Lives Set Forward 2 Years (female) Set Back 4 years (male) |

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The best estimates of arithmetic real rates of return for each major asset class included in the Plans’ adopted target asset allocation policy as of September 30, 2016 are summarized in the following table:

| <u>Asset Class</u> | <u>Police Pension Target Allocation</u> | <u>Police Pension Expected Return</u> | <u>Firefighters’ Pension Target Allocation</u> | <u>Firefighters’ Pension Expected Return</u> | <u>General Pension Target Allocation</u> | <u>General Pension Expected Return</u> |
|-------------------------------|---|---|--|--|--|--|
| Domestic Equity | 45% | 7.5% | 50% | 7.5% | 48% | 7.77% |
| International Equity | 10% | 8.5% | 10% | 8.5% | 6% | 7.10% |
| Global Fixed Income | 5% | 3.5% | 5% | 3.5% | - | - |
| Domestic Fixed Income | - | - | - | - | - | - |
| Broad Market Fixed Income | 40% | 2.5% | 25% | 2.5% | - | - |
| Fixed Income | - | - | - | - | 40% | 2.45% |
| Real Estate Investment Trusts | - | - | 10% | 4.5% | 6% | 6.78% |

None of the plans held investments in any one organization that represents 5% or more of the Plans’ fiduciary net position.

The annual money-weighted rate of return on Plan investments, net of investment expense for the year ended September 30, 2016 was:

| <u>Police Pension</u> | <u>Firefighters’ Pension</u> | <u>General Pension</u> |
|---------------------------|----------------------------------|----------------------------|
| 9.22% | 9.25% | 9.72% |

CITY OF ST. PETE BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE F – PENSIONS (continued)

The discount rate used to measure the total pension liability was 7% for the Police Pension, 7.75% for the Firefighters' Pension and 7.65% for the General Pension. The projection of cash flows used to determine the discount rate assumed that plan member (employees) contributions will be made at the current contribution rate and that plan sponsor (employer) contributions will be made at rates equal to the difference between actuarially determined contribution rates and the plan member rate. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Net Pension Liability:

| | <u>Police Pension</u> | <u>Firefighters' Pension</u> | <u>General Pension</u> |
|--|---------------------------|----------------------------------|----------------------------|
| Total Pension Liability | \$ 17,461,357 | \$ 17,527,390 | \$ 17,140,489 |
| Plan Fiduciary Net Position | <u>(11,084,818)</u> | <u>(11,555,588)</u> | <u>(11,625,585)</u> |
| Net Pension Liability | \$ 6,376,539 | \$ 5,971,802 | \$ 5,514,904 |
| Net Position as a Percentage of Total Pension Liability | 63.48% | 65.93% | 67.83% |

Change in Net Pension Liability: The change in the net pension liability for each pension plan for the year ended September 30, 2016 is as follows, with various differences noted in the ending plan fiduciary net position per the actuarial valuation versus the financial statements due to timing differences resulting from the accrual of income and expense items:

Police Pension

| | Increase (Decrease) | | |
|---|------------------------------------|--|----------------------------------|
| | <u>Total Pension Liability</u> | <u>Plan Fiduciary Net Position</u> | <u>Net Pension Liability</u> |
| | a | b | a -b |
| Beginning balance | <u>\$ 16,544,688</u> | <u>\$ 11,133,316</u> | <u>\$ 5,411,372</u> |
| Changes for the year: | | | |
| Interest | 1,102,568 | - | 1,102,568 |
| Differences between expected and actual experience | 239,884 | - | 239,884 |
| Changes of assumptions | 1,161,657 | - | 1,161,657 |
| Contributions - employer | - | 494,855 | (494,855) |
| Contributions - State | - | 86,942 | (86,942) |
| Contributions - employees | - | - | - |
| Net investment income | - | 972,743 | (972,743) |
| Benefit payments, including refund of Employee contributions | (1,587,440) | (1,587,440) | - |
| Administrative expense | - | (15,598) | 15,598 |
| Net changes | <u>916,669</u> | <u>(48,498)</u> | <u>965,167</u> |
| Ending balance | <u>\$ 17,461,357</u> | <u>11,084,818</u> | <u>6,376,539</u> |

CITY OF ST. PETE BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE F – PENSIONS (continued)

Firefighters' Pension

| | Increase (Decrease) | | |
|---|----------------------------|--------------------------------|--------------------------|
| | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability |
| | a | b | a -b |
| Beginning balance | \$ 16,543,943 | \$ 10,621,034 | \$ 5,922,909 |
| Changes for the year: | | | |
| Service cost | 245,298 | - | 245,298 |
| Interest | 1,245,496 | - | 1,245,496 |
| Differences between expected and actual experience | (786,356) | - | (786,356) |
| Changes of assumptions | 1,212,697 | - | 1,212,697 |
| Contributions - employer | - | 690,612 | (690,612) |
| Contributions - State | - | 178,044 | (178,044) |
| Contributions – employees | - | 59,223 | (59,223) |
| Net investment income (loss) | - | 962,019 | (962,019) |
| Benefit payments, including refund of Employee contributions | (933,688) | (933,688) | - |
| Administrative expense | - | (21,656) | 21,656 |
| Net changes | 983,447 | 934,554 | 48,893 |
| Ending balance | \$ 17,527,390 | \$ 11,555,588 | \$ 5,971,802 |

General Pension

| | Increase (Decrease) | | |
|---|----------------------------|--------------------------------|--------------------------|
| | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability |
| | a | b | a -b |
| Beginning balance | \$ 16,679,049 | \$ 11,288,879 | \$ 5,390,170 |
| Changes for the year: | | | |
| Service cost | 63,167 | - | 63,167 |
| Interest | 1,248,359 | - | 1,248,359 |
| Differences between expected and actual experience | (570,758) | - | (570,758) |
| Changes of assumptions | 989,394 | - | 989,394 |
| Contributions - employer | - | 563,121 | (563,121) |
| Contributions - employees | - | 25,913 | (25,913) |
| Net investment income (loss) | - | 1,052,550 | (1,052,550) |
| Benefit payments, including refund of Employee contributions | (1,268,722) | (1,268,722) | - |
| Administrative expense | - | (36,156) | 36,156 |
| Net changes | 461,440 | 336,706 | 124,734 |
| Ending balance | \$ 17,140,489 | \$ 11,625,585 | \$ 5,514,904 |

Sensitivity of the net pension liability to changes in the discount rate:

Police Pension:

| | 1% Decrease (6%) | Current Discount Rate (7%) | 1% Increase (8%) |
|-----------------------|---------------------|----------------------------------|---------------------|
| Net Pension Liability | \$ 8,503,815 | \$ 6,376,539 | \$ 4,622,662 |

CITY OF ST. PETE BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE F – PENSIONS (continued)

Firefighters' Pension:

| | 1% Decrease (6.70%) | Current Rate (7.70%) | 1% Increase (8.70%) |
|-----------------------|------------------------|-------------------------|------------------------|
| Net Pension Liability | \$ 8,150,135 | \$ 5,971,802 | \$ 4,177,729 |

General Pension:

| | 1% Decrease (6.65%) | Current Rate (7.65%) | 1% Increase (8.65%) |
|-----------------------|------------------------|-------------------------|------------------------|
| Net Pension Liability | \$ 7,392,500 | \$ 5,514,904 | \$ 3,946,293 |

For the year ended September 30, 2016, the City recognized pension expense in the following amounts: Police Pension - \$1,862,607, Firefighters' Pension - \$844,065 and General Pension - \$963,791.

The City has reported Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions in the Statement of Net Position as of September 30, 2016 from the following sources:

Police Pension

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience | \$ - | \$ - |
| Net difference between projected and actual earnings on pension plan investments | 269,843 | - |
| Employer contributions subsequent to the measurement date | - | - |
| Total | \$ 269,843 | \$ - |

Amounts reported as Deferred Outflows of Resources and Deferred Inflows of Resources related to the Police Pension will be recognized in pension expense as follows:

| Year ended September 30: | Amount |
|--------------------------|-----------|
| 2017 | \$ 86,488 |
| 2018 | 86,488 |
| 2019 | 142,698 |
| 2020 | (45,831) |
| 2021 | - |
| Thereafter | - |

Firefighters' Pension

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience | \$ 51,930 | \$ 655,296 |
| Changes of assumptions | 1,010,580 | - |
| Net difference between projected and actual earnings on pension plan investments | 359,969 | - |
| Total | \$ 1,422,479 | \$ 655,296 |

CITY OF ST. PETE BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE F – PENSIONS (continued)

Amounts reported as Deferred Outflows of Resources and Deferred Inflows of Resources related to the Firefighters' Pension will be recognized in pension expense as follows:

| <u>Year ended September 30:</u> | <u>Amount</u> |
|---------------------------------|---------------|
| 2016 | \$ 212,903 |
| 2017 | 212,903 |
| 2018 | 227,254 |
| 2019 | 43,066 |
| 2020 | 71,057 |
| Thereafter | - |

General Pension

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Differences between expected and actual experience | \$ - | \$ - |
| Net difference between projected and actual earnings on pension plan investments | 240,353 | - |
| Total | <u>\$ 240,353</u> | <u>\$ -</u> |

Amounts reported as Deferred Outflows of Resources and Deferred Inflows of Resources related to the General Pension will be recognized in pension expense as follows:

| <u>Year ended September 30:</u> | <u>Amount</u> |
|---------------------------------|---------------|
| 2017 | \$ 70,537 |
| 2018 | 70,537 |
| 2019 | 140,359 |
| 2020 | (41,080) |
| 2021 | - |
| Thereafter | - |

CITY OF ST. PETE BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE F – PENSIONS (continued)

Financial Statements:

The financial statements for each of the Retirement Funds as of and for the year ended September 30, 2016 are as follows:

Statement of Fiduciary Net Position
September 30, 2016

| | Police | Fire | General |
|--|---------------|--------------|----------------|
| ASSETS | | | |
| Cash and cash equivalents with trustee | \$ 662,852 | \$ 900,667 | \$ 237,110 |
| Receivables | | | |
| Employer contributions receivable | - | - | - |
| Due from general fund | 123,530 | 13,555 | 39,075 |
| Interest and dividends receivable | 15,222 | 16,383 | 11,240 |
| Total receivables | 138,752 | 29,938 | 50,315 |
| Investments, at fair value | | | |
| Government agency obligations | 1,193,351 | 890,017 | 1,590,154 |
| Asset-backed securities and collateralized obligations | 1,027,658 | 777,759 | 761,979 |
| Corporate bonds | 1,189,256 | 972,658 | 1,348,018 |
| Foreign stocks and bonds | - | 165,668 | 22,840 |
| Fixed-income mutual funds | 506,607 | 478,414 | 4,797,220 |
| Equities - common stock | - | 5,205,115 | 1,183,840 |
| Equities - mutual funds | 6,365,608 | 1,024,242 | 1,612,052 |
| Real estate funds | - | 1,050,000 | - |
| Total investments | 10,282,480 | 10,563,873 | 11,316,103 |
| Total assets | \$11,084,084 | \$11,494,478 | \$11,603,528 |
| LIABILITIES | | | |
| Accounts payable | \$ 27,101 | \$ 38,198 | \$ 14,085 |
| NET POSITION | | | |
| Restricted for pensions | \$11,056,983 | \$11,456,280 | \$11,589,443 |

CITY OF ST. PETE BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE F – PENSIONS (continued)

Statement of Changes in Fiduciary Net Position
For the year Ended September 30, 2016

| | Police | Fire | General |
|---|----------------------|----------------------|----------------------|
| Additions | | | |
| Contributions: | | | |
| Employer | \$ 494,120 | \$ 612,211 | \$ 563,206 |
| Plan members | - | 58,352 | 26,054 |
| State - insurance premium taxes | 86,942 | 178,044 | - |
| Total contributions | <u>581,062</u> | <u>848,607</u> | <u>589,260</u> |
| Investment earnings | | | |
| Net appreciation (depreciation) in fair value of investments | 654,835 | 800,468 | 721,352 |
| Interest and dividends | 370,986 | 238,702 | 377,173 |
| Total investment earnings | <u>1,025,821</u> | <u>1,039,170</u> | <u>1,098,525</u> |
| Less: investment expense | <u>(52,828)</u> | <u>(105,676)</u> | <u>(46,012)</u> |
| Net investment income (loss) | 972,993 | 933,494 | 1,052,513 |
| Total additions | <u>1,554,055</u> | <u>1,782,101</u> | <u>1,641,773</u> |
| Deductions | | | |
| Benefit payments and refunds | 1,587,440 | 933,688 | 1,268,844 |
| Administrative expenses | 28,215 | 11,510 | 35,509 |
| Total deductions | <u>1,615,655</u> | <u>945,198</u> | <u>1,304,353</u> |
| Change in net position | <u>(61,600)</u> | <u>836,903</u> | <u>337,420</u> |
| Net position restricted for pensions , beginning of year | 11,118,583 | 10,619,377 | 11,252,023 |
| Net position restricted for pensions , end of year | <u>\$ 11,056,983</u> | <u>\$ 11,456,280</u> | <u>\$ 11,589,443</u> |

Defined Contribution Plans

Plan Description: The City implemented a defined contribution - money purchase - retirement plan (the Plan) during fiscal year 2005. Eligible participants consist of the city manager, department directors and other managerial, administrative, professional and supervisory personnel that have opted out of the General Employees' Retirement System. All Plan provisions, including benefits, eligibility and vesting, are established by the City Commission and can only be amended with Commission approval.

Funding Policy: Pursuant to the Plan agreement the City contributes 15% of eligible wages pertaining to the city manager, 12% of eligible wages pertaining to department directors, and 10% of eligible wages for all other personnel that elect to participate. The City's contributions for the years ended September 30, 2016 were \$167,726.

Plan Description: The City implemented an additional defined contribution - money purchase - retirement plan (the General & Special Risk Retirement Plan) effective October 1, 2012. Eligible participants consist of non-managerial general employees and firefighters that elect to participate in the General & Special Risk Retirement Plan. Participants that elect to participate in the General & Special Risk Retirement Plan are still required to participate in the Firefighters' Pension Plan or the General Pension Plan.

CITY OF ST. PETE BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE F – PENSIONS (continued)

Funding Policy: The City makes a matching contribution to the General & Special Risk Retirement Plan as follows: general employees with less than 14 years of credited service as of October 1, 2012 can contribute up to 5% of their earnings each year and the City will match 50% of the contribution percentage up to 2.5% of the employee's contribution; general employees with more than 14 years of credited service as of the effective date can contribute up to 5% of earnings and the City will match 75% of the contribution percentage up to 3.75% of the employee's contribution. Firefighters with less than 14 years of credited service as of October 1, 2012 can contribute up to 10% of their earnings each year and the City will match 50% of the contribution percentage up to 5% of the employee's contribution; Firefighters with more than 14 years of credited service as of the effective date can contribute up to 10% of earnings and the City will match 75% of the contribution percentage up to 7.5% of the employee's contribution. The City's contributions for the years ended September 30, 2016 were \$90,656.

The Plans are administered by ICMA Retirement Corporation. The Plan provides retirement benefits to plan members and beneficiaries. ICMA Retirement Corporation issues financial statements and reports as well as required supplementary information regarding the Plan. This information can be obtained by writing ICMA Retirement Corporation at 777 North Capitol Street NE, Washington, D.C. 20002-4240 or by calling 800-326-7272.

NOTE G – OTHER POSTEMPLOYMENT BENEFITS PLAN

The City adopted the provisions of GASB Statement 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions", as of October 1, 2008. This Statement provides for the determination and disclosure of the annual cost of providing other postemployment benefits (OPEB). The City provides other postemployment benefits in the form of the Other Postemployment Benefits Program.

