

CITY OF SAFETY HARBOR, FLORIDA

**BASIC FINANCIAL STATEMENTS AND
REGULATORY REPORTS**

SEPTEMBER 30, 2008

Comprehensive Annual Financial Report

**City of Safety Harbor
Florida**

Fiscal Year Ended September 30, 2008



Prepared by Finance Department
June Solanes
Finance Director

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CITY OF SAFETY HARBOR, FLORIDA
PRINCIPAL CITY OFFICIALS
as of September 30, 2008

CITY COMMISSION
2008

Andy Steingold, Mayor
Mary Lynda Williams, Vice Mayor
Nina Bandoni
Nadine Nickeson
Joseph Ayoub

ADMINISTRATIVE
2008

City Manager
Matthew Spoor

City Clerk
Cathy Benson

City Attorney
Alan S. Zimmet

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**CITY OF SAFETY HARBOR, FLORIDA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
SEPTEMBER 30, 2008**

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City of Safety Harbor Florida

HOME OF ESPIRITU SANTO MINERAL SPRINGS

750 Main Street † Safety Harbor, Florida 34695 † (727) 724-1555
FAX 724-1566

June 2, 2009

To the Honorable Mayor, Commissioners, and Citizens of the City of Safety Harbor:

The Comprehensive Annual Financial Report of the City of Safety Harbor, Florida for the fiscal year ended September 30, 2008, is hereby submitted in accordance with Florida Statutes Chapter 218.39 and Chapter 10.550 of the Rules of the Auditor General of the State of Florida.

This annual Financial Report represents the official report of the City's financial condition and results of operation to the Citizens, City Commission, City administrative personnel, investment firms, rating agencies and other interested persons. Management of the City of Safety Harbor assumes full responsibility for the completeness and reliability of the information contained in this report, including all disclosures. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the government. Staff apologizes for the delay in presenting the Consolidated Annual Financial Report for the 2007/2008 Fiscal Year. Unforeseen and difficult challenges experienced during this year impacted the timeliness of this report.

LarsonAllen LLP, Certified Public Accountants, have issued an unqualified ("clean") opinion on the City of Safety Harbor's financial statements for the year ended September 30, 2008. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

Profile of the Government

The City of Safety Harbor, incorporated on June 17, 1917, is located in the Tampa Bay area and is primarily a bedroom community with a limited amount of supporting commercial and industrial uses. The City is located halfway between the Tampa International Airport and the Pinellas County Beaches making it perfect for homeowners who travel often but want to share in the beauty of what Pinellas County has to offer. It currently occupies approximately 5 square miles and serves a population of approximately 18,000. The City of Safety Harbor is empowered to levy a property tax on real property located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which it has done from time to time.

The City operates under the Commission-Manager form of government. The City Commission is comprised of the Mayor and four Commissioners and 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, and the City Attorney. As chief administrative officer, the City Manager is

responsible for enforcement of laws and ordinances and appoints and supervises the City's department heads.

The City provides a full range of municipal services normally associated with a municipality including fire protection, street construction and maintenance, planning, zoning and redevelopment, recreation and parks, library services, storm water management and general administrative services. Law enforcement service is provided via an annual contract with the Pinellas County Sheriff's department. In addition, water, sewer and sanitation services are provided under an enterprise fund concept with user charges set by the City Commission to ensure adequate coverage of operating expenses and payment of outstanding debt.

Local economy

The City continues to take a guarded financial approach and monitors accounts very closely. The City budgets conservatively, and therefore, the impact of decreased property tax revenue and state shared revenue has not been overly severe but has certainly been noticeable. To Safety Harbor's advantage is the fact that the City has continued to experience an extremely sound fiscal condition, and as a result has been able to continue on with the planned expenditures. Relative to operations, in Fiscal Year 2008/2009, the City budgeted just over a 2% increase for the general fund. The City continues to review revenues and expenditures between available resources to balance out budget requests.

Long-term financial planning

Funding for operations and capital projects is derived from various sources, including user and impact fees, local option gas tax, Penny for Pinellas 1% sales tax, grants from state and local governments, investments returns, and line of credit proceeds.

The Five-year Capital Improvements Plan (CIP) for FY 2008/09 to FY2012/13 is \$37.1 million, of which \$7,878,630 will be expended in FY 2008/2009.

The largest expenditures include drainage (erosion control) within the banks of Mullet and Bishop Creeks, heavy equipment and vehicle replacements for the Public Works department; 60 miles of street resurfacing, rehabilitation of brick streets as outlined in the Brick Street Master Plan, and further improvements to the NE Wastewater Treatment Plant.

Relevant financial policies

The City utilizes the modified accrual basis of accounting for all governmental fund types, agency and expendable trust funds. Under this modified accrual basis, expenditures are generally recognized when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt is recognized when due. Revenues are recognized in the accounting period when they become measurable and available.

Accounting records for the City's utilities, other proprietary funds and non-expendable trust funds are maintained on an accrual basis with revenues being recognized when earned and expenses recognized when incurred.

Budgetary control is maintained at the departmental level. All purchase orders are compared to available line item amounts and if necessary, budgetary adjustments are made prior to issuing purchase orders. The City Manager is authorized to transfer any unencumbered appropriation balance or portion thereof

between specific classifications of expenditures within a department or office. By Resolution, the City Commission may authorize the transfer of any unencumbered appropriation balance or portion thereof from one office or department to another.

Major initiatives

In preparing the Fiscal Year 2007/2008 Budget, the City identified a number of major programs and projects to maintain the City's position of excellent service provision, financial performance, and quality of operational facilities. During the fiscal year the City expended \$7.6 million in capital improvements for the future benefit of the Community.

The City Commission strives to provide the citizens of Safety Harbor with an improved quality of life through implementation of policies, regulations and the funding of programs.

The City is still active with construction projects in the area of drainage based on the recommendations presented in the City's Stormwater Master Plan as well as identified erosion control projects and the Library Expansion. Major capital projects completed during the year include Brick Street Restoration, replacement of seawall at the Marina, Playground Replacement, expansion at Fire Station 53, acquisition of a Fire Pumper Truck, State Road 590 Utility Relocation, improvements at the Northeast Regional Wastewater Treatment Plant, and acquisition of three (3) sanitation trucks.

Awards and Acknowledgements

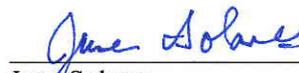
The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Safety Harbor for its comprehensive annual financial report (CAFR) for the fiscal year ended September 30, 2007. In order to be awarded the a Certificate of Achievement, the City had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting and applicable legal requirements. A Certificate of Achievement is valid for one year only. We believe that our current CAFR 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.

The preparation of this report would not have been possible without the efficient and dedicated work of LarsonAllen LLP. We thank them for their continued patience and guidance. We wish to express our appreciation to the entire staff of the finance and administration departments and to all members of the departments who assisted and contributed to the preparation of this report. Credit must also be given to the Mayor and Commissioners for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Safety Harbor finances.

Respectfully submitted,

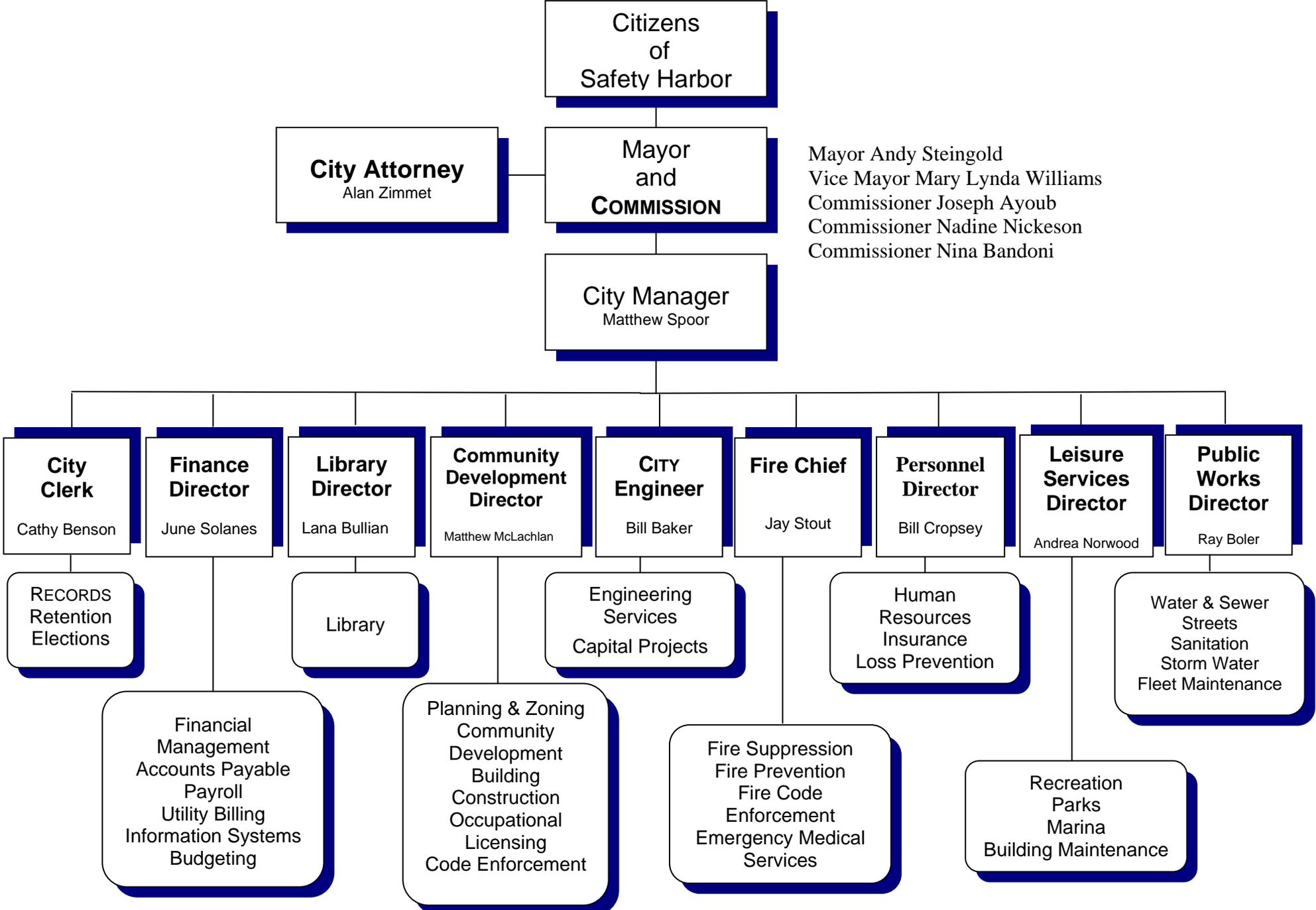


Matthew Spoor
City Manager


June Solanes
Finance Director

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CITY OF SAFETY HARBOR ORGANIZATIONAL CHART



Mayor Andy Steingold
 Vice Mayor Mary Lynda Williams
 Commissioner Joseph Ayoub
 Commissioner Nadine Nickeson
 Commissioner Nina Bandoni

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INDEPENDENT AUDITORS' REPORT

Honorable Mayor, Members of the City Commission
and City Manager
City of Safety Harbor, Florida

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 Safety Harbor, Florida, (“the City”) as of September 30, 2008, and for the year then ended, which collectively comprise the City’s basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the City’s management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the 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, 2008 and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 10, Prior Period Adjustments, of the notes to the financial statements, certain errors resulting in overstatement of previously reported accrued liabilities and understatement of previously reported receivables generated from certain tax, franchise fee, and grant revenues were discovered during the current year. Accordingly, adjustments have been made to the fund balances of the affected governmental funds and to net assets of affected proprietary funds and to the government-wide financial statements as of September 30, 2007, to correct the errors. We audited the adjustments to restate the 2007 financial statements as described in Note 10. In our opinion, such adjustments are appropriate and have been properly applied.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 3, 2009 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis, budgetary comparison schedules and pension information on pages 3 through 15 and 54 through 60 are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules on pages 65 through 80, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of state financial assistance, pages 122 and 123, is presented for purposes of additional analysis as required by Chapter 10.550, Rule of the Auditor General of the State of Florida, and is not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of state financial assistance have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section, budgetary comparison schedules, and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

LarsonAllen LLP
LarsonAllen LLP

Tampa, Florida
June 3, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

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**CITY OF SAFETY HARBOR, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2008**

The City of Safety Harbor's (the "City") 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 the 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 vi) and the City's financial statements (beginning on page 16).

Financial Highlights

- The assets of the City of Safety Harbor exceeded its liabilities at September 30, 2008 by \$55,645,475 (net assets). Of this amount, \$21,677,611 (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$1,343,936 or 2.4 percent during the year ended September 30, 2008. The governmental net assets increased by \$856,332 or 2.3 percent and the business type net assets increased by \$487,604 or 2.7 percent during the year ended September 30, 2008. The prior period adjustment represent \$1,048,665, \$899,500 for governmental net assts and \$149,165 for business type net assets of this change, see Note 10 to the to the financial statements.
- As of September 30, 2008, the City of Safety Harbor's governmental funds reported combined ending fund balances of \$20,028,203, an increase of \$4,410,542 in comparison with the prior year. Of this total amount, \$8,498,484 or 42 percent, is available for spending at the City's discretion (unreserved, undesignated fund balance).
- The City of Safety Harbor's total debt increased by \$9,325,385 during the current fiscal year. Of this increase, \$8,760,646 or 93.9 percent was due to additional borrowing from the 2006 Line of Credit for governmental and enterprise fund infrastructure improvements and the 2008 Revenue Note for the Library expansion, debt service payments, an increase in compensated absences and outstanding liabilities at year end due to construction in progress.

Overview of the Financial Statements

The financial statement's focus is on both the City as a whole (government-wide) and on the major individual funds. Both perspectives (government-wide and major fund) allow the user to address relevant questions, broaden a basis for comparison (year to year or government to government) and enhance the City's accountability.

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

**CITY OF SAFETY HARBOR, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2008**

Government-wide financial statements

The *government-wide statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. The government-wide financial statements are located on pages 16 through 18 of this report.

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, streets and transportation, stormwater drainage, capital projects, community redevelopment, library, marina, parks, recreation and assessments. The business-type activities of the City include water, sewer and sanitation.

The government-wide financial statements include the City of Safety Harbor as a whole, including the component unit the Safety Harbor Community Redevelopment Agency.

Fund financial statements

A *fund* is a grouping of related accounts 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, governmental fund financial statements focus on near-term inflows and outflows of spendable resources as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating

**CITY OF SAFETY HARBOR, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2008**

the City's near-term financing requirements. The basic governmental fund financial statements can be found on pages 19 through 23 of this report.

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

The City maintains seventeen individual governmental funds. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund, Parkland Fund, Stormwater Utility Fund, Capital Projects Fund, and the Community Redevelopment Agency Fund, which are considered to be major funds. Data from the other twelve governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements in this report, immediately following the Notes to the Financial Statements.

The City adopts an annual appropriated budget for all of its funds. Budgetary comparison statements have been provided for these funds to demonstrate compliance with the budget.

Proprietary funds. The City maintains one of the two proprietary type funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its Water and Sewer operations as well as its Sanitation (i.e. solid waste collection) operation. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among a government's various functions. The City does not currently utilize internal service funds.

The proprietary fund statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the City's Water and Sewer operations and Sanitation operation, both of which are considered major funds. The basic proprietary fund financial statements can be found on pages 24 through 27 of this report.

Fiduciary funds. *Fiduciary funds* are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City has one fiduciary fund to account for the firefighter's retirement benefit with the Florida League of Cities. The basic fiduciary fund financial statements can be found on pages 28 through 29 of this report.

**CITY OF SAFETY HARBOR, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2008**

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 30 through 53 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the City's budgetary legal compliance for the general and special revenue funds well as the City's progress in funding its obligation to provide pension benefits to the firefighters. Required supplementary information can be found on pages 54 through 60 of this report.

Government-wide Financial Analysis

Statement of Net Assets. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. For the current year, the City's assets exceeded liabilities by \$55,645,475. The following table reflects the condensed Statement of Net Assets compared to the prior year.

City of Safety Harbor Statement of Net Assets as of September 30, 2008						
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2008	2007	2008	2007	2008	2007
Assets						
Current and other assets	\$ 21,933,125	\$ 16,849,519	\$ 7,663,566	\$ 7,009,265	\$ 29,596,691	\$ 23,858,784
Capital Assets	24,561,628	21,145,497	19,326,477	17,811,194	43,888,105	38,956,691
Total assets	46,494,753	37,995,016	26,990,043	24,820,459	73,484,796	62,815,475
Liabilities						
Current and other liabilities	1,352,648	661,864	1,319,819	1,229,672	2,672,467	1,891,536
Long-term liabilities	7,796,866	844,245	7,369,988	5,778,155	15,166,854	6,622,400
Total liabilities	9,149,514	1,506,109	8,689,807	7,007,827	17,839,321	8,513,936
Net Assets						
Invested in capital assets, net of related debt	17,632,941	21,125,097	11,937,820	11,736,926	29,570,761	32,862,023
Restricted	2,594,159	1,184,718	1,802,944	2,327,691	4,397,103	3,512,409
Unrestricted (deficit)	17,118,139	14,179,092	4,559,472	3,748,015	21,677,611	17,927,107
Total net assets	\$ 37,345,239	\$ 36,488,907	\$ 18,300,236	\$ 17,812,632	\$ 55,645,475	\$ 54,301,539

For more detailed information see the Statement of Net Assets on page 16.

Fifty three percent of the City's net assets reflect its investment in capital assets (e.g., land, buildings, improvements, infrastructure, and vehicles and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the

**CITY OF SAFETY HARBOR, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2008**

resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Eight percent of the City's net assets represent resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* or \$21,677,611 may be used to meet the City's ongoing obligations to citizens and creditors.

At September 30, 2008, the City is able to report positive balances in all three categories of net assets, both for the City as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

Normal Impacts. There are six basic (normal) transactions that will affect the comparability of the Statement of Net Assets summary presentation.

- **Net Results of Activities** will impact (increase/decrease) current assets and unrestricted net assets.
- **Borrowing for Capital** will increase current assets and long-term debt.
- **Spending Borrowed Proceeds on New Capital** will reduce current assets and increase capital assets. There is a second impact, an increase in invested in capital assets and an increase in related net debt will not change the invested in capital assets, net of debt.
- **Spending of Non-Borrowed Current Assets on New Capital** will (a) reduce current assets and increase capital assets and (b) will reduce unrestricted net assets and increase invested in capital assets, net of debt.
- **Principal Payment on Debt** will (a) reduce current assets and reduce long-term debt and (b) reduce unrestricted net assets and increase invested in capital assets net of debt.
- **Reduction of Capital assets through Depreciation** will reduce capital assets and invested in capital assets, net of debt.

Current Year Impacts. In governmental activities, unrestricted net assets increased \$2,939,047 and in business-type activities the unrestricted net assets increased by \$811,457. The increase in governmental activities is due to increases in revenue, including a prior period adjustment, as well as financing from other sources in the stormwater and capital projects funds. The increase in business-type activities is due to the City Commission authorized utility rate study impact, which was implemented in February 2006. Utility rates were increased by 11.4 percent in water and sewer and 9.5 percent in sanitation and recycling fees. The adopting resolution increased rates by the above per percentages in February 2006, October 2006, October 2007 and will continue to increase rates each October through October 2009.

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**CITY OF SAFETY HARBOR, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2008**

Statement of Activities. The following schedule compares the revenues and expenses for the current and previous fiscal year. More detailed information regarding the Statement of Activities can be found on page 17 through 18.

City of Safety Harbor
Statement of Net Activities
For the years ended September 2008 and 2007

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
REVENUES						
Program Revenues:						
Charges for Services	\$ 1,568,700	\$ 1,510,656	\$ 9,545,610	\$ 8,732,929	\$ 11,114,310	\$ 10,243,585
Operating Grants and Contributions	256,837	281,588			256,837	281,588
Capital Grants and Contributions	400,126	950,484			400,126	950,484
General Revenues:						
Property Taxes	3,534,380	3,585,742			3,534,380	3,585,742
Utility taxes	2,402,197	2,439,157			2,402,197	2,439,157
Franchise Fees	1,453,539	1,454,358			1,453,539	1,454,358
Sales and Use Tax	941,432	1,003,087			941,432	1,003,087
State/local revenue sharing	3,580,909	3,363,224			3,580,909	3,363,224
Impact Fees	27,496	47,406			27,496	47,406
Investment Income	1,113,049	716,601	354,785	251,076	1,467,834	967,677
Other Miscellaneous Revenues	1,354,046	1,046,548	1,139,362	949,217	2,493,408	1,995,765
Total Revenues	\$ 16,632,711	\$ 16,398,851	\$ 11,039,757	\$ 9,933,222	\$ 27,672,468	\$ 26,332,073
EXPENSES						
Function/program Activities						
Primary Government:						
Government Activities:						
General Government	\$ 3,830,166	\$ 3,447,422			\$ 3,830,166	\$ 3,447,422
Law Enforcement	1,278,181	1,209,614			1,278,181	1,209,614
Fire Protection	3,935,680	3,591,781			3,935,680	3,591,781
Building Department	305,203	276,335			305,203	276,335
Physical Environment	1,269,798	1,294,981			1,269,798	1,294,981
Transportation	2,180,589	1,721,927			2,180,589	1,721,927
Library	1,361,946	1,165,872			1,361,946	1,165,872
Parks & Recreation	2,417,586	2,433,918			2,417,586	2,433,918
Interest on long-term debt	96,730	401			96,730	401
Business-Type Activities:						
Water & Wastewater			7,835,184	7,445,253	7,835,184	7,445,253
Solid Waste/sanitation			2,866,134	2,413,274	2,866,134	2,413,274
Total Expenses	\$ 16,675,879	\$ 15,142,251	\$ 10,701,318	\$ 9,858,527	\$ 27,377,197	\$ 25,000,778
Change in net assets	\$ (43,168)	\$ 1,256,600	\$ 338,439	\$ 74,695	\$ 295,271	\$ 1,331,295
Net assets, beginning of year as previously stated	35,232,307	35,500,010	17,812,632	17,982,750	53,044,939	53,482,760
Prior period adjustment	899,500	(267,703)	149,165	(244,813)	1,048,665	(512,516)
Net assets, beginning of year restated	37,388,407	35,232,307	17,961,797	17,737,937	55,350,204	52,970,244
Net Asset, end of year	\$ 37,345,239	\$ 36,488,907	\$ 18,300,236	\$ 17,812,632	\$ 55,645,475	\$ 54,301,539

**CITY OF SAFETY HARBOR, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2008**

Governmental activities. Net assets for governmental activities current year decreased by \$43,168 but when combined with the prior period adjustment of \$899,500 increased overall by \$856,332. The prior period adjustment reflected recognition of revenues as well as correctly stated the City's payroll liability. Key elements of the current year decrease are as follows:

- Program revenues declined overall by \$517,065 or 18.85 percent.
 - Charges for Services increased by \$58,044 or 3.8 percent, primarily due to an increase in code enforcement and court fines.
 - Operating and capital grants and contributions decreased by \$575,109, which represents a 46.7 percent decline in funding for stormwater improvements, capital projects and library operating funding. Of the net decrease in grants, capital funding of \$128,000 was received for improvements at the marina.
- General revenues increased overall by 5.5 percent or \$750,925 due to local revenue funding for the library expansion, interest earnings on investments, revenue generated from events on Main Street and an aggressive recycling program.

Of the City's general revenue, approximately 82.7 percent is made up of property taxes, utility taxes, franchise fees and taxes from the state/local revenue sharing program. The total increase of \$66,889 includes local revenue sharing for the library expansion. Overall, taxes driven by consumer spending have declined or remained stagnant with the economic downturn.

Business-type activities. Business-type activities increased the City's net assets by \$338,439 plus a prior period adjustment of 149,165, which resulted in recognition of accrued revenues of the prior period as well as correctly stated the City's payroll liability. Key elements of the increase are as follows:

- Charges for services for business-type activities increased by 9.3 percent. The Water and Sewer fund accounts for the majority of this increase, which resulted from approval of a 11.4 percent rate increase beginning in 2006 and continuing on an annual basis through 2009. The increase was implemented to cover increased costs incurred by the City to purchase water as well as to provide additional resources to meet debt service requirements, which were utilized for infrastructure improvements.

Normal Impacts

There are nine basic impacts on revenues and expenses as reflected below.

Revenues

- **Economic Condition** – which can reflect a declining, stable or growing economic environment and has substantial impact on property, sales, gas or other tax revenue as well as public spending habits for building permits, elective user fees and volumes of consumption.

**CITY OF SAFETY HARBOR, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2008**

- **Increase/Decrease in Council approved rates** – while certain tax rates are set by statute, the City Council has significant authority to impose and periodically increase/decrease rates (water, wastewater, sanitation, permitting, impact fee, recreation user fees, etc)
- **Changing Patterns in Intergovernmental and Grant Revenue (both recurring and non-recurring)** – certain recurring revenues (state revenue sharing, block grant, etc.) may experience significant changes periodically while non-recurring (or one-time) grants are less predictable and often distorting in their impact on year-to-year comparisons.
- **Contribution from the Water and Sewer Fund** – the City owns the distribution lines of the Water and Wastewater Utility system and operates Sanitation and recycling services within the City. The General Fund provides administrative and support services for the utilities. In return, the City receives payments from the utilities.
- **Market Impacts on Investment income** – due to varying maturities on the City's investments and the varying nature of the market in general, City investment income may fluctuate from year to year.

Expenses

- **Introduction of New Programs** – within the functional expense categories (General Government, Law Enforcement, Fire Protection, Public Works, Parks and Recreation, etc.) individual programs may be added or deleted to meet changing community needs.
- **Increase in Authorized Personnel** – changes in service demand may cause the Commission to increase/decrease authorized staffing. Staffing costs (salary and related benefits) represent 31% of the City's total net budget.
- **Salary Increases (merit and market adjustment)** - the ability to attract and retain human and intellectual resources requires the City to strive to approach a competitive salary range position in the marketplace.
- **Inflation** – while overall inflation appears to be reasonably modest, the City is a major consumer of certain commodities such as chemicals and supplies, fuels and parts. Some functions may experience unusual commodity specific increases.

Financial Analysis of the Government's Funds

Governmental funds. The focus of the City's funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved 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, 2008, the City's governmental funds reported combined ending fund balances of \$20,028,203, an increase of \$4,410,542 in comparison with the prior year. Forty two percent of this total amount or \$8,498,484 constitutes unreserved, undesignated fund balance, which is available for spending at the City's discretion. The remainder of fund balance, \$11,529,719 is reserved, of which \$8,379,712 is reserved for specific type of expenditures and \$3,150,007 that it is not available for new spending because it has already been committed to

**CITY OF SAFETY HARBOR, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2008**

liquidate purchase orders of the prior period, meet debt service requirements or account for inventory.

The General Fund is the chief operating fund of the City. At September 30, 2008, the unreserved, undesignated fund balance of the General Fund was \$8,498,484 while the total fund balance was \$8,758,755. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved, undesignated fund balance represents 66.7 percent of total General Fund expenditures, while total general fund balance represents 68.7 percent of that same amount.

The Parkland Special Revenue Fund has a total fund balance of \$1,193,066 at September 30, 2008, of which all of the funds are undesignated.

The Stormwater Utility Fund has a total fund balance of \$1,801,607 as of September 30, 2008, of which \$86,381 is reserved to liquidate purchase orders of the prior period.

The Capital Projects Fund has a total fund balance of \$5,337,666 at September 30, 2008, of which \$2,864,489 is reserved to liquidate purchase orders from the prior period. Open purchase orders at year end are primarily related to the library expansion project.

The Community Redevelopment Agency has a total fund balance of \$455,855 as of September 30, 2008, of which \$18,852 is reserved to liquidate purchase orders of the prior period.

The City reduced the millage rate to 2.5140 due to State of Florida Property Tax Reform that required taxing authorities to reduce millage rates. The budget impact was a decrease of ad valorem revenues of 1.43 percent over the prior year. The millage rate of 2.5140 is the lowest levied by the City in the last forty years. Overall, general revenues increased by \$485,719 or 3.5 percent. The majority of this increase is a result of interest earnings on the City's investments.

General fund expenditures increased by \$668,585. The largest decrease in spending can be found within the physical environment area. In the prior fiscal year major Stormwater improvement projects totaling in excess of \$2.2 million were expended. In the fiscal year ending September 30, 2008 primarily design services for future Stormwater projects were completed. There were increased expenditures in the areas of law enforcement, fire protection, building department, transportation and library services.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net assets of the Water and Sewer fund at the end of the year amounted to \$4,529,528 and for the Sanitation fund amounted to \$29,944. The total change in net assets for both funds was an increase of \$640,856 in water and sewer and a decrease of \$302,417 in sanitation.

**CITY OF SAFETY HARBOR, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2008**

Charges for services continue for water, sewer and sanitation services continue to increase consistent with the multi-year rate structure implemented in 2006. Current year's charges for services provided by the City are increased by 9.3 over the prior year.

