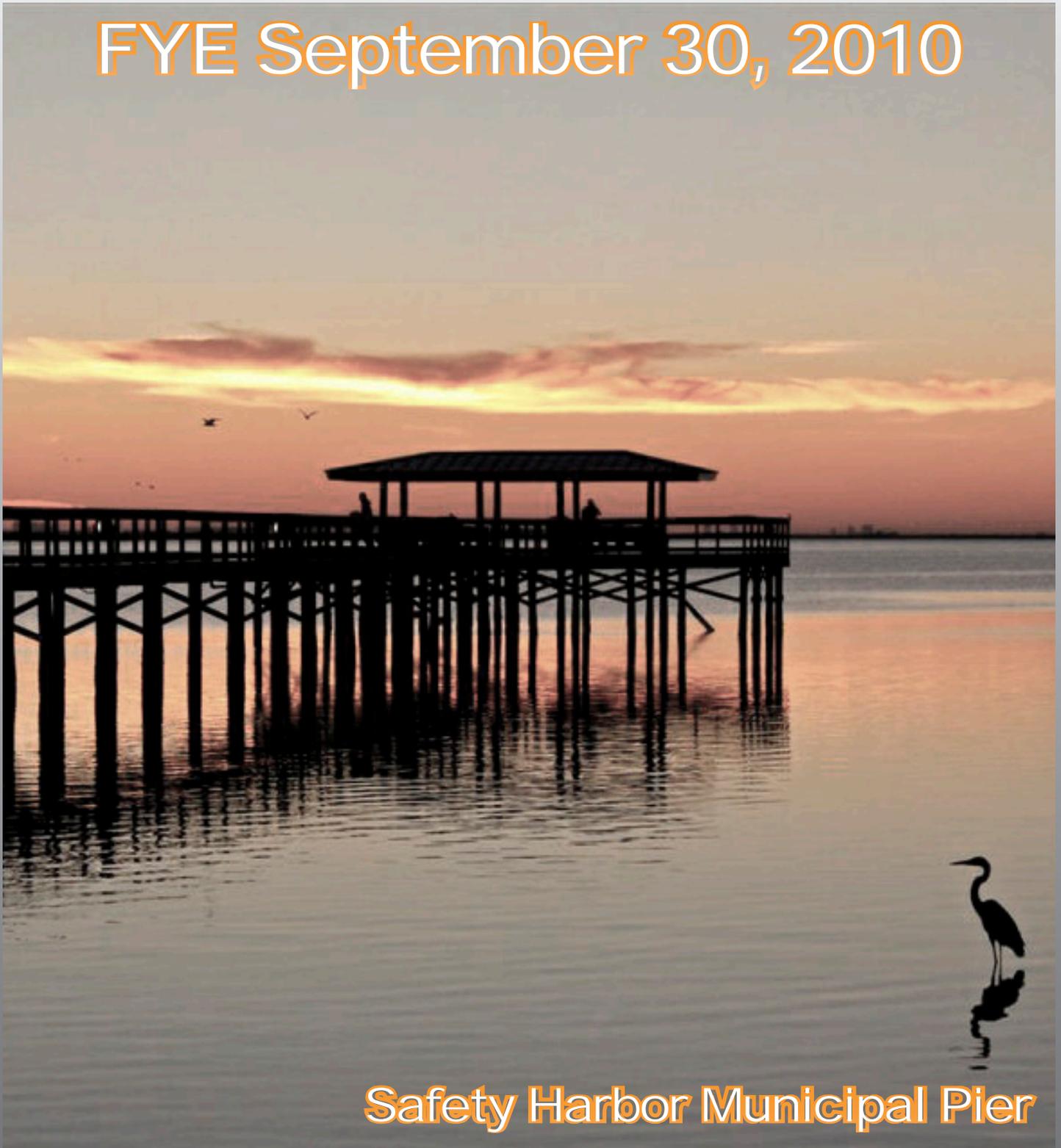


City of Safety Harbor

Comprehensive Annual Financial Report

FYE September 30, 2010



Safety Harbor Municipal Pier

City of Safety Harbor, Florida

Comprehensive Annual Financial Report

For the fiscal year ended September 30, 2010



Prepared by:
Finance Department

June Solanes
Finance Director

This page left blank intentionally.

CITY OF SAFETY HARBOR, FLORIDA

September 30, 2010

**CITY COMMISSION
2010**

Andy Steingold, Mayor
Joseph Ayoub, Vice Mayor
Nina Bandoni
Mary Lynda Williams
Nancy Besore

**CITY ADMINISTRATION
2010**

City Manager
Matthew Spoor

Assistant City Manager
Bill Baker

City Clerk
Cathy Benson

City Attorney
Alan S. Zimmet

This page left blank intentionally.

CITY OF SAFETY HARBOR, FLORIDA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
SEPTEMBER 30, 2010

TABLE OF CONTENTS

	Page
Table of Contents	i – iii

INTRODUCTORY SECTION

Letter of Transmittal	iv – vi
Principal City Officials	vii
Organizational Chart	viii

FINANCIAL SECTION

Independent Auditors' Report	1 – 2
Management's Discussion and Analysis	3 – 14
Basic Financial Statements	
Statement of Net Assets	15
Statement of Activities	16 – 17
Balance Sheet – Governmental Funds	18
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	19
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	20
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	21
Statement of Net Assets – Proprietary Funds	22
Statement of Revenues, Expenses and Changes in Net Assets – Proprietary Funds	23
Statement of Cash Flows – Proprietary Funds	24 – 25
Statement of Fiduciary Net Assets	26
Statement of Changes in Fiduciary Net Assets	27
Notes to the Basic Financial Statements	28 – 54

CITY OF SAFETY HARBOR, FLORIDA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
SEPTEMBER 30, 2010

Page

Required Supplementary Information

Budgetary Comparison Schedules – Major Governmental Funds – General Fund	55
Stormwater Utility Fund	56
Community Redevelopment Fund	57
Schedule of Funding Progress – Firefighters’ Retirement Fund	58
Schedule of Funding Contributions from the Employer and Other Contributing Entities – Firefighters’ Retirement Fund	59
Schedule of Employer Contributions – Other Post Employment Benefits	60
Schedule of Funding Progress – Other Post Employment Benefits	61

Combining and Individual Fund Statements and Schedules

Combining Balance Sheet – Nonmajor Governmental Funds	62
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Funds	63
Budgetary Comparison Schedule – Major Governmental Fund Capital Projects Fund	64

Other Supplemental Schedules

Schedule of Revenue and Expenditures – Actual and Budget – Fire District and Emergency Medical Services Sub-Funds	65
Schedule of Revenue and Expenditures– Actual and Budget – Library Sub-Funds	66
Schedule of Operations – Actual and Budget – Water and Sewer Fund	67
Schedule of Operations – Actual and Budget – Solid Waste Fund	68
Reconciliation of Total Fund Balance for the Governmental Funds to Total Net Assets for Governmental Activities	69
Reconciliation of Net Change in Fund Balances for the Governmental Funds to Change in Net Assets for Governmental Activities	70

CITY OF SAFETY HARBOR, FLORIDA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
SEPTEMBER 30, 2010

Page

STATISTICAL SECTION (UNAUDITED)

Introduction to the Statistical Section	71-72
Schedule 1 Net Assets by Component	73
Schedule 2 Changes in Net Assets	74-75
Schedule 3 Program Revenues by Function/Program	76
Schedule 4 Fund Balances of Governmental Funds	77
Schedule 5 Changes in Fund Balances of Governmental Funds	78
Schedule 6 Assessed Value and Estimated Value of Taxable Property	79
Schedule 7 Direct and Overlapping Property Tax Rates	80
Schedule 8 Principal Taxpayers – Real Property	81
Schedule 9 Principal Taxpayers – Personal Property	82
Schedule 10 Property Tax Levies and Collections	83
Schedule 11 Ratios of Outstanding Debt by Type	84
Schedule 12 Ratios of Net General Bonded Debt Outstanding	85
Schedule 13 Legal Debt Margin Information	86
Schedule 14 Direct and Overlapping Governmental Activities Debt	87
Schedule 15 Water and Sewer Bond Revenue Coverage	88
Schedule 16 Demographic and Economic Statistics	89
Schedule 17 Principal Employers	90
Schedule 18 Full-time Equivalent City Government Employees by Function	91
Schedule 19 Operating Indicators by Function	92
Schedule 20 Capital Asset Statistics by Function	93

REGULATORY REPORTS

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Governmental Auditing Standards</i>	94 – 96
“Management Letter” Based on Rule 10.554(1)(i) of the Auditor General of the State of Florida	97 – 100

This page left blank intentionally.



City of Safety Harbor Florida

HOME OF ESPIRITU SANTO MINERAL SPRINGS

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

March 31, 2011

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, 2010, 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.

Mayer Hoffman McCann, P.C., Certified Public Accountants, have issued an unqualified ("clean") opinion on the City of Safety Harbor's financial statements for the year ended September 30, 2010. 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 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 17,000. The City of Safety Harbor is empowered to levy a property tax on real property located within its boundaries. The City is also 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 Office. In addition, water, sewer and solid waste 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 has managed accordingly given the impact of an 8.53 percent decrease in the City's property tax base and an estimated unemployment rate for the local metropolitan area of eleven percent. Safety Harbor's advantage is the fact that the City's has continued to experience an extremely sound fiscal condition, and as a result has been able to continue on with planned expenditures.

Long-term financial planning

Funding for operations and capital projects is derived from various sources, including user fees, state shared revenue, local option gas tax, Penny for Pinellas 1% sales tax, grants from state and local governments and investments returns. As sources are declining or no longer available over the next five years, the City cautiously prioritizes critical capital improvements giving consideration to the projects that are matched by grant funds or a dedicated funding source.

Relative to operations and economic conditions, in Fiscal Year 2010/2011, the City budgeted for an 8.53 percent decrease in property taxable values. Citywide revenues excluding major grants for the South Bayshore project were assumed to decline by just under \$1 million. The City is effectively holding the line on operating expenses citywide. For the third year in a row, the City has offered an early termination and retirement incentive package to eligible employees.

The Five-year Capital Improvements Plan (CIP) for FY 2010/11 to FY2014/15 is \$31.9 million, of which \$6.7 million is appropriated in FY 2010/2011.

The largest appropriation for physical environment infrastructure improvements includes drainage (erosion control) on South Bayshore, the replacement of water lines on Philippe Parkway, sewer pump replacements at the Master Lift Station and the replacement of the North Bay Hills sanitary sewer force main. Transportation includes improvements to existing sidewalks, streets and signage as well as new sidewalk construction. Heavy equipment and vehicle replacements are programmed for Public Works and Leisure Services. Rehabilitation of brick streets as outlined in the Brick Street Master Plan continues as well as further improvements to the NE Wastewater Treatment Plant. Additionally, the City purchased the property on the southeast corner of Main Street and McMullen Booth Road .

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 proprietary funds, water, sewer and solid waste, 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 control accounts and if necessary, budgetary adjustments are made prior to issuing purchase orders. The City Manager is authorized to transfer any unencumbered appropriated balance or portion thereof between specific classifications of expenditures within a department. By Resolution, the City Commission may authorize the transfer of any unencumbered appropriated balance or portion thereof from one fund, office or department to another.

Major initiatives

In preparing the Fiscal Year 2010/2011 Budget, the City identified a number of major programs and projects to continue to maintain the City's position of excellent service provision, financial performance and quality of operational facilities. During the fiscal year, the City completed \$5.1 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.

In fiscal year 2010, the City remained 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. Major capital projects completed during the year include transportation, park and marina improvements and citywide water and sewer projects.

Awards and Acknowledgements

This report is the product of the efficient and dedicated services of the entire staff of the Finance Department. We would like to express our sincere appreciation to all members of the department who assisted and contributed to its preparation. We would also like to express our appreciation to the City Commission as well as the Audit Committee for their continued support and high levels of professionalism, and Mayer Hoffman McCann P.C. for their professionalism and expertise.