Plan Description: The City provides a defined benefit postemployment health care, dental and life insurance plan, the Other Postemployment Benefits Program (the Plan), whereby retired employees are able to purchase health care, dental and life benefits through the City's health care, dental and life insurance providers. The Plan is administered by the City as a single-employer plan. The Plan is currently unfunded. There is no separate trust through which benefits for retirees are funded. No assets are currently accumulated or earmarked for the Plan. All approved benefits are paid from general assets when due. The Plan does not issue separate, stand-alone audited financial statements.

To be eligible to participate in the Plan, *General employees* must have been participating in the City's General Employee Pension Plan and have retired at age 60 with a minimum of 10 years of vesting service, or the completion of 30 years of service (earlier of 55 years old or 25 years of service if hired before October 1, 2002.). *Firefighter employees* are eligible to participate in the Plan if have been participating in the City's Firefighters' Pension Plan and they retire at the age of 60 with 10 years of service, or upon completion of 30 years of service. *Police Officer employees* are eligible to participate in the Plan if they have been participating in the City's Police Pension Plan and they retire at the age of 60 or above with 10 years of service, or the completion of 30 years of service (earlier of 55 or 25 years of service if hired before February 1, 2003.)

The retired employees (including their eligible dependents) that are eligible to participate in the Plan are required to pay 100% of their respective health care, dental and life insurance premiums.

The City's overall cost of providing health care, dental and life insurance benefits is increased as a result of an implicit insurance rate subsidy resulting from retired employees being permitted to pay lower than age-adjusted premiums through the use of blended premiums for both retirees and active employees. The resulting incremental increase in health care, dental and life insurance premiums results in an actuarial accrued liability to the City based on projected health care, dental and life insurance costs.

Funding Policy: The annual required contribution to fund the incremental cost of the benefits plan is based on a pay-as-you-go funding approach. The City has not funded an OPEB Trust.

CITY OF ST. PETE BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE G – OTHER POSTEMPLOYMENT BENEFITS PLAN (continued)

Annual Other Postemployment Benefit Cost (OPEB) and Net OPEB Obligation: The City’s annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45, “Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions”. The ARC represents a level of funding that would be required to cover the normal cost of the plan each year on a pay-as-you-go basis assuming a 30 year amortization period. The following table shows the City’s annual OPEB cost and the amount expected to be contributed by the City towards this OPEB obligation:

Actuarial Methods and Assumptions: Actuarial valuations of an ongoing plan involve 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, termination, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and annual required contributions of the employer are subject to continual revision and actual results are compared with past expectations and new estimates made about the future. Projections of benefits for financial reporting purposes are based on the substantive plan provisions, as understood by the employer and participating members, and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and participating members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial liabilities consistent with the long-term perspective of the calculations.

The annual OPEB cost and the expected City contribution is in the following table.

| | Pay-As-You-Go Funding - Fiscal Year Ending 9/30/16 |
|---------------------------------------|--|
| Annual Required Contribution (ARC) | \$ 8,757 |
| Interest on net OPEB obligation | 206 |
| Annual OPEB cost | 8,963 |
| Expected employer contribution | - |
| Increase in net OPEB obligation | 8,963 |
| Net OPEB obligation beginning of year | 56,613 |
| Net OPEB obligation end of year | \$ 65,576 |

Other Required Supplementary Information:

Three year trend information:

| Year Ending | Annual OPEB Cost | Percentage of OPEB Cost Contributed | Net OPEB Obligation |
|----------------|------------------------|---|---------------------------|
| 9/30/16 | \$ 8,963 | 21.9% | \$ 65,576 |
| 9/30/15 | 9,277 | 21.9% | 56,613 |
| 9/30/14 | 9,277 | 21.9% | 49,365 |

CITY OF ST. PETE BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE G – OTHER POSTEMPLOYMENT BENEFITS PLAN (continued)

Schedule of Funding Progress:

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Liability (AAL) Entry Age (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|--------------------------------|--|---|------------------------------------|--------------------------|---------------------------|--|
| 10/01/16 | \$- | \$ 118,718 | \$ 118,718 | 0.0% | \$4,922,416 | 2.41% |
| 10/01/12 | - | 220,686 | 220,686 | 0.0% | 4,584,562 | 4.81% |
| 10/01/10 | - | 1,962,072 | 1,962,072 | 0.0% | 5,328,144 | 36.8% |
| 10/01/08 | - | 825,565 | 825,565 | 0.0% | 4,807,559 | 17.2% |

Required Actuarial Information:

| | |
|-------------------------------|---|
| Actuarial valuation date | 10/1/16 |
| Actuarial cost method | Entry Age |
| Amortization method | Level percent, closed |
| Remaining amortization period | 30 years |
| Actuarial assumptions | |
| Investment rate of return | 3% |
| Inflation | 8% |
| Payroll growth rate | 8% |
| Medical trend rate | National Health Care Expenditures Projections, 2004-2019 |

NOTE H - RISK FINANCING

The City is subject to losses in the normal course of operations resulting from general liability, property and casualty, workers' compensation, employee health and accident, environmental and antitrust matters. The City has purchased commercial insurance to protect against property loss as a result of flooding and employee health losses. The City is insured through Public Risk Management of Florida for purposes of protecting against workers' compensation losses, real and personal property losses, automobile damage, and general liability, including malpractice and errors and omissions.

The City does not self-insure against any risks. To the extent that the City has purchased commercial insurance, all risk of loss has been transferred to the insurance underwriter.

Public Risk Management of Florida is a risk pool that assumes the risk of loss for all participating members. The members are subject to additional premium assessments in the event that the risk pool requires additional funding to satisfy all claims. The City has not been assessed any additional insurance premiums for the year ended September 30, 2016, nor is the City aware of any contingent assessments. The City has not reduced insurance coverage from the prior year for any category of insurance risk. Settlement claims, if any, have not exceeded insurance coverage at any time for each of the past three fiscal years.

CITY OF ST. PETE BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE I - DEFERRED COMPENSATION PLAN

The City offers certain employees a deferred compensation plan (the Plan) created in accordance with Internal Revenue Code Section 457. The Plan, which is managed by independent plan administrators, permits employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts and all income attributable to those amounts are held in trust for the exclusive benefit of the participants and their beneficiaries. The fiduciary responsibility for the plan assets has been conveyed to a third party administrator. As a result, these assets are not reported in the accompanying financial statements.

NOTE J – COMMITMENTS AND CONTINGENCIES

Sewer Service: On November 29, 2001, the City entered into a new contract with the City of St. Petersburg to treat wastewater. This contract will be in effect as long as the City of St. Petersburg's Northwest Treatment Plant is in operation. The rates paid are set by the City of St. Petersburg, using a rate formula containing the following factors: Operation and Maintenance Charge and Capital Charge: The Capital Charge for improvements made to the wastewater system before April 1, 2001 will be a net annual amount of \$247,129 paid in monthly installments for the period October 1, 2001 to September 30, 2006; \$274,375 for fiscal year 2007; \$301,621 for fiscal year 2008, and for fiscal years after 2008 annual amounts beginning at \$99,467 and declining until full payment has been made in fiscal year 2025. The City's allocable share of new capital improvements to the wastewater system will be billed based upon the indebtedness incurred by the City of St. Petersburg to construct the improvements or an agreed upon pay-as-you-go basis.

Law Enforcement: Through a voter referendum held in November, 2012, the Citizens of St. Pete Beach approved a charter amendment to dissolve the City's Police Department and allow the City to contract with the Pinellas County Sheriff's Department for law enforcement services with an effective date of January 6, 2013. For the fiscal year ending September 30, 2016, the City paid \$2,287,775 for law enforcement services through the Pinellas County Sheriff's Department.

FEMA Reimbursements: During the fiscal year ended September 30, 2016, the City experienced damage and certain overtime and related costs due to flooding from Hurricane Hermine. The City is in the process of determining and collecting any amounts that may be reimbursable from FEMA and or the State of Florida. No provision has been made for the collection of any such reimbursements due to the uncertainty of collection.

Commitments: At September 30, 2016 contractual commitments in the Governmental Fund Types totaled \$7,915,828 which will be paid from restricted fund balance recorded in the Capital Improvements Fund. Contractual commitments for the Proprietary Funds totaled \$617,053 as of September 30, 2015.

The City entered into a Consent Order dated November 21, 2014 with the State of Florida Department of Environmental Protection (the Department) whereby the City has agreed to perform various rehabilitation projects to the City's wastewater system to prevent unauthorized releases or spills of wastewater into Gulf of Mexico or Boca Ciega Bay. The Consent Order also requires the City to promptly report all unauthorized releases or spills to the Department. The City has maintained compliance with all requirements of the Consent Order and has completed several of the rehabilitation projects.

Contingent Liability: As of September 30, 2016, the City is involved in legal matters that are incidental to its routine operations. The City is a defendant in one legal matter that is currently being litigated for which it is reasonably possible that a liability will be incurred by the City for damages said to have been incurred by the plaintiff in the litigation.

The litigation matter resulted in a jury trial in which the plaintiff was awarded damages of approximately \$2.2 million. The City is seeking a reduction in the amount of the damages awarded and is also evaluating, with the assistance of legal counsel, whether to appeal the case. A portion of the awarded damages of approximately \$700,000 would be satisfied through the City's insurance coverage in the event that the damage award was not reduced or otherwise eliminated. As of the date of the audit report, the amount of loss in this matter cannot be reasonably estimated. A court-ordered reserve has been set aside in the general fund and is reported as restricted fund balance for legal settlements until it is released by the court.

It is the opinion of management, based upon the advice of legal counsel, that the likely outcomes of other legal matters in which the City is involved will not be material in nature to the overall operating results of the City.

CITY OF ST. PETE BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE K – RECENT ACCOUNTING PRONOUNCEMENTS:

The Governmental Accounting Standards Board (“GASB”) has issued several pronouncements that have effective dates that may impact future financial statements. Listed below are pronouncements with required implementation dates effective for subsequent fiscal years that have not yet been implemented. Management has not currently determined what, if any, impact implementation of the following will have on the City’s financial statements:

- (a) GASB issued Statement No 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, in June 2015, which establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEN. GASB 74 is intended to improve the usefulness of information about postemployment benefits other than pensions included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. The requirements of GASB 74 are effective for fiscal years beginning after June 15, 2016.
- (b) GASB issued Statement No 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in June 2015, which establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. GASB 75 seeks to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. The provisions in GSB 75 are effective for fiscal years beginning after June 15, 2017.
- (c) GASB issued Statement No. 77, *Tax Abatement Disclosures*, in August 2015. GASB 77 requires governments that enter into tax abatement agreements to disclose the following information about the agreements: (1) brief descriptive information such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients; (2) the gross dollar amount of taxes abated during the period; and (3) commitments made by a government, other than to abate taxes, as part of a tax abatement agreement. The provisions in GASB 77 are effective for periods beginning after December 15, 2015.
- (d) GASB issued Statement No. 80, *Blending Requirements for Certain Component Units – An Amendment of GASB Statement No 14*, in January 2016, which amends the blending requirements for the financial statement presentation of component units of all state and local governments. GASB 80 enhances the comparability of financial statements among governments. The provisions in GASB 80 are effective for fiscal years beginning after June 15, 2016.
- (e) GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*, in March 2016, which requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. GASB 81 enhances comparability of financial statements by providing accounting and financial reporting guidance for irrevocable split-interest agreements in which a government is a beneficiary. The provisions in GASB 81 are effective for fiscal years beginning after December 15, 2016.
- (f) GASB issued Statement No. 82, *Pension Issues-An Amendment of GASB Statements No. 67, No. 68, and No. 73*, in March 2016. GASB 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The provisions in GASB 82 are effective for periods beginning after either June 15, 2016 or June 15, 2017, if certain assumptions are met.
- (g) GASB issued Statement No. 83, *Certain Asset Retirement Obligations*, in November 2016. GASB 83 addresses accounting and financial reporting for certain asset retirement obligations (AROs), which are legally enforceable liabilities associated with the retirement of a tangible capital asset. The provisions in GASB 83 are effective for periods beginning after June 15, 2018.
- (h) GASB issued Statement No. 84, *Fiduciary Activities*, in January 2017. GASB 84 improves guidance regarding the identification and reporting of fiduciary activities. The provisions in GASB 84 are effective for periods beginning after December 15, 2018.

**REQUIRED SUPPLEMENTARY INFORMATION – OPEB
SCHEDULES OF FUNDING PROGRESS
SEPTEMBER 30, 2016**

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL)—Entry Age (b) | Unfunded or (Assets in Excess of) AAL (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | Unfunded or (Assets in Excess of) AAL as a Percentage of Covered Payroll ((b-a)/c) |
|---|--|--|--|-----------------------------------|------------------------------------|---|
| 10/1/2016 | \$ - | \$118,718 | \$118,718 | 0.00% | \$4,922,416 | 2.4% |
| 10/1/2012 | - | 220,686 | 220,686 | 0.00% | 4,584,562 | 4.1% |
| 10/1/2010 | - | 1,962,072 | 1,962,072 | 0.00% | 5,328,144 | 36.8% |
| 10/1/2008 | - | 825,565 | 825,565 | 0.00% | 4,807,559 | 17.2% |

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
POLICE OFFICERS' RETIREMENT SYSTEM
SEPTEMBER 30, 2016

| For the Year Ended September 30, | 2016 | 2015 | 2014 |
|--|-----------------------------|-----------------------------|-----------------------------|
| Total Pension Liability | | | |
| Service cost | \$ - | \$ 15,380 | \$ 45,240 |
| Interest | 1,102,568 | 1,101,556 | 1,099,695 |
| Difference between actual and expected experience | 239,884 | 255,813 | - |
| Assumption changes | 1,161,657 | - | - |
| Benefit payments including refunds of contributions | <u>(1,587,440)</u> | <u>(1,098,393)</u> | <u>(1,078,586)</u> |
| Net change in total pension liability | 916,669 | 274,356 | 66,349 |
| Total pension liability – beginning | <u>16,544,688</u> | <u>16,270,332</u> | <u>16,203,983</u> |
| Total pension liability – ending (a) | <u><u>\$ 17,461,357</u></u> | <u><u>\$ 16,544,688</u></u> | <u><u>\$ 16,270,332</u></u> |
| Total Fiduciary Net Position | | | |
| Contributions – employer | \$ 494,855 | \$ 444,748 | \$ 577,960 |
| Contributions – state | 86,941 | 87,677 | 88,047 |
| Contributions – employee | - | 274 | 3,857 |
| Net investment income | 972,743 | (133,318) | 1,052,775 |
| Benefit payments, including refunds of contributions | (1,587,440) | (1,098,393) | (1,078,586) |
| Administrative expense | <u>(15,598)</u> | <u>(24,655)</u> | <u>(32,171)</u> |
| Net change in plan fiduciary net position | (48,498) | (723,667) | 611,882 |
| Plan fiduciary net position – beginning | <u>11,133,316</u> | <u>11,856,983</u> | <u>11,245,101</u> |
| Plan fiduciary net position – ending (b) | <u><u>\$ 11,084,818</u></u> | <u><u>\$ 11,133,316</u></u> | <u><u>\$ 11,856,983</u></u> |
| Net pension liability – ending (a) - (b) | <u><u>\$ 6,376,539</u></u> | <u><u>\$ 5,411,372</u></u> | <u><u>\$ 4,413,349</u></u> |
| Plan fiduciary net position as a percentage of the total pension liability | 63.48% | 67.29% | 72.87% |
| Covered payroll | N/A | \$ 9,453 | \$ 124,414 |
| Net pension liability as a percentage of covered payroll | N/A | 57,244.42% | 3,547.32% |