Operating expenses for the City's proprietary funds increased by 8.8 percent over the previous fiscal year. The primary increase in expenses is for personal services. During fiscal year 2008, two positions were added including a GIS Information Coordinator to map the City's infrastructure for updates to the land files as well as a Sanitation Truck Driver. In addition, the current year is the first year of the annualized cost resulting from the pay classification study conducted in April 2007. The increases from the pay study impacted the compensated absences accrual on average by about 1.8 percent. Further, Water and Sewer and Sanitation funds were fully staffed during the current year with minimal turnover.

General Fund Budgetary Highlights

During the year, the general fund appropriations increased \$122,977 between the original and final budget. This amount is attributable to the previous year's reserve for encumbrances. This increase was appropriated from available fund balance. Revenues were under budget by \$242,742 or 1.88 percent primarily as a result of a reduction in property taxes, utility taxes, franchise fees and state shared revenue taxes. The general fund expended \$686,156 or 5 percent less than budget. Fiscal year 2008 expenditures represent a 5.4 percent increase over the previous year. General governmental expenses declined by 2.5 percent in fiscal year 2008. Law enforcement increased 5 percent due to the City's contract with the Pinellas County Sheriff's department. The transportation fund recognized an 82 percent increase or \$276,418 as a result of the street resurfacing program. Other areas recognizing increases include fire with an 11 percent increase and culture and recreation with an increase of 8.9 percent.

Capital Asset and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental and business-type activities as of September 30, 2008, amounts to over \$43.8, net of accumulated depreciation. As reflected in the following schedule, this investment includes land, buildings, improvements, machinery and equipment, park facilities and roads. The net increase in the City's investment in capital assets is \$4.96 million or 12.8 percent over the end of last year.

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**CITY OF SAFETY HARBOR, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2008**

**Capital Assets at Year-end (millions)
Net of Depreciation**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2008	2007	2008	2007	2008	2007
Land	\$ 3.86	\$ 3.86	\$ 0.40	\$ 0.40	\$ 4.26	\$ 4.26
Construction in progress	2.92	0.80	0.38	0.22	3.30	1.02
Buildings	4.02	4.02	0.23	0.23	4.25	4.25
Improvements other than Buildings	21.67	19.79	24.95	23.47	46.62	43.26
Equipment	6.52	6.02	6.28	5.44	12.80	11.46
Less:						
Accumulated Depreciation	<u>(14.45)</u>	<u>(13.35)</u>	<u>(12.98)</u>	<u>(12.04)</u>	<u>(27.43)</u>	<u>(25.39)</u>
Total	<u>\$ 24.54</u>	<u>\$ 21.14</u>	<u>\$ 19.26</u>	<u>\$ 17.72</u>	<u>\$ 43.80</u>	<u>\$ 38.86</u>

The following reflects major capital asset additions of the current year:

<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
Library Addition	\$ 2,537,778	SR 590 Utility Relocation	\$ 824,359
Erosion Control	687,904	Sanitation Trucks (3)	535,576
Fire Pumper	431,394	NE Treatment Plant	433,090
Playground Replacement	333,557	Veterans Memorial LN SWR	126,692
Station 53 Expansion	231,814	SPS Software	11,018
Brick Street Restoration	223,463	UT Radio Frequency Meters	88,930
Marina Seawall Replacement	181,114	Crane Hoist Truck	76,918
Library Expansion Materials	124,970	North Bay Lift Station	63,652
Marina Boat Ramp	56,000	Portable Sewage Pump	53,000
Park Fence Improvements	47,048	Baytowne Lift Station	30,194
Sidewalk Maintenance	44,816	Brick Street Restoration	24,933
Mobility Implementation	43,340	City Water System	22,803
GIS System	42,096	Bayfront Manor Lift Station	18,741
Tennis Court Light Replacement	39,299	Huntington Trails Lift	15,366

The following reconciliation summarizes the change in Capital Assets, which is presented in detail on page 44 of the notes to the financial statements.

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**CITY OF SAFETY HARBOR, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2008**

Changes in Capital Assets (in 000's)			
	Governmental Activities	Business-Type Activities	Total Primary Government
Beginning Balance	\$ 21,136	\$ 17,711	\$ 38,847
Additions	5,072	2,548	7,620
Depreciation	(1,551)	(1,001)	(2,552)
Retirement (net of depreciation)	(105)	-	(105)
Ending Balance	\$ 24,552	\$ 19,258	\$ 43,810

Long-term debt. As of year end, the City had \$14,116,534 in debt (bonds, loans etc.) outstanding compared to \$5,361,888 last year, which is an increase of \$8,484,646 or 150 percent.

Outstanding Debt at Year-end			
Governmental	Projects	Totals	
		2008	2007
2008 Capital Improvement Revenue Note	Library Expansion	\$ 5,412,000	\$ -
2006 Capital Improvement Line of Credit	Stormwater Drainage, Erosion Control and Brick Street	1,506,487	10,200
Subtotal Governmental		6,918,487	10,200
Business-type			
2006 Capital Improvement Line of Credit	Water and Sewer Improvements and Sanitation Equipment	4,953,047	3,106,688
2001 Florida Municipal Loan Council Bonds	Utility System Improvements	2,245,000	2,515,000
		7,198,047	5,621,688
Total outstanding debt		\$ 14,116,534	\$ 5,631,888

Economic Factors and Next Year's Budgets and Rates

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 limited array of permitted other taxes (sales, gasoline, utility services, etc.) and fees (franchise, occupational license, etc.) for their governmental activities. There are a limited number of state-shared

**CITY OF SAFETY HARBOR, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2008**

revenues. Due to the economic downturn, state-shared revenues were budgeted 16.2 percent lower for fiscal year 2009. Due to the decline in taxes, the City cut increases in general fund appropriations to two percent in the coming year.

Overall, the economic conditions at the City of Safety Harbor compare favorably in the state and surrounding communities. Property taxes are at a 40 year low but service levels provided to the community have remained at a high level. For the business-type and certain governmental activities (permitting, recreational programs, etc.) the user (of services) pays a related fee (or charge) associated with the service provided. With regard to the water and sewer funds, rates were increased beginning in fiscal year 2006 and will continue to increase through fiscal year 2009 at 11.4 percent annually. The Enterprise funds are continuing to become more financially stable with reserves increasing to meet the demands of providing services with a long range goal of funding debt service required to meet the needs for infrastructure improvements. The reserves continue at a safe level, with the water and sewer fund showing an increase in this year.

Requests for Information

This financial report is designed to provide a general overview of and demonstrate accountability for the City of Safety Harbor's finances to users and interested parties, citizens, taxpayers, customers, investors, and creditors. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Finance Director, City of Safety Harbor, 750 Main Street, Safety Harbor, FL 34695, via the City's website (<http://www.cityofsafetyharbor.com>), or by phone at 727-724-1555.

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BASIC FINANCIAL STATEMENTS

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CITY OF SAFETY HARBOR, FLORIDA
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2008

Assets	Governmental Activities	Business-Type Activities	Total
Current assets:			
Equity in pooled cash and investments	\$ 19,689,438	\$ 4,105,133	\$ 23,794,571
Receivables, net:			
Accounts receivable	356,899	877,924	1,234,823
Due from other governments	1,032,475	-	1,032,475
Inventories	126,193	223,551	349,744
Prepaid items	85,368	73,237	158,605
Restricted asset			
Equity in pooled cash and investments	-	2,383,721	2,383,721
Pension asset	642,752	-	642,752
	<u>21,933,125</u>	<u>7,663,566</u>	<u>29,596,691</u>
Total current assets			
Noncurrent assets:			
Capital assets:			
Non depreciable	6,784,962	770,556	7,555,518
Depreciable, net of accumulated depreciation	17,766,466	18,488,017	36,254,483
Unamortized bond issuance costs	10,200	67,904	78,104
Total noncurrent assets	<u>24,561,628</u>	<u>19,326,477</u>	<u>43,888,105</u>
Total assets	<u>\$ 46,494,753</u>	<u>\$ 26,990,043</u>	<u>\$ 73,484,796</u>
Liabilities			
Current liabilities:			
Accounts payable	654,174	357,851	1,012,025
Accrued liabilities	348,612	72,732	421,344
Customer deposits	138,998	580,777	719,775
Unearned revenue	120,386	-	120,386
Current portion of long-term obligations	90,478	308,459	398,937
	<u>1,352,648</u>	<u>1,319,819</u>	<u>2,672,467</u>
Total current liabilities			
Noncurrent portion of long-term obligations	<u>7,796,866</u>	<u>7,369,988</u>	<u>15,166,854</u>
Total liabilities	<u>9,149,514</u>	<u>8,689,807</u>	<u>17,839,321</u>
Net Assets			
Invested in capital assets, net of related debt	17,632,941	11,937,820	29,570,761
Restricted for:			
Debt service	120,982	337,724	458,706
Capital projects	2,473,177	1,465,220	3,938,397
Unrestricted	<u>17,118,139</u>	<u>4,559,472</u>	<u>21,677,611</u>
Total net assets	<u>37,345,239</u>	<u>18,300,236</u>	<u>55,645,475</u>
Total liabilities and net assets	<u>\$ 46,494,753</u>	<u>\$ 26,990,043</u>	<u>\$ 73,484,796</u>

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

**CITY OF SAFETY HARBOR, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Function/program activities				
Primary/government:				
Government activities:				
General government	\$ 3,830,166	\$ 68,943	\$ -	\$ -
Law enforcement	1,278,181	118,959	-	3,767
Fire protection	3,935,680	-	-	-
Building department	305,203	252,434	-	-
Physical environment	1,269,798	546,650	1,445	346,359
Transportation	2,180,589	-	1,147	50,000
Library	1,361,946	46,828	254,245	-
Parks and recreation	2,417,586	534,886	-	-
Interest on long-term debt	96,730	-	-	-
Total governmental activities	<u>16,675,879</u>	<u>1,568,700</u>	<u>256,837</u>	<u>400,126</u>
Business-type activities:				
Water and sewer	7,835,184	7,078,269	-	-
Solid waste	2,866,134	2,467,341	-	-
Total business-type activities	<u>10,701,318</u>	<u>9,545,610</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 27,377,197</u>	<u>\$ 11,114,310</u>	<u>\$ 256,837</u>	<u>\$ 400,126</u>

General Revenues:

Taxes:

Property taxes

Utility taxes

Franchise fees

Sales tax

State and local revenue sharing

Impact fees

Interest income and net appropriation in fair value of investments

Miscellaneous

Total general revenues

Change in net assets

Net assets, beginning of year as previously stated

Prior period adjustment

Net assets, beginning of year as restated

Net assets, end of year

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (3,761,223)	\$ -	\$ (3,761,223)
(1,155,455)	-	(1,155,455)
(3,935,680)	-	(3,935,680)
(52,769)	-	(52,769)
(375,344)	-	(375,344)
(2,129,442)	-	(2,129,442)
(1,060,873)	-	(1,060,873)
(1,882,700)	-	(1,882,700)
(96,730)	-	(96,730)
<u>(14,450,216)</u>	<u>-</u>	<u>(14,450,216)</u>
-	(756,915)	(756,915)
<u>-</u>	<u>(398,793)</u>	<u>(398,793)</u>
-	(1,155,708)	(1,155,708)
<u>(14,450,216)</u>	<u>(1,155,708)</u>	<u>(15,605,924)</u>
3,534,380	-	3,534,380
2,402,197	-	2,402,197
1,453,539	-	1,453,539
941,432	-	941,432
3,580,909	-	3,580,909
27,496	-	27,496
1,113,049	354,785	1,467,834
1,354,046	1,139,362	2,493,408
<u>14,407,048</u>	<u>1,494,147</u>	<u>15,901,195</u>
<u>(43,168)</u>	<u>338,439</u>	<u>295,271</u>
36,488,907	17,812,632	54,301,539
<u>899,500</u>	<u>149,165</u>	<u>1,048,665</u>
<u>37,388,407</u>	<u>17,961,797</u>	<u>55,350,204</u>
<u>\$ 37,345,239</u>	<u>\$ 18,300,236</u>	<u>\$ 55,645,475</u>

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

CITY OF SAFETY, FLORIDA
BALANCE SHEET – GOVERNMENTAL FUNDS
SEPTEMBER 30, 2008

	<u>General</u>	<u>Parkland</u>	<u>Stormwater Utility</u>	<u>Capital Projects</u>	<u>Community Redevelop- ment Agency</u>	<u>Other Government- tal Funds</u>	<u>Total</u>
Assets							
Cash and cash equivalents	\$ 8,659,793	\$ 1,193,066	\$ 1,737,919	\$ 5,062,960	\$ 475,967	\$ 2,559,733	\$ 19,689,438
Receivables, net:							
Accounts receivable	367,787	-	(12,704)	468	-	1,348	356,899
Due from other governments	77,463	-	82,196	799,647	-	73,169	1,032,475
Inventories	126,193	-	-	-	-	-	126,193
Prepays	83,476	-	1,892	-	-	-	85,368
Total assets	9,314,712	1,193,066	1,809,303	5,863,075	475,967	2,634,250	21,290,373
Liabilities and Fund Balances							
Liabilities:							
Accounts payable	51,627	-	946	525,409	19,491	56,701	654,174
Accrued liabilities	257,394	-	6,750	-	621	83,847	348,612
Customer deposits	135,466	-	-	-	-	3,532	138,998
Deferred revenue	111,470	-	-	-	-	8,916	120,386
Total liabilities	555,957	-	7,696	525,409	20,112	152,996	1,262,170
Fund Balances							
Reserved for:							
Encumbrances	50,602	-	86,381	2,864,489	18,582	129,953	3,150,007
Debt service	-	-	-	-	-	120,982	120,982
Prepays	83,476	-	1,892	-	-	-	85,368
Inventories	126,193	-	-	-	-	-	126,193
Public safety	-	-	-	-	-	69,534	69,534
Parkland	-	1,193,066	-	-	-	-	1,193,066
Street lighting	-	-	-	-	-	786,108	786,108
Transportation	-	-	-	-	-	582,299	582,299
Law enforcement	-	-	-	-	-	(1,720)	(1,720)
Library	-	-	-	-	-	19,793	19,793
Drainage	-	-	-	-	-	871	871
Parking	-	-	-	-	-	165,165	165,165
Capital projects	-	-	-	2,473,177	-	-	2,473,177
Unreserved:							
Designated for community redevelopment agency	-	-	-	-	437,273	-	437,273
Designated for stormwater	-	-	1,713,334	-	-	-	1,713,334
Designated for special assessment	-	-	-	-	-	22,433	22,433
Designated for library grant	-	-	-	-	-	87,042	87,042
Designated for street improvement	-	-	-	-	-	361,189	361,189
Designated for marina	-	-	-	-	-	125,702	125,702
Designated for drainage	-	-	-	-	-	11,903	11,903
Undesignated	8,498,484	-	-	-	-	-	8,498,484
Total fund balances	8,758,755	1,193,066	1,801,607	5,337,666	455,855	2,481,254	20,028,203
Total liabilities and fund balances	\$ 9,314,712	\$ 1,193,066	\$ 1,809,303	\$ 5,863,075	\$ 475,967	\$ 2,634,250	\$ 21,290,373

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

**CITY OF SAFETY HARBOR, FLORIDA
RECONCILIATION OF THE BALANCE SHEET –
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2008**

Fund balances - total governmental funds \$ 20,028,203

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

Capital assets used in governmental activities are not financial
resources and therefore are not reported in the governmental
fund

Governmental capital assets	\$ 39,001,620	
Less, accumulated depreciation	<u>14,450,192</u>	24,551,428

The net pension asset related to governmental activities does not
represent financial resources and is not reported in the funds

642,752

Other assets used in governmental activities are not financial
resources and, therefore, are not reported in the governmental
funds

Deferred charge on issuance cost (to be amortized over the life
of the debt)

10,200

Long-term liabilities are not due and payable in the current period
and, therefore, are not reported in the governmental funds.

Revenue note payable	(6,918,487)	
Compensated absences	<u>(968,857)</u>	<u>(7,887,344)</u>

Net assets of governmental activities \$ 37,345,239

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

CITY OF SAFETY HARBOR, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	General	Parkland	Stormwater Utility	Capital Projects	Community Redevelop- ment Agency	Other Governmen- tal Funds	Total
Revenues:							
Property taxes	\$ 3,077,663	\$ -	\$ -	\$ -	\$ 456,717	\$ -	\$ 3,534,380
Charges for services	581,689	-	-	-	-	47,288	628,977
Franchise fees	1,453,539	-	-	-	-	-	1,453,539
Utility taxes	2,402,197	-	-	-	-	-	2,402,197
Licenses and permits	252,434	-	-	-	-	-	252,434
Intergovernmental revenues	2,514,704	-	218,359	1,816,666	-	629,574	5,179,303
Special assessments	-	-	497,280	-	-	753	498,033
Fines and forfeitures	189,258	-	-	-	-	-	189,258
Interest income and net appreciation in fair value of investments	630,001	97,728	50,465	163,440	9,918	161,498	1,113,050
Impact fees	-	945	-	-	-	26,551	27,496
Miscellaneous	1,348,519	-	-	-	-	5,527	1,354,046
Total revenues	12,450,004	98,673	766,104	1,980,106	466,635	871,191	16,632,713
Expenditures:							
Current operating:							
General government	3,003,808	-	-	-	98,511	-	3,102,319
Law enforcement	1,277,100	-	-	-	-	-	1,277,100
Fire protection	3,674,158	-	-	-	-	5,226	3,679,384
Building department	295,879	-	-	-	-	-	295,879
Physical environment	518,856	-	641,276	-	-	24,661	1,184,793
Transportation	859,239	-	-	-	-	873,193	1,732,432
Library	998,725	-	-	-	-	187,594	1,186,319
Parks and recreation	2,044,764	-	-	395	-	-	2,045,159
Capital outlay	71,552	25,409	614,576	4,096,775	690	404,629	5,213,631
Debt service							-
Interest and other fiscal charges	-	-	-	-	-	96,730	96,730
Total expenditures	12,744,081	25,409	1,255,852	4,097,170	99,201	1,592,033	19,813,746
Excess (deficiency) of revenues over (under) expenditures	(294,077)	73,264	(489,748)	(2,117,064)	367,434	(720,842)	(3,181,033)

(Continued on next page)

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

CITY OF SAFETY HARBOR, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	General	Parkland	Stormwater Utility	Capital Projects	Community Redevelop- ment Agency	Other Governmen- tal Funds	Total
Other financing sources (uses):							
Transfers in	226,130	-	650,000	700,000	-	1,109,306	2,685,436
Transfers out	(348,306)	(550,000)	-	(1,536,000)	-	(251,130)	(2,685,436)
Debt proceeds	-	-	1,121,289	5,786,998	-	-	6,908,287
Total other financing sources (uses)	(122,176)	(550,000)	1,771,289	4,950,998	-	858,176	6,908,287
Special item	(216,212)	-	-	-	-	-	(216,212)
Net change in fund balances	(632,465)	(476,736)	1,281,541	2,833,934	367,434	137,334	3,511,042
Fund balances, beginning of year as restated	8,846,290	1,669,802	520,066	2,163,831	97,421	2,320,251	15,617,661
Prior period period adjustment	544,930	-	-	339,901	(9,000)	23,669	899,500
Fund balances, beginning of the year as restated	9,391,220	1,669,802	520,066	2,503,732	88,421	2,343,920	16,517,161
Fund balances, end of year	<u>\$ 8,758,755</u>	<u>\$ 1,193,066</u>	<u>\$ 1,801,607</u>	<u>\$ 5,337,666</u>	<u>\$ 455,855</u>	<u>\$ 2,481,254</u>	<u>\$ 20,028,203</u>

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

**CITY OF SAFETY HARBOR, 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, 2008**

Net change in fund balances- total governmental funds \$ 3,511,042

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

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.

Expenditure for capital assets,	\$ 5,071,927	
Less, current year depreciation	1,550,576	
Gain (loss) on disposal of assets	<u>(104,811)</u>	3,416,540

Net pension asset is not a current financial resources and consequently is not reported in the funds. However, it is an asset in the statement of net assets.

Current year change in the pension asset 72,355

The issuance of long-term debt provides current financial resources for governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction is reported on the governmental wide financial statements.

(6,908,287)

Change in long-term compensated absences (134,818)

Change in net assets of governmental activities \$ (43,168)

(43,168)

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

CITY OF SAFETY HARBOR, FLORIDA
STATEMENT OF NET ASSETS – PROPRIETARY FUNDS
SEPTEMBER 30, 2008

Assets	<u>Water and Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Total</u>
Current assets:			
Equity in pooled cash and investments	\$ 3,935,321	\$ 169,812	\$ 4,105,133
Accounts receivable, net	872,517	5,407	877,924
Inventories	223,551	-	223,551
Prepaid items	34,058	39,179	73,237
Restricted assets			
Equity in pooled investments:			
Sinking fund	337,724	-	337,724
Customer deposits	513,263	67,514	580,777
Capital projects	1,465,220	-	1,465,220
Total current assets	<u>7,381,654</u>	<u>281,912</u>	<u>7,663,566</u>
Noncurrent assets:			
Capital assets:			
Nondepreciable	770,556	-	770,556
Depreciable, net of accumulated depreciation	17,322,566	1,165,451	18,488,017
Unamortized bond costs	67,904	-	67,904
Total noncurrent assets	<u>18,161,026</u>	<u>1,165,451</u>	<u>19,326,477</u>
Total assets	<u>\$ 25,542,680</u>	<u>\$ 1,447,363</u>	<u>\$ 26,990,043</u>
Liabilities and Net Assets			
Current liabilities:			
Accounts payable	\$ 314,030	\$ 43,821	\$ 357,851
Accrued liabilities	47,851	24,881	72,732
Customer deposits, payable with restricted assets	513,263	67,514	580,777
Current portion of long-term obligations	301,419	7,040	308,459
Total current liabilities	<u>1,176,563</u>	<u>143,256</u>	<u>1,319,819</u>
Long-term liabilities			
Noncurrent portion of long-term obligations	7,261,276	108,712	7,369,988
Total liabilities	<u>8,437,839</u>	<u>251,968</u>	<u>8,689,807</u>
Net asset:			
Invested in capital assets, net of related debt	10,772,369	1,165,451	11,937,820
Restricted for:			
Debt service	337,724	-	337,724
Other purposes	1,465,220	-	1,465,220
Unrestricted	4,529,528	29,944	4,559,472
Total net assets	<u>17,104,841</u>	<u>1,195,395</u>	<u>18,300,236</u>
Total liabilities and net assets	<u>\$ 25,542,680</u>	<u>\$ 1,447,363</u>	<u>\$ 26,990,043</u>

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

CITY OF SAFETY HARBOR, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS – PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Water and Sewer Fund	Solid Waste Fund	Total
Operating revenues-			
Charges for services	\$ 7,078,271	\$ 2,467,341	\$ 9,545,612
Operating expenses:			
Personal services	2,010,417	1,171,979	3,182,396
Materials and supplies	401,399	332,035	733,434
Other operating expenses	4,485,257	1,152,696	5,637,953
Depreciation and amortization	814,452	209,425	1,023,877
Total operating expenses	7,711,525	2,866,135	10,577,660
Operating loss	(633,254)	(398,794)	(1,032,048)
Nonoperating revenues (expenses):			
Interest income and net appreciation in fair value of investments	334,549	20,235	354,784
Grants	395,308	-	395,308
Interest expense	(123,659)	-	(123,659)
Miscellaneous	667,912	76,142	744,054
Total nonoperating revenues (expenses)	1,274,110	96,377	1,370,487
Changes in net assets	640,856	(302,417)	338,439
Net assets, beginning of year as previously stated	16,335,649	1,476,983	17,812,632
Prior period adjustment	128,336	20,829	149,165
Net assets, beginning of year as restated	16,463,985	1,497,812	17,961,797
Net assets, end of year	\$ 17,104,841	\$ 1,195,395	\$ 18,300,236

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

CITY OF SAFETY HARBOR, FLORIDA
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Water and Sewer Fund	Solid Waste Fund	Total
Cash flows from operating activities:			
Cash received from customers	\$ 7,119,307	\$ 2,497,631	\$ 9,616,938
Cash paid to suppliers for goods and services	(4,871,877)	(1,500,736)	(6,372,613)
Cash payments to and for the benefit of employees	(1,953,893)	(1,136,415)	(3,090,308)
Cash (used in) provided by operating activities	293,537	(139,520)	154,017
Cash flows from noncapital financing activities:			
Miscellaneous nonoperating revenue	667,912	76,142	744,054
Cash provided by noncapital financing activities	667,912	76,142	744,054
Cash flows from capital and related financing activities:			
Contributed capital and grants	395,308	-	395,308
Proceeds from capital debt	1,852,359	-	1,852,359
Principal payments on long-term debt	(276,000)	-	(276,000)
Interest payments	(123,659)	-	(123,659)
Acquisition and construction of capital assets	(1,998,815)	(549,664)	(2,548,479)
Cash used in capital and related financing activities	(150,807)	(549,664)	(700,471)
Cash flows from investing activity:			
Interest and dividends on investments	334,549	20,235	354,784
Cash provided in investing activity	334,549	20,235	354,784
Net increase (decrease) in cash and cash equivalents	1,145,191	(592,807)	552,384
Cash and cash equivalents at beginning of year	5,106,337	830,133	5,936,470
Cash and cash equivalents at end of year	\$ 6,251,528	\$ 237,326	\$ 6,488,854

(Continues on next page)

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

CITY OF SAFETY HARBOR, FLORIDA
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Water and Sewer Fund	Solid Waste Fund	Total
Reconciliation of cash and investments to balance sheet:			
Total unrestricted equity in pooled cash and investments	\$ 3,935,321	\$ 169,812	\$ 4,105,133
Total restricted equity in pooled cash and investments	2,316,207	67,514	2,383,721
Total equity in pooled cash and investments	\$ 6,251,528	\$ 237,326	\$ 6,488,854
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	\$ (633,254)	\$ (398,794)	\$ (1,032,048)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Depreciation and amortization	814,451	209,425	1,023,876
Change in operating assets and liabilities:			
Increase (decrease) in accounts receivable	(87,299)	(3,997)	(91,296)
Increase in prepaid	(34,058)	(39,179)	(73,237)
Decrease in inventories	49,158	-	49,158
Decrease in due from other governments	128,336	34,287	162,623
Increase (decrease) in accounts payable	(2,178)	23,559	21,381
Increase in accrued payroll	18,356	10,479	28,835
Increase (decrease) in customer deposits	1,857	(385)	1,472
Increase in accumulated unused compensated absences	38,168	25,085	63,253
Net cash (used in) provided by operating activities	\$ 293,537	\$ (139,520)	\$ 154,017
Noncash investing, capital, and financing activities:			
Amortization of loan and bond premiums	\$ 9,319	\$ -	\$ 9,319

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

**CITY OF SAFETY HARBOR, FLORIDA
STATEMENT OF FIDUCIARY NET ASSETS
SEPTEMBER 30, 2008**

	<u>Pension Trust Fund</u>
Assets	
Cash and cash equivalents	
Money market	<u>\$ 52,087</u>
Investments, at fair value	
U.S. Treasury Bonds, Notes and Bills	796,810
Equities securities	<u>1,010,316</u>
Total investments	<u>1,807,126</u>
Total assets	<u><u>\$ 1,859,213</u></u>
Net assets	
Held in trust for pension benefits	<u><u>\$ 1,859,213</u></u>

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

CITY OF SAFETY HARBOR, FLORIDA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	<u>Pension Trust Fund</u>
Additions:	
Contributions	
State of Florida	\$ 146,206
Contributions - City	207,244
Contributions - Employee	<u>8,539</u>
Total contributions	<u>361,989</u>
Investment income	
Interest income and net appreciation in fair value of investments	<u>(250,902)</u>
Total additions	<u>111,087</u>
Deductions:	
Pension distribution	36
Other services and charges	<u>8,318</u>
Total deductions	<u>8,354</u>
Increase in net assets	102,733
Net assets, beginning of year	<u>1,756,480</u>
Net assets, end of year	<u><u>\$ 1,859,213</u></u>

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

NOTES TO BASIC FINANCIAL STATEMENTS

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CITY OF SAFETY HARBOR, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The City of Safety Harbor, Florida (“the City”) is a political subdivision of the State of Florida. The City was originally incorporated on June 11, 1917 and in 1982, the citizens of the City ratified the current City Charter (“the Charter”). The Charter provides for a Commission-Manager form of government. The City was created under legal authority of Chapter 61-2735, laws of Florida, which was subsequently amended by and adopted as ordinance No. 92-36 on December 21, 1992, and passed at referendum on March 9, 1993. The government of the City is operated by the authority of the powers granted by its Charter, as limited by the State Legislature. The City provides a full complement of municipal services, except for certain education, health and welfare services, which are administered by other governmental entities.

The City’s financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board of the Financial Accounting Foundation, Inc. (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued on or before November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established under GAAP and used by the City are discussed below.

The Reporting Entity

In evaluating the City as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the City mayor may not be financially accountable, and, as such, be included in the City’s financial statements. In accordance with GASB Statement No. 14, *The Reporting Entity*, the City (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefit to or impose specific financial burden on the City. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete. Management has determined that the Community Redevelopment Agency is the only organization that should be included in the City’s financial statements as a blended component unit.