Respectfully submitted,


Matthew Spoor
City Manager


June Solanes
Finance Director

CITY OF SAFETY HARBOR



LIST OF PRINCIPAL OFFICIALS

September 30, 2010

CITY COMMISSION

Andy Steingold, Mayor
Joseph Ayoub, Vice Mayor
Nina Bandoni
Mary Lynda Williams
Nancy Besore

City Manager
Matthew Spoor

Assistant City Manager
Bill Baker

City Clerk
Cathy Benson

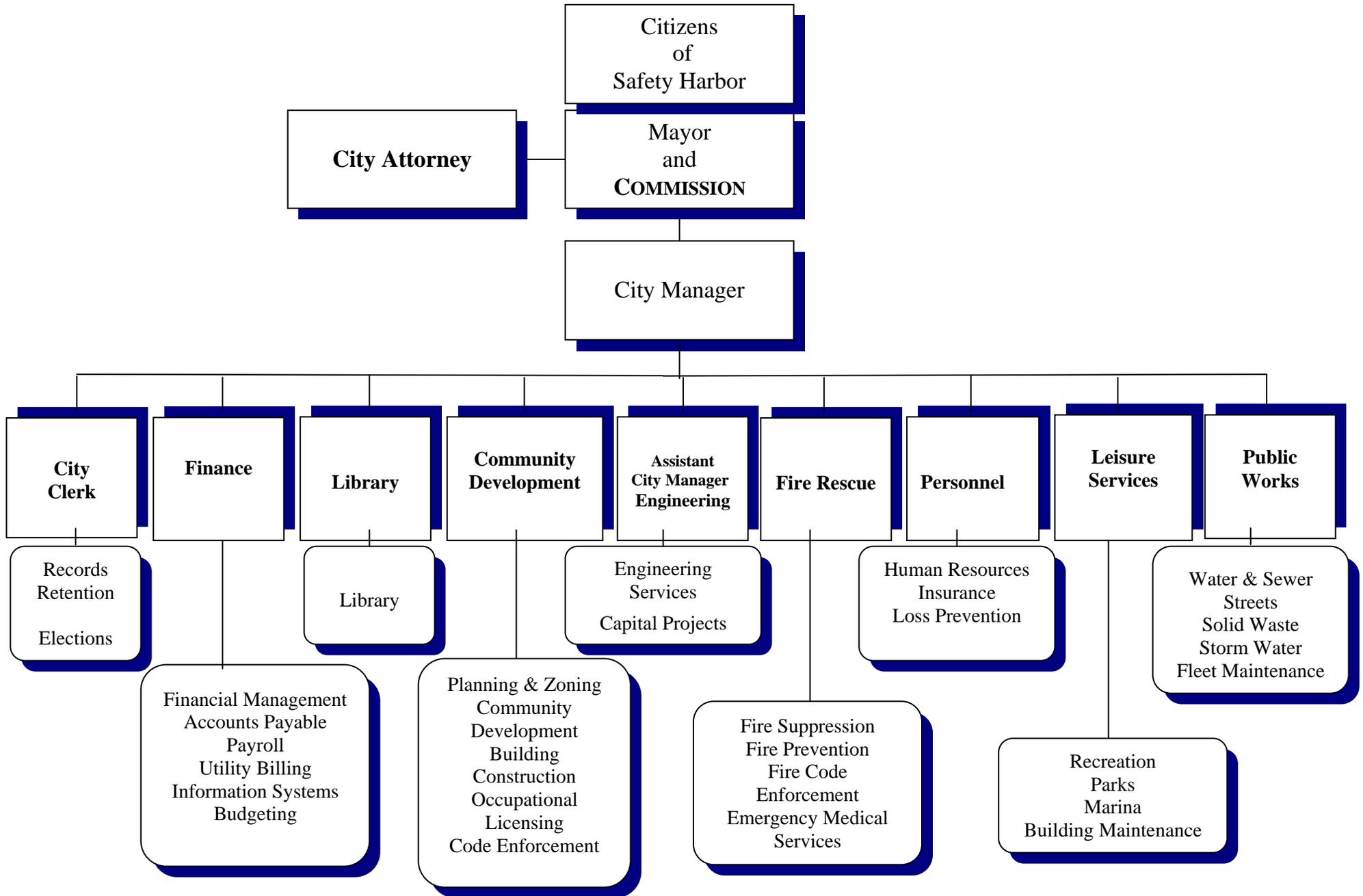
City Attorney
Alan Zimmet

EXECUTIVE MANAGEMENT STAFF

Assistant City Manager/City Engineer
Community Development Director
Finance Director
Fire Chief
Leisure Services Director
Library Director
Personnel Director
Public Works Director

Bill Baker
Matthew McLachlan
June Solanes
Joe Accetta
Andrea Norwood
Lana Bullian
Bill Cropsey
Ray Boler

CITY OF SAFETY HARBOR ORGANIZATIONAL CHART



This page left blank intentionally.



Mayer Hoffman McCann P.C.

An Independent CPA Firm

KRMT Tampa Bay Division

13577 Feather Sound Drive, Suite 400
Clearwater, FL 33762
Phone: 727.572.1400 ■ 813.879.1400
Fax: 727.571.1933
www.mhm-pc.com

Independent Auditors' Report

To the Honorable Mayor and
Members of City Commission
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 and for the year ended September 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2010, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2011 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedules and the schedules of funding progress and schedules of funding contributions relating to the Firefighters' Retirement Fund and Retiree Health Plan on pages 3 through 14 and pages 55 through 61, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who

considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements taken as a whole. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules, other supplementary schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section, budgetary comparison schedules, other supplemental schedules, and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Mayer Hoffman McCann P.C.

March 31, 2011
Clearwater, FL

MANAGEMENT'S DISCUSSION AND ANALYSIS

This page left blank intentionally.

CITY OF SAFETY HARBOR, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2010

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 iv) and the City's financial statements (beginning on page 15).

Financial Highlights

- The assets of the City of Safety Harbor exceeded its liabilities at September 30, 2010 by \$56,887,038 (net assets). Of this amount, \$17,463,773 (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets increased over prior period by \$1,062,819 or 1.9 percent. Governmental net assets decreased by \$1,004,524 or 2.74 percent while business type net assets increased by \$2,067,343 or 10.75 percent during the year ended September 30, 2010.
- As of September 30, 2010, the City of Safety Harbor's governmental funds reported combined ending fund balances of \$16,187,111, a decrease of \$1,322,601 in comparison with the prior year. Of this total amount, \$8,515,866 or 52.6 percent, is available for spending at the City's discretion (unreserved, undesignated fund balance).
- The City's total debt decreased by \$1,067,553 or 5.9 percent during the fiscal year. The primary element in this decrease is the repayment of principal on outstanding revenue notes, revenue bonds and capital leases totaling \$1,107,577. The difference between principal repayment and the net reduction is current year changes in accrued compensated absences, termination benefits and other post employment benefits.

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 the basis for comparison from year to year or government to government and enhance the City's accountability.

This discussion and analysis is 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.

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 15 through 17 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

CITY OF SAFETY HARBOR, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2010

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 basic governmental services as well as any subsidy in the 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 includes general government; law enforcement, fire protection and building department, which provide public safety; physical environment or stormwater drainage and erosion control; transportation, which includes activities associated with streets and sidewalks; library; parks and recreation, which also includes Main Street events and marina activities. The business-type activities of the City include water, sewer and solid waste.

The government-wide financial statements include the City of Safety Harbor as a whole, as well as the component unit the Safety Harbor Community Redevelopment Agency (CRA). The CRA is reported within the general government activities.

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 the City's near-term financing requirements. The basic governmental fund financial statements can be found on pages 18 through 21 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. The governmental funds' Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances provide reconciliations to facilitate this comparison between *governmental funds* and *governmental activities*.

CITY OF SAFETY HARBOR, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2010

The City maintains sixteen individual governmental funds. Information is presented separately in the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund, Stormwater Utility, Capital Projects, 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, aggregate presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements in this report, following the Notes to the Financial Statements on pages 62 and 63.

The City adopts an annual appropriated budget for all of its funds. Budgetary comparison statements have been provided for all major governmental 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 Solid Waste 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 solid waste operation, both of which are considered major funds. The basic proprietary fund financial statements can be found on pages 22 through 25 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. The fund is with the Florida League of Cities, Florida Municipal Pension Trust Fund. The basic fiduciary fund financial statements can be found on pages 26 through 27 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 28 through 54 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, stormwater utility and community redevelopment agency funds; the City's progress in funding the firefighter' pension obligation; and the funding progress of the retiree health plan. Required supplementary information can be found on pages 55 through 61 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 \$56,887,038. The following table reflects the condensed Statement of Net Assets compared to the prior year. Throughout this report, increases and decreases are reflected based on current year impacts.

CITY OF SAFETY HARBOR, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2010

	City of Safety Harbor Net Assets					
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
Assets						
Current and other assets	\$ 17,238,861	\$ 18,501,977	\$ 11,989,368	\$ 10,935,306	\$ 29,228,229	\$ 29,437,283
Capital assets	26,816,732	26,942,570	19,553,498	19,441,111	46,370,230	46,383,681
Total assets	<u>44,055,593</u>	<u>45,444,547</u>	<u>31,542,866</u>	<u>30,376,417</u>	<u>75,598,459</u>	<u>75,820,964</u>
Liabilities						
Current and other liabilities	1,249,327	1,167,603	1,601,676	2,015,118	2,851,003	3,182,721
Long-term liabilities	7,211,564	7,677,718	8,648,854	9,136,306	15,860,418	16,814,024
Total liabilities	<u>8,460,891</u>	<u>8,845,321</u>	<u>10,250,530</u>	<u>11,151,424</u>	<u>18,711,421</u>	<u>19,996,745</u>
Net Assets						
Invested in capital assets, net of related debt	20,007,450	19,665,284	10,772,232	9,965,349	30,779,682	29,630,633
Restricted	3,811,514	3,318,189	4,832,069	3,984,661	8,643,583	7,302,850
Unrestricted	<u>11,775,738</u>	<u>13,615,753</u>	<u>5,688,035</u>	<u>5,274,983</u>	<u>17,463,773</u>	<u>18,890,736</u>
Total net assets	<u>\$ 35,594,702</u>	<u>\$ 36,599,226</u>	<u>\$ 21,292,336</u>	<u>\$ 19,224,993</u>	<u>\$ 56,887,038</u>	<u>\$ 55,824,219</u>

For more detailed information see the Statement of Net Assets on page 15.

Fifty four percent of the City's net assets reflect its investment in capital assets (e.g., land, buildings, infrastructure improvements, and vehicles and equipment) less any related debt used to acquire those assets that remains 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 capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Fifteen percent of the City's net assets represent resources that are subject to external or enabling legislation that restricts how they may be used. The remaining balance of *unrestricted net assets* or \$17,463,773 (31 percent) may be used to meet the City's ongoing obligations to citizens and creditors.

At September 30, 2010, 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.

CITY OF SAFETY HARBOR, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2010

- **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.

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 pages 16 and 17 of this report.

City of Safety Harbor Changes in Net Assets						
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
REVENUES						
Program revenues:						
Charges for services	\$ 1,650,478	\$ 1,681,855	\$ 10,863,323	\$ 10,573,310	\$ 12,513,801	\$ 12,255,165
Operating grants and contributions	1,269,902	1,508,338	13,439	13,439	1,283,341	1,521,777
Capital grants and contributions	194,540	11,000	-	-	194,540	11,000
General revenues:						
Property taxes	3,493,007	3,543,283	-	-	3,493,007	3,543,283
Utility taxes	2,624,901	2,591,091	-	-	2,624,901	2,591,091
Sales tax	847,342	857,009	-	-	847,342	857,009
Franchise fees	1,629,370	1,570,352	29,928	38,290	1,659,298	1,608,642
State & local revenue sharing	1,974,802	1,992,307	-	-	1,974,802	1,992,307
Investment income	844,977	835,294	475,634	361,878	1,320,611	1,197,172
Other miscellaneous revenues	1,129,514	1,907,942	667,296	673,263	1,796,810	2,581,205
Total Revenues	15,658,833	16,498,471	12,049,620	11,660,180	27,708,453	28,158,651
EXPENSES						
Function/program activities						
Primary government:						
Governmental activities:						
General government	3,474,937	3,307,998	-	-	3,474,937	3,307,998
Law enforcement	1,231,263	1,336,447	-	-	1,231,263	1,336,447
Fire protection	3,814,874	4,082,474	-	-	3,814,874	4,082,474
Building department	305,251	293,109	-	-	305,251	293,109
Physical environment	1,347,914	1,289,878	-	-	1,347,914	1,289,878
Transportation	2,152,048	2,283,184	-	-	2,152,048	2,283,184
Library	1,514,773	1,670,642	-	-	1,514,773	1,670,642
Parks and recreation	2,585,030	2,611,334	-	-	2,585,030	2,611,334
Interest on long-term debt	237,267	103,790	-	-	237,267	103,790
Business-type activities:						
Water and sewer	-	-	7,368,967	7,975,242	7,368,967	7,975,242
Solid waste	-	-	2,613,310	2,760,181	2,613,310	2,760,181
Total Expenses	16,663,357	16,978,856	9,982,277	10,735,423	26,645,634	27,714,279
Change in net assets	(1,004,524)	(480,385)	2,067,343	924,757	1,062,819	444,372
Net assets, beginning of year	36,599,226	37,079,611	19,224,993	18,300,236	55,824,219	55,379,847
Net assets, end of year	\$ 35,594,702	\$ 36,599,226	\$ 21,292,336	\$ 19,224,993	\$ 56,887,038	\$ 55,824,219

CITY OF SAFETY HARBOR, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2010

Governmental activities. Governmental activities decreased the City's net assets by \$1,004,524. Revenues for the City's governmental activities decreased by \$839,638. Key elements of the decrease are as follows:

- Program revenues decreased overall by 2.7 percent.
 - Operating grants and contributions decreased by \$238,436. The decrease is primarily due to the decline in operating contributions from the County for funding of Library and Fire Protection. This is a result of the decline in the property tax base.
 - Capital grants and contributions increased by \$183,540. These revenues reflect grants from the Southwest Florida Water Management District as a result of the erosion control project at Upper Mullet Creek.
- General revenues decreased by 5.7 percent or \$753,365.
 - Property taxes decreased by \$50,276 (1.42 percent). This is attributable to the decline in overall taxable values, which was higher within the Community Redevelopment District.
 - Utility taxes and franchise fees increased in total by \$92,828. This is a result of the increase in consumption Progress Energy billed to their customers for the current year and the resulting increase in the revenue to the City.
 - The decline in miscellaneous revenues contributes to \$778,428 of the total decrease in revenue. Of this increase, \$188,000 is a result of one time recognition of claims settlement and recovery in the prior year, \$373,000 is a result of the current year re-evaluation of factors driving the interfund cost allocations by and between all departments, \$167,000 is a reclassification of the recognition of downtown business community (DBC) events as charges for services to parks and recreation (Leisure Services department) and \$50,000 is an overall decline in general miscellaneous revenues.