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
FIREFIGHTERS' RETIREMENT SYSTEM
SEPTEMBER 30, 2016

| For the Year Ended September 30, | 2016 | 2015 | 2014 |
|--|-----------------------------|-----------------------------|-----------------------------|
| Total Pension Liability | | | |
| Service cost | \$ 245,298 | \$ 230,254 | \$ 238,163 |
| Interest | 1,245,496 | 1,212,870 | 1,189,290 |
| Difference between actual and expected experience | (786,356) | 103,860 | - |
| Assumption changes | 1,212,697 | - | - |
| Benefit payments including refunds of contributions | <u>(933,688)</u> | <u>(1,348,403)</u> | <u>(882,183)</u> |
| Net change in total pension liability | 983,447 | 198,581 | 545,270 |
| Total pension liability – beginning | <u>16,543,943</u> | <u>16,345,362</u> | <u>15,800,092</u> |
| Total pension liability – ending (a) | <u><u>\$ 17,527,390</u></u> | <u><u>\$ 16,543,943</u></u> | <u><u>\$ 16,345,362</u></u> |
| Total Fiduciary Net Position | | | |
| Contributions – employer | \$ 690,612 | \$ 413,656 | \$ 632,678 |
| Contributions – state | 178,044 | 392,128 | 39,565 |
| Contributions – employee | 59,223 | 50,369 | 45,249 |
| Net investment income | 962,019 | (72,360) | 999,549 |
| Benefit payments, including refunds of contributions | (933,688) | (1,348,403) | (882,183) |
| Administrative expense | <u>(21,656)</u> | <u>(19,804)</u> | <u>(16,250)</u> |
| Net change in plan fiduciary net position | 934,554 | (584,414) | 818,608 |
| Plan fiduciary net position – beginning | <u>10,621,034</u> | <u>11,205,448</u> | <u>10,386,840</u> |
| Plan fiduciary net position – ending (b) | <u><u>\$ 11,555,588</u></u> | <u><u>\$ 10,621,034</u></u> | <u><u>\$ 11,205,448</u></u> |
| Net pension liability – ending (a) - (b) | <u><u>\$ 5,971,802</u></u> | <u><u>\$ 5,922,909</u></u> | <u><u>\$ 5,139,914</u></u> |
| Plan fiduciary net position as a percentage of the total pension liability | 65.93% | 64.20% | 68.55% |
| Covered payroll | \$ 1,787,358 | \$ 1,572,198 | \$ 1,371,924 |
| Net pension liability as a percentage of covered payroll | 334.11% | 376.73% | 374.65% |

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
GENERAL EMPLOYEES' RETIREMENT SYSTEM
SEPTEMBER 30, 2016

| For the Year Ended September 30, | 2016 | 2015 | 2014 |
|--|----------------------|----------------------|----------------------|
| Total Pension Liability | | | |
| Service cost | \$ 63,167 | \$ 67,894 | \$ 79,454 |
| Interest | 1,248,359 | 1,244,204 | 1,235,212 |
| Difference between actual and expected experience | (570,758) | (2,077) | - |
| Assumption changes | 989,394 | - | - |
| Benefit payments including refunds of contributions | <u>(1,268,722)</u> | <u>(1,234,650)</u> | <u>(1,139,505)</u> |
| Net change in total pension liability | 461,440 | 75,371 | 175,161 |
| Total pension liability – beginning | <u>16,679,049</u> | <u>16,603,678</u> | <u>16,428,517</u> |
| Total pension liability – ending (a) | <u>\$ 17,140,489</u> | <u>\$ 16,679,049</u> | <u>\$ 16,603,678</u> |
| Total Fiduciary Net Position | | | |
| Contributions – employer | \$ 563,121 | \$ 585,936 | \$ 557,646 |
| Contributions – employee | 25,913 | 29,971 | 30,176 |
| Net investment income | 1,052,550 | (6,633) | 1,203,892 |
| Benefit payments, including refunds of contributions | (1,268,722) | (1,234,650) | (1,139,505) |
| Administrative expense | <u>(36,156)</u> | <u>(30,510)</u> | <u>(25,430)</u> |
| Net change in plan fiduciary net position | 336,706 | (655,886) | 626,779 |
| Plan fiduciary net position – beginning | <u>11,288,879</u> | <u>11,944,765</u> | <u>11,317,986</u> |
| Plan fiduciary net position – ending (b) | <u>\$ 11,625,585</u> | <u>\$ 11,288,879</u> | <u>\$ 11,944,765</u> |
| Net pension liability – ending (a) - (b) | <u>\$ 5,514,904</u> | <u>\$ 5,390,170</u> | <u>\$ 4,658,913</u> |
| Plan fiduciary net position as a percentage of the total pension liability | 67.83% | 67.68% | 71.94% |
| Covered payroll | \$ 738,138 | \$ 1,017,523 | \$ 761,318 |
| Net pension liability as a percentage of covered payroll | 747.14% | 529.73% | 611.95% |

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
POLICE OFFICERS' RETIREMENT SYSTEM
SEPTEMBER 30, 2016**

| <u>Fiscal Year</u> | <u>Actuarially Determined Contribution (ADC)</u> | <u>Contributions in Relation to ADC</u> | <u>Contribution Deficiency (Excess)</u> | <u>Covered Payroll</u> | <u>Contributions as Percentage of Employee Payroll</u> |
|--------------------|--|---|---|----------------------------|--|
| 2016 | \$ 581,797 | \$ 581,797 | \$ - | N/A | N/A |
| 2015 | 530,921 | 532,425 | (1,504) | 9,453 | 5,632.28% |
| 2014 | 666,007 | 666,007 | - | 124,414 | 535.32% |

Notes to Schedule:

Valuation Date: 10/01/2014

Actuarially determined contribution rates are calculated as of October 1, two years year prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method: Entry Age Normal
 Amortization Method: Level Percentage of Pay, Closed.
 Remaining Amortization Period: 30 Years (as of 10/01/2014).
 Mortality: RP-2000 Combined Healthy (sex distinct), projected to valuation date using scale AA. Disability mortality is set forward five years.
 Interest Rate: 7.00% per year, compounded annually, net of investment-related expenses.
 Retirement Age: Earlier of 1) age 60 with 10 years of service or 2) 30 years of service (earlier of 55 or 25 years if hired before 2/1//2003). No early retirement for current benefit.
 Salary Increases: 5.0% per year until assumed retirement
 Payroll Growth: None
 Cost-of-Living Adjustment: 3% per year following completion of 7 years of retirement on old benefit
 Asset Valuation Method: Each year, the Actuarial Value of Assets is brought forward using the historical 4-year geometric average market value return. Over time, this may produce an insignificant bias above or below Market Value of Assets.
 Termination Rates: See table below.
 Disability Rates: See table below.
 Other Information: Termination and Disability Rate Table:

| <u>Age</u> | <u>% Terminating During the Year</u> | <u>% Becoming Disabled During the Year</u> |
|------------|--|--|
| 20 | 20.60% | 0.03% |
| 30 | 18.00% | 0.04% |
| 40 | 9.80% | 0.07% |
| 50 | 2.00% | 0.18% |

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
FIREFIGHTERS' RETIREMENT SYSTEM
SEPTEMBER 30, 2016**

| <u>Fiscal Year</u> | <u>Actuarially Determined Contribution (ADC)</u> | <u>Contributions in Relation to ADC</u> | <u>Contribution Deficiency (Excess)</u> | <u>Covered Payroll</u> | <u>Contributions as Percentage of Employee Payroll</u> |
|--------------------|--|---|---|----------------------------|--|
| 2016 | \$ 868,656 | \$ 868,656 | \$ - | \$ 1,787,358 | 48.60% |
| 2015 | 740,688 | 740,688 | (65,096) | 1,572,198 | 51.25% |
| 2014 | 672,243 | 672,243 | - | 1,371,924 | 49.00% |

Notes to Schedule:

Valuation Date: 10/01/2014

Actuarially determined contribution rates are calculated as of October 1, two years year prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method: Entry Age Normal
Amortization Method: Level Percentage of Pay, Closed.
Remaining Amortization Period: 30 Years (as of 10/01/2014).
Mortality: RP-2000 Combined Healthy (sex distinct), based on study of over 650 public safety funds. Disability mortality is set forward five years.
Interest Rate: 7.75% per year, compounded annually, net of investment-related expenses.
Retirement Age: For members eligible for normal retirement on 1/1/2013 or hired before: Earlier of age 56 or 26 years of service.
For all others: earlier of age 60 with 10 years of services or 30 years of service.
Early Retirement: For members eligible for normal retirement on 1/1/2013, immediate subsidized benefit at rate of 5% per year.
For all others: None.
Salary Increases: 4.5% per year until assumed retirement
Payroll Growth: Up to 1.38 per year
Cost-of-Living Adjustment: 3% per year following completion of 7 years of retirement on old benefit. None after January 1, 2013.
Asset Valuation Method: Each year, the Actuarial Value of Assets is brought forward using the historical 4-year geometric average market value return. Over time, this may produce an insignificant bias above or below Market Value of Assets.
Termination Rates: See table below.
Disability Rates: See table below.
Other Information: Termination and Disability Rate Table:

| <u>Age</u> | <u>% Terminating During the Year</u> | <u>% Becoming Disabled During the Year</u> |
|------------|--|--|
| 20 | 17.20% | 0.03% |
| 30 | 15.00% | 0.04% |
| 40 | 8.20% | 0.07% |
| 50 | 1.70% | 0.18% |

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
GENERAL EMPLOYEES' RETIREMENT SYSTEM
SEPTEMBER 30, 2016**

| <u>Fiscal Year</u> | <u>Actuarially Determined Contribution (ADC)</u> | <u>Contributions in Relation to ADC</u> | <u>Contribution Deficiency (Excess)</u> | <u>Covered Payroll</u> | <u>Contributions as Percentage of Employee Payroll</u> |
|--------------------|--|---|---|----------------------------|--|
| 2016 | \$ 563,121 | \$ 563,121 | \$ - | \$ 738,138 | 76.29% |
| 2015 | 585,936 | 585,936 | - | 1,017,523 | 57.58% |
| 2014 | 548,356 | 557,646 | (9,290) | 761,318 | 73.25% |

Notes to Schedule:

Valuation Date: 10/01/2014

Actuarially determined contribution rates are calculated as of October 1, two years year prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method: Entry Age Normal
Amortization Method: Level Percentage of Pay, Closed.
Remaining Amortization Period: 30 Years (as of 10/01/2014).
Mortality: RP-2000 Combined Healthy (sex distinct), projected to valuation date using scale AA. Disability mortality is set forward five years.
Interest Rate: 7.75% per year, compounded annually, net of investment-related expenses.
Retirement Age: Earlier of 1) age 60 with 10 years of service or 2) 30 years of service (earlier of 55 or 25 years if hired before 10/1/2012). No early retirement.
Salary Increases: 5.0% per year until assumed retirement
Payroll Growth: Up to 3.0% per year (0.00% for 10/1/2014)
Cost-of-Living Adjustment: 3% per year following completion of 10 years of retirement on old benefit
Asset Valuation Method: Each year, the Actuarial Value of Assets is brought forward using the historical 4-year geometric average market value return. Over time, this may produce an insignificant bias above or below Market Value of Assets.
Termination Rates: See table below.
Disability Rates: See table below.
Other Information: Termination and Disability Rate Table:

| <u>Age</u> | <u>% Terminating During the Year</u> | <u>% Becoming Disabled During the Year</u> |
|------------|--|--|
| 20 | 28.40% | 0.051% |
| 30 | 24.80% | 0.058% |
| 40 | 13.50% | 0.121% |
| 50 | 2.80% | 0.429% |

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF INVESTMENT RETURNS
SEPTEMBER 30, 2016**

| Annual Money-Weighted Rate of Return, Net of Investment Expense | | | |
|--|-----------------------|---------------------|------------------------|
| Year | Police Pension | Fire Pension | General Pension |
| 2016 | 9.22% | 9.25% | 9.72% |
| 2015 | -1.17% | -0.66% | -0.06% |
| 2014 | 9.67% | 9.74% | 10.84% |

SUPPORTING SCHEDULES

Financial schedules are presented to provide greater detailed information than reported in the preceding financial statements. This information, in many cases, has been spread throughout the report and is brought together here for greater clarity. Financial schedules are not necessary for fair presentation in conformity with generally accepted accounting principles.

**CITY OF ST. PETE BEACH, FLORIDA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016**

| | <u>Special Revenue Funds</u> | | Total Nonmajor Governmental Funds |
|--|--------------------------------------|--------------------------------|--|
| | <u>Transportation Impact Fee</u> | <u>Police Confiscation</u> | |
| ASSETS | | | |
| Equity in pooled cash | \$ 211,099 | \$ 5,317 | \$ 216,416 |
| Total assets | <u>\$ 211,099</u> | <u>\$ 5,317</u> | <u>\$ 216,416</u> |
| LIABILITIES | | | |
| Accounts payable and accrued liabilities | \$ - | \$ - | \$ - |
| Total liabilities | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| FUND BALANCES | | | |
| Restricted for: | | | |
| Law enforcement | \$ - | \$ 5,317 | \$ 5,317 |
| Transportation improvements | 211,099 | - | 211,099 |
| Total fund balances | <u>\$ 211,099</u> | <u>\$ 5,317</u> | <u>\$ 216,416</u> |

**CITY OF ST. PETE BEACH, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

| | <u>Special Revenue Funds</u> | | <u>Total Nonmajor Governmental Funds</u> |
|--|--------------------------------------|--------------------------------|--|
| | <u>Transportation Impact Fee</u> | <u>Police Confiscation</u> | |
| REVENUES | | | |
| Permits and fees | \$ - | \$ - | \$ - |
| Fines and forfeitures | - | - | - |
| Total revenues | <u>-</u> | <u>-</u> | <u>-</u> |
| EXPENDITURES | | | |
| Current: | | | |
| Public safety | - | 2 | 2 |
| Public services | 76 | - | 76 |
| Total expenditures | <u>76</u> | <u>2</u> | <u>78</u> |
| Excess (deficiency) of revenues over expenditures | <u>(76)</u> | <u>(2)</u> | <u>(78)</u> |
| Other financing sources (uses) | | | |
| Transfers in | - | - | - |
| Transfers out | - | - | - |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund balances | <u>(76)</u> | <u>(2)</u> | <u>(78)</u> |
| Fund balances, beginning of year | 211,175 | 5,319 | 216,494 |
| Fund balances, end of year | <u>\$ 211,099</u> | <u>\$ 5,317</u> | <u>\$ 216,416</u> |

Statistical Section

This part of the City of St. Pete Beach, Florida's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

Contents

Financial Trends (Schedules 1-6)

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity (Schedules 7-10)

These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property and sales taxes.

Debt Capacity (Schedules 11-13)

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

Demographic and Economic Information (Schedules 14-15)

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and help make comparisons over time and with other governments.