Blended Component Unit

The Community Redevelopment Agency (CRA) was created pursuant to Chapter 163.356, Florida Statutes, City Ordinance 92-24 and City Resolutions 92-25 and 92-26. The City Commission serves as the CRA Board. Although legally separate, the CRA is appropriately blended as a special revenue fund type component unit into the primary government. Separate financial statements for the CRA are not presently developed.

CITY OF SAFETY HARBOR, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

The City includes advisory boards and commissions within the City in its financial statements in circumstances where the City selects the governing authority, designates management, has the ability to influence operations, and has accountability for fiscal matters of the advisory boards and commissions.

Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the City as a whole excluding fiduciary activities such as employee pension plans. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and City general revenues, from business-type activities, generally financed in a whole or in part with fees charged to external customers.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the City's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues. Interfund accounts and transactions are eliminated.

Fund Financial Statements

Fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental and enterprise funds are reported in separate columns with composite columns for nonmajor funds.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus applied.

The government-wide financial statements are presented on the accrual basis of accounting. The government funds in the fund financial statements are presented on a modified accrual basis of accounting.

CITY OF SAFETY HARBOR, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

All proprietary funds are maintained on the accrual basis of accounting with revenues being recognized when earned and expenses recognized when incurred. Operating revenues and expenses of the proprietary funds are defined revenues or expenses related to the provision of the applicable service. Non-operating revenues and expenses include items unrelated to the provision of services.

Under the modified accrual basis, revenues are recognized in the accounting period when they become measurable and available. Revenues are generally considered available when they are received in cash (unless legally restricted to some future period) or when earned and expected to be collected soon enough after year-end to pay liabilities of the current period (i.e., within 60 days of the end of the current fiscal period). Revenues which are susceptible to accrual are as follows: water, sewer and solid waste collection revenue, state revenue sharing, franchise fees, local infrastructure tax, and intergovernmental grants.

Expenditures are recognized at the time the fund liability is incurred, if measurable. Interest and principal payments on general long-term debt are recognized when paid. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed.

Measurement Focus

The governmental fund measurement focus (in the fund financial statements) is based on determination of financial position and changes in financial position rather than on net income. The proprietary fund measurement focus is on the determination of operating income, changes in net assets, financial position and cash flows similar to businesses in the private sector.

Fund Accounting

In order to ensure observance of limitations and restrictions on the use of the resources available, the financial records and accounts are maintained in accordance with the principles of fund accounting. The financial transactions of the City are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures or expenses.

The fund financial statements are presented to emphasize the major funds of the City. GASB No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, sets forth criteria for the determination of major funds. The general fund is always a major governmental activity. Based on the criteria of GASB No. 34 the parkland, stormwater utility, capital projects and the community redevelopment agency funds are also considered major governmental funds. The combined total of nonmajor funds is reflected as other funds. For the business-type activities the water and sewer and solid waste funds are considered major funds. There are no other business-type activity funds for consideration. The fund financial statements are prepared on the modified accrual basis for governmental activities and the accrual basis for business-type activities.

CITY OF SAFETY HARBOR, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Major Governmental Fund Types

Governmental fund types are as follows:

- General Fund – accounts for all unrestricted resources, except those required to be accounted for in another fund.
- Parkland Fund – accounts for financial resources segregated for the acquisition of park facilities and parklands.
- Stormwater Utility Fund – accounts for the operations of the Stormwater Management system.
- Capital Projects Fund – accounts for financial resources segregated for the acquisition of major capital facilities.
- Community Redevelopment Agency – accounts for the revenues and expenditures relating to community redevelopment pursuant to the approved community redevelopment plan.

Proprietary Fund Types

Proprietary fund types are as follows:

- Water and Sewer – to account for the provision of water and sewer services to the residents of the City and some county residents. All activities necessary to the provision of these services are accounted for in this fund, including, but not limited to, administration and system maintenance.
- Solid Waste – to account for the provision of solid waste removal service to the residents of the City. All activities necessary to the provision of this service are accounted for in this fund.

Fiduciary Fund Type

- Fiduciary fund includes the pension trust fund. The measurement focus of the pension trust fund is similar to proprietary funds. Trust funds are used to account for assets held by the City in a trustee capacity. The City reports the Retirement Plan for the Firefighters of the City of Safety Harbor as a pension trust fund.

Noncurrent Governmental Assets and Liabilities

GASB No. 34 eliminates the presentation of account groups, but provides for these records to be maintained and incorporates the information into the governmental column in the government-wide statement of net assets.

Interfund Activity

Interfund activity is reported as loans, services provided reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as

CITY OF SAFETY HARBOR, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

revenues and expenditures/expenses. Reimbursements to a fund for payments initially made, but which are applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reduction of expenditures/expenses in the fund that is reimbursed. All other interfund transactions are treated as transfers. Interfund services provided and used are not eliminated in the process of consolidation. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide statements.

Budgets and Budgetary Accounting

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

- a. At least thirty days prior to October 1, the Budget Officer submits to the City Commission an operating budget and an explanatory message. The budget message contains an outline of the proposed financial policies for the fiscal year: (1) identifies any important changes from the current year in revenue items or appropriations, (2) lists pending funding, (3) presents a complete program and financial plan for the appropriation of expenditures, and (4) presents anticipated revenues and revenue sources.
- b. Public hearings are conducted by the City Commission as required by state and federal law to obtain taxpayer comments on the proposed budget.
- c. The budget is adopted by a majority of all members of the City Commission not later than three days before October 1.
- d. The City Manager is authorized to transfer budgeted amounts between line items within a department; however, any revisions that alter the total expenditures of any department must be approved by the City Commission. Appropriations that have not been expended or lawfully encumbered lapse at year-end.
- e. Budgets for the general, special revenue, debt service and capital projects funds are adopted on a basis consistent with GAAP. Budgeted amounts are, as originally adopted or as amended, in accordance with City Ordinance. There were no supplemental budgetary appropriations during the year ended September 30, 2008.

Section 7.28 of the City's Code of Ordinances prohibits the expenditure of any money or the incurrence of any liability in excess of the amounts appropriated for these general classifications of expenditures: personal services, contractual and other services, materials and supplies, capital outlay and debt service.

Encumbrances

Encumbrances, representing contractual commitments in the form of purchase orders and contracts, are recorded as incurred in the governmental funds during the year to facilitate

CITY OF SAFETY HARBOR, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

budgetary reporting. Such encumbrances are not recorded as expenditures, but rather as reservations of fund balance for subsequent years' appropriation at year-end.

Pooled Cash and Investments

The City utilizes a consolidated cash pool to account for cash and investments of all City funds other than those which are required by ordinance to be physically segregated. The consolidated cash pool concept allows each participating fund to benefit from the economies of scale and improved yield which are inherent to a larger investment pool. Formal accounting records detail the individual equities of the participating funds.

Investments in U.S. Treasury, government agency securities and commercial paper are recorded at fair value, as determined by quoted market prices. If quoted market prices are not available, fair values are estimated on the basis of dealer quotes, pricing models, or quoted prices for instruments with similar characteristics. The Local Government Surplus Funds Trust Fund operated by the Florida State Board of Administration is treated as a "2a-7 like" pool in accordance with GASB Statement No.31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*; therefore, it is presented at its actual pooled share price, which approximates fair value.

The City has implemented GASB Statement No. 40, *Deposits and Investment Risk Disclosures an amendment of GASB No. 3*, which requires more comprehensive disclosure of various, common risks related to deposits and investments.

Cash Equivalents

For purposes of the statement of cash flows, the proprietary funds consider equity in pooled cash and investments and highly liquid investments with an original maturity of three months or less when purchased, both restricted and unrestricted, to be cash equivalents.

Receivables

Utility (water, sewer, and solid waste) operating revenues are generally recognized on the basis of cycle billings rendered monthly. The City has recorded an allowance for potentially uncollectible water and sewer and solid waste billings. Accounts receivable in the Proprietary Funds are shown net of the allowance; at September 30, 2008 the allowance was set at \$672,351.

Taxes Receivable

In the governmental funds, delinquent ad valorem taxes receivable are measurable, but not available as of the end of the fiscal year and are shown as deferred revenue if not expected to be collected soon enough after year-end to pay current liabilities. The deferred revenue will be recognized as revenue in the fiscal year that it becomes available.

CITY OF SAFETY HARBOR, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Property Taxes

Under Florida Law, the assessment of all properties and the collection of all City property taxes are consolidated in the offices of the Pinellas County Property Appraiser and the Pinellas County Tax Collector. The laws of the State regulating tax assessments are also designed to assure a consistent property valuation method statewide. Florida statutes permit cities to levy property taxes at a rate of up to 10 mils. The millage rate in effect for the fiscal year ended September 30, 2008 was 2.5140.

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 tax requirements of the municipalities, independent districts, and the Pinellas County School Board.

All property is reassessed according to its fair 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 Florida Statutes.

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 Pinellas County Tax Collector. All unpaid taxes become delinquent on April 1 following the year in which they are assessed. At this time a lien is placed on the property. 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 up to 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 Pinellas 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.

Inventories

Inventories are stated at cost (determined on the first-in, first-out method). Supply inventories in the governmental funds are accounted for by the purchase method where inventories are recorded as expenditures when they are acquired. A portion of fund balance has been reserved for the balance of these inventories on hand at year-end. Fuel inventory in the governmental funds is accounted for by the consumption method, where inventories are recorded as expenditures when used. No reservation of fund balance is necessary under this method.

**CITY OF SAFETY HARBOR, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

The following is the breakdown in governmental funds inventories at September 30, 2008:

	Amount
Equipment supplies	\$ 83,093
Fuel supplies	38,932
Office supplies	4,168
	\$ 126,193

Capital Assets

The City's property, plant, equipment and infrastructure with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. The City maintains infrastructure asset records consistent with all other capital assets. Proprietary capital assets are also reported in their respective fund and combining financial statements. Donated assets are stated at fair value on the date donated. The City generally capitalizes assets with cost of \$5,000 or more. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets, including those of component units, are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

The estimated useful lives of the various classes of depreciable assets are as follows:

Assets	Years
Buildings	10 - 50
Infrastructure	5 - 50
Machinery and equipment	3 - 10

Depreciation expense for the year ended September 30, 2008 totaled \$1,550,576 and \$1,000,526 for governmental and business type funds, respectively.

Unamortized Bond Discounts and Issuance Costs

Bond discounts and issuance costs on the proprietary funds' long-term debt are being deferred and amortized over the term of the related bond issue under the bonds outstanding method. Bond discounts are presented as a reduction of the face amount of the related bonds payable and issuance costs are recorded as other assets.

CITY OF SAFETY HARBOR, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Compensated Absences

The City's reporting of accumulated unused compensated absences has been recorded in accordance with GASB Statement No. 16, *Accounting for Compensated Absences*.

The City records the vested portion of accumulated unused compensated absences at each year-end based on each employee's accumulated unused hours and current rate of pay. Employees generally use their compensated absences as they are earned and do not require being paid with expendable available financial resources. Accordingly, accumulated annual and sick leave is accrued when incurred in the government-wide and proprietary fund financial statements. A liability is recorded in the governmental fund financial statements only when they have matured.

Long-term Obligations

In the government-wide financial statements and proprietary fund type financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums, discounts, and issuance costs are reported as deferred charges and amortized over the life of the related debt using the effective interest method. Bonds payables are reported net of bond premiums or discounts.

In the separate fund financial statements, governmental fund types recognize bond premiums and discounts as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt services expenditures.

Postretirement Health and Life Insurance Benefits

The City makes available healthcare insurance for eligible retirees through the City's group health insurance plan, which covers both active and retired members. Retirees pay the full cost healthcare insurance, which is a single, blended premium rate that is used for both active employees and retired members. In May 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Compliance for the City will be effective September 30, 2009, and the City will be consulting with an actuary to determine the impact.

Termination Benefits

The City's reporting of termination benefits is recorded in accordance with GASB Statement No. 47, *Accounting for Termination Benefits*. This statement requires the recognition of a liability and expense for voluntary termination benefits (for example, early-retirement incentives) and involuntary termination benefits (for example, severance benefits) when a plan of termination

CITY OF SAFETY HARBOR, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

has been approved, the plan has been communicated to the employees, and the amount can be estimated. There were no accrued termination benefits as of September 30, 2008.

Termination benefits are recorded as an expenditure and liability in the governmental funds only if they are expected to be liquidated with expendable available financial resources; the remainder is recorded as a general long-term liability in the government-wide statement of net assets.

Reserves and Designations

Governmental fund reserves are used to indicate that a portion of the fund balance is not available for appropriation for expenditure or is legally segregated for a specific future use. Designations indicate a portion of the unreserved fund balance that has been earmarked for specific purposes. Usage of reserves and designations has been limited to the following items:

Governmental Fund Types

- Reserved for Encumbrances - indicates a portion of the fund balance that has been segregated for expenditure upon vendor performance. This reflects items that have been ordered or committed for at year-end which have not been received or paid for.
- Reserved for Debt Service - indicates a portion of the fund balance that has been restricted by bond ordinance to payment of general long-term debt.
- Reserved for Inventories - indicates a portion of fund balance that has been segregated for inventories which were recorded as expenditures when purchased (supplies inventory). This amount is unavailable for appropriation.
- Reserved for Public Safety - indicates a portion of fund balance that is restricted by City ordinance for public safety related capital improvements limited to facilities, vehicles and equipment for firefighting, fire protection services and emergency medical services.
- Reserved for Parkland - indicates the fund balance of the Parkland Fund which is legally restricted for the purchase of parkland facilities and park land.
- Reserved for Street Lighting - indicates the fund balance of the Street Lighting Fund which is legally restricted for costs associated with street lighting.
- Reserved for Transportation - indicates the fund balance of the Transportation Impact Fee Fund which is legally restricted for roads and streets.
- Reserved for Library - indicates the fund balance of the Library Impact Fee Fund which is legally restricted for the expansion and improvement of the City's library.
- Reserved for Drainage - indicates the fund balance of the Drainage Impact Fee Fund which is legally restricted.
- Reserved for Parking - indicates the fund balance of the Parking Impact Fee Fund which is legally restricted.

CITY OF SAFETY HARBOR, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

- Reserve for Capital Projects - indicates a portion of the fund balance that is restricted for capital projects.
- Designated for Stormwater - indicates the fund balance of the Stormwater Utility Fund which has been designated for specific purposes.
- Designated for Library Grant - indicates the fund balance of the Library Grants Fund which is designated for specific purposes.
- Designated for Street Improvement - indicates a portion of the unreserved fund balance that has been designated for expenditures for street improvements.
- Designated for Special Assessments - indicates the fund balance of the Special Assessments Fund (accounted for as a Special Revenue Fund), which accounts for all financial activity generated by special assessments.
- Designated for Marina - represents the fund balance of the Marina Basin Fund which has been designated for a specific purpose.
- Designated for Community Redevelopment Agency - indicates a portion of fund balance that is restricted for funding of community redevelopment projects.

Restrictions on Net Assets

Restrictions are used to indicate a segregation of a portion of net assets equal to the current assets that are restricted for meeting various covenants as may be specified and defined in the revenue bond indenture. Usage of restrictions has been limited to the following items:

- Restricted for Renewal and Replacement - restricted for meeting of various contingencies as may be so specified and defined in the indenture.
- Restricted for Capital Projects – indicates a portion of the net assets that has been restricted for local government infrastructure projects funded by the Penny for Pinellas program.
- Restricted for Debt Service - indicates a portion of the net assets that has been restricted for meeting payments of the Proprietary Funds' bonds payable.

Fiduciary Fund Type

Fiduciary fund reserves are used to indicate that a portion of the fund balance is not available for appropriation or expenditure or is legally segregated for a specified future use.

- Reserved for Firefighters' Retirement - indicates a portion of the fund balance is legally restricted for the payment of retirement benefits.

CITY OF SAFETY HARBOR, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 2 – DEPOSITS AND INVESTMENTS:

Deposits

At September 30, 2008, the carrying amount of the City's deposits with financial institutions was \$5,991,307. The City's demand deposits were fully insured by federal depository insurance or by collateral held by the City's agent pursuant to the Public Depository Security Act of the State of Florida. This Act establishes a multiple financial institution collateral pool in which all financial institutions holding public deposits pledge a pool of collateral against all public deposits they collectively hold. In the event of a default or insolvency by a qualified public depository, any loss not covered by deposit insurance or the proceeds from the sale of securities pledged by the defaulting depository is covered by an assessment against the other qualified public depositories of the same type as the depository in default. The assessment is based upon the average share of the public fund deposits held by each of these depositories during the previous 12 months in relation to total public deposits held by all depositories of the same type during the same period.

Equity Pooled Investments

Custodial Risk

Custodial credit risk is the risk that a government will not be able to recover deposits or the value of investments in the event of the failure of a depository financial institution or a third party holding the investments securities. All investments are held in the name of the City and all time deposits are maintained with Qualified Public Depositories, as previously discussed.

Credit Risk

Concentration of credit risk is the risk of loss attributable to the quantity of investment in a single issuer. Florida Statutes (166.261 and 218.415) and the City's investment policy authorize the City to invest surplus public funds in:

- The Local Government Surplus Funds Trust Fund;
- Direct obligations of the United States Government;
- Obligations guaranteed by the U.S. Government as to principal and interest;
- Interest bearing time deposits or savings accounts:
 - In banks organized under the laws of Florida
 - In national banks organized under the laws of the United States and doing business and situated in the State of Florida
 - In savings and loan associations which are under the State of Florida's supervision and in federal savings and loan associations located in Florida and organized under federal law and federal supervision
 - Financial institution must be approved as a qualified public depository by the State of Florida, Department of Insurance and Treasurer;

CITY OF SAFETY HARBOR, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 2 – DEPOSITS AND INVESTMENTS (continued):

- Obligations of the Federal Home Loan Mortgage Corporation; Federal Home Loan Mortgage corporation Participation Certificates; Obligations of the Federal Home Loan Banks or its district banks; Obligations guaranteed by the Government National Mortgage Association.

The State of Florida State Board Administration (SBA) Local Government Investment Pool is rated by Standard & Poors with a current rating of AAAM. The SBA Pool manages \$6 billion for State and local governments and purchases investments consistent with Chapter 215.47, Florida Statutes. The Pool operates as a 2a-7 Money Market Fund and reported an average days to maturity of 8.5 days at September 30, 2008. The SBA Pool experienced a liquidity crisis in November, 2007, which caused the Pool to be frozen, due to downgrades in a portion (approximately 3%) of the Pool's investments. The Pool was eventually divided into two pools, Pool A/LGIP and Pool B.

Pool A/LGIP participants were permitted initially to withdraw up to the higher of 15% of their balance or \$2 million without penalty. Withdrawals from Pool A/LGIP in excess of the limits are subject to a 2% redemption fee. These withdrawal provisions for Pool A/LGIP increased periodically throughout the year as its investments matured, and subject to the liquidity requirements of the Pool. The withdrawal provisions at September 30, 2008 allow the highest of 65% of each participant's December 4, 2007 balance or \$12 million, without penalty. New deposits in Pool A/LGIP are not subject to the redemption fee or withdrawal restrictions. Pool B participant are prohibited from withdrawing any amount from Pool B. Amounts totaling \$1.4 billion were transferred by the SBA from Pool B to Pool A/LGIP, with immediate availability, between February and September 30, 2008, leaving a Pool B balance for all participants of approximately \$800 million at September 30, 2008. On September 30, 2008, the City had \$271,186 invested in Pool A/LGIP, with no liquidity restrictions, and had \$10,841 remaining in Pool B.

<u>Investment Types</u>	<u>Credit Rating</u>	<u>Concentration at Fair Market Value</u>	<u>Percentage Pooled Investments September 30, 2008</u>
Money Markets	No Rating	\$ 112,045	0.55%
SBA Pool B	No Rating	10,482	0.05%
SBA Pool A/LGIP	AAA	271,186	1.33%
Private Label CMO	AAA	2,361,298	11.55%
Federal Home Loan Bank	AAA	875,583	4.28%
Federal Home Loan Mortgage Corporation CMO FHLMC	AAA	5,845,025	28.59%
Federal Home Loan Mortgage Corporation MBS FHLMC	AAA	4,376,613	21.41%
Government National Mortgage Association CMO GNMA	AAA	703,791	3.44%
Federal National Mortgage Association CMO FNMA	AAA	356,929	1.75%
Federal National Mortgage Association MBS FNMA	AAA	5,530,124	27.05%
		<u>\$ 20,443,076</u>	<u>100.00%</u>

CITY OF SAFETY HARBOR, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 2 – DEPOSITS AND INVESTMENTS (continued):

Interest Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City manages exposure to declines in fair value caused by rising interest rates by purchasing investments with maturities generally with a weighted average of 2.5 years. Investment maturities are also ladder (staggered) throughout the year so that a portion of investments mature monthly, which further reduces exposure to declines in fair value. In addition, it is the City's practice to hold all investments until maturity, therefore, decline in fair value, if any, caused by rising interest rates are recognized for accounting purposes, but are never realized. The weighted average days to maturity of the Local Government Surplus Funds Trust Fund Pool A/LGIP was 8.5 days, while the weighted average like of the Local Government Surplus Funds Trust Fund Pool B was 9.36 years, as of September 30, 2008.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributable to the quantity of the government's investment in a single user. Appropriate diversification is maintained between security types and issuers to reduce concentration of credit risk. The broad categories of allowable security are as follows:

Investment Types	Fair Market						More than
	Value	0 to 1 Year	1 to 2 Years	2 to 3 Years	3 to 4 Years	4 Years	
Money Markets	\$ 112,045	\$ 112,045	\$ -	\$ -	\$ -	\$ -	
SBA Pool B	10,482	10,482	-	-	-	-	
SBA Pool A/LGIP	271,186	271,186	-	-	-	-	
Private Label CMO	2,361,298	-	-	-	-	2,361,298	
Federal Home Loan Bank	875,583	-	875,583	-	-	-	
Federal Home Loan Mortgage Corporation CMO FHLMC	5,845,025	-	1,624,630	1,009,809	1,099,997	2,110,589	
Federal Home Loan Mortgage Corporation MBS FHLMC	4,376,613	-	878,036	-	-	3,498,577	
Government National Mortgage Association CMO GNMA	703,791	-	-	-	703,791	-	
Federal National Mortgage Association CMO FNMA	356,929	356,929	-	-	-	-	
Federal National Mortgage Association MBS FNMA	5,530,124	-	2,332,032	2,579,939	-	618,153	
	<u>\$ 20,443,076</u>	<u>\$ 750,642</u>	<u>\$ 5,710,281</u>	<u>\$ 3,589,748</u>	<u>\$ 1,803,788</u>	<u>\$ 8,588,617</u>	

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CITY OF SAFETY HARBOR, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 3 – CAPITAL ASSETS:

The following is a summary of changes in capital assets for the year ended September 30, 2008:

	Balance Sept. 30, 2007	Additions	Disposals	Balance Sept. 30, 2008
Governmental activities:				
Nondepreciable assets:				
Land	\$ 3,864,546	\$ -	\$ -	\$ 3,864,546
Construction in progress	801,437	2,235,790	116,811	2,920,416
Depreciable assets:				
Buildings	4,020,976	-	-	4,020,976
Infrastructure	19,785,500	1,886,475	-	21,671,975
Equipment	6,017,449	949,253	442,995	6,523,707
	-	-	-	-
Total at historical cost	<u>34,489,908</u>	<u>5,071,518</u>	<u>559,806</u>	<u>39,001,620</u>
Less, accumulated depreciation for:				
Buildings	2,500,936	79,775	-	2,580,711
Infrastructure	6,851,942	966,931	-	7,818,873
Equipment	4,001,733	503,870	454,995	4,050,608
	-	-	-	-
Total accumulated depreciation	<u>13,354,611</u>	<u>1,550,576</u>	<u>454,995</u>	<u>14,450,192</u>
Governmental activities capital assets, net	<u>\$ 21,135,297</u>	<u>\$ 3,520,942</u>	<u>\$ 104,811</u>	<u>\$ 24,551,428</u>
Business-type activities:				
Nondepreciable assets:				
Land	\$ 394,541	\$ -	\$ -	\$ 394,541
Construction in progress	219,980	156,035	-	376,015
Depreciable assets:				
Buildings	229,719	-	-	229,719
Infrastructure	23,470,847	1,483,313	-	24,954,160
Equipment	5,437,316	909,131	62,147	6,284,300
	-	-	-	-
Total at historical cost	<u>29,752,403</u>	<u>2,548,479</u>	<u>62,147</u>	<u>32,238,735</u>
Less, accumulated depreciation for:				
Buildings	762,843	189,793	-	952,636
Infrastructure	7,433,210	410,384	-	7,843,594
Equipment	3,845,730	400,349	62,147	4,183,932
	-	-	-	-
Total accumulated depreciation	<u>12,041,783</u>	<u>1,000,526</u>	<u>62,147</u>	<u>12,980,162</u>
Business-type activities capital assets, net	<u>\$ 17,710,620</u>	<u>\$ 1,547,953</u>	<u>\$ -</u>	<u>\$ 19,258,573</u>

**CITY OF SAFETY HARBOR, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

NOTE 3 – CAPITAL ASSETS (continued):

Depreciation expense was charged to governmental functions as follows:

	<u>Amount</u>
General government	\$ 261,877
Law enforcement	1,081
Fire protection	220,937
Building department	6,508
Transportation	62,786
Library	452,313
Parks and recreation	135,126
Physical environment	409,948
Total depreciation expense	<u><u>\$ 1,550,576</u></u>

NOTE 4 – INTERFUND TRANSFERS:

Interfund transfers for the year ended September 30, 2008, consisted of the following:

Transfers to General Fund from:	
Capital Projects Fund	\$ 130,000
Nonmajor Fund	96,130
	<u>226,130</u>
Transfers to Stormwater Utility Fund from:	
Capital Projects Fund	<u>650,000</u>
Transfers to Capital Project Fund from:	
General Fund	150,000
Parkland Fund	550,000
	<u>700,000</u>
Transfers to Nonmajor governmental funds from:	
General Fund	198,306
Capital Project Fund	756,000
Nonmajor governmental funds	155,000
Total nonmajor interfund transfers	<u>1,109,306</u>
Total interfund transfers	<u><u>\$ 2,685,436</u></u>

CITY OF SAFETY HARBOR, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 4 - INTERFUND TRANSFERS (continued):

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in the funds in accordance with budgetary authorizations.

NOTE 5 – LONG-TERM LIABILITIES:

The following is a summary of changes in long-term liabilities for the year ended September 30, 2008:

	Balance October 1, 2007	Increases	Decreases	Balance September 30, 2008	Amount Due Within One Year
Governmental Activities					
2008 Capital Improvement					
Revenue Note	\$ -	\$ 5,412,000	\$ -	\$ 5,412,000	\$ -
2006 Capital Improvement					
Line of Credit	10,200	1,496,287	-	1,506,487	-
Accrued compensated absences	834,045	264,594	129,782	968,857	90,478
	<u>\$ 844,245</u>	<u>\$ 7,172,881</u>	<u>\$ 129,782</u>	<u>\$ 7,887,344</u>	<u>\$ 90,478</u>
Government activities total					
Business-Type Activities					
Series 2001 A Florida Municipal					
Loan Council Revenue Bonds	\$ 2,515,000	\$ -	\$ 270,000	\$ 2,245,000	\$ 285,000
Plus deferred amount					
for issuance premium	132,025	-	9,321	122,704	-
Total bond payable	2,647,025	-	279,321	2,367,704	285,000
2006 Capital Improvement					
Line of Credit	3,106,688	1,852,359	6,000	4,953,047	-
Accrued compensated absences	294,442	91,451	28,197	357,696	23,459
	<u>\$ 6,048,155</u>	<u>\$ 1,943,810</u>	<u>\$ 313,518</u>	<u>\$ 7,678,447</u>	<u>\$ 308,459</u>
Business-type activities totals	<u>\$ 6,048,155</u>	<u>\$ 1,943,810</u>	<u>\$ 313,518</u>	<u>\$ 7,678,447</u>	<u>\$ 308,459</u>
Total all activities	<u>\$ 6,892,400</u>	<u>\$ 9,116,691</u>	<u>\$ 443,300</u>	<u>\$ 15,565,791</u>	<u>\$ 398,937</u>

Accrued compensated absences are liquidated in the funds that incur the respective liabilities, which are the General and Enterprise funds.

CITY OF SAFETY HARBOR, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 5 – LONG-TERM LIABILITIES (continued):

Florida Municipal Loan Council Revenue Bonds Series 2001A – On November 15, 2001, the City issued a \$3,610,00 Revenue Bond, series 2001A, at a variable rate with the Florida Municipal Loan Council and maturing on November 1, 2021. The bonds were issued to refund series 1993 bonds and fund utility system improvements. Debt service payments are made annually. The loan repayment obligations of the City are payable from and secured by a lien upon and pledge of the net revenues of the City’s potable water and wastewater system.

2006 Capital Improvement Credit Line – proceeds will be use to finance various capital improvements as well as capital improvements in the City’s water and sewer system. The principal amount of up to \$9,000,000 may be drawn over a three year period. The amount should be drawn in increments of \$100,000 or more. The City shall not make more than two requisitions in any given calendar month. Payment of the loan will be payable from a covenant to budget and appropriate non-ad valorem revenues. Interest is accrued monthly commencing June 1, 2006, at a variable rate per annum equal to the one month London Interbank Offered Rate (“LIBOR Rate”) plus 23 basis points (0.23%). On or after July 1, 2009 the City may either pay off the principal balance or convert the line of credit to a note with a fixed interest rate.