Expenses for the City's governmental activities decreased by \$315,499. Key elements of the decrease are as follows:

- General government increased by \$166,939. Of note is a \$98,000 increase in CRA for initiatives and projects and a write-off of \$64,000 for uncollectible code enforcement liens.
- Law enforcement decreased by \$105,184 due to an evaluation and realignment of the service hours provided under contract by the Pinellas County Sheriff's Office.
- Fire protection decreased by \$267,600. Of this total decrease, 84.5 percent is attributable to a decrease in personal services due to the elimination of a fire medic position and the separation of a key position electing the separation package offered in the prior year.
- Transportation decreased by \$131,136 due to a slowdown in street resurfacing current year over prior year.
- Library decreased by \$155,869. This is due in part to prior year's expenses associated with library renovations as well as savings in communication services, a decrease in the allocation of services provided by the IT department and general decreases in contracts and other services to keep pace with the decrease in revenue from the County to fund the Library.

Business-type activities. Business-type activities increased the City's net assets by \$2,067,343. Revenues for the City's business-type activities increased by \$389,440. Key elements of the increase are as follows:

- Charges for services for business-type activities increased by \$290,000 (2.74 percent) over prior

CITY OF SAFETY HARBOR, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2010

year. Of the total increase, water and sewer realized an increase of 2.6 percent and solid waste realized an increase of 3.2 percent. Both increases are consistent with consumption demands combined with multi-year rate increases that were implemented to cover increased costs incurred by the City to purchase water and wastewater treatment services and infrastructure and equipment costs as well as provide additional resources to meet debt service requirements. The rate increases were implemented in 2006 with the current fiscal year being the final year of increases.

- Investment income from interest earnings and market value adjustment contributed to \$113,760 of the increase in revenue for the enterprise funds over prior year.

Expenses for the City's business-type activities decreased by \$753,146. Key elements of the decrease are as follows:

- Personnel services \$315,000 decreased current year due to early separations, vacant positions held open throughout the year and the realignment of staff duties with existing resources. Of this total decrease, \$76,000 is due to a decrease in workers' compensation resulting from lower administration fees, a decrease in total payroll and a reduction in manual premium rates.
- Contracted and other services decreased \$503,000. Contractual services to purchase water and wastewater services decreased by \$111,000 due to a decline in consumption for the current year, general liability insurance decreased by \$65,000 due to a reevaluation of the allocation to all city departments based on insured assets attributable to each function within the City. A decrease of \$387,000 is due to services provided by the enterprise funds to other departments within the City. This was reevaluated during the budget cycle to ensure that the recognition of interfund cost allocations were not overstated or understated between the governmental and proprietary funds.
- Materials and supplies increased by \$59,000. Of this increase, \$36,000 or 61 percent is due to the purchase of computer related office equipment that did not meet the City's threshold for capitalization and \$18,000 or 31 percent is due to an increase in diesel fuel for solid waste vehicles.

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.
- **Increase/Decrease in Commission approved rates** – while certain tax rates are set by statute, the City Commission has significant authority to impose and periodically increase/decrease rates (water, wastewater, solid waste, 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 grants, etc.) may experience significant changes periodically while non-recurring (or one-time) grants are less predictable and may distort 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 solid waste 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.

CITY OF SAFETY HARBOR, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2010

- **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) represented 35% of the City's 2009 adopted budget net of reserves.
- **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 governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, 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, 2010, the City's governmental funds reported combined ending fund balances of \$16,187,111, a decrease of \$1,322,601 in comparison with the prior year. Fifty one percent of this total amount or \$8,515,866 is unreserved, undesignated fund balance, which is available for spending at the City's discretion. The remainder of fund balance, \$7,671,245 is reserved or designated for specific types of expenditures. Fund balance unavailable for new spending for debt service, prepaids and inventory total \$352,249.

The General Fund is the chief operating fund of the City. At September 30, 2010, the unreserved, undesignated fund balance of the General Fund was \$8,515,866, which is less the total fund balance \$8,798,442 due to reservations for prepaids and inventories. 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 65 percent of total General Fund expenditures, while total general fund balance represents 67 percent of that same amount.

The Stormwater Utility total fund balance is \$1,832,664 as of September 30, 2010, of which \$10,164 is not available for new spending as it is reserved to account for prepaid items. The increase in stormwater revenue current year over prior is \$126,106. This is primarily due to grant funded capital project Upper Mullet Creek. Operating expenses remained flat current year; however, capital outlay increased over \$450,000 as a result of two erosion control projects, Upper Mullet Creek and South Bayshore. Net assets have decreased in Stormwater as City resources have been used to subsidize the entire design of the South Bayshore project. This portion of the project is not considered eligible for reimbursement by the grantor until construction of the project commences.

CITY OF SAFETY HARBOR, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2010

The Capital Projects Fund has a total fund balance of \$2,095,656 at September 30, 2010. Revenue from the Penny for Pinellas sales tax has decreased by just under \$90,000 current year over prior. The "Penny" is eligible for capital infrastructure improvements as well as the servicing of debt.

The Community Redevelopment Agency's fund balance is \$898,337 as of September 30, 2010. Although the tax base within the CRA resulted in a reduction in property tax revenue of \$76,000 current year, this decrease was offset in part by the pooled equity interest earnings and market value distribution to this fund based on a higher cash balances. Capital outlay in this fund slowed current year with multiple projects scheduled to begin early in fiscal year 2011.

General fund revenues of \$12,560,876 reflect a decrease of \$554,000 from prior year. Of this total decrease, 34 percent is attributable to a nonrecurring claims settlement received in the prior year; 40 percent is attributable to a decline in contribution from the county for fire protection and library services, which is driven by the decline in the property tax base; and, the balance is a net decrease based on the reevaluation of the allocation of administrative services received from other departments as well as parks and recreation generating a higher level of program revenue. General fund expenditures, excluding a transfer of \$4,500 to the Law Enforcement fund to match a grant, total \$13,087,544. This is a decrease of \$97,188 under prior year. The largest decrease in spending is for fire protection services with a 6.6 percent decrease under the prior year.

More detail regarding the governmental funds can be found in the Statement of Revenues, Expenditures and Changes in Fund Balance on page 20 of this report.

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 total \$4,782,315, while in Solid Waste unrestricted net assets are \$906,720. Cumulatively, the unrestricted nets assets for the Enterprise Funds increased \$413,052 or 7.83 percent over prior year. The total change in net assets for both funds is \$2,067,343 over prior year.

Revenue generated by charges for services is 10.8 percent higher than prior year. This increase is consistent with multi-year rate increases in water, sewer and solid waste services approved in 2006 to generate revenue to cover the cost of services, infrastructure improvements and debt service.

Operating expenses in the City's water and sewer fund decreased by \$616,300, while operating expenses for solid waste decreased \$152,181. The majority of the decrease is due to the decrease in personnel services and contracts and other services. It is noted that the decreases for personnel services are primarily within the water and sewer fund. The decrease in personnel services in solid waste is a result of lower workers' compensation premiums.

General Fund Budgetary Highlights

During the current year, increases in revenue that were unknown during the budget cycle totaled \$40,963 current year. Supplemental budget amendments current year decreased general fund appropriations by \$7,994. The year-end liquidation of encumbrances further decreased the final general fund budget by \$35,401. The following make up the key components of current year changes between the original and final budget:

CITY OF SAFETY HARBOR, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2010

Revenues:

- Charges for services increased by \$12,485, of which \$7,485 was an increase in Downtown Business Community (DBC) events increased by \$7,485 and \$5,000 was increase due to the recognition of ERATE reimbursement for library communication services.
- Intergovernmental revenues increased by \$22,478 for a \$15,000 grant to fund the City's tree survey and \$7,478 from Pinellas Public Library Cooperative for an increase in the annual contribution to subsidize library services.
- Miscellaneous revenue increased \$6,000 for donations from the community to fund library services.

Appropriations:

- Increases of \$67,726 in salaries and fringes in Finance and Maintenance due to unbudgeted payouts of sick and vacation resulting from the current year separation program and an increase of \$69,939 for firefighters' pension resulting from the increase in the City's minimum required contribution.
- Increase of \$15,000 in Planning department's contracted services budget to conduct the tree survey that was funded by grant revenue.
- Decrease of \$177,144 in nonoperating for internal transfer from general fund to water and sewer due to error in the adopted budget.
- Increase in capital outlay of \$4,500 to purchase books and publications for the library.
- Increase in parks and recreation of \$7,485 for events on Main Street.
- Increase of \$4,500 to transfer funds to the Law Enforcement fund to serve as match for a Justice Assistance Grant (Florida Department of Law Enforcement) to purchase a small electric vehicle for the Community Police Officers to use during events.

Capital Asset and Debt Administration

Capital Assets. The City's investment in capital assets for governmental and business-type activities as of September 30, 2010 is \$46.28 million, 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 decrease in the City's investment in capital assets is \$.2 million under prior year.

	<u>Governmental Activities (\$ in millions)</u>		<u>Business-Type Activities (\$ in millions)</u>		<u>Total Primary Government (\$ in millions)</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Land	\$ 3.90	\$ 3.86	\$ 0.40	\$ 0.40	\$ 4.30	\$ 4.26
Construction in progress	0.96	0.64	0.03	0.53	0.99	1.17
Buildings	4.02	4.02	0.23	0.23	4.25	4.25
Improvements other than buildings	28.47	27.34	26.81	25.44	55.28	52.78
Equipment	6.98	6.99	7.02	6.76	14.00	13.75
Less:						
Accumulated Depreciation	<u>(17.55)</u>	<u>(15.94)</u>	<u>(14.99)</u>	<u>(13.97)</u>	<u>(32.54)</u>	<u>(29.91)</u>
Total	<u>\$ 26.78</u>	<u>\$ 26.91</u>	<u>\$ 19.50</u>	<u>\$ 19.39</u>	<u>\$ 46.28</u>	<u>\$ 46.30</u>

CITY OF SAFETY HARBOR, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2010

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

<u>Governmental Activities</u>	<u>Asset Addition</u>	<u>Business-type Activities</u>	<u>Asset Amount</u>
Transportation Improvements Phillippe Pkwy	390,701.64	Citywide sewer improvements	640,912.30
Transportation Improvements	274,010.01	Citywide water improvements	338,448.34
Park fence improvements	119,804.70	N.E. Wastewater treatment plant	333,301.84
Books	88,804.62	Sanitation vehicles	224,150.37
Neighborhood projects	53,373.93	Sewer - little giant crane	74,801.53
Brick street restoration	50,000.00	Master lift station pumps	46,819.99
CRA streets	50,000.00	Water department vehicles	24,598.94
Street heavy equipment	48,566.48	Procurve - City Hall	14,717.57
Stormwater special equipment	44,996.29	Park fence improvements	10,461.05
Citywide drainage	42,459.00		
Land acquisition	35,794.00		
Building maintenance vehicle	34,297.10		
Sidewalk improvements	33,362.73		
Concession Stand SHCP	27,665.49		
Storm pond maintenance	24,981.00		
Traffic study/analysis	18,493.36		
Racquetball lighting MSP	16,683.00		
Street sign improvements	14,692.90		
Marina restroom	11,423.34		
Electric vehicle - law enforcement	8,515.00		
Marina improvements	4,420.00		

The following reconciliation summarizes the change in Capital Assets, which is presented in detail on page 42 of the notes to the financial statements.

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>
Beginning Balance	\$ 26,908	\$ 19,386	\$ 46,294
Additions	2,529	2,614	5,143
Depreciation	(1,839)	(1,100)	(2,939)
Retirement (net of depreciation)	(813)	(1,398)	(2,211)
Ending Balance	\$ 26,785	\$ 19,502	\$ 46,287

Long-term debt. As of fiscal year end, the City's outstanding long-term debt from revenue bonds and notes decreased by \$1,013,512. Pages 45 through 47 of the notes to the financial statements provide details for the following summary.

	<u>2010</u>	<u>2009</u>	<u>Change</u>
Governmental Activities			
2008 Library Expansion	\$ 5,038,000	\$ 5,412,000	\$ 374,000
2006 General government improvements	1,742,150	1,810,494	68,344
Governmental activities total	<u>6,782,160</u>	<u>7,224,503</u>	<u>442,344</u>
Business-Type Activities			
2006 Water & Sewer Improvements and	6,912,338	7,183,506	271,168
2001 Utility System Improvements	1,660,000	1,960,000	300,000
Business-type activities total	<u>8,572,338</u>	<u>9,143,506</u>	<u>571,168</u>
Total Outstanding Debt	<u>\$ 15,354,498</u>	<u>\$ 16,368,009</u>	<u>\$ 1,013,512</u>

CITY OF SAFETY HARBOR, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2010

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

- The unemployment rate the Tampa-St. Petersburg-Clearwater Metropolitan area in 2010 was 12 percent compared, which is 9 percent higher than the prior year. This compares unfavorably to the state's average unemployment rate of 11.5 percent and the national unemployment rate of 9.6 percent.
- Decline in City property values of 8.53 percent in 2010 tax year.

Due to the economic downturn and reduced property tax base, the City increased millage by .3134 over 2010 offset the decline in ad valorem revenue resulting from shrinking property values. The increase resulted in increased revenue from ad valorem of \$27,000 in the general fund. During the current fiscal year, the unreserved, undesignated balance in the general fund decreased to \$8.5 million. The City budgeted \$932,640 of unreserved, undesignated general fund reserve for the 2011 fiscal year general fund budget. The City continues the early separation and termination program offered in the current and prior year again in 2011. A large capital outlay of just under \$2.8 million is budgeted in the Stormwater fund in fiscal 2011 for the South Bayshore Erosion Control project. To mitigate the ongoing capital improvements required for drainage and erosion, a rate increase was implemented for the Stormwater Utility fund effective October 1, 2010. The increase from \$4.13 to \$5.00 per ERU will generate approximately \$121,000 in additional revenue in fiscal 2011.