Operating Information (Schedules 16-18)

These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

City of St. Pete Beach, Florida
Schedule 1
Net Position by Component
Last Ten Fiscal Years

| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Governmental activities | | | | | | | | | | |
| Net investment in capital assets | \$ 30,398,426 | \$ 30,608,205 | \$ 23,194,806 | \$ 23,703,266 | \$ 24,778,730 | \$ 25,813,130 | \$ 25,885,225 | \$ 26,275,283 | \$ 26,222,880 | \$ 26,880,493 |
| Restricted | 4,081,739 | 3,869,130 | 380,065 | 382,107 | 369,866 | 387,549 | 388,582 | 414,080 | 683,376 | 3,005,075 |
| Unrestricted | 720,323 | 1,447,615 | 3,556,029 | 3,764,169 | 3,601,370 | 4,158,240 | 6,818,460 | 7,900,552 | (5,189,099) | (6,921,248) |
| Total governmental activities net position | \$ 35,200,488 | \$ 35,924,950 | \$ 27,130,900 | \$ 27,849,542 | \$ 28,749,966 | \$ 30,358,919 | \$ 33,092,267 | \$ 34,589,915 | \$ 21,717,157 | \$ 22,964,320 |
| Business-type activities | | | | | | | | | | |
| Net investment in capital assets | | | \$ 7,416,175 | \$ 7,966,862 | \$ 8,584,028 | \$ 9,504,196 | \$ 10,617,326 | \$ 13,045,091 | \$ 14,956,744 | \$ 17,279,462 |
| Restricted | | | 3,149,490 | 2,761,992 | 2,360,200 | 1,869,900 | 1,373,720 | 875,172 | 260,195 | 172,025 |
| Unrestricted | | | (1,004,406) | (263,623) | 1,090,718 | 1,936,117 | 2,866,840 | 2,589,632 | 2,105,940 | 2,110,454 |
| Total business-type activities net position | | | \$ 9,561,259 | \$ 10,465,231 | \$ 12,034,946 | \$ 13,310,213 | \$ 14,857,886 | \$ 16,509,895 | \$ 17,322,879 | \$ 19,561,941 |
| Primary government | | | | | | | | | | |
| Net investment in capital assets | \$ 30,398,426 | \$ 30,608,205 | \$ 30,610,981 | \$ 31,670,128 | \$ 33,362,758 | \$ 35,317,326 | \$ 36,502,551 | \$ 39,320,374 | \$ 41,179,624 | \$ 44,159,955 |
| Restricted | 4,081,739 | 3,869,130 | 3,529,555 | 3,144,099 | 2,730,066 | 2,257,449 | 1,762,302 | 1,289,252 | 943,571 | 3,177,100 |
| Unrestricted | 720,323 | 1,447,615 | 2,551,623 | 3,500,546 | 4,692,088 | 6,094,357 | 9,685,300 | 10,490,184 | (3,083,159) | (4,810,794) |
| Total primary government net position | \$ 35,200,488 | \$ 35,924,950 | \$ 36,692,159 | \$ 38,314,773 | \$ 40,784,912 | \$ 43,669,132 | \$ 47,950,153 | \$ 51,099,810 | \$ 39,040,036 | \$ 42,526,261 |

Notes:

The City converted the wastewater and reclaimed water funds from special revenue funds to enterprise funds in FY 2010.
Fiscal year 2009 converted for comparison purposes

City of St. Pete Beach, Florida
Schedule 2
Changes in Net Position
Last Ten Fiscal Years

| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|------------------------|------------------------|------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Expenses | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| General government | \$ 2,546,390 | \$ 2,093,889 | \$ 2,223,320 | \$ 2,306,345 | \$ 1,975,312 | \$ 2,238,921 | \$ 1,772,659 | \$ 1,653,433 | \$ 1,818,174 | \$ 1,871,615 |
| Community Development | - | 707,288 | 620,111 | 593,337 | 581,888 | 576,218 | 607,796 | 664,648 | 839,776 | 914,014 |
| Recreation | - | - | - | - | - | 1,371,830 | 1,357,270 | 1,405,019 | 1,558,928 | 1,725,466 |
| Library | - | 603,915 | 613,869 | 552,497 | 571,243 | 558,416 | 584,453 | 603,073 | 695,260 | 613,542 |
| Parking Enforcement | - | - | - | - | 267,877 | 318,855 | 359,881 | 337,912 | 383,112 | 554,380 |
| Public Safety - police | 4,165,767 | 4,400,470 | 4,132,774 | 4,048,923 | 3,884,179 | 3,892,761 | 2,832,865 | 2,926,351 | 2,972,287 | 6,033,023 |
| Public Safety - fire | 3,023,061 | 3,249,397 | 3,071,551 | 3,100,901 | 3,047,866 | 3,274,286 | 3,408,902 | 3,542,091 | 4,081,117 | 4,904,903 |
| Public Services | 3,058,319 | 4,217,367 | 3,999,036 | 3,872,799 | 3,962,149 | 2,761,043 | 3,091,481 | 3,713,816 | 3,641,112 | 3,161,814 |
| Leisure services | 2,477,342 | - | - | - | - | - | - | - | - | - |
| Interest on long term-debt | 509,659 | 534,107 | 483,111 | 255,846 | 203,379 | 147,049 | 123,922 | 109,061 | 227,514 | 471,029 |
| Total governmental activities expenses | <u>15,780,538</u> | <u>15,806,433</u> | <u>15,143,772</u> | <u>14,730,648</u> | <u>14,493,893</u> | <u>15,139,379</u> | <u>14,139,229</u> | <u>14,955,404</u> | <u>16,217,280</u> | <u>20,249,786</u> |
| Business-type activities: | | | | | | | | | | |
| Water pollution control - sewer | 4,022,773 | 3,457,675 | 3,385,327 | 3,467,822 | 3,052,904 | 3,756,305 | 3,691,949 | 3,893,752 | 4,222,963 | 5,000,215 |
| Water pollution control - reclaimed water | 643,833 | 638,710 | 776,244 | 778,626 | 819,844 | 884,287 | 772,697 | 709,244 | 761,196 | 831,244 |
| Water pollution control - stormwater | - | - | - | 110,227 | 152,728 | 259,057 | 332,920 | 243,292 | 320,452 | 391,015 |
| Total business-type activities expenses | <u>4,666,606</u> | <u>4,096,385</u> | <u>4,161,571</u> | <u>4,356,675</u> | <u>4,025,476</u> | <u>4,899,649</u> | <u>4,797,566</u> | <u>4,846,288</u> | <u>5,304,611</u> | <u>6,222,474</u> |
| Total primary government expenses | <u>\$ 20,447,144</u> | <u>\$ 19,902,818</u> | <u>\$ 19,305,343</u> | <u>\$ 19,087,323</u> | <u>\$ 18,519,369</u> | <u>\$ 20,039,028</u> | <u>\$ 18,936,795</u> | <u>\$ 19,801,692</u> | <u>\$ 21,521,891</u> | <u>\$ 26,472,260</u> |
| Program Revenues | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| General Government | \$ 411,629 | \$ 435,010 | \$ 425,373 | \$ 439,404 | \$ 450,656 | \$ 473,458 | \$ 469,324 | \$ 482,675 | \$ 503,155 | \$ 79,421 |
| Community Development | 58,176 | 449,139 | 359,829 | 399,355 | 363,853 | 450,065 | 470,650 | 587,335 | 643,007 | 802,469 |
| Recreation | - | - | - | - | - | 574,324 | 739,016 | 719,884 | 823,417 | 858,359 |
| Library | - | 28,069 | 30,182 | 27,427 | 25,048 | 25,356 | 26,771 | 31,355 | 33,347 | 197,090 |
| Parking Enforcement | - | - | - | 928,834 | 1,143,883 | 1,404,482 | 1,444,844 | 1,555,258 | 1,744,353 | 2,164,405 |
| Public Safety - Police | 969,146 | 1,155,181 | 1,147,821 | 141,741 | 169,361 | 143,527 | 41,819 | 147,864 | 24,649 | 53,518 |
| Public Works | 619,330 | 419,320 | 399,399 | 431,290 | 536,404 | - | - | - | - | - |
| Leisure Services | 263,963 | - | - | - | - | - | - | - | - | - |
| Operating grants and contributions | 1,314,450 | 1,625,473 | 1,581,096 | 1,414,213 | 1,411,742 | 1,541,530 | 1,800,650 | 1,544,867 | 1,650,010 | 3,369,796 |
| Capital grants and contributions | 653,672 | 276,854 | 264,062 | 371,068 | 316,946 | 1,143,600 | 353,008 | 6,309 | 2,810 | 919,891 |
| Total governmental activities program revenues | <u>4,290,366</u> | <u>4,389,046</u> | <u>4,207,762</u> | <u>4,153,332</u> | <u>4,417,893</u> | <u>5,756,342</u> | <u>5,346,082</u> | <u>5,075,547</u> | <u>5,424,748</u> | <u>8,444,949</u> |
| Business-type activities: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| Water pollution control - sewer | 2,944,746 | 3,222,774 | 3,753,190 | 4,556,755 | 4,605,011 | 4,741,773 | 4,680,651 | 5,051,892 | 5,219,730 | 5,806,838 |
| Water pollution control - reclaimed water | 567,251 | 562,528 | 548,899 | 603,741 | 699,152 | 797,045 | 800,471 | 864,886 | 869,447 | 866,099 |
| Water pollution control - stormwater | - | - | - | - | 264,594 | 610,966 | 637,350 | 636,163 | 644,968 | 862,478 |
| Operating grants and contributions | - | - | - | - | - | 3,176 | 118,280 | - | - | - |
| Capital grants and contributions | - | - | - | - | - | - | - | 24,450 | - | 1,043,852 |
| Total business-type activities program revenues | <u>3,511,997</u> | <u>3,785,302</u> | <u>4,302,089</u> | <u>5,160,496</u> | <u>5,568,757</u> | <u>6,152,960</u> | <u>6,236,752</u> | <u>6,577,391</u> | <u>6,734,145</u> | <u>8,579,267</u> |
| Total primary government program revenues | <u>\$ 7,802,363</u> | <u>\$ 8,174,348</u> | <u>\$ 8,509,851</u> | <u>\$ 9,313,828</u> | <u>\$ 9,986,650</u> | <u>\$ 11,909,302</u> | <u>\$ 11,582,834</u> | <u>\$ 11,652,938</u> | <u>\$ 12,158,893</u> | <u>\$ 17,024,216</u> |
| Net (Expense)/Revenue | | | | | | | | | | |
| Governmental activities | \$ (11,490,172) | \$ (11,417,387) | \$ (10,936,010) | \$ (10,577,316) | \$ (10,076,000) | \$ (9,383,037) | \$ (8,793,147) | \$ (9,879,857) | \$ (10,792,532) | \$ (11,804,837) |
| Business-type activities | (1,154,609) | (311,083) | 140,518 | 803,821 | 1,543,281 | 1,253,311 | 1,439,186 | 1,731,103 | 1,429,534 | 2,356,793 |
| Total primary government net expense | <u>\$ (12,644,781)</u> | <u>\$ (11,728,470)</u> | <u>\$ (10,795,492)</u> | <u>\$ (9,773,495)</u> | <u>\$ (8,532,719)</u> | <u>\$ (8,129,726)</u> | <u>\$ (7,353,961)</u> | <u>\$ (8,148,754)</u> | <u>\$ (9,362,998)</u> | <u>\$ (9,448,044)</u> |

City of St. Pete Beach, Florida
Schedule 2
Changes in Net Position
Last Ten Fiscal Years
(continued)

General Revenues and Other Changes in Net Position

Governmental activities:

| | | | | | | | | | | |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Taxes | | | | | | | | | | |
| Ad valorem | \$ 7,205,756 | \$ 6,662,973 | \$ 6,057,622 | \$ 5,655,614 | \$ 5,659,947 | \$ 5,641,473 | \$ 6,474,606 | \$ 5,694,314 | \$ 6,783,032 | \$ 7,235,035 |
| Franchise fees | 1,129,082 | 1,104,184 | 1,224,333 | 1,291,867 | 1,198,408 | 1,157,857 | 1,105,415 | 1,175,145 | 1,205,644 | 1,130,860 |
| Utility taxes | 1,993,340 | 2,032,406 | 2,057,562 | 2,238,043 | 2,124,927 | 2,052,136 | 2,082,201 | 2,211,732 | 2,167,637 | 2,181,759 |
| State sales tax | 558,172 | 530,500 | 484,524 | 480,771 | 485,227 | 491,998 | 513,577 | 539,946 | 567,057 | 634,191 |
| Infrastructure tax | 947,581 | 920,711 | 808,949 | 805,652 | 719,060 | 761,136 | 804,221 | 858,293 | 923,839 | 971,639 |
| State excise tax - public safety | 300,840 | 334,351 | 224,860 | 252,317 | 244,087 | 292,403 | 277,654 | 297,976 | 269,876 | 264,986 |
| Other taxes | 40,112 | 42,785 | 52,617 | 45,060 | 45,701 | 46,793 | 47,710 | 41,341 | 51,530 | 97,134 |
| State revenue sharing - unrestricted | 272,013 | 267,207 | 262,715 | 263,617 | 264,996 | 265,814 | 67,817 | 70,119 | 73,737 | 74,339 |
| State revenue sharing - guaranteed entitlement | | | | | | | 199,235 | 199,235 | 199,235 | 199,235 |
| Investment income | 508,419 | 345,567 | 56,045 | 6,892 | 2,491 | 13,413 | 9,700 | 9,320 | 17,210 | 66,585 |
| Miscellaneous | 85,022 | 79,153 | 105,148 | 116,770 | 105,241 | 146,592 | 93,367 | 68,078 | 108,059 | 49,193 |
| Transfers | - | - | - | - | - | - | (75,418) | 80,896 | 57,909 | 147,044 |
| <i>Special item</i> - change in assumptions - OPEB | - | - | - | - | - | - | 556,716 | - | - | - |
| <i>Special item</i> - transfer of operations | - | - | - | - | - | - | (747,433) | - | - | - |
| <i>Special item</i> - loss on capital assets | (539,514) | - | - | - | - | - | - | - | - | - |
| <i>Special item</i> - legal settlements | - | - | - | - | - | - | - | - | (652,137) | - |
| Total governmental activities | <u>12,500,823</u> | <u>12,319,837</u> | <u>11,334,375</u> | <u>11,156,603</u> | <u>10,850,085</u> | <u>10,869,615</u> | <u>11,409,368</u> | <u>11,246,395</u> | <u>11,772,628</u> | <u>13,052,000</u> |
| Business-type activities: | | | | | | | | | | |
| Investment income | - | - | 99,377 | 100,152 | 26,434 | 9,616 | 4,584 | 2,132 | 1,827 | 29,313 |
| Miscellaneous | - | - | - | - | - | 12,340 | (7,866) | (330) | - | - |
| Transfers | - | - | - | - | - | - | 75,418 | (80,896) | (57,909) | (147,044) |
| <i>Special item</i> - change in assumptions - OPEB | - | - | - | - | - | - | 36,351 | - | - | - |
| Total business-type activities | <u>-</u> | <u>-</u> | <u>99,377</u> | <u>100,152</u> | <u>26,434</u> | <u>21,956</u> | <u>108,487</u> | <u>(79,094)</u> | <u>(56,082)</u> | <u>(117,731)</u> |
| Total primary government | <u>\$ 12,500,823</u> | <u>\$ 12,319,837</u> | <u>\$ 11,433,752</u> | <u>\$ 11,256,755</u> | <u>\$ 10,876,519</u> | <u>\$ 10,891,571</u> | <u>\$ 11,517,855</u> | <u>\$ 11,167,301</u> | <u>\$ 11,716,546</u> | <u>\$ 12,934,269</u> |

Change in Net Position

| | | | | | | | | | | |
|--------------------------|---------------------|-------------------|-------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Governmental activities | \$ 1,010,651 | \$ 902,450 | \$ 398,365 | \$ 579,287 | \$ 774,085 | \$ 1,486,578 | \$ 2,616,221 | \$ 1,366,538 | \$ 980,096 | \$ 1,247,163 |
| Business-type activities | (1,154,609) | (311,083) | 239,895 | 903,973 | 1,569,715 | 1,275,267 | 1,547,673 | 1,652,009 | 1,373,452 | 2,239,062 |
| Total primary government | <u>\$ (143,958)</u> | <u>\$ 591,367</u> | <u>\$ 638,260</u> | <u>\$ 1,483,260</u> | <u>\$ 2,343,800</u> | <u>\$ 2,761,845</u> | <u>\$ 4,163,894</u> | <u>\$ 3,018,547</u> | <u>\$ 2,353,548</u> | <u>\$ 3,486,225</u> |

Notes:

- 2 Beginning in fiscal year 2006, parking meter revenues have been recorded as a charge for service in Public Safety - Police rather than in General Government.
- 3 Beginning in fiscal year 2008, the following departmental changes were implemented:
 - a. Community Development department has been separately presented;
 - b. Library division has been separately presented;
 - c. The Parks and Recreation divisions have been included as part of Public Services.
- 4 Beginning in fiscal year 2010, the wastewater and reclaimed water funds are classified as enterprise funds
- 5 Fiscal year 2009 converted for comparison purposes
- 6 Beginning in 2014 the guaranteed entitlement portion of State Revenue Sharing is separately presented.