2008 Capital Improvement Revenue Note – On April 25, 2008, the City issued a \$5,412,000 Capital Improvement Revenue Note, Series 2008, at a fixed interest rate of 3.3396% with Regions Bank and maturing on October 1, 2020. The note was issued for the acquisition and construction of certain capital improvements of the City. Debt service payments are made semi-annually. The loan repayment obligations of the City are payable from and secured by a lien upon and a pledge of non-ad valorem funds budgeted and appropriated for purposes of payment.

The annual debt service requirement for the governmental activities long-term debt as of September 30, 2008 is as follow:

Year Ending Sept. 30,	Governmental Activities 2008 Capital Improvement Revenue Note		
	Principal	Interest	Total
2009	-	168,690	168,690
2010	374,000	174,494	548,494
2011	387,000	161,787	548,787
2012	399,000	148,662	547,662
2013	413,000	135,104	548,104
2014 - 2018	2,280,000	455,622	2,735,622
2019 - 2021	1,559,000	79,231	1,638,231
 Total debt service	 <u>\$5,412,000</u>	 <u>\$ 1,323,590</u>	 <u>\$ 6,735,590</u>

**CITY OF SAFETY HARBOR, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

NOTE 5 – LONG-TERM LIABILITIES (continued):

The annual debt service requirement for the business-type activities long-term debt as of September 30, 2008 is as follow:

Year Ending Sept. 30,	Business-Type Activities 2001 Florida Municipal Loan Council Revenue Bond		
	Principal	Interest	Total
2009	285,000	113,000	398,000
2010	300,000	98,750	398,750
2011	105,000	83,750	188,750
2012	110,000	78,500	188,500
2013	115,000	73,000	188,000
2014 - 2018	660,000	270,361	930,361
2019 - 2022	670,000	82,237	752,237
Total debt service	\$2,245,000	\$ 799,598	\$3,044,598

NOTE 6 – PENSION PLANS:

A. Florida Retirement System

The City contributes to the Florida Retirement System (“the System”), a cost-sharing multiple employer Public Employees Retirement System (PERS) defined benefit pension plan controlled by the State Legislature and administered by the Florida Department of Administration, Division of Retirement, which covers substantially all of the City's full-time employees. The System provides retirement and disability benefits, annual cost-of-living adjustments, a health insurance subsidy, and survivor benefits to plan members and beneficiaries, respectively. The System was established in 1970 by Chapter 121, Florida Statutes. Changes to the law can be made only by an act of the Florida Legislature. Rules governing the operations and administration of the System may be found in Chapter 60S of the Florida Administrative Code. The Florida Retirement System Annual Report is a document printed for members of the Legislature and the public, reflecting the financial operation and condition of the state-administered retirement systems. The publication contains financial statements, actuarial comments, investment information, and statistical data on the System. A copy can be obtained by writing to Division of Retirement, Research, Education & Policy Section, 2639-C North Monroe Street, Tallahassee, Florida 32399-1560 or by calling (850) 488-5706.

CITY OF SAFETY HARBOR, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 6 – PENSION PLANS (continued):

Presently, the System does not require contributions from covered members. The City is required to contribute an actuarially determined rate. The current rates, based upon employees' gross earnings, are: regular employees, 9.85%; special risk, 20.92%. The contribution requirements of the City are established and may be amended by the State Legislature. The City's contributions to the System for the fiscal years ending September 30, 2008, 2007 and 2006 were approximately \$516,000, \$492,000 and \$421,000 respectively, equal to the required contributions for each year.

B. Defined Contribution Plan

The City contributes to one defined contribution plan established by City Resolutions for employees starting after January 1, 1996 (Opt Out Plan). The plan is administered by ICMA Retirement Corporation. Plan investments are recorded at fair value. The Opt Out Plan is fully vested upon completion of five or more years of service. The City contributes to the 401(a) plan accounts for participants at a rate of deferred salary of 8%. Employer contributions are recognized in the period that the contributions are due. The total City contributions to the 401(a) plans for general employees were approximately \$270,100 for the year ended September 30, 2008. Employees are not permitted to contribute to this plan. For the City Manager hired on April 1, 2008, retirement participation was in a 401(a) plan with the ICMA. A total plan contribution for fiscal year 2008 was \$6,800 for the City Manager which represents 2.5% of 401(a) contribution.

C. Firefighters' Pension Plan

The City's Retirement Plan and Trust for Firefighters of the City of Safety Harbor ("Firefighters Plan") has been established to conform to the Retirement Trust Fund provisions of Chapter 175 of the State of Florida Statutes, as modified by local ordinance. The Firefighters' Plan is a defined benefit plan, which is administered by the Board of Trustees, which was established by City Ordinance and covers all full-time firefighters.

The Firefighters' Plan issues a publicly available financial report that includes financial statements and required supplementary information for that plan. Their reports may be obtained by writing or calling the Retirement Plan and Trust for Firefighters of the City of Safety Harbor, 750 Main Street, Safety Harbor, Florida 34695 (727) 724-1555.

The City's contribution to the fund is determined by actuarial valuation. The contribution of \$173,502 for 2007 is reflected in the departmental expenditures section of the General

**CITY OF SAFETY HARBOR, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

NOTE 6 – PENSION PLANS (continued):

Fund. The State of Florida’s contribution to the retirement trust fund for 2007 amounted to \$119,357.

The following schedule is derived from the respective actuarial report and City information and reflects accounting policies, plan provisions, assumptions and liabilities, and funding provisions for the retirement plan as of October 1, 2007:

	<u>Firefighters' Plan</u>
Contribution rates:	
City	Actuarially determined
State	*
Plan members	1%
Annual required contributions	\$ 221,095
Contributions made	\$ 207,244
Actuarial valuation date	10/1/2007
Actuarial cost method	Aggregate **
Amortization method	N/A
Remaining amortization period	N/A
Asset valuation method	Market Value
Actuarial assumptions:	
Investment rate of return	7.50%
Projected salary increases	5.20% - 8.00%
Cost-of-living adjustments	2.00%
Inflation rate	3.75%

* A portion of employer contributions are funded by a tax on property insurance premiums collected by the State of Florida within the City limits.

** The aggregate actuarial cost method does not identify or separate amortize unfunded actuarial liabilities.

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**CITY OF SAFETY HARBOR, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

NOTE 6 – PENSION PLANS (continued):

The City’s annual pension cost and net pension obligation to the defined benefit plans for the current year were as follows:

	Firefighters'
Annual required contribution	\$ 221,095
Interest on net pension obligation	(10,385)
Adjustment to annual required contribution	68,889
Annual pension cost	279,599
Contributions made	(207,244)
Increase in net pension obligation (asset)	72,355
Net pension obligation beginning of the year (asset)	570,397
Net pension obligation end of the year (asset)	\$ 642,752

Three Year Trend Information

Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
9/30/2008	\$ 221,095	291%	\$ (642,752)
9/30/2007	191,912	297%	(570,397)
9/30/2006	182,347	297%	(542,267)

A schedule of funding progress for this retirement plan is presented in the required supplementary information on page 59.

NOTE 7 – DEFERRED COMPENSATION PLAN:

The City offers an optional deferred compensation plan, created in accordance with Internal Revenue Code Section 457, to all employees in addition to pension plans. Under the provisions of Internal Revenue Code Section 457, *Deferred Compensation Plans*, and GASB Statement No. 32, *Accounting and Financial Reporting for IRS Code Section 457 Deferred Compensation Plans*, all assets and income of the plan are held in trust for the exclusive benefit of participants. Accordingly, the assets and liabilities of the plan are not reported within the City’s financial statements at September 30, 2008.

CITY OF SAFETY HARBOR, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 8 – RISK MANAGEMENT:

The City is a member of Public Risk Management (PRM), a local government liability risk pool. PRM administers insurance activities relating to property, general, automobile and public officials liability, employee health and auto physical damage. PRM absorbs losses up to a specified amount annually and purchases excess and other specific coverages from third-party carriers. PRM assesses each member its pro rata share of the estimated amount required to meet current year losses and operating expenses. If total member assessments (premiums) do not produce sufficient funds to meet its obligations, PRM can make additional limited assessments. Losses, if any, in excess of PRM's ability to assess its members would revert back to the member that incurred the loss. No additional assessments were levied by PRM to the City for the fiscal year ended September 30, 2008. The City had no significant reductions in insurance coverage during the fiscal year ended September 30, 2008. In addition, there have been no settlements that exceeded the City's insurance coverage in any of the past three fiscal years.

The City is a defendant in various legal actions that, in the opinion of management, will not have a significant effect on the financial position or results of operations of the City.

NOTE 9 – SPECIAL ITEM:

The fund level Statement of Revenues, Expenditures, and Changes in Fund Balance shows an expenditure as a "Special Item" for the City's General Fund. During the year ended September 30, 2008, the City's management discovered a defalcation, conducted by one employee, wherein the City incurred financial losses of approximately \$216,000. City management conducted a complete investigation of related, susceptible transactions in calculating the loss incurred. This amount is reflected as a general government expenditure in the Statement of Activities. During fiscal year 2009, the City submitted a fidelity bond insurance claim of \$100,000. Since this claim was not filed until after September 30, 2008, a receivable was not reflected in the financial statements.

NOTE 10 – PRIOR PERIOD ADJUSTMENTS:

During the year September 30, 2008, the City discovered certain transactions that had been improperly recorded or omitted in prior years. Prior to fiscal year 2008, the City had recognized revenues relating to derived tax revenues and other imposed nonexchange revenues as cash was received by the City, which was not in accordance with the revenue recognition standards under GASB 33, *Accounting and Financial Reporting for Nonexchange Transactions*. A prior period adjustment in the amount of \$820,484 was necessary to recognize receivables from these tax revenues in the proper period. In addition, certain employer contributions to the City's 401(a) plan in the amount of \$237,181 had been made out of plan forfeitures in prior years. Although these were valid contributions, a pension liability had erroneously accumulated, totaling \$237,181 as of the end of the prior fiscal year. An adjustment was needed to reduce the liability

**CITY OF SAFETY HARBOR, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

NOTE 10 – PRIOR PERIOD ADJUSTMENTS (continued):

and increase related fund balance and net assets as of the beginning of the current fiscal year. Finally, a \$9,000 liability relating to the Community Redevelopment Agency was never accrued in fiscal year 2007, when the liability was incurred, thus requiring an adjustment to the prior period.

These conditions required restatement of previously issued financial statements as of September 30, 2007, and an adjustment to the net assets as of September 30, 2007, as follows:

	<u>Net Assets</u>	<u>General Fund</u>	<u>Capital Project Fund</u>	<u>CRA Fund</u>	<u>Street Improvement Fund</u>	<u>Water and Sewer Fund</u>	<u>Solid Waste</u>
Net assets and fund balances as of September 30, 2007, as previously reported	\$ 54,301,539	\$ 8,846,290	\$ 2,163,831	\$ 97,421	\$ 289,277	\$ 16,335,649	\$ 1,476,983
To increase beginning net assets relating to understated receivables from the prior period	799,655	346,475	339,901	-	23,669	89,610	-
To increase beginning net assets relating to overstated accrued pension liabilities from the prior period	258,010	198,455	-	-	-	38,726	20,829
To decrease beginning net assets relating to understated liabilities in the CRA Fund from the prior period	(9,000)	-	-	(9,000)	-	-	-
Total prior period adjustments	<u>1,048,665</u>	<u>544,930</u>	<u>339,901</u>	<u>(9,000)</u>	<u>23,669</u>	<u>128,336</u>	<u>20,829</u>
Net assets and fund balances as of September 30, 2007, as restated	<u>\$ 55,350,204</u>	<u>\$ 9,391,220</u>	<u>\$ 2,503,732</u>	<u>\$ 88,421</u>	<u>\$ 312,946</u>	<u>\$ 16,463,985</u>	<u>\$ 1,497,812</u>

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REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF SAFETY HARBOR, FLORIDA
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2008

	Budget Amounts		2008	Variance with
	Original	Final	Actual Amount	Final Budget
Resources (inflows):				
Property taxes	\$ 3,178,960	\$ 3,178,960	\$ 3,077,663	\$ (101,297)
Charges for services	622,850	623,090	581,689	(41,401)
Franchise fees	1,539,060	1,539,060	1,453,539	(85,521)
Utility taxes	2,565,443	2,565,443	2,402,197	(163,246)
Licenses and permits	247,175	247,175	252,434	5,259
Intergovernmental revenues	2,761,238	2,761,238	2,514,704	(246,534)
Fines and forfeitures	92,000	92,000	189,258	97,258
Interest income and net appreciation in fair value of investments	420,000	420,000	630,001	210,001
Miscellaneous revenue	1,265,780	1,265,780	1,348,519	82,739
Transfers from other funds	226,130	226,130	226,130	-
Amounts available for appropriation	<u>12,918,636</u>	<u>12,918,876</u>	<u>12,676,134</u>	<u>(242,742)</u>
General government:				
City Commission	206,761	212,761	179,871	32,890
City Manager	303,101	303,101	264,225	38,876
City Clerk	185,591	188,591	186,810	1,781
Finance	399,930	402,580	391,821	10,759
Personnel	303,946	305,256	290,725	14,531
Planning	356,038	369,013	341,983	27,030
City Attorney	108,900	108,900	97,627	11,273
Nondepartmental	483,957	493,877	383,301	110,576
Maintenance	691,151	691,251	641,499	49,752
Nonoperating	241,461	241,461	225,946	15,515
Total general government	<u>3,280,836</u>	<u>3,316,791</u>	<u>3,003,808</u>	<u>312,983</u>

See Independent Auditors' Report.

CITY OF SAFETY HARBOR, FLORIDA
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2008

	Budget Amounts		2008	Variance with Final Budget
	Original	Final	Actual Amount	
Public Safety:				
Law enforcement	1,280,590	1,280,590	1,277,100	3,490
Fire	3,652,777	3,684,026	3,674,158	9,868
Building department	298,734	298,734	295,879	2,855
Total public safety	<u>5,232,101</u>	<u>5,263,350</u>	<u>5,247,137</u>	<u>16,213</u>
Transportation	<u>894,711</u>	<u>894,711</u>	<u>859,239</u>	<u>35,472</u>
Physical environment	<u>520,681</u>	<u>523,081</u>	<u>518,856</u>	<u>4,225</u>
Capital outlay	<u>82,300</u>	<u>84,500</u>	<u>71,552</u>	<u>12,948</u>
Culture and recreation:				
Library	1,041,284	1,093,557	998,725	94,832
Parks and recreation	2,254,697	2,254,247	2,044,764	209,483
Total culture and recreation	<u>3,295,981</u>	<u>3,347,804</u>	<u>3,043,489</u>	<u>304,315</u>
Transfers to other funds	<u>198,306</u>	<u>348,306</u>	<u>348,306</u>	<u>-</u>
Total charges to appropriations	<u>13,504,916</u>	<u>13,778,543</u>	<u>13,092,387</u>	<u>686,156</u>
Excess of resources over charges to appropriations	(586,280)	(859,667)	(416,253)	443,414
Appropriated fund balance	<u>586,280</u>	<u>859,667</u>	<u>-</u>	<u>859,667</u>
Excess of resources over charges to appropriations	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (416,253)</u>	<u>\$ (416,253)</u>

See Independent Auditors' Report.

CITY OF SAFETY HARBOR, FLORIDA
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2008

Explanation of differences between
 budgetary inflows and GAAP expenditures:

Actual amounts (budgetary basis) available for appropriation from the budgetary comparison schedule	\$ 12,676,134
-----------------------------------------------------------------------------------------------------------	---------------

Differences - budget to GAAP

Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	<u>226,130</u>
---------------------------------------------------------------------------------------------------------------------------	----------------

Total revenues as reported on the statement of revenues, expenditures and changes in fund balances governmental funds	<u><u>\$ 12,450,004</u></u>
-----------------------------------------------------------------------------------------------------------------------------	-----------------------------

Explanation of differences between
 budgetary outflows and GAAP expenditures:

Actual amounts (budgetary basis) charges to appropriations per the budgetary comparison schedule	13,092,387
--------------------------------------------------------------------------------------------------------	------------

Differences - budget to GAAP

Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>348,306</u>
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Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances governmental funds	<u><u>\$ 12,744,081</u></u>
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See Independent Auditors' Report.

**CITY OF SAFETY HARBOR, FLORIDA
BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUND – PARKLAND SPECIAL REVENUE FUND
YEAR ENDED SEPTEMBER 30, 2008**

	Budget Amounts		Actual Amount (Budgetary Basis)	Variance with Final Budget
	Original	Final		
Resources (Inflows):				
Revenues:				
Impact fees	\$ 3,000	\$ 3,000	\$ 945	\$ (2,055)
Interest income and net Appreciation in fair value of investments	25,000	25,000	97,728	72,728
Amounts available for appreciation	28,000	28,000	98,673	70,673
Charges to appropriations (outflows)-				
Park and recreation	-	-	-	-
Capital outlay	95,000	95,000	25,409	69,591
Transfers to other funds	550,000	550,000	550,000	-
Total charges to appropriations	645,000	645,000	575,409	69,591
(Deficiency) excess of resources (under) over charges to appropriations	(617,000)	(617,000)	(476,736)	140,264
Appropriated fund balance	617,000	617,000	-	(617,000)
Deficiency of resources under charges to appropriations	\$ -	\$ -	\$ (476,736)	\$ (476,736)
Explanation of differences between budgetary inflows and GAAP revenues:				
Actual amounts (budgetary basis) total charges to appropriations from the budgetary comparison schedule				\$ 575,409
Differences - budget to GAAP				
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposed				550,000
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances governmental funds				\$ 25,409

See Independent Auditors' Report.

**CITY OF SAFETY HARBOR, FLORIDA
BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUND – COMMUNITY REDEVELOPMENT FUND
YEAR ENDED SEPTEMBER 30, 2008**

	Budget Amounts		Actual Amount (Budgetary Basis)	Variance with Final Budget
	Original	Final		
Resources (inflows):				
Property taxes	\$ 385,828	\$ 450,420	\$ 456,717	6,297
Interest income and net appreciation in fair value of investments	5,000	1,328	9,918	8,590
Community redevelopment fee	-	-	-	-
Amounts available for appropriation	<u>390,828</u>	<u>451,748</u>	<u>466,635</u>	<u>14,887</u>
Charges to appropriations (outflows) -				
General government	121,416	109,081	98,511	10,570
Capital outlay	<u>371,305</u>	<u>153,500</u>	<u>690</u>	<u>152,810</u>
Total charges to appropriations	<u>492,721</u>	<u>262,581</u>	<u>99,201</u>	<u>163,380</u>
(Deficiency) excess of resources (under) over charges to appropriations	(101,893)	189,167	367,434	178,267
Appropriated fund balance	<u>101,893</u>	<u>(189,167)</u>	<u>-</u>	<u>189,167</u>
Deficiency of resources under charges to appropriations	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 367,434</u>	<u>\$ 367,434</u>

There were no differences between budgetary inflows (outflows) and GAAP revenues (expenditures).

See Independent Auditors' Report.

CITY OF SAFETY HARBOR, FLORIDA
SCHEDULE OF FUNDING PROGRESS – FIREFIGHTERS’ RETIREMENT FUND
YEAR ENDED SEPTEMBER 30, 2008

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
10/1/2007	\$ 1,099,877	\$ 1,099,877	\$ -	100%	\$ 182,124	0%
10/1/2006	756,431	756,431	-	100%	182,124	0%
10/1/2005	498,560	498,560	-	100%	182,124	0%
10/1/2004	335,351	335,351	-	100%	211,469	0%
10/1/2003	220,713	220,713	-	100%	272,200	0%
10/1/2002	371,736	371,736	-	100%	370,628	0%

See Independent Auditors’ Report.

**CITY OF SAFETY HARBOR, FLORIDA
 SCHEDULE OF CONTRIBUTIONS FROM THE EMPLOYER
 AND OTHER CONTRIBUTING ENTITIES – FIREFIGHTERS’ RETIREMENT FUND
 YEAR ENDED SEPTEMBER 30, 2008**

<u>Year ended September 30,</u>	<u>Annual Required Contribution</u>	<u>City Contribution</u>	<u>State Contribution</u>	<u>Percentage Contribution</u>
2008	\$ 221,095	\$ 207,244	\$ 146,206	160%
2007	191,812	173,502	119,357	153%
2006	182,347	140,391	81,269	122%
2005	87,553	120,365	69,231	217%
2004	83,015	101,216	57,376	191%
2003	69,369	76,688	45,103	176%

See Independent Auditors’ Report.

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COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

**CITY OF SAFETY HARBOR, FLORIDA
COMBINING BALANCE SHEET –
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2008**

	Special Revenue Funds					
	Public Safety	Street Improvements	Library Grants	Street Assess- ments	Marina Boat Basin	Transportation Impact
Assets						
Equity in pooled cash and investments	\$ 69,534	\$ 354,811	\$ 168,043	\$ 31,187	\$ 128,537	\$ 603,227
Special assessments receivable (net)	-	-	-	162	1,186	-
Due from other governments	-	73,169	-	-	-	-
Total assets	\$ 69,534	\$ 427,980	\$ 168,043	\$ 31,349	\$ 129,723	\$ 603,227
Liabilities and Fund Equity						
Liabilities:						
Accounts payable	\$ -	\$ -	\$ 14,307	\$ -	\$ -	\$ 20,928
Current liabilities	-	-	3,532	-	489	-
Customer deposits	-	-	-	-	3,532	-
Deferred revenue	-	-	-	8,916	-	-
Total liabilities	-	-	17,839	8,916	4,021	20,928
Fund Balances (Deficit)						
Reserved for:						
Encumbrances	-	66,791	63,162	-	-	-
Public safety	69,534	-	-	-	-	-
Debt service	-	-	-	-	-	-
Library	-	-	-	-	-	-
Drainage	-	-	-	-	-	-
Street lighting	-	-	-	-	-	-
Parking	-	-	-	-	-	-
Transportation	-	-	-	-	-	582,299
Law enforcement	-	-	-	-	-	-
Unreserved, designated:						
Designated for special assessment	-	-	-	22,433	-	-
Designated for library grant	-	-	87,042	-	-	-
Designated for street improvement	-	361,189	-	-	-	-
Designated for marina	-	-	-	-	125,702	-
Designated for drainage	-	-	-	-	-	-
Designated for community redevelopment agency	-	-	-	-	-	-
Total fund balances (deficit)	69,534	427,980	150,204	22,433	125,702	582,299
Total liabilities and fund balances	\$ 69,534	\$ 427,980	\$ 168,043	\$ 31,349	\$ 129,723	\$ 603,227

Special Revenue Funds							Total Other Governmental Funds
Library Impact Fee	Drainage Impact Fee	Street Lighting	Parking Impact Fee	Law Enforcement	Debt Service Fund		
\$ 19,922	\$ 12,774	\$ 805,251	\$ 165,165	\$ (1,720)	\$ 203,002		\$ 2,559,733
-	-	-	-	-	-		1,348
-	-	-	-	-	-		73,169
<u>\$ 19,922</u>	<u>\$ 12,774</u>	<u>\$ 805,251</u>	<u>\$ 165,165</u>	<u>\$ (1,720)</u>	<u>\$ 203,002</u>		<u>\$ 2,634,250</u>
\$ 129	\$ -	\$ 19,143	\$ -	\$ -	\$ 2,194		\$ 56,701
-	-	-	-	-	79,826		83,847
-	-	-	-	-	-		3,532
-	-	-	-	-	-		8,916
<u>129</u>	<u>-</u>	<u>19,143</u>	<u>-</u>	<u>-</u>	<u>82,020</u>		<u>152,996</u>
-	-	-	-	-	-		129,953
-	-	-	-	-	-		69,534
-	-	-	-	-	120,982		120,982
19,793	-	-	-	-	-		19,793
-	871	-	-	-	-		871
-	-	786,108	-	-	-		786,108
-	-	-	165,165	-	-		165,165
-	-	-	-	-	-		582,299
-	-	-	-	(1,720)	-		(1,720)
-	-	-	-	-	-		22,433
-	-	-	-	-	-		87,042
-	-	-	-	-	-		361,189
-	-	-	-	-	-		125,702
-	11,903	-	-	-	-		11,903
-	-	-	-	-	-		-
<u>19,793</u>	<u>12,774</u>	<u>786,108</u>	<u>165,165</u>	<u>(1,720)</u>	<u>120,982</u>		<u>2,481,254</u>
<u>\$ 19,922</u>	<u>\$ 12,774</u>	<u>\$ 805,251</u>	<u>\$ 165,165</u>	<u>\$ (1,720)</u>	<u>\$ 203,002</u>		<u>\$ 2,634,250</u>

See Independent Auditors' Report.

CITY OF SAFETY HARBOR, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2008

	Special Revenue Funds				
	Public Safety	Street improvements	Library Grants	Street Assessments	Marina Boat Basin
Revenues:					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-	47,288
Intergovernmental revenue	-	243,562	254,245	-	128,000
Special assessments	-	-	-	753	-
Interest income and net appreciation in fair value	5,105	20,074	-	2,508	4,381
Impact fees	3,159	-	-	-	-
Miscellaneous	-	-	-	-	-
Total revenues	8,264	263,636	254,245	3,261	179,669
Expenditures					
General government	-	-	-	-	-
Fire protection	5,226	-	-	-	-
Physical environment	-	-	-	-	24,661
Transportation	-	644,767	-	-	-
Library	-	-	187,594	-	-
Capital outlay	12,320	58,835	63,978	-	185,277
Debt service:					
Interest and other fiscal charges	-	-	-	-	-
Total expenditures	17,546	703,602	251,572	-	209,938
Excess of (deficiency) revenues over (under) expenditures	(9,282)	(439,966)	2,673	3,261	(30,269)
Other financing sources and (uses):					
Transfers in	-	555,000	-	-	156,000
Transfers out	-	-	-	(15,000)	(67,000)
Total other financing sources (uses)	-	555,000	-	(15,000)	89,000
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(9,282)	115,034	2,673	(11,739)	58,731
Fund balances, beginning of year as previously stated	78,816	289,277	147,531	34,172	66,971
Prior period adjustment	-	23,669	-	-	-
Fund balances, beginning of year as restated	78,816	312,946	147,531	34,172	66,971
Fund balance (deficit), end of the year	\$ 69,534	\$ 427,980	\$ 150,204	\$ 22,433	\$ 125,702

Special Revenue Funds

Transportation Impact	Library Impact Fee	Drainage Impact Fee	Street Lighting	Parking Impact Fee	Law Enforcement	Debt Service Fund	Total Other Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	47,288
-	-	-	-	-	3,767	-	629,574
-	-	-	-	-	-	-	753
46,858	2,488	871	54,672	11,263	-	13,278	161,498
22,243	1,149	-	-	-	-	-	26,551
-	-	-	2,627	-	-	2,900	5,527
<u>69,101</u>	<u>3,637</u>	<u>871</u>	<u>57,299</u>	<u>11,263</u>	<u>3,767</u>	<u>16,178</u>	<u>871,191</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	5,226
-	-	-	-	-	-	-	24,661
-	-	-	228,426	-	-	-	873,193
-	-	-	-	-	-	-	187,594
35,478	40,764	-	-	-	7,977	-	404,629
-	-	-	-	-	-	96,730	96,730
<u>35,478</u>	<u>40,764</u>	<u>-</u>	<u>228,426</u>	<u>-</u>	<u>7,977</u>	<u>96,730</u>	<u>1,592,033</u>
<u>33,623</u>	<u>(37,127)</u>	<u>871</u>	<u>(171,127)</u>	<u>11,263</u>	<u>(4,210)</u>	<u>(80,552)</u>	<u>(720,842)</u>
-	-	-	195,816	-	2,490	200,000	1,109,306
(150,000)	-	-	-	-	-	(19,130)	(251,130)
<u>(150,000)</u>	<u>-</u>	<u>-</u>	<u>195,816</u>	<u>-</u>	<u>2,490</u>	<u>180,870</u>	<u>858,176</u>
<u>(116,377)</u>	<u>(37,127)</u>	<u>871</u>	<u>24,689</u>	<u>11,263</u>	<u>(1,720)</u>	<u>100,318</u>	<u>137,334</u>
698,676	56,920	11,903	761,418	153,903	-	20,664	2,320,251
-	-	-	-	-	-	-	23,669
<u>698,676</u>	<u>56,920</u>	<u>11,903</u>	<u>761,418</u>	<u>153,903</u>	<u>-</u>	<u>20,664</u>	<u>2,343,920</u>
<u>\$ 582,299</u>	<u>\$ 19,793</u>	<u>\$ 12,774</u>	<u>\$ 786,107</u>	<u>\$ 165,166</u>	<u>\$ (1,720)</u>	<u>\$ 120,982</u>	<u>\$ 2,481,254</u>

See Independent Auditors' Report.