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.

This space left blank intentionally.

BASIC FINANCIAL STATEMENTS

This page left blank intentionally.

CITY OF SAFETY HARBOR, FLORIDA
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2010

Assets	Governmental Activities	Business-Type Activities	Total
Current assets:			
Equity in pooled cash and investments	\$ 15,586,347	\$ 4,812,928	\$ 20,399,275
Receivables, net:			
Accounts receivable	436,562	1,242,873	1,679,435
Due from other governments	482,222	-	482,222
Inventories	95,643	263,651	359,294
Prepaid items	231,235	144,527	375,762
Restricted assets:			
Equity in pooled cash and investments:			
Sinking fund	-	53,068	53,068
Customer deposits	-	584,922	584,922
Capital projects	-	55,330	55,330
Pension asset	406,852	-	406,852
Total current assets	<u>17,238,861</u>	<u>7,157,299</u>	<u>24,396,160</u>
Noncurrent assets:			
Restricted assets:			
Equity in pooled cash and investments:			
Sinking fund	-	835,873	835,873
Capital projects	-	3,996,196	3,996,196
Capital assets:			
Non depreciable	4,859,276	430,206	5,289,482
Depreciable, net of accumulated depreciation	21,925,368	19,072,034	40,997,402
Unamortized bond issuance costs	32,088	51,258	83,346
Total noncurrent assets	<u>26,816,732</u>	<u>24,385,567</u>	<u>51,202,299</u>
Total assets	<u>44,055,593</u>	<u>31,542,866</u>	<u>75,598,459</u>
Liabilities			
Current liabilities:			
Accounts payable	206,138	302,776	508,914
Accrued liabilities	311,322	103,539	414,861
Customer deposits	90,036	-	90,036
Current liabilities, payable from restricted assets:			
Accrued interest payable	-	53,068	53,068
Customer deposits	-	584,922	584,922
Construction contracts payable	-	55,330	55,330
Unearned revenue	37,402	-	37,402
Current portion of long-term obligations	604,429	502,041	1,106,470
Total current liabilities	<u>1,249,327</u>	<u>1,601,676</u>	<u>2,851,003</u>
Noncurrent portion of long-term obligations	<u>7,211,564</u>	<u>8,648,854</u>	<u>15,860,418</u>
Total liabilities	<u>8,460,891</u>	<u>10,250,530</u>	<u>18,711,421</u>
Net Assets			
Invested in capital assets, net of related debt	20,007,450	10,772,232	30,779,682
Restricted, net of payables from restricted assets:			
Debt service	59,509	835,873	895,382
Prepays	231,235	-	231,235
Inventories	61,505	-	61,505
Public safety	69,822	-	69,822
Parkland	753,587	-	753,587
Transportation	511,980	-	511,980
Library	23,515	-	23,515
Parking	4,705	-	4,705
Capital projects	2,095,656	3,996,196	6,091,852
Unrestricted	<u>11,775,738</u>	<u>5,688,035</u>	<u>17,463,773</u>
Total net assets	<u>\$ 35,594,702</u>	<u>\$ 21,292,336</u>	<u>\$ 56,887,038</u>

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

CITY OF SAFETY HARBOR, FLORIDA
STATEMENT OF ACTIVITIES
SEPTEMBER 30, 2010

Function/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 3,474,937	\$ 46,854	\$ 15,000	\$ -
Law enforcement	1,231,263	68,287	-	4,015
Fire protection	3,814,874	1,083	989,972	-
Building department	305,251	266,369	-	-
Physical environment	1,347,914	508,932	-	190,525
Transportation	2,152,048	20,834	-	-
Library	1,514,773	45,613	264,930	-
Parks and recreation	2,585,030	692,506	-	-
Interest and other fiscal charges on long-term debt	<u>237,267</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>16,663,357</u>	<u>1,650,478</u>	<u>1,269,902</u>	<u>194,540</u>
Business-type activities:				
Water and sewer	7,368,967	8,081,185	-	-
Solid waste	<u>2,613,310</u>	<u>2,782,138</u>	<u>13,439</u>	<u>-</u>
Total business-type activities	<u>9,982,277</u>	<u>10,863,323</u>	<u>13,439</u>	<u>-</u>
Total primary government	<u>\$ 26,645,634</u>	<u>\$ 12,513,801</u>	<u>\$ 1,283,341</u>	<u>\$ 194,540</u>
General revenues:				
Taxes:				
Property taxes				
Utility taxes				
Sales tax				
Franchise fees				
State and local revenue sharing				
Interest income and net appreciation in fair value of investments				
Miscellaneous				
Gain on sale of capital assets				
Total general revenues				
Change in net assets				
Net assets, beginning of year				
Net assets, end of year				

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

**Net (Expenses) Revenues and
Changes in Net Assets**

Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (3,413,083)	\$ -	\$ (3,413,083)
(1,158,961)	-	(1,158,961)
(2,823,819)	-	(2,823,819)
(38,882)	-	(38,882)
(648,457)	-	(648,457)
(2,131,214)	-	(2,131,214)
(1,204,230)	-	(1,204,230)
(1,892,524)	-	(1,892,524)
(237,267)	-	(237,267)
(13,548,437)	-	(13,548,437)
-	712,218	712,218
-	182,267	182,267
-	894,485	894,485
(13,548,437)	894,485	(12,653,952)
3,493,007	-	3,493,007
2,624,901	-	2,624,901
847,342	-	847,342
1,629,370	29,928	1,659,298
1,974,802	-	1,974,802
844,977	475,634	1,320,611
1,122,522	657,841	1,780,363
6,992	9,455	16,447
12,543,913	1,172,858	13,716,771
(1,004,524)	2,067,343	1,062,819
36,599,226	19,224,993	55,824,219
\$ 35,594,702	\$ 21,292,336	\$ 56,887,038

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

CITY OF SAFETY HARBOR, FLORIDA
BALANCE SHEET – GOVERNMENTAL FUNDS
SEPTEMBER 30, 2010

	<u>General</u>	<u>Stormwater Utility</u>	<u>Community Redevelopment Agency</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets						
Cash and cash equivalents	\$ 8,468,944	\$ 1,772,826	\$ 898,397	\$ 1,888,109	\$ 2,558,071	\$ 15,586,347
Receivables, net:						
Accounts receivable	362,479	56,953	2,820	5,199	9,111	436,562
Due from other governments	150,067	88,922	-	202,348	40,885	482,222
Inventories	95,643	-	-	-	-	95,643
Prepays	221,071	10,164	-	-	-	231,235
Total assets	<u>9,298,204</u>	<u>1,928,865</u>	<u>901,217</u>	<u>2,095,656</u>	<u>2,608,067</u>	<u>16,832,009</u>
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	84,259	86,932	-	-	34,947	206,138
Accrued liabilities	298,611	9,269	2,880	-	562	311,322
Customer deposits	83,919	-	-	-	6,117	90,036
Deferred revenue	32,973	-	-	-	4,429	37,402
Total liabilities	<u>499,762</u>	<u>96,201</u>	<u>2,880</u>	<u>-</u>	<u>46,055</u>	<u>644,898</u>
Fund Balances:						
Reserved for:						
Debt service	-	-	-	-	59,509	59,509
Prepays	221,071	10,164	-	-	-	231,235
Inventories	61,505	-	-	-	-	61,505
Public safety	-	-	-	-	69,822	69,822
Parkland	-	-	-	-	753,587	753,587
Transportation	-	-	-	-	511,980	511,980
Library	-	-	-	-	23,515	23,515
Parking	-	-	-	-	4,705	4,705
Capital projects	-	-	-	2,095,656	-	2,095,656
Unreserved:						
Designated for community redevelopment agency	-	-	898,337	-	-	898,337
Designated for stormwater	-	1,822,500	-	-	-	1,822,500
Designated for street special assessment	-	-	-	-	18,724	18,724
Designated for street improvement	-	-	-	-	320,254	320,254
Designated for street lighting	-	-	-	-	607,984	607,984
Designated for marina	-	-	-	-	191,734	191,734
Designated for drainage	-	-	-	-	198	198
Undesignated	8,515,866	-	-	-	-	8,515,866
Total fund balances	<u>8,798,442</u>	<u>1,832,664</u>	<u>898,337</u>	<u>2,095,656</u>	<u>2,562,012</u>	<u>16,187,111</u>
Total liabilities and fund balances	<u>\$ 9,298,204</u>	<u>\$ 1,928,865</u>	<u>\$ 901,217</u>	<u>\$ 2,095,656</u>	<u>\$ 2,608,067</u>	<u>\$ 16,832,009</u>

The notes to the 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, 2010

Fund balances - total governmental funds		\$ 16,187,111
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		
Non depreciable	\$ 4,859,276	
Depreciable	39,472,275	
Less, accumulated depreciation	<u>17,546,907</u>	26,784,644
The net pension asset related to governmental activities does not represent financial resources and is not reported in the funds		
		406,852
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)		
		32,088
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Revenue notes payable	(6,780,150)	
Capital lease	(29,132)	
Compensated absences	(875,146)	
Termination benefits	(39,236)	
Other post employment benefits	<u>(92,329)</u>	<u>(7,815,993)</u>
Net assets of governmental activities		<u>\$ 35,594,702</u>

The notes to the 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, 2010

	<u>General</u>	<u>Stormwater Utility</u>	<u>Community Redevelopment Agency</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues						
Property taxes	\$ 3,084,968	\$ -	\$ 408,039	\$ -	\$ -	\$ 3,493,007
Charges for services	824,917	459,196	-	-	71,323	1,355,436
Franchise fees	1,629,370	-	-	-	-	1,629,370
Utility taxes	2,624,901	-	-	-	-	2,624,901
Licenses and permits	266,369	-	-	-	-	266,369
State and local revenue sharing	468,225	-	-	1,277,614	228,963	1,974,802
Intergovernmental revenues	1,269,902	190,525	-	-	4,015	1,464,442
Sales tax	847,342	-	-	-	-	847,342
Fines and forfeitures	28,673	-	-	-	-	28,673
Interest income and net appreciation in fair value of investmen	395,372	117,248	57,043	104,547	170,767	844,977
Miscellaneous	1,120,837	-	1,685	-	-	1,122,522
Total revenues	<u>12,560,876</u>	<u>766,969</u>	<u>466,767</u>	<u>1,382,161</u>	<u>475,068</u>	<u>15,651,841</u>
Expenditures						
Current operating:						
General government	3,050,208	-	173,388	-	-	3,223,596
Law enforcement	1,228,769	-	-	-	-	1,228,769
Fire protection	3,615,892	-	-	-	-	3,615,892
Building department	300,581	-	-	-	-	300,581
Physical environment	566,731	636,632	-	-	16,484	1,219,847
Transportation	914,682	-	-	-	737,384	1,652,066
Library	1,163,288	-	-	-	-	1,163,288
Parks and recreation	2,158,588	-	-	-	-	2,158,588
Capital outlay	88,805	646,767	104,851	553,421	322,284	1,716,128
Debt service						
Principal payments	-	25,534	-	-	442,344	467,878
Interest and other fiscal charges	-	3,960	-	-	230,841	234,801
Total expenditures	<u>13,087,544</u>	<u>1,312,893</u>	<u>278,239</u>	<u>553,421</u>	<u>1,749,337</u>	<u>16,981,434</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(526,668)</u>	<u>(545,924)</u>	<u>188,528</u>	<u>828,740</u>	<u>(1,274,269)</u>	<u>(1,329,593)</u>
Other financing sources (uses)						
Transfers in	-	-	-	-	924,684	924,684
Transfers out	(4,500)	-	-	(920,184)	-	(924,684)
Sale of capital assets	6,992	-	-	-	-	6,992
Total other financing sources (uses)	<u>2,492</u>	<u>-</u>	<u>-</u>	<u>(920,184)</u>	<u>924,684</u>	<u>6,992</u>
Net change in fund balances	(524,176)	(545,924)	188,528	(91,444)	(349,585)	(1,322,601)
Fund balances, beginning of year	<u>9,322,618</u>	<u>2,378,588</u>	<u>709,809</u>	<u>2,187,100</u>	<u>2,911,597</u>	<u>17,509,712</u>
Fund balances, end of year	<u>\$ 8,798,442</u>	<u>\$ 1,832,664</u>	<u>\$ 898,337</u>	<u>\$ 2,095,656</u>	<u>\$ 2,562,012</u>	<u>\$ 16,187,111</u>

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

CITY OF SAFETY HARBOR, FLORIDA
RECONCILIATION TO THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2010

Net change in fund balances - total governmental funds \$ (1,322,601)

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 allocated over their
estimated useful lives as depreciation expense.

Expenditure for capital assets	1,716,249	
Less, current year depreciation	<u>1,839,494</u>	(123,245)

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		11,728
--	--	--------

The repayment of principal on long-term debt consumes current
financial resources and is reported as an expenditure in the
governmental funds. However, the repayment reduces long-term
liabilities in the statement of net assets.

Principal payments	<u>468,004</u>	468,004
--------------------	----------------	---------

Some expenses reported in the statement of activities do not require the
use of current financial resources, and therefore, are not reported as
expenditures in governmental funds.