City of St. Pete Beach, Florida
Schedule 3
Fund Balances, Governmental Funds
Last Ten Fiscal Years

| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|----------------------|----------------------|
| General Fund | | | | | | | | | | |
| Reserved | \$ 210,005 | \$ 209,325 | \$ 1,567,842 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Unreserved | 2,936,042 | 3,192,546 | 2,401,267 | - | - | - | - | - | - | - |
| Nonspendable | - | - | - | 1,134,260 | 920,961 | 352,325 | 284,467 | 211,956 | 211,818 | 208,978 |
| Restricted | - | - | - | 198,063 | 198,063 | 198,063 | 198,063 | 198,063 | 198,063 | 2,477,505 |
| Committed | - | - | - | - | - | - | - | - | 431,487 | - |
| Assigned | - | - | - | 668,445 | 565,656 | 543,695 | 412,809 | 483,073 | 611,860 | 1,041,737 |
| Unassigned | - | - | - | 2,337,289 | 3,229,855 | 3,617,274 | 4,124,482 | 4,800,833 | 5,348,413 | 6,052,922 |
| Total general fund | <u>\$ 3,146,047</u> | <u>\$ 3,401,871</u> | <u>\$ 3,969,109</u> | <u>\$ 4,338,057</u> | <u>\$ 4,914,535</u> | <u>\$ 4,711,357</u> | <u>\$ 5,019,821</u> | <u>\$ 5,693,925</u> | <u>\$ 6,801,641</u> | <u>\$ 9,781,142</u> |
| All Other Governmental Funds | | | | | | | | | | |
| Reserved | \$ 3,917,959 | \$ 3,707,404 | \$ 3,397,217 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Unreserved | | | | | | | | | | |
| Special revenue funds | (702,015) | (1,047,146) | - | - | - | - | - | - | - | - |
| Debt service fund | (46,827) | (49,778) | - | - | - | - | - | - | - | - |
| Capital project fund | (651,603) | 49,928 | 564,051 | - | - | - | - | - | - | - |
| Restricted | - | - | - | 184,044 | 171,803 | 189,484 | 190,519 | 216,017 | 12,885,834 | 12,193,093 |
| Committed | - | - | - | - | - | - | - | - | 494,378 | - |
| Assigned | - | - | - | 475,479 | - | 561,608 | 1,372,620 | 2,093,244 | 2,448,141 | - |
| Unassigned | - | - | - | - | (198,166) | - | - | - | - | - |
| Total all other governmental funds | <u>\$ 2,517,514</u> | <u>\$ 2,660,408</u> | <u>\$ 3,961,268</u> | <u>\$ 659,523</u> | <u>\$ (26,363)</u> | <u>\$ 751,092</u> | <u>\$ 1,563,139</u> | <u>\$ 2,309,261</u> | <u>\$ 15,828,353</u> | <u>\$ 12,193,093</u> |

Note:

The City converted the wastewater and reclaimed water funds from special revenue funds to enterprise funds in FY 2010.

Fiscal year 2009 converted for comparison purposes

The City implemented GASB Statement #54 - "Fund Balance Reporting and Governmental Fund Type Definitions" for the year ended September 30, 2011. The Fund balance classifications for the year ended September 30, 2010 were restated for comparison purposes.

City of St. Pete Beach, Florida
Schedule 4
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years

| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|----------------------|----------------------|
| Revenues | | | | | | | | | | |
| Taxes | \$ 10,328,178 | \$ 9,799,563 | \$ 9,339,517 | \$ 9,185,523 | \$ 8,983,281 | \$ 8,851,466 | \$ 9,662,222 | \$ 9,081,191 | \$ 10,156,313 | \$ 12,557,697 |
| Licenses and permits | 713,523 | 534,094 | 455,394 | 494,634 | 459,849 | 516,512 | 540,699 | 640,300 | 713,346 | 804,309 |
| Intergovernmental revenue | 3,922,805 | 4,004,139 | 3,689,253 | 3,678,096 | 3,579,651 | 4,651,553 | 4,195,087 | 3,685,146 | 3,873,495 | 2,905,990 |
| Charges for services | 4,679,076 | 5,325,751 | 1,572,766 | 1,512,469 | 1,768,756 | 2,135,514 | 2,212,547 | 2,292,991 | 2,592,614 | 2,960,646 |
| Fines and forfeitures | 224,958 | 209,512 | 163,951 | 150,192 | 226,328 | 141,215 | 132,755 | 222,517 | 99,405 | 142,797 |
| Miscellaneous revenue | 1,029,823 | 731,898 | 360,139 | 389,009 | 346,267 | 416,937 | 383,821 | 481,292 | 479,622 | 2,365,510 |
| Total revenues | 20,898,363 | 20,604,957 | 15,581,020 | 15,409,923 | 15,364,132 | 16,713,197 | 17,127,131 | 16,403,437 | 17,914,795 | 21,736,949 |
| Expenditures | | | | | | | | | | |
| Current | | | | | | | | | | |
| General government | 2,378,877 | 1,926,479 | 2,015,314 | 2,099,784 | 1,786,770 | 2,082,197 | 1,729,444 | 1,651,768 | 1,660,190 | 2,167,169 |
| Community Development | - | 716,378 | 610,481 | 581,496 | 567,536 | 565,632 | 595,161 | 664,048 | 792,883 | 913,254 |
| Recreation | - | - | - | - | - | 903,841 | 1,045,861 | 1,074,734 | 1,139,551 | 1,122,687 |
| Library | - | 571,361 | 587,953 | 530,304 | 529,431 | 517,505 | 547,258 | 569,904 | 617,829 | 581,115 |
| Parking Enforcement | - | - | - | - | 267,877 | 318,540 | 336,416 | 316,752 | 344,108 | 554,380 |
| Public safety | 6,810,757 | 7,308,294 | 6,749,074 | 6,738,104 | 6,628,405 | 6,884,686 | 6,985,526 | 6,154,403 | 6,272,784 | 6,680,246 |
| Public services | 2,629,373 | 3,401,670 | 3,138,324 | 3,026,346 | 3,064,189 | 2,324,891 | 2,408,160 | 2,798,998 | 2,790,557 | 2,739,822 |
| Water pollution control | 4,259,808 | 3,701,133 | - | - | - | - | - | - | - | - |
| Leisure services | 2,158,388 | - | - | - | - | - | - | - | - | - |
| Total Current Expenditures | 18,237,203 | 17,625,315 | 13,101,146 | 12,976,034 | 12,844,208 | 13,597,292 | 13,647,826 | 13,230,607 | 13,617,902 | 14,758,673 |
| Capital outlay | | | | | | | | | | |
| General government | 69,723 | 163,246 | 54,889 | 17,551 | 300,488 | 22,050 | 20,330 | 14,604 | 53,428 | - |
| Community Development | - | 3,000 | 6,350 | - | 8,590 | - | - | - | - | - |
| Recreation | - | - | - | - | - | 16,603 | 109,307 | 357,943 | 43,704 | - |
| Library | - | 163,251 | - | 3,894 | 26,236 | 16,932 | - | - | - | 48,084 |
| Parking Enforcement | - | - | - | - | - | 6,290 | - | - | 71,919 | - |
| Public safety | 231,343 | 70,770 | 69,216 | 265,200 | 211,183 | 891,194 | 485,990 | 449,349 | - | 110,935 |
| Public works | 802,927 | 418,265 | 219,989 | 1,206,059 | 735,242 | 718,731 | 862,497 | 866,271 | 1,522,324 | 6,486,655 |
| Water pollution control | 1,358,178 | 25,399 | 274,086 | - | - | - | - | - | - | - |
| Leisure services | 6,731,060 | - | - | - | - | - | - | - | - | - |
| Total Capital Outlay | 9,193,231 | 843,931 | 624,530 | 1,492,704 | 1,281,739 | 1,671,800 | 1,478,124 | 1,688,167 | 1,691,375 | 6,645,674 |
| Debt service | | | | | | | | | | |
| Principal retirement | 1,338,279 | 1,433,818 | 813,322 | 1,340,375 | 1,169,185 | 760,000 | 495,000 | 422,010 | 437,930 | 774,637 |
| Interest and fiscal charges | 571,085 | 521,138 | 261,648 | 245,623 | 194,704 | 144,126 | 121,397 | 106,855 | 241,985 | 360,768 |
| Total Debt Service | 1,909,364 | 1,954,956 | 1,074,970 | 1,585,998 | 1,363,889 | 904,126 | 616,397 | 528,865 | 679,915 | 1,135,405 |
| Total expenditures | 29,339,798 | 20,424,202 | 14,800,646 | 16,054,736 | 15,489,836 | 16,173,218 | 15,742,347 | 15,447,639 | 15,989,192 | 22,539,752 |
| Excess of revenues over (under) expenditures | (8,441,435) | 755 | 780,374 | (644,813) | (125,704) | 539,979 | 1,384,784 | 955,798 | 1,925,603 | (802,803) |
| Other Financing Sources (Uses) | | | | | | | | | | |
| Capital lease obligation incurred | - | - | - | - | - | - | - | 379,132 | - | - |
| Bond proceeds | 4,100,598 | - | - | - | - | - | - | - | 13,048,318 | - |
| Loan proceeds | 1,414,321 | 388,742 | 269,843 | 875,000 | - | - | - | - | - | - |
| Sale of surplus capital assets proceeds | 23,575 | 9,221 | 31,746 | 52,231 | 16,296 | 34,298 | 19,056 | 4,400 | 23,615 | - |
| Transfers in | 934,601 | 547,101 | 400,000 | 475,000 | 492,000 | 925,000 | 1,384,400 | 1,905,896 | 1,961,909 | 2,122,044 |
| Transfers out | (934,601) | (547,101) | (400,000) | (475,000) | (492,000) | (925,000) | (1,325,000) | (1,825,000) | (1,904,000) | (1,975,000) |
| Total other financing sources (uses) | 5,538,494 | 397,963 | 301,589 | 927,231 | 16,296 | 34,298 | 78,456 | 464,428 | 13,129,842 | 147,044 |
| Special item - transfer of operations | - | - | - | - | - | - | (342,729) | - | (428,637) | - |
| Net change in fund balances | (2,902,941) | 398,718 | 1,081,963 | 282,418 | (109,408) | 574,277 | 1,120,511 | 1,420,226 | 14,626,808 | (655,759) |
| Fund balances - beginning of year | 8,566,502 | 5,663,561 | 3,633,199 | 4,715,162 | 4,997,580 | 4,888,172 | 5,462,449 | 6,582,960 | 8,003,186 | 22,629,994 |
| Fund balance - end of year | \$ 5,663,561 | \$ 6,062,279 | \$ 4,715,162 | \$ 4,997,580 | \$ 4,888,172 | \$ 5,462,449 | \$ 6,582,960 | \$ 8,003,186 | \$ 22,629,994 | \$ 21,974,235 |
| Debt service as a percentage of non-capital expenditures | 9.5% | 10.0% | 7.6% | 10.9% | 9.6% | 6.2% | 4.3% | 3.8% | 4.4% | 6.7% |

Note:
The City converted the wastewater and reclaimed water funds from special revenue funds to enterprise funds in FY 2010.
Fiscal year 2009 converted for comparison purposes

City of St. Pete Beach, Florida
Schedule 5
Program Revenue by Function / Program
Last Ten Fiscal Years

| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Function / Program | | | | | | | | | | |
| Governmental activities : | | | | | | | | | | |
| Charges for services | | | | | | | | | | |
| General government | \$ 411,629 | \$ 435,010 | \$ 425,373 | \$439,404 | \$450,656 | \$473,458 | \$ 469,324 | \$ 482,675 | \$ 503,155 | \$ 79,421 |
| Community development | 58,176 | 449,139 | 359,829 | 399,355 | 363,853 | 450,065 | 470,650 | 587,335 | 643,007 | 802,469 |
| Recreation | | | | | | 574,324 | 739,016 | 719,884 | 823,417 | 858,359 |
| Library | - | 28,069 | 30,182 | 27,427 | 25,048 | 25,356 | 26,771 | 31,355 | 33,347 | 197,090 |
| Parking enforcement | - | 0 | - | 928,834 | 1,143,883 | 1,404,482 | 1,444,844 | 1,555,258 | 1,744,353 | 2,164,405 |
| Public safety - police | 969,146 | 1,155,181 | 1,147,821 | 141,741 | 169,361 | 143,527 | 41,819 | 147,864 | 24,649 | 53,518 |
| Public services | 619,330 | 419,320 | 399,399 | 431,290 | 536,404 | - | - | - | - | - |
| Leisure services | 263,963 | - | - | - | - | - | - | - | - | - |
| Total charges for services | <u>2,322,244</u> | <u>2,486,719</u> | <u>2,362,604</u> | <u>2,368,051</u> | <u>2,689,205</u> | <u>3,071,212</u> | <u>3,192,424</u> | <u>3,524,371</u> | <u>3,771,928</u> | <u>4,155,262</u> |
| Operating grants and contributions | | | | | | | | | | |
| General Government | - | - | - | - | - | - | - | - | 41,050 | 1,609,618 |
| Library | 271,841 | 248,257 | 218,470 | 189,859 | 173,606 | 168,334 | 162,137 | 153,237 | 154,130 | 14,186 |
| Public safety - police | 92,235 | 76,465 | 47,129 | 63,569 | 82,127 | 97,676 | 20,976 | - | - | - |
| Public safety - fire | 904,660 | 1,182,893 | 1,236,947 | 1,108,691 | 1,101,575 | 1,216,072 | 1,452,525 | 1,317,862 | 1,355,080 | 1,513,490 |
| Public works | 45,714 | 117,858 | 49,532 | 52,084 | 54,434 | 59,448 | 165,012 | 73,768 | 99,750 | 232,502 |
| Total operating grants and contributions | <u>\$ 1,314,450</u> | <u>\$ 1,625,473</u> | <u>\$ 1,552,078</u> | <u>1,414,203</u> | <u>1,411,742</u> | <u>1,541,530</u> | <u>\$ 1,800,650</u> | <u>\$ 1,544,867</u> | <u>\$ 1,650,010</u> | <u>\$ 3,369,796</u> |
| Capital grants and contributions | | | | | | | | | | |
| General government | - | - | - | - | 142,500 | - | - | - | - | - |
| Recreation | - | - | - | - | - | 272,500 | - | 4,050 | - | - |
| Library | - | - | - | - | 10,000 | - | - | - | - | - |
| Public safety - police | - | - | 118,719 | 247,341 | 99,760 | 6,100 | 2,508 | 2,259 | 2,810 | - |
| Public safety - fire | - | - | - | - | - | 665,000 | - | - | - | - |
| Public works | - | - | 174,361 | 123,727 | 64,686 | 200,000 | 350,500 | - | - | 919,891 |
| Leisure services | 653,672 | 276,854 | - | - | - | - | - | - | - | - |
| Total capital grants and contributions | <u>653,672</u> | <u>276,854</u> | <u>293,080</u> | <u>371,068</u> | <u>316,946</u> | <u>1,143,600</u> | <u>353,008</u> | <u>6,309</u> | <u>2,810</u> | <u>919,891</u> |
| Sub-total governmental activities | <u>\$ 4,290,366</u> | <u>\$ 4,389,046</u> | <u>\$ 4,207,762</u> | <u>\$4,153,322</u> | <u>\$ 4,417,893</u> | <u>\$ 5,756,342</u> | <u>\$ 5,346,082</u> | <u>\$ 5,075,547</u> | <u>\$ 5,424,748</u> | <u>\$ 8,444,949</u> |
| Business-type activities: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| Water pollution control - sewer | 2,944,746 | 3,222,774 | 3,753,190 | 4,556,755 | 4,605,011 | 4,741,773 | 4,680,651 | 5,051,892 | 5,219,730 | 5,806,838 |
| Water pollution control - reclaimed water | 567,251 | 562,528 | 548,899 | 603,741 | 699,152 | 797,045 | 800,471 | 864,886 | 869,447 | 866,099 |
| Water pollution control - stormwater | - | - | - | - | 264,594 | 610,966 | 637,350 | 636,163 | 644,968 | 862,478 |
| Total charges for services | <u>3,511,997</u> | <u>3,785,302</u> | <u>4,302,089</u> | <u>5,160,496</u> | <u>5,568,757</u> | <u>6,149,784</u> | <u>6,118,472</u> | <u>6,552,941</u> | <u>6,734,145</u> | <u>7,535,415</u> |
| Operating grants and contributions | | | | | | | | | | |
| Total operating grants and contributions | - | - | - | - | - | 3,176 | 118,280 | - | - | - |
| Capital grants and contributions | | | | | | | | | | |
| Total capital grants and contributions | - | - | - | - | - | - | - | 24,450 | - | 1,043,852 |
| Sub-total business type activities program revenues | <u>3,511,997</u> | <u>3,785,302</u> | <u>4,302,089</u> | <u>5,160,496</u> | <u>5,568,757</u> | <u>6,152,960</u> | <u>6,236,752</u> | <u>6,577,391</u> | <u>6,734,145</u> | <u>8,579,267</u> |
| Total primary government program revenues | <u>\$ 7,802,363</u> | <u>\$ 8,174,348</u> | <u>\$ 8,509,851</u> | <u>\$ 9,313,818</u> | <u>\$ 9,986,650</u> | <u>\$ 11,909,302</u> | <u>\$ 11,582,834</u> | <u>\$ 11,652,938</u> | <u>\$ 12,158,893</u> | <u>\$ 17,024,216</u> |

City of St. Pete Beach, Florida
 Schedule 6
 Tax Revenues by Source, Governmental Funds
 Last Ten Fiscal Years

| Fiscal Year Ended September 30, | Ad Valorem | Franchise Fees | Utility Taxes | Total |
|---------------------------------------|--------------|-------------------|------------------|---------------|
| 2016 | \$ 7,235,035 | \$ 1,130,860 | \$ 2,181,759 | \$ 10,547,654 |
| 2015 | 6,783,032 | 1,205,644 | 2,167,637 | 10,156,313 |
| 2014 | 5,694,314 | 1,175,145 | 2,211,732 | 9,081,191 |
| 2013 | 6,474,606 | 1,105,415 | 2,082,201 | 9,662,222 |
| 2012 | 5,641,473 | 1,157,857 | 2,052,136 | 8,851,466 |
| 2011 | 5,659,946 | 1,198,408 | 2,124,927 | 8,983,281 |
| 2010 | 5,655,614 | 1,291,867 | 2,238,042 | 9,185,523 |
| 2009 | 6,057,622 | 1,224,333 | 2,057,562 | 9,339,517 |
| 2008 | 6,662,973 | 1,104,184 | 2,032,406 | 9,799,563 |
| 2007 | 7,205,756 | 1,129,082 | 1,993,340 | 10,328,178 |

City of St. Pete Beach, Florida
 Schedule 7
 Assessed Value and Actual Value of Taxable Property
 Last Ten Fiscal Years

| Fiscal Year Ended September 30, | Tax Roll | Residential Property | Commercial Property | Governmental Property | Institutional Property | Other Real Property | Personal Property | Total Assessed Value | Less: Tax-Exempt Property | Total Taxable Assessed Value | Total Direct Tax Rate |
|---------------------------------|----------|----------------------|---------------------|-----------------------|------------------------|---------------------|-------------------|----------------------|---------------------------|------------------------------|-----------------------|
| 2016 | 2015 | \$ 2,050,677,526 | \$ 432,117,910 | \$ 31,260,231 | \$ 21,380,662 | \$ 8,121,842 | \$ 70,313,910 | \$ 2,613,872,081 | \$ 242,859,589 | \$ 2,371,012,492 | 3.1500 |
| 2015 | 2014 | 1,920,699,855 | 397,961,637 | 29,848,399 | 20,159,599 | 7,857,808 | 63,539,771 | 2,440,067,069 | 240,837,037 | 2,199,230,032 | 3.1500 |
| 2014 | 2013 | 1,793,883,055 | 393,536,407 | 25,463,444 | 19,456,265 | 7,713,624 | 61,230,630 | 2,301,283,425 | 237,841,071 | 2,063,442,354 | 2.8569 |
| 2013 | 2012 | 1,785,350,119 | 383,501,063 | 25,393,771 | 19,389,257 | 7,773,482 | 57,629,771 | 2,279,037,463 | 294,774,137 | 1,984,263,326 | 3.3697 |
| 2012 | 2011 | 1,745,788,800 | 365,880,150 | 24,841,805 | 17,039,690 | 7,252,963 | 57,842,179 | 2,218,645,587 | 237,892,158 | 1,980,753,429 | 2.9464 |
| 2011 | 2010 | 1,866,594,851 | 400,024,065 | 26,970,547 | 18,534,123 | 8,148,597 | 53,226,254 | 2,373,498,437 | 252,537,396 | 2,120,961,041 | 2.7514 |
| 2010 | 2009 | 1,974,627,856 | 445,160,499 | 31,375,098 | 20,933,239 | 9,952,577 | 55,337,521 | 2,537,386,790 | 261,028,318 | 2,276,358,472 | 2.5588 |
| 2009 | 2008 | 2,554,643,705 | 664,746,200 | 63,915,000 | 25,236,900 | 4,397,000 | 53,478,550 | 3,366,417,355 | 805,857,299 | 2,560,560,056 | 2.4425 |
| 2008 | 2007 | 2,916,165,500 | 715,107,200 | 63,887,600 | 24,314,300 | 5,038,700 | 50,266,380 | 3,774,779,680 | 950,102,233 | 2,824,677,447 | 2.4363 |
| 2007 | 2006 | 2,943,231,980 | 751,347,000 | 64,732,200 | 23,819,900 | 3,186,800 | 47,787,380 | 3,834,105,260 | 1,044,433,806 | 2,789,671,454 | 2.6656 |

Source:

Pinellas County Property Appraiser

City of St. Pete Beach, Florida
 Schedule 8
 Direct and Overlapping Property Tax Rates
 Last Ten Fiscal Years
 (rates per \$1,000 of assessed value)

| Fiscal Year | City Millage | City Debt | Total City | Pinellas County | | | Pinellas County School Board | | | Emerg. Medical Services | Pinellas Planning Council | Juvenile Welfare Board | Southwest Florida Water Management District | Pinellas Anclote River Basin | Total | |
|-------------|--------------|-----------|------------|-----------------|------------------|-------------------|------------------------------|------------------------|------------------------|-------------------------|---------------------------|------------------------|---|------------------------------|--------|--------------------|
| | | | | Operating | Mosquito Control | Health Department | Total County - Operating | State School Operating | Local School Operating | | | | | | | Total School Board |
| 2016 | 3.1500 | - | 3.1500 | 5.2755 | - | 0.0622 | 5.3377 | 5.0930 | 2.7480 | 7.7700 | 0.9158 | 0.0160 | 0.8981 | 0.3488 | - | 18.4364 |
| 2015 | 3.1500 | - | 3.1500 | 5.2755 | - | 0.0622 | 5.3377 | 5.0930 | 2.7480 | 7.8410 | 0.9158 | 0.0160 | 0.8981 | 0.3658 | - | 18.5244 |
| 2014 | 2.8569 | - | 2.8569 | 5.2755 | - | 0.0622 | 5.3377 | 5.3120 | 2.7480 | 8.0600 | 0.9158 | 0.0160 | 0.8981 | 0.3818 | - | 18.4663 |
| 2013 | 3.2819 | 0.0878 | 3.3697 | 5.0105 | - | 0.0622 | 5.0727 | 5.5540 | 2.7480 | 8.3020 | 0.9158 | 0.0125 | 0.8981 | 0.3928 | - | 18.9636 |
| 2012 | 2.8569 | 0.0895 | 2.9464 | 4.8108 | - | 0.0622 | 4.8730 | 5.6370 | 2.7480 | 8.3850 | 0.8506 | 0.0125 | 0.8337 | 0.3928 | - | 18.2940 |
| 2011 | 2.6718 | 0.0796 | 2.7514 | 4.8108 | - | 0.0622 | 4.8730 | 5.3420 | 2.9980 | 8.3400 | 0.5832 | 0.0125 | 0.7915 | 0.3770 | 0.2600 | 17.9886 |
| 2010 | 2.4834 | 0.0754 | 2.5588 | 4.8108 | - | 0.0622 | 4.8730 | 5.3480 | 2.9980 | 8.3460 | 0.5832 | 0.0125 | 0.7915 | 0.3866 | 0.3200 | 17.8716 |
| 2009 | 2.3764 | 0.0661 | 2.4425 | 4.8108 | - | 0.0622 | 4.8730 | 5.1720 | 2.8890 | 8.0610 | 0.5832 | 0.0170 | 0.7915 | 0.3866 | 0.3600 | 17.5148 |
| 2008 | 2.3764 | 0.0599 | 2.4363 | 4.8108 | - | 0.0622 | 4.8730 | 4.7300 | 3.0010 | 7.7310 | 0.5832 | 0.0170 | 0.7384 | 0.3866 | 0.3701 | 17.1356 |
| 2007 | 2.6000 | 0.0656 | 2.6656 | 5.3400 | 0.0600 | 0.0700 | 5.4700 | 5.0460 | 3.1640 | 8.2100 | 0.6300 | 0.0195 | 0.7963 | 0.4220 | 0.4000 | 18.6134 |

Source:

Pinellas County Tax Collector

City of St. Pete Beach, Florida
Schedule 9
Principal Property Tax Payers
Current Year and Ten Years Ago

| Taxpayer | 2016 | | | 2006 | | |
|-----------------------------------|-------------------------|------|---|-------------------------|------|---|
| | Taxable Assessed Value | Rank | Percentage of Total City Taxable Assessed Value | Taxable Assessed Value | Rank | Percentage of Total City Taxable Assessed Value |
| Don Cesar Resort Hotel | \$ 56,328,967 | 1 | 2.56% | \$ 55,347,930 | 1 | 1.98% |
| Nicklaus, H Gregg Tre | 24,326,720 | 2 | 1.11% | 31,900,000 | 3 | 1.14% |
| RIA - Sandpiper Inc | 20,621,049 | 3 | 0.94% | 17,500,000 | 5 | 0.63% |
| Vacation Trust Inc Tre | 16,908,879 | 4 | | | | |
| B R E Mariner Dolphin Village LLC | 15,525,000 | 5 | 0.71% | 12,103,300 | 8 | 0.43% |
| C R P 6300 Gulf LLC | 14,708,722 | 6 | 0.67% | | | |
| Grand Plaza Resorts Inc | 13,229,036 | 7 | 0.60% | | | |
| RIA - Tradewinds, Inc. | 13,200,139 | 8 | 0.60% | 33,527,490 | 2 | 1.20% |
| Dolphin Holdings, LTD | 10,750,000 | 9 | 0.49% | | | |
| Reagan, Brownlee | 9,400,000 | 10 | | | | |
| B reckenridge Development Inc. | 10,543,889 | 8 | 0.48% | 21,041,450 | 4 | 0.75% |
| RIA - Breckenridge, Inc. | 10,290,100 | 9 | 0.47% | | | |
| Alden Enterprises, Inc. | | | | 10,521,410 | 10 | 0.38% |
| Ton Land Associates, LLC | | | | 14,179,500 | 6 | 0.51% |
| Belle Grande, LLC | | | | 11,901,300 | 9 | 0.43% |
| National Realty Holdings, Inc. | | | | 13,500,000 | 7 | 0.48% |
| Total Principal Taxpayers | 215,832,501 | | 9.10% | \$ 221,522,380 | | 7.94% |
| All Other Taxpayers | 2,155,179,991 | | 90.90% | 2,568,149,074 | | 92.06% |
| Total | <u>\$ 2,371,012,492</u> | | <u>100%</u> | <u>\$ 2,789,671,454</u> | | <u>100%</u> |

Source:

Pinellas County Property Appraiser's Office

City of St. Pete Beach, Florida
 Schedule 10
 Property Tax Levies and Collections
 Last Ten Fiscal Years

| Fiscal Year Ended September 30, | Taxes Levied for the Fiscal Year | Collected within the Fiscal Year of the Levy | |
|--|--|---|-----------------------|
| | | Amount | Percentage of Levy |
| 2016 | \$ 7,468,689 | \$ 7,235,035 | 96.87% |
| 2015 | \$ 6,927,575 | \$ 6,783,032 | 97.91% |
| 2014 | \$ 5,895,048 | \$ 5,694,314 | 96.59% |
| 2013 | \$ 6,686,372 | \$ 6,474,606 | 96.83% |
| 2012 | \$ 5,836,092 | \$ 5,641,473 | 96.67% |
| 2011 | \$ 5,835,612 | \$ 5,659,946 | 96.99% |
| 2010 | \$ 5,824,746 | \$ 5,655,614 | 97.10% |
| 2009 | \$ 6,254,168 | \$ 5,655,614 | 90.43% |
| 2008 | \$ 6,881,762 | \$ 6,662,973 | 96.82% |
| 2007 | \$ 7,436,148 | \$ 7,205,756 | 96.90% |

Note:

Subsequent year collections are minimal, therefore only total tax collected within the fiscal year is presented.