**CITY OF SAFETY HARBOR, FLORIDA
BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUND – STORMWATER UTILITY FUND
YEAR ENDED SEPTEMBER 30, 2008**

	Budget Amounts		Actual Amount (Budgetary Basis)	Variance with Final Budget
	Original	Final		
Resources (Inflows):				
Interest income and net appreciation in fair value of investments	\$ 48,000	\$ 48,000	\$ 50,465	\$ 2,465
Intergovernmental revenues	325,000	325,000	218,359	(106,641)
Special assessments	510,000	510,000	497,280	(12,720)
Transfers from other funds	750,000	750,000	650,000	(100,000)
Amounts available for appropriation	<u>1,633,000</u>	<u>1,633,000</u>	<u>1,416,104</u>	<u>(216,896)</u>
Charges to appropriations (outflows)-				
Physical environment	670,069	673,519	641,276	32,243
Capital outlay	1,012,830	1,718,866	614,576	1,104,290
Total charges to appropriations	<u>1,682,899</u>	<u>2,392,385</u>	<u>1,255,852</u>	<u>1,136,533</u>
(Deficiency) excess of resources (under) over charges to appropriation	(49,899)	(759,385)	160,252	919,637
Appropriated fund balance	<u>49,899</u>	<u>759,385</u>	<u>-</u>	<u>(759,385)</u>
Deficiency of resources under charges to appropriations	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 160,252</u>	<u>\$ 160,252</u>

Explanation of differences between
budgetary inflows and GAAP revenues:

Actual amounts (budgetary basis) available for appropriation from the budgetary comparison schedule	\$ 1,416,104
Differences - budget to GAAP	
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	<u>650,000</u>
Total revenues as reported on the statement of revenues and expenditures and changes in fund balances governmental funds	<u>\$ 766,104</u>

See Independent Auditors' Report.

**CITY OF SAFETY HARBOR, FLORIDA
BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUND – CAPITAL PROJECTS FUND
YEAR ENDED SEPTEMBER 30, 2008**

	Budget Amounts		Actual Amount	Variance with Final Budget
	Original	Final	(Budgetary Basis)	
Resources (inflows):				
Interest income and net appreciation in fair value of investments	\$ 90,000	\$ 90,000	\$ 163,439	\$ 73,439
Intergovernmental revenue	3,933,133	4,512,695	1,816,667	(2,696,028)
Transfer from other funds	4,450,000	6,112,000	700,000	(5,412,000)
Amounts available for appropriation	<u>8,473,133</u>	<u>10,714,695</u>	<u>2,680,106</u>	<u>(8,034,589)</u>
Charges to appropriations (outflows) -				
Physical environment	-	-	-	-
Parks and recreation	-	-	395	(395)
Capital outlay	6,812,133	9,024,549	4,096,775	4,927,774
Transfers to other funds	1,536,000	1,536,000	1,536,000	-
Total charges to appropriations	<u>8,348,133</u>	<u>10,560,549</u>	<u>5,633,170</u>	<u>4,927,379</u>
(Deficiency) excess of resources (under) over charges to appropriations	125,000	154,146	(2,953,064)	(3,107,210)
Appropriated fund balance	<u>(125,000)</u>	<u>(154,146)</u>	<u>-</u>	<u>154,146</u>
Deficiency of resources under charges to appropriations	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,953,064)</u>	<u>\$ (2,953,064)</u>
Explanation of differences between budgetary inflows and GAAP revenues:				
Actual amounts (budgetary basis) available for appropriation from the budgetary comparison schedule				\$ 2,680,106
Differences - budget to GAAP				
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes				<u>700,000</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances governmental funds				<u>\$ 1,980,106</u>

See Independent Auditors' Report.

**CITY OF SAFETY HARBOR, FLORIDA
BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUND – CAPITAL PROJECTS FUND (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2008**

Actual amounts (budgetary basis) charges to appropriations per the budgetary comparison schedule	\$ 5,633,170
Differences - budget to GAAP	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>1,536,000</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances governmental funds	<u>\$ 4,097,170</u>

See Independent Auditors' Report.

**CITY OF SAFETY HARBOR, FLORIDA
 BUDGETARY COMPARISON SCHEDULE
 NONMAJOR GOVERNMENTAL FUNDS – PUBLIC SAFETY FUND
 YEAR ENDED SEPTEMBER 30, 2008**

	Budget Amounts		Actual Amount (Budgetary Basis)	Variance with Final Budget
	Original	Final		
Resources (Inflows):				
Impact fees	\$ 4,500	\$ 4,500	\$ 3,159	\$ (1,341)
Interest income and net appreciation in fair value of investments	2,500	2,500	5,105	2,605
Amounts available for appropriation	7,000	7,000	8,264	1,264
Charges to appropriations (outflows) -				
Fire protection	4,200	4,200	5,226	(1,026)
Capital outlay	-	45,603	12,320	33,283
Total charges to appropriations	4,200	49,803	17,546	32,257
(Deficiency) excess of resources (under) over charges to appropriations	2,800	(42,803)	(9,282)	33,521
Appropriated fund balance	(2,800)	42,803	-	(42,803)
Deficiency of resources under charges to appropriations	\$ -	\$ -	\$ (9,282)	\$ (9,282)

There were no differences between budgetary inflows (outflows) and GAAP revenues (expenditures).

**CITY OF SAFETY HARBOR, FLORIDA
BUDGETARY COMPARISON SCHEDULE
NONMAJOR GOVERNMENTAL FUNDS – STREET IMPROVEMENTS FUND
YEAR ENDED SEPTEMBER 30, 2008**

	Budget Amounts		Actual Amount	Variance with Final Budget
	Original	Final	(Budgetary Basis)	
Resources (Inflows):				
Intergovernmental revenue	\$ 146,000	\$ 146,000	\$ 243,562	\$ 97,562
Interest income and net appreciation in fair value of investments	20,000	20,000	20,074	74
Transfers from other funds	555,000	555,000	555,000	-
Amounts available for appropriation	<u>721,000</u>	<u>721,000</u>	<u>818,636</u>	<u>97,636</u>
Charges to appropriations (outflows) -				
Transportation	715,038	777,175	644,767	132,408
Capital outlay	185,000	188,597	58,835	129,762
Total charges to appropriations	<u>900,038</u>	<u>965,772</u>	<u>703,602</u>	<u>262,170</u>
(Deficiency) excess of resources (under) over charges to appropriations	(179,038)	(244,772)	115,034	359,806
Appropriated fund balance	<u>179,038</u>	<u>244,772</u>	<u>-</u>	<u>(244,772)</u>
Deficiency of resources under charges to appropriations	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 115,034</u>	<u>\$ 115,034</u>
Explanation of differences between budgetary inflows and GAAP revenues:				
Actual amounts (budgetary basis) available for appropriation from the budgetary comparison schedule				\$ 818,636
Differences - budget to GAAP				
Transfer from other funds are inflows budgetary resources but are not resources for financial reporting purposes				<u>555,000</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances governmental funds				<u>\$ 263,636</u>

See Independent Auditors' Report.

**CITY OF SAFETY HARBOR, FLORIDA
 BUDGETARY COMPARISON SCHEDULE
 NONMAJOR GOVERNMENTAL FUNDS – LIBRARY GRANTS FUND
 YEAR ENDED SEPTEMBER 30, 2008**

	Budget Amounts		Actual Amount (Budgetary Basis)	Variance with Final Budget
	Original	Final		
Resources (Inflows):				
Intergovernmental revenue	\$ 274,457	\$ 274,457	\$ 254,245	\$ (20,212)
Charges to appropriations (outflows) -				
Library	205,267	205,267	187,594	17,673
Capital outlay	174,896	214,668	63,978	150,690
Total charges to appropriations	380,163	419,935	251,572	168,363
(Deficiency) excess of resources (under) over charges to appropriations	(105,706)	(145,478)	2,673	148,151
Appropriated fund balance	105,706	69,800	-	(69,800)
Excess of resources over charges to appropriations	\$ -	\$ (75,678)	\$ 2,673	\$ 78,351

There were no differences between budgetary inflows (outflows) and GAAP revenues (expenditures).

**CITY OF SAFETY HARBOR, FLORIDA
BUDGETARY COMPARISON SCHEDULE
NONMAJOR GOVERNMENTAL FUNDS – STREET ASSESSMENTS FUND
YEAR ENDED SEPTEMBER 30, 2008**

	Budget Amounts		Actual Amount (Budgetary Basis)	Variance with Final Budget
	Original	Final		
Resources (inflows):				
Special assessments	\$ 500	\$ 500	\$ 753	\$ 253
Interest income and net appreciation in fair value of investments	650	650	2,508	1,858
Amounts available for appropriation	1,150	1,150	3,261	2,111
Charges to appropriations (outflows) -				
Transfers to other funds	15,000	15,000	15,000	-
Total charges to appropriations	15,000	15,000	15,000	-
(Deficiency) excess of resources (under) over charges to appropriations	(13,850)	(13,850)	(11,739)	2,111
Appropriated fund balance	13,850	13,850	-	(13,850)
Deficiency of resources under charges to appropriations	\$ -	\$ -	\$ (11,739)	\$ (11,739)

Explanation of differences between budgetary outflows and expenditures determined in accordance with GAAP:

Actual amounts (budgetary basis) charges to appropriations per the budgetary comparison schedule	\$ 15,000
Differences - budget to GAAP	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposed	15,000
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances governmental funds	\$ -

See Independent Auditors' Report.

**CITY OF SAFETY HARBOR, FLORIDA
BUDGETARY COMPARISON SCHEDULE
NONMAJOR GOVERNMENTAL FUNDS – MARINA BOAT BASIN FUND
YEAR ENDED SEPTEMBER 30, 2008**

	Budget Amounts		Actual Amount (Budgetary Basis)	Variance with Final Budget
	Original	Final		
Resources (inflows):				
Revenues:				
Charges for services	\$ 49,140	\$ 49,140	\$ 47,288	\$ (1,852)
Intergovernmental revenue	128,000	128,000	128,000	-
Interest income and net appreciation in fair value of investments	6,000	6,000	4,381	(1,619)
Transfers from other funds	156,000	(156,000)	156,000	312,000
Amounts available for appropriations	<u>339,140</u>	<u>27,140</u>	<u>335,669</u>	<u>308,529</u>
Charges to appropriations (outflows)-				
Physical environment	27,748	27,748	24,661	3,087
Capital Outlay	253,881	273,678	185,277	88,401
Transfers to other funds	67,000	67,000	67,000	-
Total charges to appropriations	<u>348,629</u>	<u>368,426</u>	<u>276,938</u>	<u>91,488</u>
(Deficiency) excess of resources (under) over charges to appropriations	(9,489)	(341,286)	58,731	400,017
Appropriated fund balance	<u>9,489</u>	<u>341,286</u>	<u>-</u>	<u>(341,286)</u>
(Deficiency) excess of resources (under) over charges to appropriations	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 58,731</u>	<u>\$ 58,731</u>

Explanation of differences between budgetary inflows and GAAP revenues:

Actual amounts (budgetary basis) available for appropriation from the budgetary comparison schedule \$ 335,669

Differences - budget to GAAP

Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposed 156,000

Total revenues as reported on the statement of revenues, expenditures and changes in fund balances governmental funds \$ 179,669

**CITY OF SAFETY HARBOR, FLORIDA
BUDGETARY COMPARISON SCHEDULE
NONMAJOR GOVERNMENTAL FUNDS –
MARINA BOAT BASIN FUND (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2008**

Explanation of differences between budgetary outflows and expenditures determined in accordance with GAAP:

Actual amounts (budgetary basis) charges to appropriations per the budgetary comparison schedule

\$ 276,938

Differences - budget to GAAP

Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposed

67,000

Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances governmental funds

\$ 209,938

See Independent Auditors' Report.

**CITY OF SAFETY HARBOR, FLORIDA
BUDGETARY COMPARISON SCHEDULE
NONMAJOR GOVERNMENTAL FUNDS –
TRANSPORTATION IMPACT FUND
YEAR ENDED SEPTEMBER 30, 2008**

	Budget Amounts		Actual Amount (Budgetary Basis)	Variance with Final Budget
	Original	Final		
Resources (Inflows):				
Impact fees	\$ 20,000	\$ 20,000	\$ 22,243	\$ 2,243
Interest income and net appreciation in fair value of investments	30,000	30,000	46,858	16,858
Amounts available for appropriation	50,000	50,000	69,101	19,101
Charges to appropriations (outflows) -				
Capital outlay	-	175,395	35,478	139,917
Transfers to other funds	150,000	150,000	150,000	-
Total charges to appropriations	150,000	325,395	185,478	139,917
(Deficiency) excess of resources (under over charges to appropriations	(100,000)	(275,395)	(116,377)	159,018
Appropriated fund balance	100,000	275,395	-	(275,395)
Deficiency of resources under charges to appropriations	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (116,377)</u>	<u>\$ (116,377)</u>

Explanation of differences between budgetary outflows and expenditures determined in accordance with GAAP:

Actual amounts (budgetary basis) charges to appropriations per the budgetary comparison schedule

\$ 185,478

Differences - budget to GAAP

Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes

150,000

Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances governmental funds

\$ 35,478

See Independent Auditors' Report.

**CITY OF SAFETY HARBOR, FLORIDA
 BUDGETARY COMPARISON SCHEDULE
 NONMAJOR GOVERNMENTAL FUNDS – LIBRARY IMPACT FEE FUND
 YEAR ENDED SEPTEMBER 30, 2008**

	Budget Amounts		Actual Amount (Budgetary Basis)	Variance with Final Budget
	Original	Final		
Resources (inflows):				
Interest income and net appreciation in fair value of investments	\$ 1,500	\$ 1,500	\$ 2,488	\$ 988
Impact fees	3,000	3,000	1,149	(1,851)
Amounts available for appropriation	4,500	4,500	3,637	(863)
Charges to appropriations (outflows) -				
Capital outlay	50,000	50,000	40,764	9,236
Excess of resources over charges to appropriations	(45,500)	(45,500)	(37,127)	8,373
Appropriated fund balance	45,500	45,500	-	(45,500)
Excess of resources over charges to appropriations	\$ -	\$ -	\$ (37,127)	\$ (37,127)

There were no differences between budgetary inflows (outflows) and GAAP revenues (expenditures).

**CITY OF SAFETY HARBOR, FLORIDA
 BUDGETARY COMPARISON SCHEDULE
 NONMAJOR GOVERNMENTAL FUNDS – DRAINAGE IMPACT FEE FUND
 YEAR ENDED SEPTEMBER 30, 2008**

	Budget Amounts		Actual Amount (Budgetary Basis)	Variance with Final Budget
	Original	Final		
Resources (inflows):				
Interest income and net appreciation in fair value of investments	\$ 190	\$ 190	\$ 871	\$ 681
Impact fees	-	-	-	-
Amounts available for appropriation	190	190	871	681
Charges to appropriations (outflows) - Physical environment	-	-	-	-
Excess of resources over charges to appropriations	190	190	871	681
Appropriated fund balance	-	-	-	-
Excess of resources over charges to appropriations	<u>\$ 190</u>	<u>\$ 190</u>	<u>\$ 871</u>	<u>\$ 681</u>

There were no differences between budgetary inflows (outflows) and GAAP revenues (expenditures).

**CITY OF SAFETY HARBOR, FLORIDA
BUDGETARY COMPARISON SCHEDULE
NONMAJOR GOVERNMENTAL FUNDS – STREET LIGHTING FUND
YEAR ENDED SEPTEMBER 30, 2008**

	Budget Amounts		Actual Amount (Budgetary Basis)	Variance with Final Budget
	Original	Final		
Resources (inflows):				
Revenues:				
Interest income and net appreciation in fair value of investments	\$ 24,000	\$ 24,000	\$ 54,672	\$ 30,672
Miscellaneous revenue	-	-	2,627	2,627
Transfers from other funds	195,816	195,816	195,816	-
Amounts available for appropriations	<u>219,816</u>	<u>219,816</u>	<u>253,115</u>	<u>33,299</u>
Charges to appropriations (outflows) - Transportation	<u>247,188</u>	<u>247,188</u>	<u>228,426</u>	<u>18,762</u>
Total charges to appropriations	<u>247,188</u>	<u>247,188</u>	<u>228,426</u>	<u>18,762</u>
(Deficiency) excess of resources (under) over charges to appropriations	(27,372)	(27,372)	24,689	52,061
Appropriated fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(Deficiency) excess of resources (under) over charges to appropriations	<u>\$ (27,372)</u>	<u>\$ (27,372)</u>	<u>\$ 24,689</u>	<u>\$ 52,061</u>
Explanation of differences between budgetary inflows and GAAP revenues:				
Actual amounts (budgetary basis) available for appropriation from the budgetary comparison schedule				\$ 253,115
Differences - budget to GAAP				
Transfer from other funds are inflows budgetary resources but are not resources for financial reporting purposes				<u>195,816</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances governmental funds				<u>\$ 57,299</u>

See Independent Auditors' Report.

**CITY OF SAFETY HARBOR, FLORIDA
 BUDGETARY COMPARISON SCHEDULE
 NONMAJOR GOVERNMENTAL FUNDS – PARKING IMPACT FEE FUND
 YEAR ENDED SEPTEMBER 30, 2008**

	Budget Amounts		Actual Amount (Budgetary Basis)	Variance with Final Budget
	Original	Final		
Resources (inflows):				
Interest income and net appreciation in fair value of investments	\$ 100	\$ 100	\$ 11,263	\$ 11,163
Transfers from other funds	-	-	-	-
Amounts available for appropriations	100	100	11,263	11,163
Charges to appropriations (outflows) - General government	-	-	-	-
Excess of resources over charges to appropriations	100	100	11,263	11,163
Appropriated fund balance	-	-	-	-
Excess of resources over charges to appropriations	<u>\$ 100</u>	<u>\$ 100</u>	<u>\$ 11,263</u>	<u>\$ 11,163</u>

There were no differences between budgetary inflows (outflows) and GAAP revenues (expenditures).

**CITY OF SAFETY HARBOR, FLORIDA
BUDGETARY COMPARISON SCHEDULE
NONMAJOR GOVERNMENTAL FUNDS – LAW ENFORCEMENT FUND
YEAR ENDED SEPTEMBER 30, 2008**

	Budget Amounts		Actual Amount (Budgetary Basis)	Variance with Final Budget
	Original	Final		
Resources (inflows):				
Revenues:				
Intergovernmental revenue	\$ 22,410	\$ 22,410	\$ 3,767	\$ (18,643)
Transfers from other funds	2,490	2,490	2,490	-
Amounts available for appropriations	<u>24,900</u>	<u>24,900</u>	<u>6,257</u>	<u>(18,643)</u>
Charges to appropriations (outflows)-				
Capital Outlay	24,900	24,900	7,977	16,923
Transfers to other funds	-	-	-	-
Total charges to appropriations	<u>24,900</u>	<u>24,900</u>	<u>7,977</u>	<u>16,923</u>
(Deficiency) excess of resources (under) over charges to appropriations	-	-	(1,720)	(1,720)
Appropriated fund balance	-	-	-	-
(Deficiency) excess of resources (under) over charges to appropriations	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,720)</u>	<u>\$ (1,720)</u>

Explanation of differences between
budgetary inflows and GAAP revenues:

Actual amounts (budgetary basis)
available for appropriation from
the budgetary comparison schedule

\$ 6,257

Differences - budget to GAAP

Transfers from other funds are inflows of
budgetary resources but are not revenues
for financial reporting purposes

2,490

Total revenues as reported on the statement
of revenues, expenditures and changes in
fund balances governmental funds

\$ 3,767

See Independent Auditors' Report.

**CITY OF SAFETY HARBOR, FLORIDA
 BUDGETARY COMPARISON SCHEDULE
 NONMAJOR GOVERNMENTAL FUNDS – DEBT SERVICE FUND
 YEAR ENDED SEPTEMBER 30, 2008**

	Budget Amounts		Actual Amount (Budgetary Basis)	Variance with Final Budget
	Original	Final		
Resources (inflows):				
Revenues:				
Interest income and net appreciation in fair value of investments	\$ -	\$ -	\$ 13,278	\$ 13,278
Transfers from other funds	-	-	200,000	200,000
Miscellaneous	19,130	19,130	2,900	(16,230)
Amounts available for appropriations	<u>19,130</u>	<u>19,130</u>	<u>216,178</u>	<u>197,048</u>
Charges to appropriations (outflows) -				
Transfers to other funds				
Debt service:	19,130	19,130	19,130	-
Principal	-	-	-	-
Interest	-	-	96,730	(96,730)
Total charges to appropriations	<u>19,130</u>	<u>19,130</u>	<u>115,860</u>	<u>(96,730)</u>
Excess of resources over charges to appropriations	-	-	100,318	100,318
Appropriated fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of resources over charges to appropriations	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 100,318</u>	<u>\$ 100,318</u>
Explanation of differences between budgetary inflows and GAAP revenues:				
Actual amounts (budgetary basis) available for appropriation from the budgetary comparison schedule				\$ 216,178
Differences - budget to GAAP				
Transfer from other funds are inflows budgetary resources but are not resources for financial reporting purposes				<u>200,000</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances governmental funds				<u>\$ 16,178</u>

See Independent Auditors' Report.

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OTHER SUPPLEMENTAL SCHEDULES

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CITY OF SAFETY HARBOR, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES – ACTUAL AND BUDGET
FIRE DISTRICT AND EMERGENCY MEDICAL SERVICES SUB-FUNDS
YEAR ENDED SEPTEMBER 30, 2008

	Fire Budget	Actual Amounts			Total Amounts	Variance Favorable (Unfavorable)
		City Amounts	Fire District Amounts	EMS Amounts		
Revenue:						
Municipality - City of Safety Harbor	\$ 3,256,096	\$ 3,153,994	\$ -	\$ -	\$ 3,153,994	\$ (102,102)
EMS District funds	867,251	-	-	869,627	869,627	2,376
Safety Harbor Fire District	165,000	-	172,578	-	172,578	7,578
Total revenues	4,288,347	3,153,994	172,578	869,627	4,196,199	(92,148)
Expenditures:						
Personnel services	3,299,446	2,259,499	172,578	869,627	3,301,704	(2,258)
Contractual/other services	228,108	212,188	-	-	212,188	15,920
Materials and supplies	160,672	165,492	-	-	165,492	(4,820)
Capital outlay	600,121	516,815	-	-	516,815	83,306
Total expenditures	4,288,347	3,153,994	172,578	869,627	4,196,199	92,148
Excess of revenues over expenditures before operating transfers	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See Independent Auditors' Report.

CITY OF SAFETY HARBOR, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES – ACTUAL AND BUDGET
LIBRARY SUB-FUNDS
YEAR ENDED SEPTEMBER 30, 2008

	<u>Actual Amounts</u>			Total Amounts	Variance Favorable (Unfavorable)
	Library Budget	City Amounts	Library Amounts		
Revenue:					
Municipality - City of Safety Harbor	\$ 6,421,659	\$ 3,228,887	\$ -	\$ 3,228,887	\$(3,192,772)
Library impact revenue	3,000	1,149	-	1,149	(1,851)
Intergovernmental	474,457	252,499	476,203	728,702	254,245
Chrissie Shull Elmore Trust	32,000	223	-	223	(31,777)
Total revenues	<u>6,931,116</u>	<u>3,482,758</u>	<u>476,203</u>	<u>3,958,961</u>	<u>(2,972,155)</u>
Expenditures:					
Personnel services	753,756	637,212	134,658	771,870	(18,114)
Contractual/other services	469,451	330,238	48,487	378,725	90,726
Materials and supplies	60,387	31,275	4,448	35,723	24,664
Capital outlay	5,647,522	2,484,033	285,936	2,769,969	2,877,553
Total expenditures	<u>6,931,116</u>	<u>3,482,758</u>	<u>473,529</u>	<u>3,956,287</u>	<u>2,974,829</u>
Excess of revenues and other financing sources over (under) Expenditures and other financing use	-	-	2,674	2,674	-
Fund balance beginning of year	-	-	144,684	144,684	-
Fund Balance (deficit), end of year, reserved for future expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 147,358</u>	<u>\$ 147,358</u>	<u>\$ -</u>

See Independent Auditors' Report.

**CITY OF SAFETY HARBOR, FLORIDA
BALANCE SHEET
COMMUNITY REDEVELOPMENT AGENCY
SEPTEMBER 30, 2008**

	Community Redevelopment Agency (CRA)
Assets	
Equity in pooled cash and investments	\$ 475,967
 Total assets	 \$ 475,967
 Liabilities and Fund Equity	
Liabilities:	
Accounts payable	20,112
Total liabilities	20,112
 Fund balances	
Reserved for:	
Encumbrances	18,582
Unreserved:	
Designated for community redevelopment agency	437,273
Total fund balance	455,855
Total liabilities and fund balance	\$ 475,967

See Independent Auditors' Report.

CITY OF SAFETY HARBOR, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES – ACTUAL AND BUDGET
COMMUNITY REDEVELOPMENT AGENCY
YEAR ENDED SEPTEMBER 30, 2008

	CRA Budget	CRA Actual	Variance Favorable (Unfavorable)
Revenues:			
Property taxes	\$ 385,828	\$ 456,717	\$ 70,889
Interest income and appreciation in fair value of investments	5,000	9,918	4,918
Total revenues	<u>390,828</u>	<u>466,635</u>	<u>75,807</u>
Expenditures:			
Contractual services	160,537	98,511	62,026
Capital expenditures	339,386	690	338,696
Total expenditures	<u>499,923</u>	<u>99,201</u>	<u>400,722</u>
Excess (deficiency) of revenues Over (under) expenditures	<u>(109,095)</u>	<u>367,434</u>	<u>476,529</u>
Other financing sources and (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(109,095)	367,434	476,529
Fund balance (deficit), beginning of year	<u>109,095</u>	<u>88,421</u>	<u>(20,674)</u>
Fund balance (deficit), end of year, reserved for encumbrances	<u>\$ -</u>	<u>\$ 455,855</u>	<u>\$ 455,855</u>

See Independent Auditors' Report.

CITY OF SAFETY HARBOR, FLORIDA
SCHEDULE OF OPERATIONS – ACTUAL AND BUDGET
SOLID WASTE FUND
YEAR ENDED SEPTEMBER 30, 2008

	<u>Budget</u>	<u>Budgetary Basis Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Operating revenues-			
Charges for services	\$ 2,586,280	\$ 2,467,341	\$ (118,939)
Operating expenses:			
Personal services	1,167,388	1,171,979	(4,591)
Materials and supplies	(272,702)	332,035	(604,737)
Other operating expenses	1,467,057	1,152,696	314,361
Capital outlay	580,579	107,571	473,008
Total operating expenses	<u>2,942,322</u>	<u>2,764,281</u>	<u>178,041</u>
Operating loss	<u>(356,042)</u>	<u>(296,940)</u>	<u>59,102</u>
Nonoperating revenues (expenses):			
Interest income and net appreciation in fair value of investments	55,000	20,235	(34,765)
Interest expense	-	-	-
Miscellaneous	7,000	76,142	69,142
Total nonoperating revenues (expenses)	<u>62,000</u>	<u>96,377</u>	<u>34,377</u>
Loss before appropriated net assets	<u>(294,042)</u>	<u>(200,563)</u>	<u>93,479</u>
Appropriated net assets	294,042	-	(294,042)
Changes in net assets	<u>\$ -</u>	<u>\$ (200,563)</u>	<u>\$ (200,563)</u>
Adjustments to reconcile to combining statement of revenues, expenses and changes in net assets - proprietary funds			
Depreciation		(209,425)	
Capital outlay		<u>107,571</u>	
Change in net assets GAAP basis		<u>\$ (302,417)</u>	

See Independent Auditors' Report.

CITY OF SAFETY HARBOR, FLORIDA
SCHEDULE OF OPERATIONS – ACTUAL AND BUDGET
WATER AND SEWER FUND
YEAR ENDED SEPTEMBER 30, 2008

	<u>Budget</u>	<u>Budgetary Basis Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Operating revenues-			
Charges for services	<u>\$ 7,243,225</u>	<u>\$ 7,078,271</u>	<u>\$ (164,954)</u>
Operating expenses:			
Personal services	2,001,504	2,010,417	(8,913)
Materials and supplies	353,959	401,399	(47,440)
Other operating expenses	5,483,533	4,485,257	998,276
Capital outlay	<u>5,043,496</u>	<u>1,852,359</u>	<u>3,191,137</u>
Total operating expenses	<u>12,882,492</u>	<u>8,749,432</u>	<u>4,133,060</u>
Operating loss	<u>(5,639,267)</u>	<u>(1,671,161)</u>	<u>3,968,106</u>
Nonoperating revenues (expenses):			
Interest income and net appreciation in fair value of investments	136,000	334,549	198,549
Grants	13,500	395,308	381,808
Interest expense	(591,995)	(123,659)	468,336
Miscellaneous	666,479	667,912	1,433
Debt service principal retirement	<u>(270,000)</u>	<u>(270,000)</u>	<u>-</u>
Total nonoperating revenues (expenses)	<u>(46,016)</u>	<u>1,004,110</u>	<u>1,050,126</u>
Loss before appropriated net assets	<u>(5,685,283)</u>	<u>(667,051)</u>	<u>5,018,232</u>
Appropriated net assets	5,685,283	-	(5,685,283)
Changes in net assets	<u>\$ -</u>	<u>\$ (667,051)</u>	<u>\$ (667,051)</u>
Adjustments to reconcile to combining statement of revenues, expenses and changes in net assets - proprietary funds			
Depreciation and amortization		(814,452)	
Capital outlay		1,852,359	
Debt service principal payment		<u>270,000</u>	
Change in net assets GAAP basis		<u>\$ 640,856</u>	

See Independent Auditors' Report.