Amortization of bond issuance costs	(2,592)	
Compensated absences	4,086	
Termination benefits	5,152	
Other post employment benefits	<u>(45,056)</u>	<u>(38,410)</u>

Change in net assets of governmental activities		<u><u>\$ (1,004,524)</u></u>
---	--	------------------------------

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

CITY OF SAFETY HARBOR, FLORIDA
STATEMENT OF NET ASSETS – PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	<u>Water and Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Total</u>
ASSETS			
Current assets:			
Equity in pooled cash and investments	\$ 4,012,236	\$ 800,692	\$ 4,812,928
Accounts receivable, net	999,214	243,659	1,242,873
Inventories	263,651	-	263,651
Prepaid items	69,659	74,868	144,527
Restricted assets:			
Equity in pooled cash and investments:			
Sinking fund	47,187	5,881	53,068
Customer deposits	519,775	65,147	584,922
Capital projects	55,330	-	55,330
Total current assets	<u>5,967,052</u>	<u>1,190,247</u>	<u>7,157,299</u>
Noncurrent assets:			
Restricted equity in pooled cash and investments:			
Sinking fund	642,950	192,923	835,873
Capital projects	3,996,196	-	3,996,196
Capital assets:			
Nondepreciable	430,206	-	430,206
Depreciable, net of accumulated depreciation	17,790,700	1,281,334	19,072,034
Unamortized bond costs	49,651	1,607	51,258
Total noncurrent assets	<u>22,909,703</u>	<u>1,475,864</u>	<u>24,385,567</u>
Total assets	<u>28,876,755</u>	<u>2,666,111</u>	<u>31,542,866</u>
LIABILITIES			
Current liabilities:			
Accounts payable	266,225	36,551	302,776
Accrued liabilities	64,656	38,883	103,539
Current liabilities, payable from restricted assets:			
Accrued interest payable	47,187	5,881	53,068
Customer deposits	519,775	65,147	584,922
Construction contracts payable	55,330	-	55,330
Current portion of long-term obligations:			
Compensated absences	17,824	11,163	28,987
Termination benefits	12,881	-	12,881
Bonds, notes and capital leases payable	393,234	66,939	460,173
Total current liabilities	<u>1,377,112</u>	<u>224,564</u>	<u>1,601,676</u>
Noncurrent liabilities:			
Compensated absences	180,211	112,879	293,090
Other post employment benefits	20,648	14,023	34,671
Bonds, notes and capital leases payable	7,548,040	773,053	8,321,093
Total noncurrent liabilities	<u>7,748,899</u>	<u>899,955</u>	<u>8,648,854</u>
Total liabilities	<u>9,126,011</u>	<u>1,124,519</u>	<u>10,250,530</u>
NET ASSETS			
Invested in capital assets, net of related debt	10,329,283	442,949	10,772,232
Restricted for:			
Debt service	642,950	192,923	835,873
Capital projects	3,996,196	-	3,996,196
Unrestricted	<u>4,782,315</u>	<u>905,720</u>	<u>5,688,035</u>
Total net assets	<u>\$ 19,750,744</u>	<u>\$ 1,541,592</u>	<u>\$ 21,292,336</u>

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

CITY OF SAFETY HARBOR, FLORIDA
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS – PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	<u>Water and Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Total</u>
OPERATING REVENUES			
Charges for services	\$ 8,081,185	\$ 2,782,138	\$ 10,863,323
Franchise fees	-	29,928	29,928
Intergovernmental	-	13,439	13,439
Miscellaneous	577,353	80,488	657,841
	<u>8,658,538</u>	<u>2,905,993</u>	<u>11,564,531</u>
OPERATING EXPENSES			
Salaries, wages and employee benefits	1,840,488	1,182,200	3,022,688
Materials and supplies	277,003	236,853	513,856
Contractual and other services	4,141,125	951,912	5,093,037
Depreciation and amortization	876,205	217,677	1,093,882
Total operating expenses	<u>7,134,821</u>	<u>2,588,642</u>	<u>9,723,463</u>
Operating income	<u>1,523,717</u>	<u>317,351</u>	<u>1,841,068</u>
NONOPERATING REVENUES (EXPENSES)			
Interest income and net appreciation in fair value of investments	423,343	52,291	475,634
Interest expense	(234,146)	(24,668)	(258,814)
Gain on sale of capital assets	5,079	4,376	9,455
Total nonoperating revenues (expenses)	<u>194,276</u>	<u>31,999</u>	<u>226,275</u>
Changes in net assets	1,717,993	349,350	2,067,343
Total net assets - beginning of year	<u>18,032,751</u>	<u>1,192,242</u>	<u>19,224,993</u>
Total net assets - end of year	<u>\$ 19,750,744</u>	<u>\$ 1,541,592</u>	<u>\$ 21,292,336</u>

The notes to the 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, 2010

	<u>Water and Sewer</u> <u>Fund</u>	<u>Solid Waste Fund</u>	<u>Total</u>
Cash flows from operating activities:			
Cash received from customers	\$ 8,065,628	\$ 2,628,150	\$ 10,693,778
Cash received from recycling grant	-	13,439	13,439
Miscellaneous operating revenue	577,353	80,488	657,841
Cash paid to suppliers for goods and services	(4,685,091)	(1,250,148)	(5,935,239)
Cash payments to and for the benefit of employees	(1,836,531)	(1,157,662)	(2,994,193)
Cash provided (used) by operating activities	<u>2,121,359</u>	<u>314,267</u>	<u>2,435,626</u>
Cash flows from capital and related financing activities:			
Principal payments on long-term debt	(541,117)	(30,051)	(571,168)
Interest payments on long-term debt	(289,732)	(10,188)	(299,920)
Principal payments on capital leases	(29,422)	(29,663)	(59,085)
Interest payment on capital leases	(2,900)	(8,599)	(11,499)
Proceeds from sale of capital assets	5,079	4,376	9,455
Acquisition and construction of capital assets	(991,438)	(224,150)	(1,215,588)
Cash provided (used) by capital and related financing activities	<u>(1,849,530)</u>	<u>(298,275)</u>	<u>(2,147,805)</u>
Cash flows from investing activity:			
Interest and dividends on investments	425,810	48,885	474,695
Cash provided by investing activities	<u>425,810</u>	<u>48,885</u>	<u>474,695</u>
Net increase in cash and cash equivalents	697,639	64,877	762,516
Cash and cash equivalents at beginning of year	<u>8,576,035</u>	<u>993,885</u>	<u>9,569,920</u>
Cash and cash equivalents at end of year	<u>\$ 9,273,674</u>	<u>\$ 1,058,762</u>	<u>\$ 10,332,436</u>

(Continues on next page)

The notes to the 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, 2010

	<u>Water and Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Total</u>
Reconciliation of cash and investments to balance sheet:			
Total unrestricted equity in pooled cash and investments	\$ 4,012,236	\$ 800,692	\$ 4,812,928
Total restricted equity in pooled cash and investments	622,292	71,028	693,320
Total equity in pooled cash and investments	<u>\$ 4,634,528</u>	<u>\$ 871,720</u>	<u>\$ 5,506,248</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ 1,523,717	\$ 317,351	\$ 1,841,068
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation and amortization	876,205	217,677	1,093,882
Change in operating assets and liabilities:			
Increase in accounts receivable	(15,557)	(183,919)	(199,476)
Increase in prepaid items	(52,055)	(50,042)	(102,097)
Decrease in inventory	16,848	-	16,848
Increase in accounts payable	(234,264)	(11,118)	(245,382)
Increase in accrued liabilities	12,426	11,859	24,285
Increase (decrease) in customer deposits	2,510	(220)	2,290
Decrease in termination benefits	(24,432)	(629)	(25,061)
Increase in OPEB	10,012	6,932	16,944
Increase in accumulated unused compensated absences	5,949	6,376	12,325
Net cash provided by operating activities	<u>\$ 2,121,359</u>	<u>\$ 314,267</u>	<u>\$ 2,435,626</u>
Noncash investing, capital, and financing activities:			
Amortization of loan and bond premiums	<u>\$ 9,320</u>	<u>\$ (42)</u>	<u>\$ 9,278</u>

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

CITY OF SAFETY HARBOR, FLORIDA
 STATEMENT OF FIDUCIARY NET ASSETS
 SEPTEMBER 30, 2010

	Pension Trust Fund
Assets	
Cash and cash equivalents:	
Money market	\$ 11,787
Investments, at fair value:	
U.S. Treasury Bonds, Notes and Bills	1,113,881
Equity securities	1,821,106
Total investments	2,934,987
Total assets	2,946,774
 Net assets	
Held in trust for pension benefits	\$ 2,946,774

The notes to the 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, 2010

	Pension Trust Fund
Additions	
Contributions:	
State of Florida	\$ 140,556
City	286,033
Employees	9,258
Total contributions	435,847
Investment income:	
Interest income and net appreciation in fair value of investments	233,014
Total additions	668,861
Deductions	
Administrative expenses	17,418
Change in net assets	651,443
Net assets - beginning of year	2,295,331
Net assets - end of year	\$ 2,946,774

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

This page left blank intentionally.

NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF SAFETY HARBOR, FLORIDA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

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 may or 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 in 1992 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.

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

CITY OF SAFETY HARBOR, FLORIDA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

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

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; 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.

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 and compensated absences 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

CITY OF SAFETY HARBOR, FLORIDA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

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

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, 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 fund. Based on the criteria of GASB No. 34 the stormwater utility, capital projects and community redevelopment agency funds are also considered major governmental funds. The combined total of nonmajor funds is reflected as other governmental 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.

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.
- Stormwater Utility Fund – accounts for the operations of the Stormwater Management system.
- Community Redevelopment Agency – accounts for the revenues and expenditures relating to community redevelopment pursuant to the approved community redevelopment plan.
- Capital Projects Fund – accounts for financial resources segregated for the acquisition of major capital facilities.

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.

CITY OF SAFETY HARBOR, FLORIDA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

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

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 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.
- 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.

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.

Appropriations for outstanding authorized encumbrances are automatically reappropriated on October 1st of the new budget year without any further action by City Commission per Section 7.13 of City Code.

CITY OF SAFETY HARBOR, FLORIDA
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2010

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

However, it is management’s policy to request City Commission re-appropriate unexpended or unencumbered appropriations in the succeeding year’s budget.

Supplemental appropriations were enacted during the year, as follows:

	Encumbrances Rolled Forward on October 1, 2009	Supplemental Appropriations Fiscal Year 2010
Governmental Funds		
General Fund	\$ 16,620	\$ 48,957
Stormwater Fund	124,234	-
Street Improvement	-	25,000
Marina Fund	-	15,000
Capital Projects Fund	348,162	140,440
Law Enforcement Fund	-	8,515
Parkland Fund	19,714	36,000
Transportation Impact Fee	16,100	-
CRA Fund	11,575	67,580
Parking Impact Fee	113,848	-

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.

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.

CITY OF SAFETY HARBOR, FLORIDA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

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

Receivables

Utility (water, sewer, and solid waste) operating revenues are generally recognized on the basis of cycle billings rendered monthly. The City recognizes as revenue the estimated unbilled consumption as of September 30. 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 of \$171,037.

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.

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 mills. The millage rate in effect for the fiscal year ended September 30, 2010 was 3.0674.

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.

CITY OF SAFETY HARBOR, FLORIDA
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2010

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

Inventories and prepaids

Inventories are stated at cost (determined on the first-in, first-out method). Equipment and office 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.

The following is the breakdown in governmental funds inventories at September 30, 2010:

	<u>Amount</u>
Equipment supplies	\$ 59,943
Office supplies	1,562
Fuel supplies	34,138
	<u>\$ 95,643</u>

Certain advance payments to vendors, i.e. insurance premiums, reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and individual fund financial statements.

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 a 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:

<u>Assets</u>	<u>Years</u>
Buildings	10 - 50
Infrastructure	5 - 50
Machinery and equipment	3 - 10

Depreciation expense for the year ended September 30, 2010 totaled \$1,839,494 and \$1,099,538 for governmental and business type funds, respectively.

CITY OF SAFETY HARBOR, FLORIDA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

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

Unamortized Bond Discounts, Bond Premiums and Issuance Costs

Bond discounts, premiums 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 premiums and discounts are presented as an increase or reduction of the face amount of the related bonds payable and issuance costs are recorded as other assets.

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Vacation and sick leave maximum limits vary depending on an employee's class of service, hire date, etc. but generally vacation cannot exceed 280 hours and sick leave cannot exceed 1,800 hours. Upon separation from the City, an eligible employee is paid for all vacation time not exceeding their maximum limit and from one-quarter to one-half of accumulated unused sick leave not exceeding the sick leave maximum limit, i.e. sick leave payout is 900 hours for an employee with a 1,800 hour maximum limit. The City accrues for all earned but unused vacation pay up to the maximum limit and the portion of unused sick leave estimated to be payable upon retirement. The current portion of compensated absences is the amount estimated to be used in the following year. For governmental activities, compensated absences are liquidated within the same governmental funds where the employee vacation and/or sick leave are earned.

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 bonds outstanding 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 of healthcare insurance, which is a single, blended premium rate that is used for both active employees and retired members. In June 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

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 has been approved, the plan has

CITY OF SAFETY HARBOR, FLORIDA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

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

been communicated to the employees and the amount can be estimated. Termination benefits are

recorded as 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.

Fund Equity

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.