Source:

Pinellas County Property Appraiser

City of St. Pete Beach, Florida
 Schedule 11
 Direct and Overlapping Governmental Activities Debt
 As of September 30, 2016

| <u>Governmental Unit</u> | <u>Debt Outstanding</u> | <u>Estimated Percentage Applicable</u> | <u>Estimated Share of Overlapping Debt</u> |
|--|-----------------------------|--|--|
| Overlapping debt: | | | |
| Pinellas County School Board Capital Leases (2) | \$ 7,319,097 | 3.40% | \$ 248,894 |
| Pinellas County Capital Leases(2) | 21,863 | 3.73% | 815 |
| Pinellas County Government Notes | 11,571,920 | 3.73% | 431,407 |
| Pinellas County School Board (Overlapping) (2) | <u>14,884,000</u> | 3.40% | <u>506,146</u> |
| Total OverlappingDebt | 33,796,880 | | 1,187,262 |
| City direct debt | <u>23,835,949</u> | 100.00% | <u>23,835,949</u> |
| Total direct and overlapping governmental activities debt | <u>\$ 57,632,829</u> | | <u>\$ 25,023,211</u> |
| Total direct and overlapping governmental activities debt per capita (2) (3) | | | \$ 2,689 |

Notes: 24683201

(1) The City's share is calculated based on the ratio of the 2014 City Taxable Value of \$ 2,371,012,492 to the County's Taxable Value of \$ 63,599,221,882 and the School Board Taxable Value of \$69,723,230,712.

(2) The City of St. Pete Beach is not responsible for the debt of the County or School Board.

(3) 2016 permanent St. Pete Beach population at 9,452.

Source:

Pinellas County, Florida; City of St. Pete Beach Finance Department; University of Florida

City of St. Pete Beach, Florida
Schedule 12
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

| Fiscal Year | Governmental Activities | | | | | Business-Type Activities | | | | | | Total Primary Government | General Bonded Debt | | | |
|-------------|-------------------------------|---------------------------|--------------------|--------------------------|------------------------|---------------------------|---------------------------|---------------------------|------------------------------|------------------------------|------------------------|--------------------------|--|------------|-------------------------------|------------|
| | General Obligation Bonds 1993 | Revenue Bond Series 2001A | Revenue Bond 2006A | Revenue Bond Series 2015 | Capital Leases Payable | State Revolving Loan 1992 | State Revolving Loan 2002 | State Revolving Loan 2005 | Wastewater Revenue Bond 2015 | Stormwater Revenue Bond 2015 | Capital Leases Payable | | Percentage of Actual Taxable Value of Property | Per Capita | Percentage of Personal Income | Per Capita |
| 2016 | \$ - | \$ - | \$ 820,000 | \$ 12,685,000 | \$ 154,554 | \$ - | \$ 121,763 | \$ 1,943,789 | \$ 4,838,000 | \$ 2,916,000 | \$ 356,843 | \$ 23,835,949 | 0.000% | \$ - | 0.00% | \$ 2,522 |
| 2015 | - | - | 1,205,000 | 13,000,000 | 229,191 | - | 137,145 | 2,111,865 | 5,000,000 | 3,000,000 | - | 24,683,201 | 0.000% | - | 0.00% | 2,633 |
| 2014 | - | - | 1,570,000 | - | 302,121 | 576,600 | 152,070 | 2,275,638 | - | - | - | 4,876,429 | 0.000% | - | 0.00% | 515 |
| 2013 | - | - | 1,915,000 | - | - | 1,133,436 | 166,549 | 2,435,220 | - | - | - | 5,650,205 | 0.000% | - | 0.00% | 604 |
| 2012 | 160,000 | - | 2,250,000 | - | - | 1,671,186 | 180,597 | 2,590,716 | - | - | - | 6,852,501 | 0.008% | 17 | 0.04% | 736 |
| 2011 | 315,000 | 285,000 | 2,570,000 | - | - | 2,190,474 | 194,225 | 2,752,362 | - | - | 32,837 | 8,339,900 | 0.015% | 31 | 0.07% | 829 |
| 2010 | 460,000 | 560,000 | 2,875,000 | - | 444,186 | 2,691,948 | 207,448 | 2,919,867 | - | - | 64,128 | 10,222,579 | 0.020% | 46 | 0.09% | 1,020 |
| 2009 | 600,000 | 820,000 | 3,170,000 | - | 214,561 | 3,176,220 | 220,276 | 3,083,084 | - | - | 93,955 | 11,378,102 | 0.023% | 59 | 0.12% | 1,124 |
| 2008 | 730,000 | 1,065,000 | 3,455,000 | - | 490,269 | 3,643,880 | 232,722 | 2,976,163 | - | - | - | \$ 12,593,040 | 0.026% | 72 | 0.15% | 1,236 |
| 2007 | 855,000 | 1,300,000 | 3,725,000 | - | 663,950 | 4,095,498 | 244,796 | 2,753,865 | - | - | - | \$ 13,638,115 | 0.031% | 85 | 0.22% | 1,352 |

City of St. Pete Beach, Florida
Schedule 13
Pledged-Revenue Coverage
Last Ten Fiscal Years

| Year | Ad valorem Taxes | General Obligation Bonds 1993 | | | Reclaimed Water Service Charges | Less: Operating Expenses | Plus: Sinking Fund - Sale of U.S. Treasury Zero Coupon Bonds | Net Available Revenue | State Revolving Loan, 1992 | | | Sewer Service Charges | Less: Operating Expenses | Net Available Revenue | Wastewater Utility System Revenue Bond Series 2015 (Primary) | | |
|------|------------------|-------------------------------|----------|----------|---------------------------------|--------------------------|--|-----------------------|----------------------------|----------|----------|-----------------------|--------------------------|-----------------------|--|------------|----------|
| | | Principal | Interest | Coverage | | | | | Principal | Interest | Coverage | | | | Principal | Interest | Coverage |
| 2016 | \$ - | \$ - | \$ - | - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | - | \$ 5,806,807 | \$ 4,768,908 | \$ 1,037,899 | \$ 162,000 | \$ 198,897 | 2.88 |
| 2015 | - | - | - | - | 846,638 | 517,095 | 500,000 | 829,543 | 576,600 | 5,163 | 1.43 | 5,218,696 | 3,645,072 | 1,573,624 | - | - | - |
| 2014 | - | - | - | - | 842,702 | 444,710 | 500,000 | 897,992 | 556,836 | 40,265 | 1.50 | 5,048,037 | 3,523,158 | 1,524,879 | - | - | - |
| 2013 | 168,400 | 160,000 | 8,400 | 1 | 775,886 | 488,690 | 500,000 | 787,196 | 537,750 | 59,351 | 1.32 | 4,679,616 | 3,370,293 | 1,309,323 | - | - | - |
| 2012 | 171,357 | 155,000 | 16,357 | 1 | 781,555 | 582,757 | 500,000 | 698,798 | 519,287 | 77,814 | 1.17 | 4,737,866 | 3,467,211 | 1,270,655 | - | - | - |
| 2011 | 169,150 | 145,000 | 24,150 | 1 | 683,605 | 501,695 | 500,000 | 681,910 | 501,474 | 95,627 | 1.14 | 4,596,119 | 2,775,656 | 1,820,463 | - | - | - |
| 2010 | 171,500 | 140,000 | 31,500 | 1 | 591,590 | 432,211 | 500,000 | 659,379 | 484,272 | 112,829 | 1.10 | 4,541,287 | 3,187,248 | 1,354,039 | - | - | - |
| 2009 | 168,325 | 130,000 | 38,325 | 1 | 525,084 | 524,699 | 500,000 | 500,385 | 467,660 | 129,441 | 0.84 | 3,719,270 | 3,230,610 | 488,660 | - | - | - |
| 2008 | 170,383 | 125,000 | 44,575 | 1 | 545,836 | 399,199 | 500,000 | 646,637 | 451,618 | 145,482 | 1.08 | 3,222,774 | 3,349,795 | (127,021) | - | - | - |
| 2007 | 171,383 | 120,000 | 50,575 | 1 | 548,495 | 416,599 | 500,000 | 631,896 | 436,128 | 160,973 | 1.06 | 2,944,746 | 3,890,969 | (946,223) | - | - | - |

Note:

- (A) The Revenue Bonds Series 2001A and 2006A are secured by non - ad valorem revenues. The City has utilized the infrastructure sales surtax revenue as the source for debt payments.
- (B) The Revenue Bonds Series 2015 is secured by non - ad valorem revenues which include the Local Government Half-cent Sales Tax, The Guaranteed Entitlement Revenues portion of the State of Florida Revenue Sharing Trust Fund, utility service franchise fees and utility public service tax revenues.

City of St. Pete Beach, Florida
Schedule 13
Pledged-Revenue Coverage
Last Ten Fiscal Years
(continued)

| State Revolving Loan 2003 and 2005 (Secondary) | | | Stormwater Assess Charges | Less: Operating Expenses | Net Available Revenue | Stormwater Improvement Assessment Bond, Series 2015 | | | Infrastructure Sales Tax | Revenue Bonds Series 2001A and Series 2006A | | | Pledged Revenues | Capital Improvement Revenue Bonds Series 2015 B | | |
|---|-----------|-------------|---------------------------------|--------------------------------|-----------------------------|--|-----------|----------|-----------------------------|--|-----------|----------|---------------------|--|------------|----------|
| Principal | Interest | Coverage | | | | Principal | Interest | Coverage | | Principal | Interest | Coverage | | Principal | Interest | Coverage |
| \$ 183,458 | \$ 57,898 | 2.80 | \$ 862,478 | \$ 337,457 | \$ 525,021 | \$ 84,000 | \$ 87,788 | 3.06 | \$ 971,639 | \$ 385,000 | \$ 60,250 | 2.18 | \$ 4,146,045 | \$ 315,000 | \$ 434,681 | 5.53 |
| 178,697 | 62,858 | 6.51 | - | - | - | - | - | - | 923,839 | 365,000 | 78,500 | 2.08 | - | - | - | - |
| \$ 174,061 | \$ 67,222 | 6.32 | - | - | - | - | - | - | 858,293 | 345,000 | 95,750 | 1.95 | - | - | - | - |
| \$ 169,543 | \$ 72,012 | 5.42 | - | - | - | - | - | - | 804,221 | 335,000 | 109,150 | 1.81 | - | - | - | - |
| \$ 175,273 | \$ 76,354 | 5.05 | - | - | - | - | - | - | 761,136 | 605,000 | 122,729 | 1.05 | - | - | - | - |
| \$ 180,728 | \$ 81,170 | 6.95 | - | - | - | - | - | - | 719,060 | 580,000 | 149,980 | 0.99 | - | - | - | - |
| \$ 176,301 | \$ 85,776 | 5.17 | - | - | - | - | - | - | 805,652 | 555,000 | 180,450 | 1.10 | - | - | - | - |
| \$ 175,370 | \$ 86,708 | 1.86 | - | - | - | - | - | - | 808,949 | 530,000 | 204,475 | 1.10 | - | - | - | - |
| \$ 178,518 | \$ 83,807 | None | - | - | - | - | - | - | 920,711 | 505,000 | 223,084 | 1.26 | - | - | - | - |
| \$ 201,181 | \$ 60,897 | None | - | - | - | - | - | - | 947,581 | 415,000 | 201,857 | 1.54 | - | - | - | - |

City of St. Pete Beach, Florida
 Schedule 14
 Demographic and Economic Statistics
 Last Ten Calendar Years

| <u>Year</u> | <u>Population (1)</u> | <u>Personal Income (1)</u> | <u>Per Capita Personal Income (1)</u> | <u>Median Age (1)</u> | <u>School Enrollment (2)</u> | <u>Unemployment Rate (3)</u> |
|-------------|-----------------------|--------------------------------|---|---------------------------|----------------------------------|----------------------------------|
| 2016 | 9,452 | \$ 493,073,032 | \$ 52,166 | 58.6 | 103,779 | 4.5% |
| 2015 | 9,373 | 460,036,213 | 49,081 | 56.1 | 103,779 | 4.2% |
| 2014 | 9,471 | 451,037,433 | 47,623 | 55.9 | 104,104 | 5.7% |
| 2013 | 9,357 | 435,587,064 | 46,552 | 57.5 | 101,337 | 6.0% |
| 2012 | 9,307 | 397,883,557 | 42,751 | 56.8 | 101,818 | 9.8% |
| 2011 | 10,063 | 449,393,454 | 44,658 | 56.8 | 104,001 | 10.8% |
| 2010 | 10,026 | 493,880,760 | 49,260 | 56.8 | 102,672 | 12.1% |
| 2009 | 10,121 | 491,050,678 | 48,518 | 56.4 | 103,302 | 11.1% |
| 2008 | 10,192 | 479,941,280 | 47,090 | 55.9 | 104,717 | 7.1% |
| 2007 | 10,085 | 384,087,225 | 38,085 | 44.1 | 113,651 | 4.3% |

Sources:

- (1) Pinellas County Bureau of Economic Development
- (2) Pinellas County Schools - elementary through high school for Pinellas' County School District.
- (3) U.S. Department of Labor - Bureau of Labor Statistics - Pinellas County

City of St. Pete Beach, Florida
 Schedule 15
 Principal Employers, St. Pete Beach
 Current Year and Nine Years Ago

| Employer | 2016 | | 2007 | |
|------------------------------------|--------------|------|--------------|------|
| | Employees | Rank | Employees | Rank |
| Bluegreen at Tradewinds | 800 | 1 | 665 | 1 |
| The Don Cesar Beach Resort | 550 | 2 | 513 | 2 |
| Sirata Beach Resort | 300 | 3 | 256 | 3 |
| Publix Super Markets | 200 | 4 | 130 | 8 |
| Tradewinds Island Resort | 100 | 5 | | |
| Grand Plaza Hotel | 100 | 6 | 144 | 5 |
| Hurricane Lounge, Inc | 100 | 7 | 99 | 9 |
| Winn Dixie | 100 | 8 | | |
| Guy Harvey Outpost | 99 | 9 | | |
| Beachcomber Beach Resort & Htl | 85 | 10 | 78 | 10 |
| City of St. Pete Beach | | | 143 | 6 |
| Ambassador Hospitality Solutions | | | 158 | 4 |
| Grace Healthcare of St. Petersburg | | | 112 | 7 |
| | <u>2,434</u> | | <u>2,298</u> | |

Source:

Pinellas County Economic Development Department.

(1) The information pertaining to the principal employers for nine years ago is not available. The earliest information is for 2006.

City of St. Pete Beach, Florida
 Schedule 16
 Full-time Equivalent City Government Employees by Function/Program
 Last Ten Fiscal Years

| <u>Function/Program</u> | Full-time Equivalent Employees as of September 30 | | | | | | | | | |
|-------------------------|---|-------------|-------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
| General government | | | | | | | | | | |
| City Manager | 3.0 | 3.0 | 3.0 | 3.0 | 2.5 | 2.5 | 3.0 | 3.0 | 4.0 | 5.0 |
| City Clerk | 2.6 | 2.9 | 2.9 | 3.1 | 3.1 | 3.1 | 3.6 | 3.5 | 4.5 | 4.5 |
| Community Development | 7.0 | 7.0 | 7.0 | 6.0 | 6.0 | 6.0 | 6.0 | 7.0 | 9.0 | 10.0 |
| Finance | 3.2 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 3.0 | 3.0 | 4.0 | 4.0 |
| Library | 7.2 | 7.2 | 7.4 | 6.5 | 6.5 | 6.5 | 6.0 | 7.0 | 7.0 | - |
| Parking Enforcement | 3.0 | 2.2 | 2.0 | 2.0 | 2.0 | 2.0 | - | | | |
| Information Technology | 2.0 | 1.0 | 1.0 | 1.8 | 1.8 | 1.8 | 2.8 | 3.0 | 3.0 | 3.0 |
| Police (1) | - | - | - | 33.0 | 33.0 | 33.0 | 36.0 | 37.0 | 44.0 | 44.0 |
| Fire | 32.0 | 32.0 | 29.8 | 29.8 | 29.8 | 29.8 | 29.8 | 30.0 | 32.0 | 32.0 |
| Public Services | 19.0 | 18.0 | 17.0 | 18.3 | 28.9 | 30.1 | 31.9 | 33.2 | 36.5 | 16.0 |
| Recreation (2) | 15.1 | 13.8 | 13.8 | 11.4 | - | - | - | - | - | - |
| Leisure Services | - | - | - | - | - | - | - | - | - | 24.0 |
| | <u>94.1</u> | <u>91.1</u> | <u>87.9</u> | <u>118.9</u> | <u>117.6</u> | <u>118.8</u> | <u>122.1</u> | <u>126.7</u> | <u>144.0</u> | <u>142.5</u> |

Source:

Human Resource Office

Note: Leisure Services Department dissolved. Library now recorded separately.