CITY OF SAFETY HARBOR, FLORIDA
RECONCILIATION OF TOTAL FUND BALANCE FOR THE GOVERNMENTAL
FUNDS TO TOTAL NET ASSETS FOR GOVERNMENTAL ACTIVITIES
SEPTEMBER 30, 2008

	Total Governmental Funds	Long-term Assets, Liabilities	Reclassess and Eliminations	Statement of Net Assets Totals
Assets				
Equity in pooled cash and investments	\$ 19,689,438	\$ -	\$ -	\$ 19,689,438
Receivables, net:				
Accounts receivable	356,899	-	-	356,899
Due from other governments	1,032,475	-	-	1,032,475
Inventories	126,193	-	-	126,193
Prepaid	85,368	-	-	85,368
Capital assets:				
Nondepreciable	-	-	-	-
Depreciable, net of accumulated depreciation	-	24,561,628	-	24,561,628
Unamortized bond issuance costs	-	-	-	-
Pension asset	-	642,752	-	642,752
	<u>\$ 21,290,373</u>	<u>\$ 25,204,380</u>	<u>\$ -</u>	<u>\$ 46,494,753</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	654,174	-	-	654,174
Accrued liabilities	348,612	-	-	348,612
Customer deposits	138,998	-	-	138,998
Deferred revenue	120,386	-	-	120,386
Long-term obligations	-	7,887,344	-	7,887,344
	<u>1,262,170</u>	<u>7,887,344</u>	<u>-</u>	<u>9,149,514</u>
Fund Balances				
Invested in capital assets, net of related debt	-	17,632,941	-	17,632,941
Reserved for:				
Encumbrances	3,150,007	-	(3,150,007)	-
Debt service	120,982	-	-	120,982
Prepays	85,368	-	(85,368)	-
Inventories	126,193	-	(126,193)	-
Public safety	69,534	-	(69,534)	-
Parkland	1,193,066	-	(1,193,066)	-
Street lighting	786,108	-	(786,108)	-
Transportation	582,299	-	(582,299)	-
Law enforcement	(1,720)	-	1,720	-
Library	19,793	-	(19,793)	-
Drainage	871	-	(871)	-
Parking	165,165	-	(165,165)	-
Capital projects	2,473,177	-	-	2,473,177
Unreserved:				
Designated for community redevelopment agency	437,273	-	(437,273)	-
Designated for stormwater	1,713,334	-	(1,713,334)	-
Designated for special revenue funds	596,366	-	(596,366)	-
Designated for drainage	11,903	-	(11,903)	-
Undesignated	8,498,484	(315,905)	8,935,560	17,118,139
	<u>20,028,203</u>	<u>17,317,036</u>	<u>-</u>	<u>37,345,239</u>
Total fund balances/net assets	<u>20,028,203</u>	<u>17,317,036</u>	<u>-</u>	<u>37,345,239</u>
Total liabilities and fund balances	<u>\$ 21,290,373</u>	<u>\$ 25,204,380</u>	<u>\$ -</u>	<u>\$ 46,494,753</u>

See Independent Auditors' Report.

CITY OF SAFETY HARBOR, FLORIDA
RECONCILIATION OF NET CHANGE IN FUND BALANCES
FOR THE GOVERNMENTAL FUNDS TO CHANGE IN NET ASSETS
FOR GOVERNMENTAL ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2008

	Total Governmental Funds	Depreciation	Capital Outlay	Loss on Disposal of Assets	Change in Pension Asset	Long-term Debt	Reclasses and Eliminations	Statement of Activities Total
Revenues:								
Property taxes	\$ 3,534,380	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,534,380
Charges for services	628,977	-	-	-	-	-	-	628,977
Franchise fees	1,453,539	-	-	-	-	-	-	1,453,539
Utility taxes	2,402,197	-	-	-	-	-	-	2,402,197
Licenses an permits	252,434	-	-	-	-	-	-	252,434
Intergovernmental revenues	5,179,303	-	-	-	-	-	-	5,179,303
Special assessments	498,033	-	-	-	-	-	-	498,033
Fines and forfeitures	189,258	-	-	-	-	-	-	189,258
Interest income and net appreciation in fair value of investments	1,113,050	-	-	-	-	-	-	1,113,050
Impact fees	27,496	-	-	-	-	-	-	27,496
Miscellaneous	1,354,046	-	-	-	-	-	-	1,354,046
Total revenues	16,632,713	-	-	-	-	-	-	16,632,713
Expenditures:								
Current operating:								
General government	3,102,319	261,881	108,556	104,811	(72,355)	108,744	216,212	3,830,168
Law enforcement	1,277,100	1,081	-	-	-	-	-	1,278,181
Fire protection	3,679,384	220,937	866	-	-	34,493	-	3,935,680
Building department	295,879	6,508	-	-	-	2,816	-	305,203
Physical environment	1,184,793	62,786	25,917	-	-	(3,698)	-	1,269,798
Transportation	1,732,432	452,313	47,390	-	-	(51,546)	-	2,180,589
Library	1,186,319	135,126	25,137	-	-	15,364	-	1,361,946
Parks and recreation	2,045,159	409,948	(66,161)	-	-	28,640	-	2,417,586
Capital outlay	5,213,631	-	(5,071,517)	-	-	-	(142,114)	-
Debt service								
Interest and other fiscal charges	96,730	-	-	-	-	-	-	96,730
Total expenditures	19,813,746	1,550,580	(4,929,812)	104,811	(72,355)	134,813	74,098	16,675,881
Excess (deficiency) of revenues over (under) expenditures	(3,181,033)	(1,550,580)	4,929,812	(104,811)	72,355	(134,813)	(74,098)	(43,168)
Other financing sources (uses):								
Transfers in	2,685,436	-	-	-	-	-	(2,685,436)	-
Transfers out	(2,685,436)	-	-	-	-	-	2,685,436	-
Debt proceeds	6,908,287	-	-	-	-	(6,908,287)	-	-
Total other financing sources (uses)	6,908,287	-	-	-	-	(6,908,287)	-	-
Special item	(216,212)	-	-	-	-	-	216,212	-
Net change in fund balances	\$ 3,511,042	\$ (1,550,580)	\$ 4,929,812	\$ (104,811)	\$ 72,355	\$ (7,043,100)	\$ 142,114	\$ (43,168)

See Independent Auditors' Report.

STATISTICAL SECTION

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Table 1 (Unaudited)
City of Safety Harbor, Florida
General Fund - Expenditures by Type
Last Ten Fiscal Years

Fiscal Year	Total Expenditures	General Government	Public Safety	Physical Environment	Transportation (Streets)	Culture & Recreation
1999	\$ 7,311,872	\$ 2,221,736	\$ 2,859,393	\$ -	\$ 527,390	\$ 1,703,353
2000	\$ 7,378,732	\$ 2,055,748	\$ 2,898,544	\$ 268,478	\$ 508,767	\$ 1,647,195
2001	\$ 7,723,973	\$ 2,138,159	\$ 2,963,734	\$ 241,106	\$ 522,687	\$ 1,858,287
2002	\$ 8,223,715	\$ 2,130,050	\$ 3,155,461	\$ 291,899	\$ 546,561	\$ 2,099,744
2003	\$ 8,771,928	\$ 2,414,171	\$ 3,414,929	\$ 268,491	\$ 603,071	\$ 2,071,266
2004	\$ 9,126,347	\$ 2,454,716	\$ 3,646,803	\$ 276,803	\$ 692,506	\$ 2,055,519
2005	\$ 9,398,442	\$ 2,314,836	\$ 3,925,717	\$ 295,061	\$ 684,819	\$ 2,178,009
2006	\$ 11,106,174	\$ 3,259,887	\$ 4,278,917	\$ 342,123	\$ 688,581	\$ 2,536,666
2007	\$ 11,929,901	\$ 3,352,765	\$ 4,525,547	\$ 411,023	\$ 797,270	\$ 2,843,296
2008	\$ 12,744,081	\$ 3,027,994	\$ 4,957,967	\$ 814,735	\$ 890,917	\$ 3,052,468

Table 2 (Unaudited)
City of Safety Harbor, Florida
General Fund - Revenues by Source
Last Ten Fiscal Years

Fiscal Year	Total Revenues	Taxes	Licenses & Permits	Intergovernmental	Charges for Services	Fines & Forfeitures	Miscellaneous
1999	\$ 7,016,108	\$ 3,522,931	\$ 254,186	\$ 1,993,472	\$ 431,736	\$ 70,614	\$ 743,169
2000	\$ 7,612,848	\$ 3,628,143	\$ 261,334	\$ 2,054,743	\$ 469,449	\$ 63,213	\$ 1,135,966
2001	\$ 8,343,350	\$ 3,811,834	\$ 317,270	\$ 2,159,968	\$ 536,641	\$ 71,735	\$ 1,445,902
2002	\$ 8,411,696	\$ 4,300,274	\$ 267,335	\$ 2,151,487	\$ 422,675	\$ 70,496	\$ 1,199,429
2003	\$ 8,515,860	\$ 4,445,571	\$ 397,472	\$ 2,115,355	\$ 502,808	\$ 74,604	\$ 980,050
2004	\$ 9,151,269	\$ 4,659,943	\$ 312,737	\$ 2,367,996	\$ 460,060	\$ 349,799	\$ 1,000,734
2005	\$ 10,589,554	\$ 5,961,312	\$ 259,966	\$ 2,731,939	\$ 490,064	\$ 73,828	\$ 1,072,445
2006	\$ 11,463,556	\$ 6,634,557	\$ 259,690	\$ 2,602,275	\$ 564,613	\$ 90,331	\$ 1,312,090
2007	\$ 12,102,975	\$ 7,064,394	\$ 273,485	\$ 2,624,995	\$ 598,885	\$ 95,895	\$ 1,445,321
2008	\$ 12,450,004	\$ 6,933,399	\$ 252,434	\$ 2,514,704	\$ 581,689	\$ 189,258	\$ 1,978,520

Table 3 (Unaudited)
City of Safety Harbor, Florida
Property Tax Levies, Tax Collections and Assessed Valuations
Last Ten Fiscal Years

Fiscal Year	(1) Gross Taxable Property Value	(2) Actual Rate Millage	(3) Gross Ad Valorem Proceeds	Current Collection Tax	Percentage of Levies Collected	Delinquent Taxes Collected	Total Tax Collections
1999	\$ 634,196,569	3.4538	\$ 2,190,388	\$ 2,108,096	96.24%	\$ -	\$ 2,108,096
2000	\$ 658,508,724	3.4018	\$ 2,240,115	\$ 2,179,390	97.29%	\$ 889	\$ 2,180,279
2001	\$ 704,122,008	3.3429	\$ 2,353,809	\$ 2,289,720	97.28%	\$ 741	\$ 2,290,461
2002	\$ 767,360,791	3.1071	\$ 2,384,267	\$ 2,276,142	95.47%	\$ -	\$ 2,276,142
2003	\$ 818,914,566	2.9668	\$ 2,429,556	\$ 2,309,641	95.06%	\$ 1,395	\$ 2,311,036
2004	\$ 887,762,015	2.9668	\$ 2,633,812	\$ 2,505,705	95.14%	\$ 6,407	\$ 2,512,112
2005	\$ 991,660,899	2.7391	\$ 2,716,258	\$ 2,550,991	93.92%	\$ -	\$ 2,550,991
2006	\$ 1,101,410,706	2.7391	\$ 3,016,874	\$ 2,822,065	93.54%	\$ -	\$ 2,822,065
2007	\$ 1,249,133,488	2.7391	\$ 3,421,447	\$ 3,167,153	92.57%	\$ -	\$ 3,167,153
2008	\$ 1,331,055,598	2.5140	\$ 3,346,274	\$ 3,218,471	96.18%	\$ 17,810	\$ 3,236,281

(1) Maximum Millage Levy Calculation Final Disclosure (DR-420M) – Line 2
(2) Maximum Millage Levy Calculation Final Disclosure (DR-420M) – Line 9
(3) Maximum Millage Levy Calculation Final Disclosure (DR-420M) – Line 10

Table 4 (Unaudited)
City of Safety Harbor, Florida
Schedule of Assessed and Taxable Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Gross Taxable Value (1)	Effective Taxable Value (2)	Addition (3)	New Construction	Adjusted Taxable Value (4)
1999	\$ 634,196,569	\$ 634,196,569	\$ 9,283,500	\$ -	\$ 624,913,069
2000	\$ 658,508,724	\$ 658,508,724	\$ 11,366,100	\$ -	\$ 647,142,624
2001	\$ 704,122,008	\$ 702,419,597	\$ 15,260,300	\$ -	\$ 688,861,708
2002	\$ 767,350,791	\$ 765,436,050	\$ 11,612,700	\$ -	\$ 755,738,091
2003	\$ 818,914,566	\$ 817,796,839	\$ 17,272,500	\$ -	\$ 801,642,066
2004	\$ 887,762,015	\$ 891,321,442	\$ 23,752,800	\$ -	\$ 864,009,215
2005	\$ 991,660,899	\$ 989,079,783	\$ 26,250,300	\$ -	\$ 965,410,599
2006	\$ 1,101,410,706	\$ 1,101,543,672	\$ 16,132,300	\$ -	\$ 1,085,278,406
2007	\$ 1,249,113,488	\$ 1,245,424,160	\$ 5,257,300	\$ -	\$ 1,243,856,188
2008	\$ 1,331,055,598	\$ 1,329,939,984	\$ 14,986,208	\$ -	\$ 1,316,069,390

Sources:

- (1) Certification of Taxable Value (DR-420) – Line 4
- (2) Certification of Taxable Value (DR-420) – Line 5
- (3) Certification of Taxable Value (DR-420) – Line 6

Table 5 (Unaudited)
 City of Safety Harbor, Florida
 Schedule of Property Tax Rates and Tax Levies
 Direct and Overlapping Governments
 Last Ten Fiscal Years

TAX RATES						
Fiscal Year	Safety Harbor	Pinellas County	School	Emergency Medical Services	Planning Council	Transit District
1999	3.4018	5.8540	8.6660	0.6470	0.0225	0.6501
2000	3.3429		8.4330	0.7470	0.0225	0.6501
2001	3.1071	6.1410	8.4870	0.6600	0.0225	0.6501
2002	2.9668	6.1410	8.4490	0.6600	0.0225	0.6319
2003	2.9668	6.1410	8.2430	0.6600	0.0225	0.6319
2004	2.7391	6.1410	8.1220	0.6600	0.0220	0.6377
2005	2.7391	6.1410	8.3900	0.6600	0.0218	0.6377
2006	2.7391	5.4700	8.2100	0.6300	0.0195	0.6074
2007	2.5140	4.8730	7.7310	0.5832	0.0170	0.5601
2008	2.7830	4.8730	8.0610	0.5832	0.0170	0.5601

Table 5 (Unaudited)
City of Safety Harbor, Florida
Schedule of Property Tax Rates and Tax Levies
Direct and Overlapping Governments
Last Ten Fiscal Years (continued)

TAX LEVIES

Fiscal Year	Safety Harbor	Pinellas County	School	Emergency Medical Services	Planning Council	Transit District
1996	2,123,771	3,134,129	5,168,653	403,509	12,111	379,004
1997	2,158,713	3,309,696	5,458,190	426,113	12,789	400,235
1998	2,190,388	3,512,181	5,777,531	452,182	13,572	412,291
1999	2,240,115	3,854,910	5,706,637	426,055	14,816	428,097
2000	2,348,118	4,217,327	5,923,504	524,707	15,804	456,643
2001	2,378,286	4,700,543	6,496,256	505,188	17,222	497,610
2002	2,426,240	5,022,090	6,909,565	539,746	18,400	516,766
2003	2,644,603	5,474,083	7,347,804	588,323	20,056	563,275
2004	2,712,906	6,082,274	8,044,329	653,688	21,790	631,602
2005	3,018,962	6,768,444	9,247,231	727,434	24,027	702,856
2006	3,410,980	6,811,748	10,223,848	784,534	24,283	756,390
2007	3,130,664	6,068,308	9,627,353	726,254	21,170	697,488
2008	3,341,632	5,851,157	10,703,840	700,266	20,412	672,529

Table 6 (Unaudited)
City of Safety Harbor, Florida
Schedule of Principal Taxpayers (Real Property) – Ad Valorem
September 30, 2008

Source: Pinellas County Tax Rolls

	Taxable Assessed Value 2008 Tax Roll	Percentage	Ad Valorem Taxes as of 2008 Tax Roll	Percentage
TAXPAYER				
Mease Hospital Inc	\$ 23,920,500	2.09%	\$ 66,570.75	2.09%
Preedom Land Trust	\$ 19,171,000	1.67%	\$ 53,352.89	1.67%
Safety Harbor Spa & Resort LLC	\$ 18,898,100	1.65%	\$ 52,593.41	1.65%
Northwood Oaks, LLC	\$ 10,000,000	0.87%	\$ 27,830.00	0.87%
Safety Harbor Investment Properties	\$ 8,300,000	0.72%	\$ 23,098.90	0.72%
Northwood Commons LLC	\$ 8,225,000	0.72%	\$ 22,890.18	0.72%
Bayshore Palms apartments, Inc	\$ 8,200,000	0.72%	\$ 22,820.60	0.72%
Health Care Property Investment, Inc	\$ 6,382,000	0.56%	\$ 17,761.11	0.56%
Leisure Associates Ltd Partnership	\$ 6,300,000	0.55%	\$ 17,532.90	0.55%
Capstone Capital corp	\$ 5,500,000	0.48%	\$ 15,306.50	0.48%
TOTAL OF TEN LARGEST TAXPAYERS	\$ 114,896,600	10.03%	319,757.24	10.03%
TOTAL OF OTHER TAXPAYERS	\$ 1,030,677,626	89.97%	\$ 2,868,376	89.97%
TOTAL OF ALL TAXPAYERS	\$ 1,145,574,226	100.00%	\$ 3,188,133	100.00%

Table 7 (Unaudited)
City of Safety Harbor, Florida
Schedule of Principal Taxpayers (Personal Property) – Ad Valorem
September 30, 2008

	Assessed Value 2008	Percentage	Taxes as of 2008	Percentage
TAXPAYER				
Florida Power Corp	\$ 7,191,101	13.09%	\$ 20,013	13.09%
Mastercut Tool Corp	\$ 4,345,310	7.91%	\$ 12,093	7.91%
Verizon Florida LLC	\$ 4,018,622	7.32%	\$ 11,184	7.32%
National Linen Svc 495	\$ 3,029,130	5.51%	\$ 8,430	5.51%
Safety Harbor Resort and Spa	\$ 2,820,050	5.13%	\$ 7,848	5.13%
US Bancorp Equipment Fin	\$ 2,554,259	4.65%	\$ 7,109	4.65%
Bright House Networks LLC	\$ 2,116,242	3.85%	\$ 5,890	3.85%
Countryside Cancer Center	\$ 1,550,350	2.82%	\$ 4,315	2.82%
H I P Paving, LLC	\$ 1,202,190	2.19%	\$ 3,346	2.19%
Center Capital Corporation	<u>\$ 1,058,170</u>	<u>1.93%</u>	<u>\$ 2,945</u>	<u>1.93%</u>
TOTAL OF TEN LARGEST TAXPAYERS	\$ 29,885,424	54.40%	\$ 83,171	54.40%
TOTAL OF OTHER TAXPAYERS	<u>\$ 25,049,800</u>	<u>45.60%</u>	<u>\$ 69,714</u>	<u>45.60%</u>
TOTAL OF ALL TAXPAYERS	<u>\$ 54,935,224</u>	<u>100.00%</u>	<u>\$ 152,885</u>	<u>100.00%</u>

Source: Pinellas County Tax Rolls

Table 8 (Unaudited)
City of Safety Harbor, Florida
Computation of Legal Debt Margin
September 30, 2008

There are no limitations placed upon the amount of debt which the City of Safety Harbor may issue by either the City's Charter or Code of Ordinance or by State Statute

Table 9 (Unaudited)
 City of Safety Harbor, Florida
 Computation of Direct and Overlapping Debt
 September 30, 2008

NAME OF GOVERNMENT UNIT	Bonds Payable Net	Percentage Applicable to City of Safety Harbor	Amount Applicable to City of Safety Harbor
DIRECT DEBT			
City of Safety Harbor (095-0000-231-2100)	-	0%	-
OVERLAPPING DEBT			
School Board of Pinellas County Pinellas County Board of Commissioners			-
RATIOS			
Overall debt to taxable valuation			-
Overall debt per capita			\$-

Table 10 (Unaudited)
City of Safety Harbor, Florida
Ratio of Net General Bonded Debt to Assessed Value
And Net Bonded Debt per Capita
Last Ten Fiscal Years

Fiscal Year	Assessed Value for Debt Service	Gross Bonded Debt	Less Debt Sinking	Net Bonded Debt	Percentage of Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
1999	\$ 634,196,569	\$ 1,385,000	\$ 229,500	\$ 1,155,500	0.18%	\$ 67
2000	\$ 658,508,724	\$ 1,210,000	\$ 229,500	\$ 980,500	0.15%	\$ 57
2001	\$ 702,419,597	\$ 1,030,000	\$ 229,500	\$ 800,500	0.11%	\$ 46
2002	\$ 765,436,050	\$ 840,000	\$ 229,500	\$ 610,500	0.08%	\$ 35
2003	\$ 817,796,839	\$ 640,000	\$ 229,500	\$ 410,500	0.05%	\$ 23
2004	\$ 891,399,242	\$ 435,000	\$ 229,500	\$ 205,500	0.02%	\$ 12
2005	\$ 990,436,983	\$ 220,000	\$ 229,500	\$ -	0%	\$ -
2006	\$ 1,102,172,972	\$ -	\$ -	\$ -	0%	\$ -
2007	\$ -	\$ -	\$ -	\$ -	0%	\$ -
2008	\$ -	\$ -	\$ -	\$ -	0%	\$ -

Table 11 (Unaudited)
 City of Safety Harbor, Florida
 Ratio of Annual Debt Service Expenditures
 For General Bonded Debt to Total General Expenditures
 Last Ten Fiscal Years

Fiscal Year	Principal	Interest	Total Debt Service	Total General Expenditures	Percentage of Debt Service to Expenditures
1999	\$ 165,000.00	\$ 69,634.00	\$ 234,634.00	\$ 8,093,904.00	2.90%
2000	\$ 175,000.00	\$ 62,869.00	\$ 237,869.00	\$ 8,452,701.00	2.81%
2001	\$ 180,000.00	\$ 55,521.00	\$ 235,521.00	\$ 9,691,858.00	2.43%
2002	\$ 190,000.00	\$ 47,778.00	\$ 237,778.00	\$ 11,518,837.00	2.06%
2003	\$ 200,000.00	\$ 39,419.00	\$ 239,419.00	\$ 12,488,393.00	1.92%
2004	\$ 205,000.00	\$ 30,419.00	\$ 235,419.00	\$ 11,838,719.00	1.99%
2005	\$ 215,000.00	\$ 20,938.00	\$ 235,938.00	\$ 9,671,270.00	2.44%
2006	\$ -	\$ -	\$ -	\$ -	0.00%
2007	\$ -	\$ -	\$ -	\$ -	0.00%
2008	\$ -	\$ 96,730.00	\$ 96,730.00	\$ 12,744,081.00	0.76%

Includes General, Special Revenue and Debt Service Funds

Table 12 (Unaudited)
City of Safety Harbor, Florida
Schedule of Special Assessment Collections
Last Ten Fiscal Years

Fiscal Year	Billing on Street Assessments	Collection on Street Assessments	Billing on Sewer Assessments	Collection on Sewer Assessments	Total Billings	Total Collection
1999	\$ 2,926	\$ 3,101	\$ -	\$ 2,536	\$ 2,926	\$ 5,637
2000	\$ 598	\$ 1,498	\$ -	\$ 4,167	\$ 598	\$ 5,665
2001	\$ -	\$ 4,452	\$ -	\$ 2,631	\$ -	\$ 7,083
2002	\$ 43,488	\$ 25,449	\$ -	\$ 280	\$ 43,488	\$ 25,729
2003	\$ 2,199	\$ 15,600	\$ 1,855	\$ 3,484	\$ 4,054	\$ 19,084
2004	\$ 1,599	\$ 11,173	\$ 1,540	\$ -	\$ 3,139	\$ 11,173
2005	\$ 1,120	\$ 6,497	\$ 1,680	\$ -	\$ 2,800	\$ 6,497
2006	\$ 888	\$ 8,131	\$ 1,548	\$ 3,336	\$ 2,436	\$ 11,467
2007	\$ 621	\$ 1,922	\$ 1,521	\$ 50	\$ 2,142	\$ 1,972
2008	\$ 537	\$ 1,663	\$ 1,521	\$ 100	\$ 2,058	\$ 1,763

Sources:

Miscellaneous Receivable Reports:

1. Billing on Street Assessments: Charge/Payment Report for Customer Types AS, 1A, 3A, A2 Interest Billing Only
2. Collection on Street Assessment: Payment/Charge Report for Customer Types AS, 1A, 3A, A2 Payments Only
3. Billing on Street Assessments: Charge/Payment Report for Customer Type S1 Interest Billing Only
4. Collection on Street Assessment: Payment/Charge Report for Customer Type S1 Payments Only

Table 13 (Unaudited)
City of Safety Harbor, Florida
Schedule of Water and Sewer Revenue Bond Coverage
Last Ten Fiscal Years

Fiscal Year	Gross Revenues (1)	Operating Expenses Less Depreciation (2)	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
1999	\$ 5,571,211	\$ 3,847,043	\$ 1,724,168	\$ 220,000	\$ 178,043	\$ 398,043	4.33
2000	\$ 6,080,835	\$ 4,063,768	\$ 2,017,067	\$ 235,000	\$ 167,593	\$ 402,593	5.01
2001	\$ 5,723,429	\$ 4,358,957	\$ 1,364,472	\$ 245,000	\$ 155,843	\$ 400,843	3.40
2002	\$ 5,809,259	\$ 4,533,473	\$ 1,275,786	-	\$ 215,621	\$ 215,621	5.92
2003	\$ 5,534,478	\$ 5,067,774	\$ 466,704	\$ 110,000	\$ 169,014	\$ 279,014	1.67
2004	\$ 5,669,835	\$ 5,184,598	\$ 485,237	\$ 235,000	\$ 165,338	\$ 400,338	1.21
2005	\$ 5,773,925	\$ 5,340,788	\$ 433,137	\$ 240,000	\$ 156,414	\$ 396,414	1.09
2006	\$ 6,541,811	\$ 6,084,599	\$ 457,212	\$ 250,000	\$ 145,624	\$ 395,624	1.16
2007	\$ 7,886,340	\$ 6,538,563	\$ 1,347,777	\$ 260,000	\$ 133,981	\$ 393,981	3.42
2008	\$ 8,080,732	\$ 6,897,073	\$ 1,183,659	\$ 270,000	\$ 123,659	\$ 393,659	3.01

(1) Column 2 is comprised of the following types of revenues:
Charges for services
Interest income
Miscellaneous income

(2) Column 3 is comprised of the following types of expenses:
Personal services
Material and supplies
Other operating expenses

Table 14 (Unaudited)
City of Safety Harbor, Florida
Water and Sewer Fund Statistical Data
Last Ten Fiscal Years

Fiscal Year	Number of Water Customers	Number of Sewer Customers	Total Operating Revenues	Net Operating Income (Loss) After Depreciation	Net Income (Loss)
1999	7,100	8,414	\$ 5,140,736	\$ 773,216	\$ 1,006,389
2000	7,206	8,495	\$ 5,212,425	\$ 613,754	\$ 1,314,571
2001	7,276	8,524	\$ 4,989,880	\$ 74,478	\$ 652,184
2002	7,292	8,592	\$ 5,093,616	\$ (40,874)	\$ 459,148
2003	7,308	8,626	\$ 5,024,798	\$ (684,981)	\$ (344,315)
2004	7,316	8,631	\$ 5,217,285	\$ (676,359)	\$ (389,115)
2005	7,426	8,643	\$ 5,314,876	\$ (780,017)	\$ (477,382)
2006	7,545	8,673	\$ 5,949,010	\$ (867,408)	\$ (420,232)
2007	7,489	8,781	\$ 6,451,147	\$ (860,124)	\$ 441,088
2008	7,407	8,664	\$ 7,078,271	\$ (633,254)	\$ 640,856

Source: Water & Sewer Revenue Reports – Total Units / 12 months

Table 15 (Unaudited)
City of Safety Harbor, Florida
Solid Waste Fund Statistical Data
Last Ten Fiscal Years

Fiscal Year	Number of Sanitation Customer	Total Operating Revenues	Net Operating Income (Loss) After Depreciation	Net Income (Loss)
1999	7,500	1,682,098	\$ 242,482	\$ 106,564
2000	7,589	1,707,068	\$ 269,445	\$ 262,862
2001	7,659	1,747,123	\$ 186,727	\$ 241,331
2002	7,798	1,734,622	\$ 86,396	\$ 79,475
2003	7,867	1,791,966	\$ (11,632)	\$ (149,243)
2004	7,896	1,798,470	\$ (330,652)	\$ (548,008)
2005	7,906	1,801,651	\$ (324,566)	\$ (552,823)
2006	7,943	1,916,239	\$ (237,686)	\$ (471,391)
2007	8,013	2,281,792	\$ (129,228)	\$ (399,393)
2008	7,936	2,467,341	\$ (398,794)	\$ (302,417)

Source: Sanitation Revenue Report – Total Units / 12 months

Table 16 (Unaudited)
City of Safety Harbor, Florida
Table of Demographic Statistics
September 30, 2008

<i>Year</i>	<i>Population</i>	<i>Population Change</i>	<i>% Change</i>
1999 (3)	17,232	75	0.44%
2000 (1)	17,203	(29)	-0.17%
2001 (3)	17,383	180	1.05%
2002 (3)	17,479	96	0.55%
2003 (3)	17,602	123	0.70%
2004 (3)	17,800	198	1.12%
2005 (3)	17,892	92	0.52%
2006 (3)	17,950	58	0.32%
2007 (3)	17,973	23	0.13%
2008 (2)	17,844	(129)	-0.72%

Sources: (1) 2000 U.S. Bureau of Census
(2) University of Florida, Bureau of Economic and Business Research as of 4/1/2007
(3) University of Florida, Bureau of Economic and Business Research as of April 1st of each year

<i>Age of Population</i>	<i>City of Safety Harbor</i>	<i>Pinellas County</i>	<i>Per Capita Income</i>	<i>Median Household Income</i>
Median Age	42.2 years	43.0	1979	Safety Harbor
Percent Under 18	21.8%	19.3%	1981	Pinellas County
Percent Over 65	17.3%	22.5%	1983	Source: 2000 Census
Source: 2000 Census			1990	
			2000	
			Source: 2000 Census	

<i>Occupancy Rate</i>	<i>Persons per occupied unit</i>
92.5 - 1990 Census	2.63 - 1980 Census
94.7 - 2000 Census	2.37 - 1990 Census
	2.30 - 2000 Census

Housing Units
2,836 - 1980 - Census
6,373 - 1990 - Census
7,006 - 1999 - Estimated by City of Safety Harbor Building Dept.
7,483 - 2000 - Census
7,558 - 2001 - Estimated by City of Safety Harbor Building Dept.
7,558 - 2002 - Estimated by City of Safety Harbor Building Dept.
7,703 - 2003 - Estimated by City of Safety Harbor Building Dept.
7,783 - 2004 - Estimated by City of Safety Harbor Building Dept.
7,800 - 2005 - Estimated by City of Safety Harbor Building Dept.
7,824 - 2006 - Estimated by City of Safety Harbor Building Dept.
7,834 - 2007 - Estimated by City of Safety Harbor Building Dept.
7,839 - 2008 - Estimated by City of Safety Harbor Building Dept.