Amounts reserved for encumbrances in governmental funds were reduced for reporting purposes. The related encumbrances will not be liquidated with current resources but with future resources; however, the encumbrances still reflect purchase commitments at year end. The following summarizes individual governmental funds with reductions in the actual reserve for encumbrances as of September 30, 2010:

General Fund	\$	35,400
Stormwater Fund		510,651
Street Improvement		97,880
Capital Projects Fund		91,462
CRA Fund		78,943

Reserves and designations have been limited to the following items:

Governmental Fund Types

- Reserved for Debt Service - indicates fund balance that is restricted by bond ordinance to payment of general long-term debt.
- Reserved for Prepaids – indicates a portion of the fund balance that is not available for appropriation and expenditure at the balance sheet date.
- 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 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.

CITY OF SAFETY HARBOR, FLORIDA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

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

- Reserved for Parking - indicates the fund balance of the Parking Impact Fee Fund which is legally restricted.
- Reserved for Capital Projects - indicates a portion of the fund balance that is restricted for capital projects.
- Designated for Community Redevelopment Agency - indicates a portion of fund balance that is restricted for funding of community redevelopment projects.
- Designated for Stormwater - indicates the fund balance of the Stormwater Utility Fund which has been designated for specific purposes.
- Designated for Street Special Assessment - indicates the fund balance of the Special Assessment Funds (accounted for as Special Revenue Funds), which accounts for all financial activity generated by special assessments.
- Designated for Street Improvement - indicates a portion of the unreserved fund balance that has been designated for expenditures for street improvements.
- Reserved for Street Lighting - indicates the fund balance of the Street Lighting Fund which is legally designated for costs associated with street lighting.
- Designated for Marina - represents the fund balance of the Marina Basin Fund which has been designated for a specific purpose.
- Designated for Drainage – indicates the fund balance of the Drainage Impact Fund for drainage improvements.

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 or by enabling legislation. Usage of restrictions has been limited to the following items:

- Restricted for Debt Service - indicates a portion of the net assets that is restricted by bond ordinance to payment of governmental and proprietary funds' long-term debt.
- Restricted for Capital Projects – indicates a portion of the governmental fund net assets that has been restricted for local government infrastructure projects funded by the Penny for Pinellas program and proprietary fund net assets restricted for reclaimed water, sewer system development and expansion, and water and sewer renewal and replacement.

Fiduciary Fund Type

Fiduciary net assets are used to indicate that a portion of the net assets are not available for appropriation or expenditure or are legally segregated for a specified future use.

CITY OF SAFETY HARBOR, FLORIDA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE 2 – DEPOSITS AND INVESTMENTS:

Equity in Pooled Cash and Investments

At September 30, 2010, the carrying amount of the City’s deposits with financial institutions was \$4,521,956 and the bank account balance was \$5,014, 407. The City’s cash 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.

<u>Pooled Cash and Investments</u>	<u>Carrying Amount</u>	<u>% of Portfolio</u>	<u>Weighted average maturity (years)</u>	<u>Credit Rating</u>
<u>Cash and cash equivalents</u>				
Cash on hand	\$ 2,115	-	n/a	n/a
Cash in bank	4,521,956	-	n/a	n/a
Total cash and cash equivalents	4,524,071	17.45%		
<u>Investments</u>				
Certificates of Deposit	233,453	0.90%	0.51	n/a
Money Markets	425,693	1.64%	0.00	n/a
SBA Florida Prime	279,096	1.08%	0.14	AAAm
SBA Pool B	5,935	0.02%	7.49	No Rating
Private Label CWALT CMO	704,259	2.72%	1.55	Caa3
Private Label CWHL CMO	1,044,698	4.03%	1.78	AA
Federal Home Loan Bank	1,097,443	4.23%	3.32	AAA Implied
Federal Home Loan Mortgage CMO FHLMC	2,219,134	8.56%	1.87	AAA Implied
Federal Home Loan Mortgage MBS FHLMC	2,044,920	7.89%	2.79	AAA Implied
Government National Mortgage Association CMO GNMA	8,771,690	33.84%	3.05	AAA Implied
Federal National Mortgage Association CMO FNMA	1,109,377	4.28%	3.28	AAA Implied
Federal National Mortgage Association MBS FNMA	3,047,964	11.76%	2.62	AAA Implied
Federal National Mortgage Association MBS GNMA	416,931	1.61%	3.84	AAA Implied
Total investments	21,400,593			
Total pooled cash and investments	\$ 25,924,664	100.00%	2.63	

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.

CITY OF SAFETY HARBOR, FLORIDA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE 2 – DEPOSITS AND INVESTMENTS (continued):

Credit Risk

Credit quality risk results from potential default of investments that are not financially sound. 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;
- 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 City is a participant in the State of Florida State Board of Administration (SBA) Local Government Surplus Funds Trust Fund (Florida PRIME) and the Fund B Surplus Funds Trust Fund. 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, currently Florida PRIME and Fund B.

The SBA Florida PRIME, with a current Standard & Poor's rating of AAAM, manages \$5.5 billion for State and local governments and is authorized to purchase investments consistent with Chapter 215.47, Florida Statutes. Florida PRIME operates as a "2a-7 like" fund reporting an average weighted days to maturity at September 30, 2010 of 52 days. The investment policy of Florida PRIME is to manage the weighted average maturity to 60 days or less. Fund B is not rated by any nationally recognized statistical rating agency and consists of restructured or defaulted securities. As Fund B does not meet the requirement of a '2a-7 like' fund, the SBA has provided a Fair Value factor of .707058094 at September 30, 2010. As a participant in Fund B, the City will receive distributions to the extent that SBA deems the proceeds to be material. The weighted average life, based on expected future cash flows, of Fund B at

September 30, 2010 is 7.49 years. Participant balances in Fund B at September 30, 2010 totals \$400 million.

On September 30, 2010, the fair value of the City's investments in Florida PRIME was \$279,096 with no liquidity restrictions and an ending Net Asset Value of \$5,935 in Fund B.

CITY OF SAFETY HARBOR, FLORIDA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE 2 – DEPOSITS AND INVESTMENTS (continued):

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 following table shows the City's level of investment in each financial instrument issuer as a percentage of total investments, as well as the credit rating of each issuer, where applicable.

<u>Investment Types</u>	<u>Credit Rating</u>	<u>Concentration at Fair Market Value</u>	<u>Percentage Pooled Investments September 30, 2010</u>
Certificates of Deposit	No Rating	\$ 233,453	1.09%
Money Markets	No Rating	425,693	2.08%
SBA Florida Prime	AAA	279,096	1.30%
SBA Pool B	No Rating	5,935	0.03%
Private Label CWALT CMO	Caa3	704,259	3.29%
Private Label CWHL CMO	AA	1,044,698	4.88%
Federal Home Loan Bank	AAA Implied	1,097,443	5.12%
Federal Home Loan Mortgage CMO FHLMC	AAA Implied	2,219,134	10.36%
Federal Home Loan Mortgage MBS FHLMC	AAA Implied	2,044,920	9.55%
Government National Mortgage Association CMO GNMA	AAA Implied	8,771,690	40.95%
Federal National Mortgage Association CMO FNMA	AAA Implied	1,109,377	5.18%
Federal National Mortgage Association MBS FNMA	AAA Implied	3,047,964	14.23%
Federal National Mortgage Association MBS GNMA	AAA Implied	416,931	1.95%
		<u>\$ 21,400,593</u>	<u>100.00%</u>

Interest Rate 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 not investing in securities having an effective duration of more than five years from the date of purchase. Investment maturities are also laddered (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. Maturities of the City's investment portfolio are displayed in the table below.

<u>Investment Types</u>	<u>Fair Market Value</u>	<u>0 to 1 Year</u>	<u>1 to 2 Years</u>	<u>2 to 3 Years</u>	<u>3 to 4 Years</u>	<u>More than 4 Years</u>
Certificates of Deposit	\$ 233,453	\$ 233,453	\$ -	\$ -	\$ -	\$ -
Money Markets	425,693	425,693	-	-	-	-
SBA Pool Florida Prime	279,096	279,096	-	-	-	-
SBA Pool B	5,935	-	-	-	-	5,935
Private Label CMO	704,259	-	704,259	-	-	-
Private Label CMO	1,044,698	-	1,044,698	-	-	-
Federal Home Loan Bank	1,097,443	-	-	-	1,097,443	-
Federal Home Loan Mortgage CMO FHLMC	2,219,134	656,839	587,232	176,927	798,136	-
Federal Home Loan Mortgage MBS FHLMC	2,044,920	-	17,336	1,277,296	750,288	-
Government National Mortgage Association CMO GNMA	8,771,690	-	948,097	1,800,816	4,532,417	1,490,360
Federal National Mortgage Association CMO FNMA	1,109,377	-	189,323	-	314,363	605,691
Federal National Mortgage Association MBS FNMA	3,047,964	17,673	-	3,030,291	-	-
Federal National Mortgage Association MBS GNMA	416,931	-	-	-	416,931	-
	<u>\$ 21,400,593</u>	<u>\$ 1,612,754</u>	<u>\$ 3,490,945</u>	<u>\$ 6,285,330</u>	<u>\$ 7,909,578</u>	<u>\$ 2,101,986</u>

CITY OF SAFETY HARBOR, FLORIDA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE 3 – RECEIVABLES:

Receivables at September 30, 2010 for the City’s governmental and enterprise funds, including the applicable allowances for uncollectible accounts are as follows:

	Utility					Total	Less:	
	Interest	Taxes & Franchise Fees	Liens	Special Assessments	Accounts	Gross Receivables	Allowance for Uncollectibles	Net Total Receivables
General fund	\$ 27,185	\$ 276,397	\$ 2,247,395	\$ -	\$ 25,823	\$2,576,800	\$ (2,214,321)	\$ 362,479
Stormwater Utility	6,554	-	11,322	-	45,963	63,839	(6,886)	56,953
Community Redevelopment Agency	2,820	-	-	-	-	2,820	-	2,820
Capital Projects	4,731	-	-	-	468	5,199	-	5,199
Non-major governmental funds	7,406	-	-	12,492	878	20,776	(11,665)	9,111
Gross receivables	48,696	276,397	2,258,717	12,492	73,132	2,669,434	-	-
Less: allowance for collectibles	-	-	(2,221,207)	(11,665)	-	-	(2,232,872)	-
Net total receivables governmental activities	<u>\$ 48,696</u>	<u>\$ 276,397</u>	<u>\$ 2,258,717</u>	<u>\$ 12,492</u>	<u>\$ 73,132</u>	<u>\$2,669,434</u>	<u>\$ (2,232,872)</u>	<u>\$ 436,562</u>
Water and sewer utility	\$ 26,406	\$ -	\$ 185,920	\$ 38,438	\$ 877,775	\$1,128,539	\$ (129,325)	\$ 999,214
Solid waste utility	3,604	-	54,097	-	227,670	285,371	(41,712)	243,659
Gross receivables	30,010	-	240,017	38,438	1,105,445	1,413,910	-	-
Less: allowance for collectibles	-	-	(160,587)	(10,450)	-	-	(171,037)	-
Net total receivables business-type activities	<u>\$ 30,010</u>	<u>\$ -</u>	<u>\$ 79,430</u>	<u>\$ 27,988</u>	<u>\$ 1,105,445</u>	<u>\$1,413,910</u>	<u>\$ (171,037)</u>	<u>\$1,242,873</u>

This space left blank intentionally.

CITY OF SAFETY HARBOR, FLORIDA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE 4 – CAPITAL ASSETS:

The following is a summary of changes in capital assets for the year ended September 30, 2010:

	Balance Sept. 30, 2009	Additions	Disposals	Balance Sept. 30, 2010
Governmental activities:				
Nondepreciable assets:				
Land	\$ 3,864,546	\$ 35,749	\$ -	\$ 3,900,295
Construction in progress	639,158	1,132,755	812,932	958,981
Depreciable assets:				
Buildings	4,020,976	-	-	4,020,976
Infrastructure	27,338,877	1,135,497	-	28,474,374
Equipment	6,990,394	225,179	238,648	6,976,925
Total at historical cost	42,853,951	2,529,180	1,051,580	44,331,551
Less, accumulated depreciation for:				
Buildings	2,660,485	79,774	-	2,740,259
Infrastructure	8,862,806	1,220,302	-	10,083,108
Equipment	4,422,770	539,418	238,648	4,723,540
Total accumulated depreciation	15,946,061	1,839,494	238,648	17,546,907
Governmental activities capital assets, net	\$ 26,907,890	\$ 689,686	\$ 812,932	\$ 26,784,644
Business-type activities:				
Nondepreciable assets:				
Land	\$ 394,541	\$ -	\$ -	\$ 394,541
Construction in progress	528,811	904,779	1,397,925	35,665
Depreciable assets:				
Buildings	229,719	-	-	229,719
Infrastructure	25,439,751	1,369,944	-	26,809,695
Equipment	6,763,483	338,791	75,580	7,026,694
Total at historical cost	33,356,305	2,613,514	1,473,505	34,496,314
Less, accumulated depreciation for:				
Buildings	1,183,978	228,634	-	1,412,612
Infrastructure	8,261,028	450,164	-	8,711,192
Equipment	4,525,110	420,740	75,580	4,870,270
Total accumulated depreciation	13,970,116	1,099,538	75,580	14,994,074
Business-type activities capital assets, net	\$ 19,386,189	\$ 1,513,976	\$ 1,397,925	\$ 19,502,240

CITY OF SAFETY HARBOR, FLORIDA
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2010

NOTE 4 – CAPITAL ASSETS (continued):

Depreciation expense was charged to governmental functions as follows:

	Amount
General government	\$ 268,107
Law enforcement	2,494
Fire protection	194,954
Physical environment	110,493
Transportation	497,344
Library	353,810
Parks and recreation	412,292
Total depreciation expense	\$ 1,839,494

Construction projects actively underway as of September 30, 2010 were as follows:

Project	Spent to Date	Remaining Commitment
2nd Street South Parking Improvements	\$ 351,302	\$ 48,660
9th Avenue Beautification	60,670	-
Church Street	2,310	1,140
Brick Street Improvements	10,371	26,179
Upper Mullet Creek Erosion Control	341,962	272,814
South Bayshore Drainage Project	192,367	87,058
Citywide Sewer Improvements	676,578	41,101
Total	\$ 1,635,560	\$ 476,952

NOTE 5 – INTERFUND TRANSFERS:

Interfund transfers for the year ended September 30, 2010, consisted of the following:

Transfers within governmental funds from:

General Fund	\$ 4,500
Capital Projects Fund	920,184
Total interfund transfers	\$ 924,684

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, and (2) use unrestricted revenues collected in the general fund to finance various programs and capital projects accounted for in the funds in accordance with budgetary authorizations.