- (1) Police services were outsourced to the Pinellas County Sheriff's Office in January of 2013 bringing personnel to zero.
- (2) Recreation previously reported under Public Services. In fiscal year 2013, Recreation became a stand alone department.

City of St. Pete Beach
Schedule 17
Operating Indicators by Function/Program
Last Ten Fiscal Years

| Function/Program | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
|----------------------------|---------|-----------|-----------|------------|------------|---------|----------|----------|----------|----------|
| Police | | | | | | | | | | |
| Calls for Service | 6,962 | 6,324 | 7,023* | 23,469 | 12,891 | 11,790 | 16,038 | 19,672 | 26,853 | 29,428 |
| Felony Arrests | 206 | 159 | 147 | 141 | 103 | 102 | 145 | 190 | 235 | 222 |
| Traffic Enforcement | 2,799 | 2,986 | 1,629 | 3,235 | 1,085 | 2,081 | 2,118 | 2,760 | 4,614 | 4,253 |
| Parking Violations | 5,039 | 2,904 | 2,612 | 3,190 | 2,520 | 3,314 | 3,778 | 3,559 | 3,862 | 5,800 |
| Fire | | | | | | | | | | |
| Medical | 2,267 | 1,831 | 1,880 | 1,910 | 1,793 | 1,844 | 1,946 | 2,033 | 1,951 | 2,182 |
| Structure Response | 386 | 288 | 59 | 41 | 116 | 93 | 97 | 95 | 95 | 141 |
| Auto Crash | 182 | 114 | 120 | 41 | 120 | 128 | 118 | 143 | 134 | 209 |
| Water Rescue | 65 | 15 | 30 | 18 | 36 | 35 | 38 | 38 | 30 | 28 |
| Public Works | | | | | | | | | | |
| Street resurfacing (miles) | | 1.2 miles | .95 miles | 0.00 miles | 1.18 miles | .3 mile | 0 mile | 0 mile | 0 mile | 0 mile |
| Recreation | | | | | | | | | | |
| Summer Camp | 216 | 398 | 328 | 138 | 191 | 143 | 166 | 170 | 172 | 65 |
| Classes Offered | 39 | 59 | 53 | 49 | 37 | 28 | 65 | 119 | 72 | 55 |
| Program Participants | 68,778 | 62,000 | 58,390 | 46,890 | 38,217 | 4,202 | 3,009 | 2,608 | 4,616 | 3,646 |
| Rentals | 290 | 321 | 250 | 318 | 361 | 226 | 283 | 329 | 298 | 203 |
| Library | | | | | | | | | | |
| Materials Borrowed | 157,044 | 165,548 | 154,360 | 153,213 | 172,082 | 173,937 | 138,946 | 160,874 | 124,537 | 129,690 |
| Reference Questions | 22,414 | 17,620 | 15,685 | 15,706 | 14,745 | 9,276 | 6,539 | 1,172 | 1,709 | 4,703 |
| Sewer | | | | | | | | | | |
| Average daily flow | 2.99mgd | 2.78mgd | 2.95mgd | 2.63mgd | 3mgd | 2.49mgd | 2.59 mgd | 2.61 mgd | 2.62 mgd | 2.61 mgd |
| Miles of sewer lines | 41.5 | 41.5 | 41.5 | 41.5 | 41.5 | 41.5 | 41.5 | 41.5 | 41.5 | 41.5 |
| Reclaimed Water | | | | | | | | | | |
| New Connections | 17 | 24 | - | - | 14 | 19 | 3 | 8 | 18 | 16 |
| Average daily consumption | 2.2mgd | 1.9 mgd | 1.6 mgd | 2.1 mgd | 2.4 mgd | 2.6 mgd | 2.8mgd | 1.8mgd | 2.6 mgd | 2.6 mgd |

Source:

Various Government Departments

* statistics provided by the Pinellas County Sheriff's Office do not include self-initiated activity.

City of St. Pete Beach, Florida
Schedule 18
Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

| <u>Function/Program</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> | <u>2007</u> |
|----------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Police | | | | | | | | | | |
| Stations | 0 | 0 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Fire | | | | | | | | | | |
| Stations | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Libraries | | | | | | | | | | |
| Main | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Checked out Volumes | 157,044 | 165,548 | 154,360 | 153,213 | 172,082 | 173,937 | 138,946 | 176,031 | 134,077 | 125,823 |
| Public Schools | | | | | | | | | | |
| Gulf Beach Elementary (students) | 340 | 335 | 296 | 0 | 0 | 0 | 0 | 0 | 390 | 390 |
| Public works | | | | | | | | | | |
| Streets (miles) | 45.73 | 45.73 | 45.73 | 45.73 | 45.73 | 45.73 | 45.73 | 45.73 | 45.73 | 45.73 |
| Recreation | | | | | | | | | | |
| Parks (acres) | 35.5 | 35.5 | 35.5 | 35.5 | 35.5 | 35.5 | 35.5 | 34.7 | 34.7 | 34.7 |
| Beaches (acres) | 40 | 40 | 40 | 40 | 40 | 39.8 | 39.8 | 39.8 | 39.8 | 39.8 |
| Playgrounds | 5 | 5 | 5 | 5 | 5 | 7 | 7 | 7 | 7 | 5 |
| Picnic areas | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 5 |
| Fishing piers | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Fishing areas | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
| Boat ramps | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Tennis courts | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 |
| Baseball fields | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Basketball courts | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Water | | | | | | | | | | |
| Wastewater | | | | | | | | | | |
| Sanitary sewers (miles) | 37 | 37 | 37 | 37 | 37 | 37 | 37 | 37 | 37 | 37 |
| Pump stations | 17 | 17 | 17 | 17 | 17 | 17 | 17 | 17 | 17 | 17 |
| Average daily flow (mgd) | 2.99mgd | 2.78mgd | 2.95mgd | 2.63mgd | 3 | 2.49 | 2.6 | 2.6 | 2.6 | 2.8 |
| Reclaimed water | | | | | | | | | | |
| Reclaimed lines (miles) | 40 | 40 | 40 | 40 | 40 | 40 | 40 | 40 | 40 | 40 |
| Number of new connections | 17 | 24 | 0 | 0 | 14 | 19 | 1 | 1 | 1 | 1 |

Source:

Various City Departments

**CITY OF ST. PETE BEACH, FLORIDA
 SCHEDULE REQUIRED BY STATE OF FLORIDA
 OFFICE OF THE AUDITOR GENERAL, RULE 10.557(3)(N)
 FOR THE YEAR ENDED SEPTEMBER 30, 2016**

| <u>Source</u> | <u>Amount Received in the 2015-16 Fiscal Year</u> | <u>Amount Expended in the 2015-16 Fiscal Year</u> |
|--------------------------------------|---|---|
| British Petroleum: | | |
| Agreement No. PTO No. 38 and FRE 408 | \$ 1,600,000 | \$ 432,264 |

Notes:

- 1) This does not include funds related to the Deepwater Horizon Oil Spill that are considered Federal awards or State financial assistance.
- 2) This schedule was prepared on the modified accrual basis of accounting.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT
AUDITING STANDARDS***

To the Honorable Mayor, City Commission, and City Manager,
City of St. Pete Beach, Florida:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of St. Pete Beach, Florida (the City), as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 31, 2017.

Internal Control over Financial Reporting

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

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

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

121 Executive Circle
Daytona Beach, FL 32114-1180
Telephone: 386/257-4100
Fax: 386/255-3261
dab@jmco.com

5931 NW 1st Place
Gainesville, FL 32607-2063
Telephone: 352/378-1331
Fax: 352/372-3741
gmv@jmco.com

2477 Tim Gamble Place, Suite 200
Tallahassee, FL 32308-4386
Telephone: 850/386-6184
Fax: 850/422-2074
tlh@jmco.com

Member of AGN International with offices in principal cities worldwide

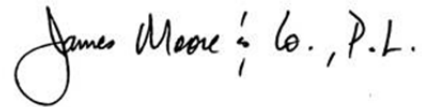
Compliance and Other Matters

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

We noted certain matters that we reported to the City Commission and management of the City in a separate letter dated March 31, 2017.

Purpose of this Report

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

A handwritten signature in black ink that reads "James Moore & Co., P.L." The signature is written in a cursive style with a large initial 'J'.

Daytona Beach, Florida
March 31, 2017

**INDEPENDENT AUDITORS' MANAGEMENT LETTER REQUIRED
BY CHAPTER 10.550, RULES OF THE STATE OF FLORIDA
OFFICE OF THE AUDITOR GENERAL**

To the Honorable Mayor, City Commission, and City Manager,
City of St. Pete Beach, Florida:

Report on the Financial Statements

We have audited the basic financial statements of City of St. Pete Beach, Florida (the City), as of and for the fiscal year ended September 30, 2016, and have issued our report thereon dated March 31, 2017.

Auditors' Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550, Rules of the Florida Auditor General.

Other Reports and Schedule

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standard*; and Independent Accountants' Report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated March 31, 2017, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address all findings and recommendations made in the preceding annual financial audit report.

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The legal authority for the primary government and component units of the reporting entity is disclosed in Note 1 of the basic financial statements.

121 Executive Circle
Daytona Beach, FL 32114-1180
Telephone: 386/257-4100
Fax: 386/255-3261
dab@jmco.com

5931 NW 1st Place
Gainesville, FL 32607-2063
Telephone: 352/378-1331
Fax: 352/372-3741
gmv@jmco.com

2477 Tim Gamble Place, Suite 200
Tallahassee, FL 32308-4386
Telephone: 850/386-6184
Fax: 850/422-2074
tlh@jmco.com

Member of AGN International with offices in principal cities worldwide

Financial Condition

Sections 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and report the results of our determination as to whether or not the City has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific conditions met. In connection with our audit, we determined that the City, did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

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

Annual Financial Report

Sections 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for the City for the fiscal year ended September 30, 2016, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2016. In connection with our audit, we determined that these two reports were in agreement.

Other Matters

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we noted the following recommendation:

2016-001 Cutoff of Accounts Payable—During our testing of cash disbursements made subsequent to year-end, we identified two transactions related to the Public Works department and totaling approximately \$59,000 for work performed prior to year-end, which were not included in accounts payable. As a result, a journal entry was required to record the expenditure and accounts payable. We recommend all transactions subsequent to year-end be reviewed for proper cutoff and all City departments obtain vendor invoices in a timely manner to ensure proper reporting of all expenditure activity.

2016-002 Journal Entry Segregation of Duties—The Administrative Services Director is responsible for approving all journal entries, including self-prepared entries. As a best practice to help mitigate risk related to the journal entry process, whether due to error or fraud, we recommend all journal entries be approved and posted by someone other than the preparer.

2016-003 Information Technology Matters—In obtaining an understanding of the City's information technology environment and controls, we noted the following:

Password Settings: The financially significant application, Incode, does not have a strict password requirement. We noted the current setting includes a password history of zero and complexity being disabled. To mitigate the risk of inappropriate access by someone other than an authorized user, we recommend the City enable complexity requirements over user account passwords in Incode.

User Administration: Management does not currently have a formal user administration process in place to ensure users are added and removed from the application in a timely manner. To help mitigate the risk of inappropriate access within the financially significant application or to other City systems, we recommend the City implement a formalized process, including but not limited to the

inclusion of information technology matters in a new hire and terminated employee process and checklist, to ensure all the appropriate steps are completed and terminated employees' access is removed from the City's IT systems in a timely manner.

User Access Review: Management does not currently perform a user access review over financially significant applications. We recommend management periodically perform a formal user access review of all users within Incode and verify that access is commensurate with each user's job responsibility.

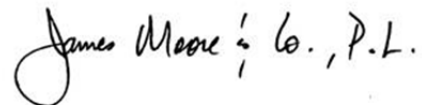
Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the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

City of St. Pete Beach, Florida's Response to Findings

The City's response to the findings identified in our audit is described in the accompanying management's response as listed in the table of contents. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, City Commission, management, others within the City, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "James Moore, Esq., P.L." The signature is written in a cursive style with a large initial 'J'.

Daytona Beach, Florida
March 31, 2017

INDEPENDENT ACCOUNTANTS' EXAMINATION REPORT

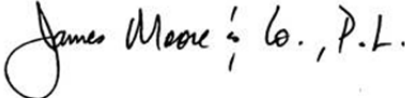
To the Honorable Mayor, City Commission, and City Manager,
City of St. Pete Beach, Florida:

We have examined the City of St. Pete Beach, Florida's (the City) compliance with Section 215.415, Florida Statutes, *Local Government Investment Policies*, and Section 288.8018, Florida Statutes, in regards to the Deepwater Horizon Oil Spill receipts and expenditures, for the year ended September 30, 2016. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

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

In our opinion, the City of St. Pete Beach, Florida complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2016.

Daytona Beach, Florida
March 31, 2017



121 Executive Circle
Daytona Beach, FL 32114-1180
Telephone: 386/257-4100
Fax: 386/255-3261
dab@jmco.com

5931 NW 1st Place
Gainesville, FL 32607-2063
Telephone: 352/378-1331
Fax: 352/372-3741
gmv@jmco.com

2477 Tim Gamble Place, Suite 200
Tallahassee, FL 32308-4386
Telephone: 850/386-6184
Fax: 850/422-2074
tlh@jmco.com

Member of AGN International with offices in principal cities worldwide

AUDITEE'S RESPONSE TO:
Independent Auditors' Management Letter
March 31, 2017

The Independent Auditors' Management Letter of the Comprehensive Annual Financial Report provides comments and recommendations for improved financial management accounting procedures. The following is Management's response. The Auditors' comment numbers and descriptions are included as reference.

2016-001 Cutoff of Accounts Payable

The Finance Department received several invoices from Public Works that were over 90 days past the end of the fiscal year for work performed prior to September 30, 2016. The City Manager and Administrative Services Director met with the Public Works Director to find out what was causing the delay. It was determined that the invoices in question were e-mailed to several different employees within the department and not to a central location. Public Work vendors have been instructed to submit all invoices to the Public Works Administrative Assistant for processing. The City Manager stressed the importance of submitting invoices in a timely manner.

2016-002 Journal Entry Segregation of Duties

Journal entries that are prepared by the Administrative Services Director are now reviewed and posted by the Chief Accountant. Journal entries prepared by the Chief Accountant are now reviewed and posted by the Administrative Services Director.

2016-03 Information Technology Matters

The Information Technology Division will enable the complexity requirements over account passwords in the City's financial software program.

The Human Resource Administrator is in the process of creating hire and termination checklists. This checklist will identify software access requirements, computer hardware requirements and other items such as cell phone and uniforms as necessary that are assigned to an employee. The termination checklist will be completed prior to the exit interview to ensure that all computer access that was granted is removed and all city property is recovered.

The Information Technology Division in conjunction with Administrative Services Director has scheduled a semi-annual formal user access review of all employees utilizing the financial software to verify access with job responsibilities.