Table 17 (Unaudited)
 City of Safety Harbor, Florida
 Schedule of Building Permits Issued by the Building Department
 Last Ten Fiscal Years

Fiscal Year	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
1999	226	239	326	281	1,072
2000	242	260	356	221	1,079
2001	253	263	299	222	1,037
2002	272	266	301	239	1,078
2003	268	396	367	375	1,406
2004	291	345	338	239	1,213
2005	299	287	336	273	1,195
2006	245	262	340	237	1,084
2007	232	228	285	249	994
2008	190	196	224	160	770

Source: City of Safety Harbor Building Dept Cash Receipts Report

Table 18, Florida (Unaudited)
City of Safety Harbor, Florida
Schedule of Charges on Building Permits
Last Ten Fiscal Years

Fiscal Year	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
1999	\$ 33,805	\$ 40,330	\$ 49,525	\$ 36,893	\$ 160,553
2000	\$ 40,647	\$ 47,147	\$ 67,668	\$ 40,801	\$ 196,263
2001	\$ 81,655	\$ 85,587	\$ 62,934	\$ 42,034	\$ 272,210
2002	\$ 52,296	\$ 45,505	\$ 39,539	\$ 54,565	\$ 191,905
2003	\$ 50,761	\$ 64,783	\$ 193,370	\$ 79,962	\$ 388,876
2004	\$ 53,654	\$ 44,634	\$ 48,015	\$ 67,665	\$ 213,968
2005	\$ 32,597	\$ 33,996	\$ 31,864	\$ 38,864	\$ 137,321
2006	\$ 35,824	\$ 35,990	\$ 49,893	\$ 42,175	\$ 163,882
2007	\$ 41,148	\$ 35,814	\$ 35,594	\$ 36,648	\$ 149,204
2008	\$ 38,289	\$ 36,492	\$ 39,914	\$ 25,194	\$ 139,889

Source: City of Safety Harbor Building Dept Cash Receipts Report

Table 19, Florida (Unaudited)
City of Safety Harbor, Florida
Schedule of Building Permit Valuations
Last Ten Fiscal Years

Fiscal Year	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
1999	\$ 3,058,755	\$ 4,344,429	\$ 6,595,081	\$ 3,584,930	\$ 17,583,195
2000	\$ 4,336,584	\$ 4,779,726	\$ 5,954,350	\$ 4,163,427	\$ 19,234,087
2001	\$ 3,798,990	\$ 14,870,882	\$ 9,702,184	\$ 4,443,024	\$ 32,815,080
2002	\$ 7,560,482	\$ 5,266,308	\$ 3,768,825	\$ 6,246,795	\$ 22,842,410
2003	\$ 5,804,004	\$ 6,959,937	\$ 42,874,798	\$ 11,321,562	\$ 66,960,301
2004	\$ 5,576,446	\$ 4,330,821	\$ 5,237,823	\$ 15,364,008	\$ 30,509,098
2005	\$ 3,310,597	\$ 3,586,593	\$ 3,815,151	\$ 4,684,594	\$ 15,396,935
2006	\$ 3,695,112	\$ 3,543,944	\$ 5,737,872	\$ 4,598,311	\$ 17,575,239
2007	\$ 4,879,902	\$ 4,332,511	\$ 3,579,203	\$ 4,440,486	\$ 17,232,102
2008	\$ 5,055,423	\$ 2,648,193	\$ 2,346,366	\$ 1,410,774	\$ 11,460,756

Source: Building Dept Cash Receipt Report (BP712L) From

Table 20, Florida (Unaudited)
 City of Safety Harbor, Florida
 Miscellaneous Statistical Data
 September 30, 2008

Date of Incorporation: June 11, 1917

Form of Government:

Type: Commission/Manager, Mayor, and Four Commissioners - City Manager

Terms of Office: Mayor and Commissioners - Three years, elected at large
 City Manager - Appointed

Area of City: Area inside of City: 4.97 square miles (3,182.37 acres)
 Area outside of City: 45 square miles (284.15 acres)
 Planning area: 5.42 square miles (3,466.52 acres)

ANNEXATION HISTORY	CITY (ACRES)	UNINCORPORATED (ACRES)	TOTAL PLANNING AREA (ACRES)
City as of Spring 1978 (1)	1,934.50	1,515	3,449.50
Annexations Prior to 1999 (2)	1,193.39		
Annexations: (Past 10 years)			
1999 (2)	5.53		
2000 (2)	4.31		
2001 (2)	4.65		
2002 (2)	22.70		
2003 (2)	0.42		
2004 (2)	0.65		
2005 (2)	7.42		
2006 (2)	2.01		
2007 (2)	5.16		
2008 (2)	1.63		
Total Acres	3,182.37	284.15	3,466.52
Square Miles	4.97	0.45	5.42

Sources: (1) Pinellas County Planning Department, spring 1978

(2) City of Safety Harbor Planning Department

Table 21 (Unaudited)
City of Safety Harbor, Florida
Schedule of Miscellaneous Data
Water and Sewer Fund
Year Ended September 30, 2008

WATER AND SEWER CUSTOMERS:

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Water	7407	7,489	7,454	7,426	7,716	7,708	7,592	7,276	7,206	7,100
Sewer	8664	8,781	8,673	8,643	8,751	8,726	8,592	8,524	8,495	8,414

SCHEDULES OF RATES AND CHARGES:

Monthly water rates effective as of June 1, 2008 as provided for in Ordinance 2008-10 passed May 19, 2008 are as follows:

	Within City	Outside City
Customer Charge	\$ 0.50	\$ 0.63
Base Facility Charge Per ERU		
Residential	\$ 10.39	\$ 12.99
Commercial (Average For All Meter Sizes)	\$ 243.60	\$ 304.50
Usage: Average Base Rate Per MGal	\$ 5.41	\$ 6.76

Table 21 (Unaudited)
 City of Safety Harbor, Florida
 Schedule of Miscellaneous Data
 Water and Sewer Fund
 Year Ended September 30, 2008 (continued)

Monthly sewer rates effective as of June 1, 2008 as provided for in Ordinance 2008-11 passed May 19, 2008 are as follows:

	Within City	Outside City
Customer Charge	\$ 0.50	\$ 0.63
Base Facility Charge Per ERU		
Residential	\$ 9.42	\$ 11.78
Commercial (Average For All Meter Sizes)	\$ 220.78	\$ 275.98
Usage: Average Base Rate Per M Gal	\$ 4.16	\$ 5.20

SCHEDULE OF WATER METERS:

Water meters in service at September 30, 2008: 6007

Table 22, Florida (Unaudited)
City of Safety Harbor, Florida
Schedule of Water Consumption
Last Ten Fiscal Years

Month	FYE 2008	FYE 2007	FYE 2006	FYE 2005	FYE 2004	FYE 2003	FYE 2002	FYE 2001	FYE 2000	FYE 1999
October	58,674	48,985	68,054	55,186	73,238	68,989	68,494	52,997	56,182	67,254
November	60,090	69,031	66,771	67,272	77,381	57,993	66,781	76,242	71,451	71,905
December	48,531	58,473	57,771	63,836	73,577	67,933	60,332	68,564	60,909	67,581
January	59,123	55,144	66,221	61,527	74,490	65,676	67,111	94,890	61,357	57,121
February	47,252	55,704	54,504	67,791	57,797	61,759	57,540	68,858	57,053	60,061
March	51,263	59,897	73,883	62,296	68,767	67,455	66,349	58,706	76,010	76,641
April	56,752	61,751	70,095	61,163	67,527	75,309	79,242	61,613	77,424	77,003
May	68,030	73,477	81,280	66,838	64,316	78,341	86,231	70,988	83,824	66,234
June	59,626	53,477	62,393	73,896	75,063	72,467	65,027	82,219	71,002	71,979
July	48,744	59,617	55,352	58,172	55,545	66,158	64,084	61,278	56,629	53,781
August	43,081	52,556	56,064	61,702	61,093	59,378	56,412	54,513	56,844	62,715
September	55,317	49,764	48,985	61,080	55,186	70,386	57,642	58,925	52,997	71,451
Totals	656,483	697,876	761,373	760,759	803,980	811,844	795,245	809,793	781,682	803,726

(1) Number of gallons is in thousands
The City purchases its water from Pinellas County and resells it to its customers
The City of Safety Harbor has no active wells of its own

Source: Pinellas County Utilities Invoices

Table 23, Florida (Unaudited)
City of Safety Harbor, Florida
Schedule of Waste Water Treated at
Northeast Regional Waste Water Treatment Plant
Last Ten Fiscal Years

Month	FY 2008	FYE 2007	FYE 2006	FYE 2005	FYE 2004	FYE 2003	FYE 2002	FYE 2001	FYE 2000	FYE 1999
	MGal	MGal								
October	49,244.8	46,633.1	50,320.6	57,123.2	53,553.5	50,166.9	51,040.7	76,242	51,056	53,846
November	45,821.6	43,621.1	47,517.4	49,923.4	50,170.5	48,864.6	48,308.6	68,563	48,335	50,387
December	46,841.0	48,537.6	49,110.2	50,423.0	50,982.9	62,908.4	49,506.7	94,890	49,035	51,561
January	48,870.2	49,680.1	49,763.0	51,272.5	53,088.9	57,982.1	50,326.2	68,858	50,880	52,296
February	46,112.8	43,507.0	49,141.4	45,764.3	53,159.6	52,359.5	46,200.2	58,706	48,302	46,099
March	51,440.4	46,525.7	50,019.3	54,082.3	54,953.6	58,197.5	51,884.1	61,613	51,184	51,304
April	48,251.7	44,797.0	46,822.2	48,941.4	52,407.8	52,643.9	48,543.2	70,988	48,111	46,879
May	45,364.5	44,015.6	48,253.8	48,466.0	52,033.0	51,748.9	48,666.3	82,219	48,422	46,386
June	44,260.5	43,800.0	45,895.3	51,189.2	50,192.4	54,784.0	48,106.7	61,278	46,485	50,614
July	47,207.6	43,645.4	49,403.7	53,194.2	56,594.8	60,183.0	56,658.7	54,513	49,957.0	54,185
August	49,718.0	49,570.3	49,806.8	53,776.2	66,206.1	62,160.2	58,079.5	58,925	51,509	53,592
September	43,763.2	45,359.7	52,374.7	46,188.1	61,215.0	55,616.9	54,747.2	52,997	51,566	51,195
Totals	566,896.3	549,692.6	588,428.4	610,343.8	654,558.1	667,615.9	612,068.1	809,792.0	594,841.97	608,342.5

Source: City of Clearwater Waste Water Treatment Invoices

Table 24 (Unaudited)
City of Safety Harbor, Florida
Schedule of Insurance in Force
as of September 30, 2008

Insurance	Policy Number	Company	Coverage (1)	Deductible	Term	
Property		P.R.M.	\$200M/Occurrence \$200,000 Self-insured Retention	\$1,000		\$ In A
Third-Party Liability		P.R.M.	\$1.8M/ Occurrence/Accident including \$200,000 Self-insured Retention Occurrence Form	None	4/1/08 - 3/31/09	
Workers Compensation		P.R.M.	Statutory per Occurrence excess of \$650,000 Self-insured Retention	None	4/1/08 - 3/31/09	
Employers Liability		P.R.M.	\$1.8M/ Occurrence/Aggregate excess of \$200K Self-insured Retention	None	4/1/08 - 3/31/09	
P.I.P. Florida Auto No-Fault		P.R.M.	\$10K Each Person per Florida Statute (Chargeable to Loss Fund)	None	4/1/08 - 3/31/09	
Blanket Bond (Including Faithful Performance)		P.R.M.	\$100K/Occurrence including \$25K Self-insured Retention	None	4/1/08 - 3/31/09	
Money & Securities (in/out)		P.R.M.	\$100K/Occurrence including \$25K Self-Insured Retention	None	4/1/08 - 3/31/09	

Table 24 (Unaudited)
City of Safety Harbor, Florida
Schedule of Insurance in Force
as of September 30, 2008 (continued)

Insurance	Policy Number	Company	Coverage (1)	Deductible	Term
Aggregate Excess Coverage		P.R.M.	\$5M Aggregate in excess of Risk Management Loss Fund (Occurrence Form)	None	4/1/08 - 3/31/09
Public Official Liability		P.R.M.	\$1.8K/Occurrence excess \$200K Self-insured Retention	None	4/1/08 - 3/31/09
Life and Disability for Volunteer FF Firefighter Death Benefit Insurance	ETB-110555	Hartford	\$75K Accidental Death and Dismemberment Benefit. \$25K Permanent Total Disability Established by Law	None	10/1/07 – 9/30/08
Emergency Medical Technicians (malpractice)		P.R.M.	\$1.8M/ Occurrence excess \$200K Self-insured Retention	None	4/1/08 - 3/31/09

(1) Self-Insured Retention is the responsibility of the P.R.M. Loss Fund, not the City of Safety Harbor. Layers of Excess Coverage are purchased from various insurance companies by P.R.M. (Public Risk Management).

Table 25 (Unaudited)
City of Safety Harbor, Florida
General Fund - Expenditures by Department
Last Ten Fiscal Years

Dept	FYE 2008	FYE 2007	FYE 2006	FYE 2005	FYE 2004
City Commission	\$ 179,959	\$ 194,905	\$ 190,080	\$ 147,723	\$ 200,226
City Manager	\$ 264,225	\$ 384,062	\$ 321,865	\$ 183,452	\$ 191,785
City Clerk	\$ 186,810	\$ 171,679	\$ 148,581	\$ 136,029	\$ 126,536
Personnel	\$ 290,725	\$ 270,516	\$ 217,008	\$ 188,698	\$ 171,467
Finance	\$ 391,821	\$ 351,946	\$ 305,524	\$ 294,853	\$ 272,396
Planning	\$ 341,983	\$ 294,920	\$ 304,207	\$ 284,229	\$ 289,593
City Attorney	\$ 97,627	\$ 105,487	\$ 97,600	\$ 85,077	\$ 96,943
Elections	\$ 585	\$ 510	\$ 15,152	\$ 13,938	\$ -
General Government	\$ 383,301	\$ 454,522	\$ 678,327	\$ 446,412	\$ 322,371
Law Enforcement	\$ 1,277,100	\$ 1,208,207	\$ 1,122,791	\$ 999,273	\$ 835,935
Fire Protection	\$ 3,680,867	\$ 3,317,339	\$ 2,909,960	\$ 2,706,881	\$ 2,559,839
Building	\$ 295,879	\$ 268,376	\$ 246,166	\$ 230,699	\$ 255,703
Engineering	\$ 518,856	\$ 411,023	\$ 34,123	\$ 295,061	\$ 276,337
Streets	\$ 890,917	\$ 797,270	\$ 688,581	\$ 684,820	\$ 692,506
Maintenance Shop	\$ 332,910	\$ 323,870	\$ 284,610	\$ 274,580	\$ 261,583
Building Maintenance	\$ 332,686	\$ 300,831	\$ 271,362	\$ 259,844	\$ 248,540
Library	\$ 1,001,204	\$ 891,418	\$ 771,819	\$ 720,399	\$ 644,937
Parks & Recreation	\$ 2,051,264	\$ 1,951,877	\$ 1,764,847	\$ 1,565,156	\$ 1,497,130
Pier & Marina	\$ -	\$ -	\$ -	\$ -	\$ -
Non-Departmental	\$ 573,667	\$ 725,102	\$ 178,982	\$ 154,146	\$ 144,219
Total Expenditures	\$ 13,092,387	\$ 12,423,860	\$ 10,551,585	\$ 9,671,270	\$ 9,088,046

- (1) Moved to Water and Sewer Fund 1993. Moved back to General Fund 2000.
- (2) Department was previously included in City Manger's budget.
- (3) These expenses were previously included within various departments, but reflected non-department expense.
- (4) Moved from General Fund to Marina Fund.
- (5) Total expenditures include Transfers Out

Table 25 (Unaudited)
City of Safety Harbor, Florida
General Fund - Expenditures by Department
Last Ten Fiscal Years (continued)

Dept	FYE 2003	FYE 2002	FYE 2001	FYE 2000	FYE 1999
City Commission	\$ 211,226	\$ 186,872	\$ 174,155	\$ 103,647	\$ 89,319
City Manager	\$ 182,747	\$ 175,232	\$ 255,382	\$ 242,527	\$ 236,427
City Clerk	\$ 147,717	\$ 136,930	\$ 128,683	\$ 122,714	\$ 120,317
Personnel	\$ 167,368	\$ 146,503	\$ 117,583	\$ 109,849	\$ 105,971
Finance	\$ 266,114	\$ 237,446	\$ 214,020	\$ 218,528	\$ 212,277
Planning	\$ 313,718	\$ 246,023	\$ 239,630	\$ 223,810	\$ 223,686
City Attorney	\$ 98,647	\$ 92,547	\$ 99,498	\$ 81,762	\$ 153,213
Elections	\$ 42	\$ 6,672	\$ 8,081	\$ 82	\$ 5,696
General Govt	\$ 292,129	\$ 255,563	\$ 249,543	\$ 367,929	\$ 410,146
Law Enforcement	\$ 739,980	\$ 710,204	\$ 678,123	\$ 656,741	\$ 636,953
Fire Protection	\$ 2,453,832	\$ 2,248,432	\$ 2,112,247	\$ 2,096,869	\$ 2,075,510
Building	\$ 221,118	\$ 196,825	\$ 173,364	\$ 144,934	\$ 146,930
Engineering	\$ 268,491	\$ 291,899	\$ 241,106	\$ 268,478	\$ -
Streets	\$ 603,071	\$ 546,561	\$ 522,686	\$ 508,767	\$ 527,390
Maintenance Shop	\$ 262,961	\$ 270,335	\$ 249,160	\$ 211,743	\$ 192,194
Building Maintenance	\$ 238,688	\$ 185,249	\$ 206,905	\$ 155,073	\$ 165,364
Library	\$ 625,727	\$ 524,514	\$ 506,511	\$ 470,463	\$ 442,656
Parks & Recreation	\$ 1,533,478	\$ 1,485,328	\$ 1,351,198	\$ 1,153,774	\$ 1,236,350
Pier & Marina	\$ -	\$ -	\$ 578	\$ 22,958	\$ 24,347
Non-Departmental	\$ 144,648	\$ 190,821	\$ 195,520	\$ 218,084	\$ 307,126
Total Expenditures	8,771,702	8,133,956	7,723,973	7,378,732	7,311,872

- (1) Moved to Water and Sewer Fund 1993. Moved back to General Fund 2000.
- (2) Department was previously included in City Manger's budget.
- (3) These expenses were previously included within various departments, but reflected non-department expense.
- (4) Moved from General Fund to Marina Fund.

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REGULATORY REPORTS

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

To the Honorable Mayor, Members of the City Commission
and City Manager
City of Safety Harbor, Florida

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Safety Harbor, Florida (“the City”), as of September 30, 2008 and for the year then ended, which collectively comprise the City’s basic financial statements and have issued our report thereon dated June 3, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. *A significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity’s ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the City’s financial statements that is more than inconsequential will not be prevented or detected by the City’s internal control.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We consider the deficiencies described under Findings 2008-01 through 2008-04 in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of the Mayor, Members of the City Commission, management of the City of Safety Harbor, Florida, and the Auditor General of the State of Florida. However, this report is a matter of public record and its distribution is not limited.

Larson Allen LLP
LarsonAllen LLP

Tampa, Florida
June 3, 2009

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR STATE PROJECT AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH CHAPTER 10.550, RULES OF THE AUDITOR GENERAL OF
THE STATE OF FLORIDA**

Honorable Mayor, Members of City Commissioners,
and City Manager
City of Safety Harbor, Florida

Compliance

We have audited the compliance of the City of Safety Harbor, Florida (“the City”), with the types of compliance requirements described in the *Florida Department of Financial Services State Projects Compliance Supplement*, that are applicable to its state projects for the year ended September 30, 2008. The City’s major state projects are identified in Section I, Summary of Auditors’ Results, of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to the major state projects is the responsibility of the City’s management. Our responsibility is to express an opinion on the City’s compliance 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, and Chapter 10.550, Rules of the Auditor General of the State of Florida. Those standards and Chapter 10.550, Rules of the Auditor General of the State of Florida, require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state project occurred. An audit includes 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 audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City’s compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to its major state projects for the year ended September 30, 2008.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to its state projects. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on its major state projects in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a state project on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a state project such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a state project that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a state project will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We consider the deficiency described under Finding 2008-05 in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses, as defined above.

This report is intended solely for the information and use of City management, the City Commission, the State of Florida Office of the Auditor General, and applicable state agencies and is not intended to be and should not be used by anyone other than these specified parties.

Larson Allen LLP
LarsonAllen LLP

Tampa, Florida
June 3, 2009

**CITY OF SAFETY HARBOR, FLORIDA
SCHEDULE OF EXPENDITURES OF
STATE FINANCIAL ASSISTANCE
YEAR ENDED SEPTEMBER 30, 2008**

<u>STATE GRANTOR PROGRAM TITLE</u>	<u>State CSFA Number</u>	<u>State Project Number</u>	<u>Program Amount</u>	<u>Receipts</u>	<u>Program Expenditures</u>
<u>FLORIDA DEPARTMENT OF ENVIRONMENTAL PROTECTION</u>					
<u>Direct State Financial Assistance</u>					
<i>Florida Department of Environmental Protection</i>					
Florida Recreation Development Assistance Program (FRDAP)	37.017	F7141	\$ 118,834	\$ 95,081	\$ -
<i>Florida Department of Transportation</i>					
State Highway Project Reimbursement (SR 590 Resurfacing Project)	55.023	257077 1 54 01	528,459	478,804	389,194
<i>Florida Department of Fish and Wildlife Conversation Commission</i>					
Florida Boating Improvement Program (Marina Grant)	77.006	FWC04146	100,000	100,000	100,000
<i>Florida Department of Fish and Wildlife Conversation Commission</i>					
Florida Boating Improvement Program (Marina Grant)	77.006	FWC07092	28,000	28,000	28,000
Subtotal				128,000	128,000
<u>Pass Through State Financial Assistance</u>					
Pass Through Southwest Florida Water Management District Statewide Surface Water Restoration and Wastewater Projects (Bishop Creek Watershed at Rainbow Farms)	37.039	06C0000006	775,000	391,499	218,359
Pass Through Southwest Florida Water Management District Statewide Surface Water Restoration and Wastewater Projects (East Gate Drainage Improvements)	37.039	04CONS0002	693,206	73,843	-
Subtotal				465,342	218,359
Total expenditures of State Financial Assistance				\$ 1,167,227	\$ 735,553

See accompanying notes to schedule of expenditures of state assistance.

**CITY OF SAFETY HARBOR, FLORIDA
NOTES TO SCHEDULE OF EXPENDITURES OF
STATE FINANCIAL ASSISTANCE
YEAR ENDED SEPTEMBER 30, 2008**

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of State Financial Assistance includes state activity of the City and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Chapter 10.550, Rules of the Auditor General of the State of Florida.

NOTE 2 – CONTINGENCIES

The state programs shown in the Schedule of Expenditures of State Financial Assistance are subject to financial and compliance audits by grantor agencies, which, if instances of material noncompliance are found, may result in disallowable expenditures, and affect the City's continued participation in specific programs. The amount, if any, of expenditures which may be disallowed by the grantor agencies cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

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**CITY OF SAFETY HARBOR, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2008**

SECTION I – SUMMARY OF AUDITORS’ RESULTS:

<u>Financial Statements</u>	<u>Results</u>
Type of auditors’ report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) indentified?	Yes
Significant deficiencies identified not considered to be a material weakness(es)	No
Noncompliance material to financial statements noted?	No

<u>Awards and Financial Assistance</u>	<u>State</u>
Internal control over major programs:	
Material weakness(es) identified?	Yes
Significant deficiencies identified not considered to be a material weakness(es)	None reported ¹
Type of auditors’ report issued on compliance for major programs?	Unqualified
Any audit findings disclosed that are required to be reported in accordance with –	
Florida Single Audit Act	None reported

Identification of Major Programs

<u>State</u>	<u>Name of Program or Cluster</u>
CSFA 55.023	State Highway Project Reimbursement
	<u>State</u>
Dollar threshold used to distinguish between Type A and Type B programs:	\$220,666

[1] See above section on internal control over financial reporting.

**CITY OF SAFETY HARBOR, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2008**

SECTION II – FINANCIAL STATEMENT FINDINGS:

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with paragraph 5.18 through 5.20 of *Government Auditing Standards*.

CURRENT YEAR COMMENTS

Material weaknesses disclosed during the audit of the financial statements are described in the accompanying Appendix A. Findings and the City's written response to the finding identified in our audit is described in the accompanying Appendix A.

There are no instances of noncompliance related to the financial statements that require disclosure.

PRIOR YEARS' COMMENTS

There are no material weaknesses, or instances of noncompliance related to the financial statements that require disclosure.

SECTION III – STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS:

There was one finding identified applicable to state financial assistance projects required to be reported in accordance with Chapter 10.550, Rules of the Auditor General of the State of Florida. Findings and the City's written response to the finding identified in our audit is described in the accompanying Appendix A.

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**CITY OF SAFETY HARBOR, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2008**

APPENDIX A

Internal Control Over Financial Reporting

Material Weakness:

Finding 2008-01

Criteria

Internal control is a process affected by those charged with governance, management, and other personnel and is designed to provide reasonable assurance about the achievement of the entity's objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. Internal control over the safeguarding of assets against unauthorized acquisition, use, or disposition needs to include controls related to financial reporting and operations objectives.

The City, throughout its existence, has developed a system of internal control which, if consistently followed, would meet the main objectives as mentioned in the previous paragraph.

Condition

Material misstatements were not prevented or detected by the City's system of internal control. Significant adjustments were required to prepare the City's financial statements.

Cause of the Condition

During the year ended September 30, 2008, it was discovered that the former Finance Director at the City had circumvented the prescribed control system and, allegedly, perpetuated a defalcation. The alleged defalcation was discovered by that employee's immediate supervisor. Management duties and responsibilities were not appropriately segregated, as the former City Finance Director had unrestricted access to various applications, systems, and processes. In essence, the control environment at the City enabled management override of existing controls to occur.

It was subsequently determined that certain perfunctory accounting functions such as reconciling bank accounts and maintaining subsidiary schedules for balance sheet accounts had not taken place since the prior fiscal year.

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Possible Asserted Effect of the Deficiency

Opportunity, need, and rationalization are often referred to as “the fraud triangle.” The best-laid plans within an internal control process are of no value unless they are not only put into operation but also effectively monitored by management. In addition, monitoring functions need to be appropriately separated so as to prevent management from overriding such controls.