CITY OF SAFETY HARBOR, FLORIDA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE 6 – LONG TERM LIABILITIES:

The following is a summary of changes in long-term liabilities for the year ended September 30, 2010:

	Balance October 1, 2009	Increases	Decreases	Balance September 30, 2010	Amount Due Within One Year
Governmental Activities					
2008 Capital Improvement					
Revenue Note	\$ 5,412,000	\$ -	\$ 374,000	\$ 5,038,000	\$ 387,000
2006 Capital Improvement					
Revenue Note	1,810,494	-	68,344	1,742,150	70,298
Capital lease	54,792	-	25,660	29,132	29,132
Accrued compensated absences	879,232	686,468	690,554	875,146	78,763
Termination benefits	44,389	137,441	142,594	39,236	39,236
OPEB liability	47,273	79,938	34,882	92,329	-
Government activities total	<u>8,248,180</u>	<u>903,847</u>	<u>1,336,034</u>	<u>7,815,993</u>	<u>604,429</u>
Business-Type Activities					
Series 2001 A Florida Municipal					
Loan Council Revenue Bonds	1,960,000	-	300,000	1,660,000	105,000
Plus deferred amount					
for issuance premium	113,384	-	9,320	104,064	9,320
Total bond payable	2,073,384	-	309,320	1,764,064	114,320
2006 Capital Improvement					
Revenue Note	7,183,506	-	271,168	6,912,338	278,924
Capital leases	163,950	-	59,086	104,864	66,929
Accrued compensated absences	309,752	239,490	227,165	322,077	28,987
Termination benefits	37,942	-	25,061	12,881	12,881
OPEB liability	17,727	30,062	13,118	34,671	-
Business-type activities totals	<u>9,786,261</u>	<u>269,552</u>	<u>904,918</u>	<u>9,150,895</u>	<u>502,041</u>
Total all activities	<u>\$ 18,034,441</u>	<u>\$ 1,173,399</u>	<u>\$ 2,240,952</u>	<u>\$ 16,966,888</u>	<u>\$ 1,106,470</u>

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

CITY OF SAFETY HARBOR, FLORIDA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE 6 – LONG-TERM LIABILITIES (continued):

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, which matures 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.

2006 Capital Improvement Revenue Note – On June 21, 2006, the City issued a \$9,000,000 Capital Improvement Revenue Note, Series 2006, at a variable rate per annum equal to the one month London Interbank Offered Rate (“LIBOR Rate”) plus .23 basis points (.023%) with Bank of America. The line of credit was issued to finance various capital improvements as well as capital improvements for the City’s water and sewer system. The line of credit converted to a fixed rate of 2.860% on April 1, 2009 with debt service payable annually. The note matures on July 1, 2029. Payment of the loan is payable from a covenant to budget and appropriate non-ad valorem revenues.

Florida Municipal Loan Council Revenue Bonds Series 2001A – On November 15, 2001, the City issued a \$3,610,000 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.

	<u>Governmental Activities</u>			<u>Business - Type Activities</u>		
	<u>Library Expansion</u>	<u>Capital Improvements</u>	<u>Total</u>	<u>Water, Sewer & Solid Waste Capital Improvements</u>	<u>Refunding & Utility System Improvements</u>	<u>Total</u>
Issue Date	2008	2006		2006	2001	
Retirement Date	2020	2029		2029	2021	
Debt at Issuance	\$ 5,412,000	\$ 1,810,494	\$ 7,222,494	\$ 7,189,506	\$ 3,610,000	\$ 10,799,506
Outstanding Principal	\$ 5,038,000	\$ 1,742,150	\$ 6,780,150	\$ 6,912,338	\$ 1,660,000	\$ 8,572,338
Interest Rate	3.340%	2.860%		2.860%	Variable	
<u>Annual Debt Service</u>						
2011	\$ 546,787	\$ 120,124	\$ 666,911	\$ 476,616	\$ 188,750	\$ 665,366
2012	547,662	120,124	667,786	476,617	188,500	665,117
2013	548,104	120,124	668,228	476,616	188,000	664,616
2014	548,077	120,124	668,201	476,616	187,250	663,866
2015	547,583	120,124	667,707	476,616	185,950	662,566
Thereafter	3,278,190	1,681,735	4,959,925	6,672,629	1,309,400	7,982,029
	<u>\$ 6,016,403</u>	<u>\$ 2,282,355</u>	<u>\$ 8,298,758</u>	<u>\$ 9,055,710</u>	<u>\$ 2,247,850</u>	<u>\$ 11,303,560</u>

CITY OF SAFETY HARBOR, FLORIDA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE 6 – LONG-TERM LIABILITIES (continued):

DEBT SERVICE REQUIREMENTS

The annual debt service requirements for the governmental activities long-term debt as of September 30, 2010 are as follow:

Year Ending September 30,	2008 Capital Improvement Revenue Note		
	Principal	Interest	Total
2011	\$ 387,000	\$ 159,787	\$ 546,787
2012	399,000	148,662	547,662
2013	413,000	135,104	548,104
2014	427,000	121,077	548,077
2015	441,000	106,583	547,583
2016 - 2021	2,971,000	307,190	3,278,190
Total debt service	<u>\$ 5,038,000</u>	<u>\$ 978,403</u>	<u>\$ 6,016,403</u>

Year Ending September 30,	2006 Capital Improvement Revenue Note		
	Principal	Interest	Total
2011	\$ 70,298	\$ 49,826	\$ 120,124
2012	72,309	47,815	120,124
2013	74,377	45,747	120,124
2014	76,504	43,620	120,124
2015	78,692	41,432	120,124
2016 - 2020	428,535	172,084	600,619
2021 - 2025	493,423	107,197	600,620
2026 - 2029	448,012	32,484	480,496
Total debt service	<u>\$ 1,742,150</u>	<u>\$ 540,205</u>	<u>\$ 2,282,355</u>

The annual debt service requirement for the business-type activities long-term debt as of September 30, 2010 is as follow:

Year Ending September 30,	2006 Capital Improvement Revenue Note		
	Principal	Interest	Total
2011	\$ 278,924	\$ 197,692	\$ 476,616
2012	286,901	189,716	476,617
2013	295,106	181,510	476,616
2014	303,546	173,070	476,616
2015	312,227	164,389	476,616
2016 - 2020	1,700,302	682,780	2,383,082
2021 - 2025	1,957,756	425,326	2,383,082
2026 - 2029	1,777,576	128,889	1,906,465
Total debt service	<u>\$ 6,912,338</u>	<u>\$ 2,143,372</u>	<u>\$ 9,055,710</u>

CITY OF SAFETY HARBOR, FLORIDA
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2010

NOTE 6 – LONG-TERM LIABILITIES (continued):

Year Ending September 30,	2001 Florida Municipal Loan Council Revenue Bond		
	Principal	Interest	Total
2011	\$ 105,000	\$ 83,750	\$ 188,750
2012	110,000	78,500	188,500
2013	115,000	73,000	188,000
2014	120,000	67,250	187,250
2015 - 2019	695,000	235,713	930,713
2020 - 2022	515,000	49,637	564,637
Total debt service	<u>\$ 1,660,000</u>	<u>\$ 587,850</u>	<u>\$ 2,247,850</u>

Capital Leases

The City entered into lease agreements for financing the acquisition of stormwater equipment, water and sewer equipment and a sanitation vehicle for collection of solid waste. The lease agreements qualify as capital leases for accounting purposes and have been recorded at the present value of their future minimum lease payments.

The future minimum lease payments and the net present value of the minimum lease payments as of September 30, 2010, are as follows:

Year ending September 30,	Governmental Fund	Enterprise Funds		
	Stormwater	Water & Sewer	Sanitation	Total
2011	\$ 29,494	\$ 31,621	\$ 38,263	\$ 69,884
2012	-	-	38,263	38,263
Total minimum lease payments	29,494	31,621	76,526	108,147
Less: amount representing interest costs	362	720	2,563	3,283
Present value of minimum lease payments	<u>\$ 29,132</u>	<u>\$ 30,901</u>	<u>\$ 73,963</u>	<u>\$ 104,864</u>

NOTE 7 – 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 thirty-nine percent 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

CITY OF SAFETY HARBOR, FLORIDA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE 7 – PENSION PLANS (continued):

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 and Education Section, PO Box 9000, Tallahassee, Florida 32315-9000 or by calling (850) 488-5706.

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, 10.77%; special risk, 23.25%; and, senior management, 14.57%. 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, 2010, 2009 and 2008 were approximately \$490,000, \$546,000 and \$516,000 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 8% of participants' earnings to the 401(a) plan accounts for general employees. Employees are not permitted to contribute to this plan. Employer contributions are recognized in the period that the contributions are due. The total City contribution to the 401(a) plans for general employees was \$266,390 for the year ended September 30, 2010. For the City Manager hired on April 1, 2008, retirement participation is in a 401(a) plan with the ICMA with a 12.5% City contribution. The total plan contribution for fiscal year 2010 for the City Manager was \$14,461.

C. Firefighters' Pension Plan

Plan Description. 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 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. The report may be obtained by writing the Retirement Plan and Trust for Firefighters of the City of Safety Harbor, 750 Main Street, Safety Harbor, Florida 34695 or calling (727) 724-1555.

Contributions. Plan members are required to contribute 1 percent of their annual covered salary. The City's contribution to the fund is determined by actuarial valuation. The City is required to contribute an amount equal to the minimum required contribution as a percentage of covered payroll. The City's contribution of \$286,033 for 2010 is reflected in the departmental expenditures section of the General Fund. The State of Florida levies a tax on property, casualty

CITY OF SAFETY HARBOR, FLORIDA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE 7 – PENSION PLANS (continued):

and auto insurance premiums, the proceeds of which are distributed to the Plan. In 2010, the State of Florida’s contribution to the retirement trust fund was \$140,556.

Actuarial methods and assumptions. 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, 2010:

	Firefighters' Pension Plan
Actuarial valuation date	10/1/2010
Contribution rates:	
City	Actuarially determined
State	*
Plan members	1%
Annual required contribution	\$ 305,306
Contributions made	\$ 318,522
Actuarial cost method	Aggregate **
Amortization method	Level dollar, open
Remaining amortization period	30 years
Asset valuation method	Market Value
Actuarial assumptions:	
Investment rate of return	7.50%
Projected salary increases	5.39%

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

**Because the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funded progress is prepared using the entry age normal cost method and is intended to serve as a surrogate for the funded status of the plan.

CITY OF SAFETY HARBOR, FLORIDA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE 7 – 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:

Annual required contribution	\$ 305,306
Interest on net pension obligation	(29,634)
Adjustment to annual required contribution	31,122
Annual pension cost	<u>306,794</u>
Contributions made	<u>(318,522)</u>
Increase in net pension obligation (asset)	(11,728)
Net pension obligation (asset) beginning of the year	<u>(395,124)</u>
Net pension obligation (asset) end of the year	<u><u>\$ (406,852)</u></u>

Three year trend information

Year Ending	Annual Pension Cost (APC)	Actual Contributions	Percentage of APC Contributed	Net Pension Obligation (Asset)
9/30/2010	\$ 306,794	\$ 318,522	104%	\$ 406,852
9/30/2009	237,718	255,718	108%	395,124
9/30/2008	237,677	239,733	101%	377,124

The funded status of the plan as of October 1, 2010, the most recent actuarial valuation date, is as follows:

Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
(a)	(b)	(b-a)	(a) / (b)	(c)	((b-a)/c)
\$ 2,353,601	\$ 2,151,877	\$ -	109.37%	\$975,490	0.00%

A schedule of funding progress for this retirement plan is presented as required supplementary information (RSI) following the notes to the financial statements.

CITY OF SAFETY HARBOR, FLORIDA
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2010

NOTE 8 – 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, 2010.

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB):

Plan Description and Funding Policy

The City operates a single-employer retiree benefit plan (the “Plan”) that provides certain healthcare related benefits to retirees and certain other employees. The City is required by section 112.0801, Florida Statutes, to allow retirees and certain other former employees to continue to participate in the City’s fully insured plan. These retirees are fully responsible for payment of their insurance premiums, and the City generally does not contribute toward this payment. However, retirees pay for the cost of this benefit at a single, blended premium rate that the City uses for both active employees and retirees. The difference between the amount the retiree is required to pay at the implicitly subsidized premium rates and the actual cost to the City meets the definition of OPEB. The required contribution by the City is based on pay-as-you-go financing requirements. The City has no legal or contractual obligation to make contributions to a qualified trust to fund OPEB. For the year ended September 30, 2010, the City estimated it subsidized \$48,000 of health care costs for its retirees and their covered dependents.