It has been identified that an effective internal control environment exhibits the following:

- Management is aware of the importance of internal controls and communicates this importance to employees at all levels.
- The entity has a rational and well-defined organizational structure that clearly assigns responsibility and accountability to individual employees.
- Sound personnel policies and practices are in place.
- Management actively monitors operations and investigates discrepancies between actual performance and anticipated results, and
- Those charged with governance oversee management on a continuing basis.

The accounts in the general ledger, principally those involving cash receipts, had been manipulated by a former employee to conceal a larger defalcation involving cash receipts from customers of Parks and Recreation and Public Utilities departments. Additionally, the general ledger accounts, which would normally be subjected to continuous reconciliation and monitoring, had not taken place during the period from October 1, 2007 through the time that said employee was discharged.

Said conditions contributed to a number of weaknesses in internal control that had enabled the aforementioned former employee to conceal the alleged illegal activities.

Recommendation to Prevent Future Occurrence

We recommend that the City clearly define and implement features of internal control including, but not necessarily limited to, the following elements:

- Duties are properly segregated, one of the most essential attributes of an effective internal control system.
- Address any conflicts of interest.
- Bank accounts are reconciled on a monthly basis and are reviewed by the Finance Director and concurred to by the City Manager or his designee.
- Ascertain that bid requirements are observed.
- Capital asset records are continuously maintained.

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- A review of proceeds received and subsequently expended regarding subrogated insurance claims takes place on a consistent and timely basis.
- All inter-departmental and inter-fund transfers shall have the appropriate levels of approval from the Department Director, Finance Director, City Manager, or City Commission, as appropriate. There shall be a process in place to ensure that the appropriate approvals are met prior to the execution of each transfer.
- Deposits are itemized and remain intact, and are deposited to the City's financial institution daily.
- Avoid cash purchases and limit the use of purchase cards and credit cards.
- Billing adjustments are authorized by more than one person, and are properly reported to a person not directly involved in monitoring and authorizing them.
- Ascertain the payment to vendors and others is made from approved invoices and not from vendor statements.
- The master vendor file containing the City's approved list of vendors is consistently reviewed and evaluated by management.
- Accounts receivable subsidiary ledgers are reconciled to the general ledger, and supported with evidentiary records in the operating departments.
- Do not allow the person charged with daily deposits to the bank to have access to accounts receivable subsidiary records.
- The person that opens the mail does not prepare the bank deposit.
- Prevent cashing of personal checks from the cash drawers.
- Background checks are run on all employees having cash-related responsibilities.
- Checks should not be pre-signed, and the signature stamp is kept under dual custody.
- Establish and monitor an adequate travel policy
- Prohibit personal use of the entity's assets.

We further recommend that, the City Commission consider establishing an Audit Committee, or a sub-committee of the Finance Committee, responsible for periodic (perhaps quarterly, or semi-annually) review of improvements by the City of internal accountability. The Government Finance Officers Association of the United States and Canada (GFOA) has a publication named *An Elected Official's Guide: Audit Committees* which may provide inceptual guidance. You may obtain direct information through <http://www.gfoa.org/downloads/PubsBooklet.pdf>.

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Views from responsible officials

Management concurs. Internal controls have been implemented for a majority of the elements listed above. In addition, internal controls will be implemented in fiscal year 2009 that will clearly document evidence of oversight. Also, staff will recommend to City Commission that they consider establishing an audit committee.

Finding 2008-02

Criteria

Inadequate controls over inventory management.

An observation on this subject had been reported in previous Management Letters as required under the Rules of the Auditor General of the State of Florida.

Condition

Sound procedures for the performance of physical inventories are important in assuring that inventory reflected in the financial records does physically exist. However, this is not a substitute for reliable accounting and reporting procedures. Several procedural weaknesses exist with respect to the physical inventories and related inventory valuations.

Cause of Deficiency

Inadequate accounting of inventory transactions as part of the monthly closing of the general ledger; lack of maintenance of current costs through the perpetual inventory system; avoidance of utilizing computer software module that would accomplish much of the desired control over inventory.

Possible Asserted Effect of the Deficiency

Public Works Department inventory data is not updated in an adequate or timely manner. The following instances were found as part of audit procedures during testing of the physical inventory:

1. During sample testing, we found instances where the Public Works price book did not adequately reflect the current unit cost of inventory items. Perpetual inventory records at Public Works are manually kept using an *Excel* spreadsheet where unit costs should be updated when new items are purchased. The price book is transferred to the Finance Department upon completion of the annual inventory count where, subsequently, the information is entered into an inventory module part of the subsidiary general ledger.
2. The Finance Department inventory module from the subsidiary general ledger does not necessarily include all new items purchased during the fiscal year.

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3. Obsolete items have not been timely removed from the inventory module.

Not maintaining the inventory data adequately results in incorrect valuation of inventory, under/over statement of inventory dollar amount, and an inefficient inventory process. It may also lead to an opportunity for missappropriation of assets.

Recommendation to Prevent Future Occurrence

We recommend establishing an automated perpetual inventory system can avoid significant adjustment, will help generate more accurate financial statements, and minimize the likelihood of making large physical inventory adjustments. We further recommend that the City train the appropriate Public Works employees on how to use the computerized inventory module. All manual Public Works activity relating to inventory management should be conducted using the automated system. The system will update the prices automatically and decrease the likelihood of human errors. Additionally, we recommend that the Finance Department implement periodic independent assessment of the inventory data maintained in Public Works to ascertain its accuracy and make corrections as needed.

Views of Responsible Officials

Management agrees. Training has begun in fiscal year 2009 for Public Works employees. Partial implementation using the automated perpetual inventory system will occur as of September 30, 2009. Full implementation issuing parts via the work order system is scheduled for FY2010.

Finding 2008-03

Criteria

Appropriate controls over capitalization and tracking of Construction In Progress Projects (CIP).

Condition

Inadequate accounting of capital projects, and lack of control over board-approved projects as part of the financial accounting process. This condition lead to a significant adjustment at fiscal year end which was not prevented or detected by the City's internal control.

Cause of Deficiency

The City has significant CIP projects. These projects were approved by City Commission and assigned project numbers; however, not all projects were evaluated to determine if the project warranted capitalization based on the City's capitalization policy.

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Possible Asserted Effect of the Deficiency

Capital assets relating to CIP projects were understated as of September 30, 2008. This condition was found as part of auditor testing of procedures for completeness. No reconciliation – or analysis – had been performed by the Finance Department to compare CIP projects and those that need to be capitalized in the general ledger.

Recommendation to Prevent Future Occurrence

We recommend that CIP reconciliations be performed each month when any discrepancies can be more easily and quickly researched and resolved.

Views of Responsible Officials

Management concurs. CIP reconciliations will be prepared on a monthly basis.

Finding 2008-04

Criteria

Adequate control over revenues, and related accounts receivable, related to non *ad-valorem* taxes.

Condition

Improper timing of revenue recognition of non *ad-valorem taxes* during the fiscal year.

Cause of Deficiency

In the past the City had recognized revenues relating to non *ad-valorem* taxes as they were collected, not under the modified accrual basis of accounting. Consequently, previously, revenues and related accounts receivables were not recorded in the appropriate accounting period. During fiscal year 2008, the City started to accrue non *ad-valorem* revenues and as a result revenues were overstated by a significant amount. The misstatement was significant to the financial statement and a prior period adjustment was made to restate beginning fund balance. The City's control policies and procedures did not (prior to this change) prevent or detect a material misstatement of the financial statements.

Possible Asserted Effect of the Deficiency

A significant adjustment was required to be made to properly record revenue and related accounts receivables.

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Recommendation to Prevent Future Occurrence

We recommend the City design controls and procedures over cut-off relating non *ad-valorem* taxes as part of its normal monthly, or at least quarterly, accounting closing.

Views of Responsible Officials

Management concurs. Internal control and monthly reviews have been implemented to ensure revenue are recorded under the modified accrual basis of accounting.

Internal Control Over Major Projects

Material Weakness Related to CSFA Nos. 37.017 and 55.023

Finding 2008-05

Criteria

Adequate internal control over grants accounting processes.

Condition

The draft of the schedule of expenditures of state financial assistance provided for independent audit purposes did not report the accurate amount of expenditures for projects. In addition, the reports prepared and submitted to the granting sources were not reconciled to expenditures recorded in the general ledger.

Cause of Deficiency

Grant reporting is not a centralized function within the City. Each department is responsible for applying, processing and reporting grants related to their grant funded projects. A lack of communication exists within the City's departments administering grants received and the Finance Department. Grants received may not be accurately reported since the department administering them may not be aware of reporting requirements, including timing of revenue recognition. Due to this deficiency, the schedule of expenditures of state financial assistance provided for the audit did not report the accurate amount of project expenditures.

Possible Asserted Effect of the Deficiency

During our audit we discovered that revenue related to two grants, Catalog of State Financial Assistance (CSFA), *Florida Recreation Development Assistance Program* (CSFA 37.017, grant number F7141) and *State Highway Project Reimbursement* (CSFA 55.023, grant

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number 257077 1 54 01) were recognized in fiscal year 2008 and its corresponding expenditures were incurred in fiscal year 2007.

The lack of communication within the City's departments and the Finance Department led to in- accurate reporting of information and recognition of revenues and expenditures in the incorrect accounting period. The results of this finding did not lead to a noncompliance reporting with provisions of related state financial assistance grants.

Lack of adequate controls over grant reporting leads to a relative high risk that noncompliance with grant provisions may occur.

Recommendation to Prevent Future Occurrence

We recommend that the City implement policies to establish reporting responsibility within the several departments receiving federal grants or state financial assistance and the Finance Department to properly control expenditures and, ultimately, report the appropriate amount in the schedule of expenditures of state financial assistance. Personnel needs to be adequately trained with respect to the requirements of grants received, including – but not exclusively – adequate reporting which will suffice for provisions of the Florida Single Audit Act, and when applicable, the U.S. Single Audit Act.

In addition, we recommend periodic, at minimum quarterly, reconciliations of expenditures to the general ledger. In order to facilitate timely performance of reconciliations, the departments administering grants, we suggest that the Finance Department initiates the reconciliation process.

Views of Responsible Officials

Management agrees. Procedures have been implemented in FY 2009. Grant requirements have been made available to all departments in a shared electronic location. In addition to the creation of a grant schedule for tracking current and future grants, staff is scanning documents to this same location for review by Finance. A requirement has been implemented whereby grant expenditures invoiced to grantors are reviewed by the Finance Department prior to submission to the grantor. The Finance Department will perform regular reconciliations to general ledger.

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“MANAGEMENT LETTER”
BASED ON RULE 10.554(1)(h) OF THE
AUDITOR GENERAL OF THE STATE OF FLORIDA

Honorable Mayor, Members of the City Commission
and City Manager
City of Safety Harbor, Florida

We have audited the basic financial statements of the City of Safety Harbor, Florida, (“the City”) as of September 30, 2008 and for the year then ended, as listed in the table of contents, and have issued our report thereon dated June 3, 2009. These basic financial statements are the responsibility of the City’s management. Our responsibility is to express an opinion 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 *Government Auditing Standards* issued by the Comptroller General of the United States and the provisions of the *Florida Single Audit Act* and Chapter 10.550, Rules of the Auditor General of the State of Florida. We have issued our Independent Auditors’ Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Basic Financial Statements Performed in Accordance with *Government Auditing Standards*, and Independent Auditors’ Report on Compliance with Requirements Applicable to Each Major State Project and on Internal Control Over Compliance in Accordance with the *Florida Single Audit Act*, and Schedule of Findings and Questioned Costs. Disclosures in those reports, which are dated June 3, 2009, should be considered in conjunction with this Management Letter.

As mentioned above, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida and, unless otherwise required to be reported in the report on compliance and internal controls or schedule of findings and questioned costs, this letter is required to include the following information.

- Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report except as noted below under the heading Prior Year Observations and Recommendations in the accompanying Appendix 1 to this Management Letter.
- Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public

funds. In connection with our audit, we determined that the City complied with Section 218.415, Florida Statutes.

- Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the Management Letter any recommendations to improve financial management, accounting procedures, and internal controls. Our audit disclosed matters which are referenced as Findings 2008-01 through 2008-05 within Appendix A to the Schedule of Findings and Questioned Costs which were consider to be *material weaknesses* of the schedule of findings and questions costs. In addition we have issued as Appendix 1 to this Management Letter observations to improve internal controls.
- Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts and grant agreements or abuse that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.
- Section 10.554(1)(i)5., Rules of the Auditor General, requires, based on professional judgment, the reporting of the following matters that are inconsequential to the financial statements, considering both quantitative and qualitative factors: (1) violations of laws, rules, regulations, and contractual provisions or abuse that have occurred, or were likely to have occurred, and would have an immaterial effect on the financial statements; (2) improper expenditures or illegal acts that would have an immaterial effect on the financial statements; and (3) control deficiencies that are not significant deficiencies, including, but not limited to: (a) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the financial statements); (b) failures to properly record financial transactions; and (c) other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. Our audit disclosed matters which are referenced as Findings 2008-01 through 2008-05 within Appendix A to the Schedule of Findings and Questioned Costs which were consider to be *material weaknesses* of the Schedule of Findings and Questioned Costs. In addition we have issued as Appendix 1, to this Management Letter observations to improve internal controls.
- Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this Management Letter, unless disclosed in the notes to the financial statements. This information is disclosed as part of Note 1 to the basic financial statements.
- Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the City did not meet any of the conditions described in Section 218.503(1), Florida Statutes. See Appendix 1 to this Management, Observation 2005-01, for a prior year's observation that remains partly cleared.

- Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the City for the fiscal year ended September 30, 2008 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, 2008. In connection with our audit, we determined that these two reports were in agreement.
- Sections 10.554(1)(i)7.c. and 10.556(7), Rules of the Auditor General, require that we apply financial condition assessment procedures. In connection with our audit, we applied financial condition assessment procedures. It is management's responsibility to monitor the entity'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. See Appendix 1 to this Management Letter, Observation 2005-01.

This Management Letter is intended solely for the information and use of Mayor, City Commission, management, and the State of Florida Office of the Auditor General, and is not intended to be and should not be used by anyone other than those specified parties.

Larson Allen LLP
LarsonAllen LLP

Tampa, Florida
June 3, 2009

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RECOMMENDATIONS TO MANAGEMENT

CURRENT YEAR COMMENTS:

OBSERVATION 2008-01:

Criteria

Adequate and consistent communication among City departments.

Condition

We observed while documenting internal control and assessing areas of audit risks that, in addition to the conditions reflected in Findings reported under *Government Auditing Standards* and under the *Florida Single Audit Act* shown elsewhere, an improvement in communication between the City’s departments (“operating departments”) and the Finance Department is required. If these are implemented, a noticeable improvement in management efficiency and effectiveness would result.

Cause of Deficiency

Lack of compliance with common practices, whether or not these had previously existed, requiring periodic reporting to operating departments by the Finance Department of comparisons between actual results and approved budgets, with commentary as to significant variances, and adequate formal (written) explanations by the operating departments to senior management.

In addition, it appears that there may be some resistance by certain operating departments – perhaps due to lack of specific written direction through policies, or verbal instructions – to share operational information with the Finance Department. In such cases, it is difficult for the Finance Department to comply with its fiscal oversight of City operations.

Possible Asserted Effect of the Deficiency

Inadequate accountability of results of operations, thus, preventing timely changes or adjustments to operating activities in order to improve the City’s financial results during the fiscal year.

Recommendation to Prevent Future Occurance

We recommend that the management sets forth specific, written, policies requiring the operating departments to timely share pertinent operating information with the Finance Department, and requiring the latter to report to departmental heads financial data comparing actual results to the

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approved budget. Furthermore, said policy should establish a reasonable threshold as to discussion of variances.

The City Manager, or his designee, should review these reports and determine the adequacy of explanations provided for variances, and the proposed steps (or actions taken) to remedy the condition.

Views of Responsible Officials

Management agrees. A policy will be established requiring operating departments to provide variance reports to Finance. Appropriate oversight will be established and indicated within the policy document.

CURRENT STATUS OF PRIOR YEAR FINDINGS

The following Observations had been cleared at September 30, 2008:

OBSERVATION 2007-01

OBSERVATION 2007-02

The following Observations had not been cleared as of September 30, 2008, but have been cleared subsequent to that date:

OBSERVATION 2007-03:

Criteria

Accounting control over potential financial instruments

Condition

The checks used for paying accounts payable are kept under lock and key, but no log is kept to keep track of the first and last check issued, and the date and time of each check run. These controls are also lacking for the operation of the signature machine. No record is kept of the last check signed.

Cause of Deficiency

The requisite controls are not in place

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Possible Asserted Effect of the Deficiency

Given that there is no record that the check sequence is being maintained, a check could be taken out of the sequence and negotiated without going through the proper approval process.

Recommendation to Prevent Future Occurance

At a minimum we recommend that logs be kept keeping track of the last and first checks used, to ensure that the check sequence is being kept. A more proactive approach would be to negotiate the use of the Positive Pay system with the bank. Under Positive Pay a file of all the checks issued by City would be sent to the bank, which would then not honor any checks that were not consistent as to name, date, and amount with the issued checks on file.

Views of Responsible Officials

Accounting control over potential financial instruments

Auditors noted that although accounts payable checks are under lock and key there is not a log kept to keep track of the first and last check issued, and the date and time of each check run.

Staff does in fact keep track of the check numbers on a monthly basis and each and every check is accounted for. However, staff will concede there is a possibility for future concern, therefore, a log will be kept of the beginning and ending check number of each payable run and manual check as well as the date and time, total and employee performing the check run. Positive pay will be implemented in Fiscal year 2008-09.

Status as of September 30, 2008

Condition not cleared during fiscal year 2008. The condition was cleared during fiscal year 2009.

OBSERVATION 2007-04:

Criteria

Physical security over potential financial instruments

Condition

Blank accounts payable checks are kept in boxes in the finance department vault, but the vault is maintained open all day. This could lead to checks being taken without authorization.

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Cause of Deficiency

The vault is kept open all day.

Possible Asserted Effect of the Deficiency

A risk of misappropriation of checks or other items exist

Recommendation to Prevent Future Occurance

Employee’s needs to access the vault should be studied to see how security can be maintained without impeding the work flow.

The use of Positive Pay discussed in the previous observation would make the misappropriation of checks fruitless for the perpetrator, and virtually riskless for the City.

Views of Responsible Officials

Accounting control over potential financial instruments

Auditors noted although blank checks are kept in boxes in the vault within the finance department, the vault remains open during the day.

Staff’s response to 2007-04 is to keep the vault closed and locked during the day so access into the vault can be monitored. Also with the initiation of positive pay in Fiscal Year 2008-09 it will make misappropriation of the instruments impossible.

Status as of September 30, 2008

Condition not cleared in fiscal year 2008. The condition was cleared during fiscal year 2009.

The following Observations remain partly cleared at September 30, 2008:

OBSERVATION 2007-05:

Criteria

Control over authorization levels.

Condition

A log is maintained by the assistant finance director of holders of purchasing cards and their authorization levels. However, this log is not being updated on a periodic basis. Also, no

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comparison is being made with the authorizations the bank has on file to ensure that proper controls are in force.

Cause of Deficiency

There is no clear policy in regard to periodic updating of purchasing authorizations and following up to ensure that controls are being adhered to.

Possible Asserted Effect of the Deficiency

The needs that an employee has at one moment might change as his job evolves. Also, due to some error the bank might be permitting purchases for which an employee is not authorized.

Recommendation to Prevent Future Occurance

On an annual basis each department head should send in the authorization levels for each employee who has a purchasing card, and the finance department should compare these levels to what is on file. Likewise, the bank should provide the finance department with a list of authorized cardholders and their authorization levels. These should be compared to what is on file. This annual effort should be documented to provide for supervision and an audit trail

Views of Responsible Officials

Auditors noted although a log is kept by the assistant finance director with regard to Authorized users and approval levels, however the log is not always updated. The users have not been compared with the bank since issuance.

Staff is now keeping an up-to-date log with all changes to merchant groups and authorizations. On September 1, 2008, all Department Heads will be required to recertify authorization levels for card holders. This procedure will be performed annually.

Status as of September 30, 2008

Condition was partially cleared during fiscal year 2008. A updated log with changes to merchants groups and authorization level was maintained in 2008. Department Heads will be required to recertify authorization levels on a quarterly basis starting in fiscal 2009.

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OBSERVATION 2005-01:

Results of Financial Assessment Procedures

Condition

Section 10.556(8), Rules of the Auditor General, requires that the scope of the audit include the use of financial condition assessment procedures to assist the auditor in the detection of deteriorating financial conditions pursuant to Section 218.39(5), Florida Statutes. Under this statute, the auditor shall notify each member of the governing body of a local governmental entity when deteriorating financial conditions exist that may cause a condition described in Section 218.503(1) to occur if actions are not taken to address such conditions.

We have performed the financial assessment procedures outlined in Section 10.556(8) of the Rules of the Auditor General as of and for the year then ended September 30, 2005. Our assessments of the City’s financial condition were based on certain financial indicators trends evaluated over a five-year period (fiscal years 2000-2001 through 2004-2005), and financial indicator benchmarks comparisons (comparing the City’s to similar entities with similar fund compositions, populations, and taxable property values) evaluated for the 2003-2004 fiscal year.

The financial condition assessment procedures consisted of evaluating 19 key financial indicators, of which,

- ten indicated a favorable rating,
- five were unfavorable, and
- the remainder four indicators were inconclusive.

Although the overall rating of the City indicated a favorable rating, certain financial indicators relating to the proprietary funds showed declining conditions that, if not addressed by the City, could lead to deteriorating conditions. The unfavorably rated financial indicators relating to proprietary funds are shown and analyzed in graphs (following these recommendations) as Appendix 2. The three that follow are:

1. Cash and investments to current liabilities for proprietary funds (Financial Indicator 3).
2. Cash and investments to total operating expenses for proprietary funds (Financial Indicator 4)
3. Total operating income or loss as a percentage of total operating revenues for proprietary funds (Financial Indicator 8)

Result

While the City did not meet as of September 30, 2005 and for the year then ended any of the financial emergency conditions defined by Section 218.503, Florida Statutes, the results for

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the indicators listed above showed that the City’s enterprise funds demonstrate signs of declining conditions which, if not corrected, could in the future result in deteriorating conditions. Unfavorably rated financial indicators could be interpreted as evidence that the City has overextended itself in the long run or may be having difficulty raising the cash needed to meet its current needs and decreasing income or increasing losses may indicate there current revenues are not supporting current expenses. Factors that may have contributed to this decline may include, but not necessarily limited to the following:

- lack of financial plans, short-term or long-run, to guide the financial activities of the City in a manner that would assure financial stabilities, and
- lack of willingness to adjust utility rates to meet costs and fund necessary reserves.

Recommendation

The City should take appropriate corrective actions to address the above-noted control deficiencies, perform periodic cash analyses and forecasts, and develop short-term and long-term financial plans that include steps to strengthen the City’s enterprise funds financial condition. The financial plans should include:

1. A review of spending needs.
2. A system for monitoring revenues and expenditures.
3. Budget reserves to provide for future capital needs and unexpected costs.
4. Target fund equity levels; and
5. Projected revenues sufficient to cover projected costs.

Management’s Response

Utility Rates in the City of Safety Harbor were not increased in over 10 years. The City utilized surplus reserves in lieu of increasing rates to its customers. Being a wholesale water customer of Pinellas County rate increases have taken place over the last several years and continue to do so. Sewage treatment costs are controlled by the City of Clearwater and there continues to be steady increases incurred annually. In June 2005 the City produced a Request for Proposal for Rate Consulting Services. In September of 2005, the City Commission awarded a contract to Burton and Associates to perform a utility revenue sufficiency analysis and develop a rate redesign. plan.. The revenue sufficiency analysis was completed and presented to the City Commission. Rate increases for Water, Sewer, and Sanitation and Recycling fees were adopted and implemented effective February 7, 2006. The increases to the Water and Sewer Utility fund will produce sufficient revenue to meet bond requirements for fiscal year ending 9/30/06. The ordinance included additional increases to take effect October 1 of each year beginning in 2006 and ending in 2009. Reserves are currently targeted for three months O & M and with the rate increases in the Enterprise funds will be maintained provided the issuance of debt is utilized to cover capital expenditures over the next five years. Revenues and Expenditures have been projected

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outward for the next ten years. Burton and Associates will review the City plan for revenue sufficiency annually and the City will take the appropriate corrective measures.

Status as of September 30, 2008

The condition is partially cleared. The results from the financial condition assessment for fiscal year ended September 30, 2008 demonstrate improvement. The rate increases took effect on October 1, 2006 and will continue to increase until the year 2009.

The following Observation is now included as a material weakness on internal control over financial reporting in the Schedule of Findings and Questioned Costs (Finding 2008-02):

OBSERVATION 2006-01:

Criteria

Adequate use of information technology for inventory maintenance.

Condition

Public Works Department Inventory data is not updated in an adequate nor timely manner. We noted the following instances during physical inventory testing:

1. We found cases where the Public Works price book did not adequately reflect the unit cost of inventory items. Perpetual inventory records at Public Works are manually kept using an Excel spreadsheet where unit costs should be updated when new items are purchased. The price book is transferred to the finance department upon completion of the annual inventory. Then, the prices are used to update the City's automated inventory module from the subsidiary general ledger.
2. The Finance Department inventory module from the subsidiary general ledger does not necessarily include all new items purchased during the fiscal year.
3. Obsolete items have not been removed from the inventory module.

Cause of Deficiency

Even though the Public Works Department has access to the City's computerized inventory module, Public Works maintains the inventory pricing data manually. Additionally, the Finance Department does not provide supervision over inventory maintenance to verify data is being entered timely and accurately.

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Possible Asserted Effect of the Deficiency

Not maintaining the inventory data adequately can result in:

1. Incorrect valuation of inventory.
2. Missappropriation of assets and understatement of inventory.
3. Inefficient inventory process

Recommendation to Prevent Future Occurrence

We recommend the City train the appropriate Public Works employees on how to use the computerized inventory module. All manual Public Works activity relating to inventory management should be conducted using the automated system. The system will update the prices automatically and decrease the likelihood of human errors. Additionally, we recommend that the Finance Department implement periodic independent assessment of the inventory data maintained in Public Works to ascertain its accuracy and make corrections as needed.

Status as of September 30, 2008

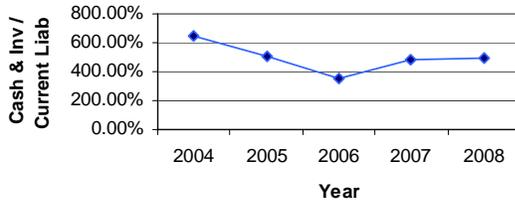
This observation is now included as a material weakness on internal control over financial reporting in the Schedule of Findings and Question Costs.

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1) Cash and Investments to Current Liabilities for Proprietary Funds (updated 2008 results)

Financial Indicator 3 (P)



Analysis

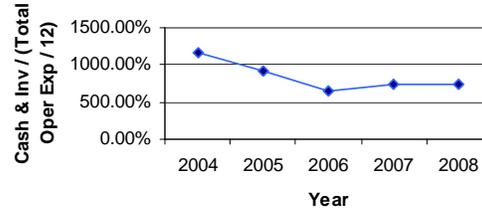
- ❖ The City’s cash and investments showed a declined since fiscal year 2001 up to fiscal year 2006. Cash and investments balances decreased by 39 percent while current liabilities increased by 22 percent from 2000-2001 to the 2004-2005 fiscal years. However, as shown in the fiscal year 2008 this trend has improved and is now considered favorable.

Warning Trend:

Percentages decreases over time may indicate that the local government has over extended its self in the long-run or may be having difficulties raising the cash needed to meets its current needs.

2) Cash and Investments to Total Operating Expenses for Proprietary Funds (updated 2008 results)

Financial Indicator 4 (P)



Analysis

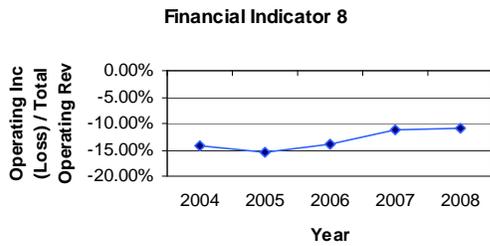
- ❖ The City’s cash and investments showed a declined since fiscal year 2001 up to fiscal year 2006. Cash and investments balances decreased by 39 percent while operating expenses increased by 27 percent from 2000-2001 to the 2004-2005 fiscal years. However, as shown in the fiscal year 2008 this trend has improved and is now considered favorable.

Warning Trend:

Percentages decreases over time may indicate that the local government has over extended its self in the long-run or may be having difficulties raising the cash needed to meets its current needs.

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3) Total Operating Income or Loss as a Percentage of Total Operating Revenues for Proprietary Funds (updated 2008 results)



Analysis

- ❖ The City's operating losses have been steadily increasing from years 2003 through 2004-2005. However, as shown in the fiscal year 2008 this trend has improved and is now considered favorable.

Warning Trend:

Decreasing income or increasing losses may indicate that current revenues are not supporting current expenses.