Annual OPEB Cost and Net OPEB Obligation

The City’s annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City’s net OPEB obligation to the Plan:

Annual Required Contribution	\$	113,000
Interest on Net OPEB Obligation		3,000
Adjustment to Annual Required Contribution		(6,000)
Annual OPEB Cost (Expense)		110,000
Contributions Made		(48,000)
Increase in Net OPEB Obligation		62,000
Net OPEB Obligation - Beginning of Year		65,000
Net OPEB Obligation - End of Year	\$	127,000

CITY OF SAFETY HARBOR, FLORIDA
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2010

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued):

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 were as follows:

Fiscal Year End	Annual OPEB Cost	% of Annual OPEB Cost Contributed	Net OPEB Obligation
9/30/2010	\$ 110,000	44%	\$ 127,000
9/30/2009	\$ 112,000	42%	\$ 65,000

Funding Status and Funding Progress

The unfunded actuarial accrued liability for other post employee benefits was \$778,000 and an actuarial value of assets of zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$778,000 as September 30, 2010. The covered payroll (annual payroll of active employees covered by the plan) was \$7,569,000, and the ratio of the UAAL to the covered payroll was 10.5 percent.

This actuarial valuation involves estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to constant revision as actual experience are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial liabilities for benefits.

Calculations are based upon the types of benefits provided under the terms of the plan at the time of the valuation and on the pattern of sharing of costs between the employer and plan members to that point. Calculations reflect a long-term prospective, so methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

Actuarial Methods and Assumptions

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

The projected unit credit actuarial cost method was used in the actuarial valuation. Other actuarial assumptions included a 4% investment rate of return, with 2.75% of this amount being attributed to inflation. The investment return assumption is based on the expected long-term return on the assets which will be used to provide the OPEB benefits being valued. Since there are no invested assets in this plan (as there is not a benefit trust designated to pay the promised benefits), the actuary analyzes the

CITY OF SAFETY HARBOR, FLORIDA
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2010

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued):

expected long-term return on the City’s surplus funds. The annual healthcare cost rate was 10% initially, grading down to a rate of 6% by fiscal years 2017/18. The City’s unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The amortization period is 15 years.

NOTE 10 – REDEVELOPMENT TRUST FUND

Pursuant to Florida Statute 163.387, the schedule below provides a summary of the sources of deposits into, and the amount and purpose of withdrawals from, the Redevelopment Trust Fund (Community Redevelopment Agency Fund) for the fiscal year ended September 30, 2010.

	<u>Deposits</u>	<u>Withdrawals</u>
Sources of deposits:		
Ad valorem taxes	\$ 157,287	\$ -
Ad valorem taxes from Pinellas County	250,752	-
Interest and investment income	57,043	-
Miscellaneous	1,685	-
Purpose of withdrawals:		
Personal services	-	79,908
Banners	-	149
District fees	-	670
Façade and partnership Incentives	-	40,878
Decorative lighting	-	14,355
Directional signage	-	100
Streetscaping- benches, trash cans, planter, ballasts	-	14,304
Marina Improvements	-	2,621
Museum Capital Building Improvements	-	5,000
Chamber Visitor Center	-	15,000
Land lease - CSX	-	403
9th Avenue corridor beautification	-	39,410
CRA Parkland improvements (Church Street)	-	2,310
Marina Improvements	-	4,420
Street resurfacing	-	50,000
Brick streets	-	10,371
2nd Street parking phase II	-	(1,660)
Totals	<u>\$ 466,767</u>	<u>\$ 278,239</u>

NOTE 11 – TERMINATION BENEFITS

The City offered a voluntary retirement and separation incentive program to employees electing to terminate employment from the City on or before May 28, 2010. Employees with a minimum of eight years of service were eligible for four months of regular pay and twelve months of health insurance. Employees with less than eight years of service were eligible for two month’s regular pay and six months of health insurance. Incentive payments, based on the employee’s regular wage, were made at the time of separation. Employees were required to have been eligible for and currently enrolled in the City’s health plan. In the current year, five employees elected participation in the program. Two employees electing participation in the 2009 voluntary separation incentive program remain in the program as they elected an incentive that included three months incentive pay and twenty-four months of health insurance. The City

CITY OF SAFETY HARBOR, FLORIDA
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2010

NOTE 11 – TERMINATION BENEFITS (continued):

recorded a liability for healthcare benefits as of September 30, 2010 assuming no increase in the healthcare cost trend rate.

<u>Termination Benefits at September 30, 2009</u>	<u>Termination Benefits</u>	<u>Termination Benefits Paid</u>	<u>Termination Benefits at September 30, 2010</u>
\$82,330	\$137,441	\$167,654	\$52,117

NOTE 12 – 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, employees' 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 their 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, 2010. The City had no significant reductions in insurance coverage during the fiscal year ended September 30, 2010. 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 13 – STATE AND FEDERAL GRANT COMMITMENTS

Grant monies received and disbursed by the City are for specific purposes and are subject to review by the grantor agencies. Such audits may result in requests for reimbursement due to disallowed expenditures. Based upon prior experience, the City does not believe that such disallowance, if any, would have a material effect on the financial position of the City.

This space left black intentionally.

REQUIRED SUPPLEMENTARY INFORMATION

This page left blank intentionally.

CITY OF SAFETY HARBOR, FLORIDA
 BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
 YEAR ENDED SEPTEMBER 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Resources (inflows):				
Property taxes	\$ 3,178,950	\$ 3,178,950	\$ 3,084,968	\$ (93,982)
Charges for services	743,050	755,535	824,917	69,382
Franchise fees	1,383,800	1,383,800	1,629,370	245,570
Utility taxes	2,184,500	2,184,500	2,624,901	440,401
Licenses and permits	267,400	267,400	266,369	(1,031)
State and local revenue sharing	473,807	473,807	468,225	(5,582)
Intergovernmental revenues	1,263,339	1,285,817	1,269,902	(15,915)
Sales tax	841,857	841,857	847,342	5,485
Fines and forfeitures	113,200	113,200	28,673	(84,527)
Interest income and net appreciation in fair value of investments	382,350	382,350	395,372	13,022
Miscellaneous revenue	1,145,994	1,151,994	1,120,837	(31,157)
Gail on sale of capital assets	-	-	6,992	6,992
Transfers from other funds	300,000	300,000	-	(300,000)
	<u>12,278,247</u>	<u>12,319,210</u>	<u>12,567,868</u>	<u>248,658</u>
Amounts available for appropriation				
Charges to appropriations (outflows):				
General Government:				
City Commission	163,062	163,062	146,610	16,452
City Manager	236,753	236,753	256,566	(19,813)
City Clerk	223,718	223,635	196,163	27,472
Finance	387,292	405,397	389,572	15,825
Personnel	296,863	296,863	290,214	6,649
Planning	326,357	341,357	336,428	4,929
City Attorney	111,300	111,300	110,744	556
Nondepartmental	293,783	287,436	308,644	43,616
Maintenance	707,881	753,464	740,073	13,391
Nonoperating	452,338	275,194	275,194	-
	<u>3,199,347</u>	<u>3,094,461</u>	<u>3,050,208</u>	<u>109,077</u>
Total general government	<u>3,199,347</u>	<u>3,094,461</u>	<u>3,050,208</u>	<u>109,077</u>
Public Safety:				
Law enforcement	1,273,051	1,273,051	1,228,769	44,282
Fire	3,564,956	3,620,316	3,615,892	4,424
Building department	304,233	304,233	300,581	3,652
	<u>5,142,240</u>	<u>5,197,600</u>	<u>5,145,242</u>	<u>52,358</u>
Total public safety	<u>5,142,240</u>	<u>5,197,600</u>	<u>5,145,242</u>	<u>52,358</u>
Transportation	<u>938,396</u>	<u>938,355</u>	<u>914,682</u>	<u>23,673</u>
Physical environment	<u>573,603</u>	<u>571,795</u>	<u>566,731</u>	<u>5,064</u>
Capital outlay	<u>104,981</u>	<u>106,500</u>	<u>88,805</u>	<u>24,198</u>
Culture and recreation:				
Library	1,234,728	1,233,071	1,163,288	67,583
Parks and recreation	2,355,502	2,359,120	2,158,588	200,532
	<u>3,590,230</u>	<u>3,592,191</u>	<u>3,321,876</u>	<u>268,115</u>
Total culture and recreation	<u>3,590,230</u>	<u>3,592,191</u>	<u>3,321,876</u>	<u>268,115</u>
Transfers to other funds	-	4,500	4,500	-
	<u>13,548,797</u>	<u>13,505,402</u>	<u>13,092,044</u>	<u>482,485</u>
Total charges to appropriations	<u>13,548,797</u>	<u>13,505,402</u>	<u>13,092,044</u>	<u>482,485</u>
Excess (deficiency) of resources over (under) charges to appropriations	<u>\$ (1,270,550)</u>	<u>\$ (1,186,192)</u>	<u>\$ (524,176)</u>	<u>\$ 662,016</u>

See Independent Auditors' Report.

CITY OF SAFETY HARBOR, FLORIDA
 BUDGETARY COMPARISON SCHEDULE
 MAJOR GOVERNMENTAL FUND – STORMWATER UTILITY FUND
 YEAR ENDED SEPTEMBER 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Resources (inflows):				
Special assessments	\$ 521,000	\$ 521,000	\$ 459,196	\$ (61,804)
Intergovernmental revenues	500,000	500,000	190,525	(309,475)
Interest income and net appreciation in fair value of investments	44,290	44,290	117,248	72,958
	<u>1,065,290</u>	<u>1,065,290</u>	<u>766,969</u>	<u>(298,321)</u>
Amounts available for appropriation				
Charges to appropriations (outflows):				
Physical environment	677,003	681,567	636,632	44,935
Capital outlay	1,319,499	804,283	646,767	157,516
Debt service				
Principal payment	29,621	26,846	25,534	1,312
Interest and other fiscal charges	-	2,775	3,960	(1,185)
	<u>2,026,123</u>	<u>1,515,471</u>	<u>1,312,893</u>	<u>202,578</u>
Total charges to appropriations				
Excess (deficiency) of resources over (under) charges to appropriations	<u>(960,833)</u>	<u>(450,181)</u>	<u>(545,924)</u>	<u>(95,743)</u>
Appropriated fund balance	<u>960,833</u>	<u>450,181</u>	<u>-</u>	<u>(450,181)</u>
Deficiency of resources under charges to appropriations	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (545,924)</u>	<u>\$ (545,924)</u>

See Independent Auditors' Report.

CITY OF SAFETY HARBOR, FLORIDA
 BUDGETARY COMPARISON SCHEDULE
 MAJOR GOVERNMENTAL FUND – COMMUNITY REDEVELOPMENT FUND
 YEAR ENDED SEPTEMBER 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Resources (inflows):				
Property taxes	\$ 400,706	\$ 408,039	\$ 408,039	\$ -
Interest income and net appreciation in fair value of investments	3,610	22,450	57,043	34,593
Miscellaneous revenue	500	-	1,685	1,685
	<u>404,816</u>	<u>430,489</u>	<u>466,767</u>	<u>36,278</u>
Amounts available for appropriation				
Charges to appropriations (outflows):				
General government	189,725	191,561	173,388	18,173
Capital outlay	750,000	654,911	104,851	550,060
	<u>939,725</u>	<u>846,472</u>	<u>278,239</u>	<u>568,233</u>
Total charges to appropriations				
Excess (deficiency) of resources over (under) charges to appropriations	<u>(535,409)</u>	<u>(415,983)</u>	<u>188,528</u>	<u>604,511</u>
Appropriated fund balance	<u>535,409</u>	<u>415,983</u>	<u>-</u>	<u>(415,983)</u>
Excess of resources over charges to appropriations	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 188,528</u>	<u>\$ 188,528</u>

See Independent Auditors' Report.

CITY OF SAFETY HARBOR, FLORIDA
SCHEDULE OF FUNDING PROGRESS – FIREFIGHTERS’ RETIREMENT FUND
YEAR ENDED SEPTEMBER 30, 2010

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)
10/1/2010	\$ 2,353,601	\$ 2,151,877	\$ (201,724)	109.37%	\$ 975,490	-20.68%
10/1/2009	1,810,225	1,763,773	(46,452)	102.63%	971,356	-4.78%
Not applicable	1,097,648	N/A	N/A	N/A	N/A	N/A
10/1/2007	1,099,877	1,150,883	51,006	95.57%	759,761	6.71%
Not applicable	756,431	N/A	N/A	N/A	N/A	N/A
10/1/2005	498,560	498,560	-	100.00%	564,028	0.00%

*After 2006, the AAL has been calculated under the entry age normal cost method.

See Independent Auditors’ Report.

CITY OF SAFETY HARBOR, FLORIDA
 SCHEDULE OF FUNDING CONTRIBUTIONS FROM THE EMPLOYER
 AND OTHER CONTRIBUTING ENTITIES – FIREFIGHTERS’ RETIREMENT FUND
 YEAR ENDED SEPTEMBER 30, 2010

Year ended September 30,	Annual Required Contribution	City Contribution	State Contribution	Percentage Contribution
2010	\$ 305,306	\$ 286,033	\$ 140,556	104%
2009	237,677	223,299	148,219	108%
2008	237,677	207,244	146,206	101%
2007	191,912	173,502	119,357	100%
2006	182,347	140,391	81,269	100%
2005	87,553	120,365	69,231	100%

See Independent Auditors’ Report.

CITY OF SAFETY HARBOR, FLORIDA
 SCHEDULE OF EMPLOYER CONTRIBUTIONS -
 OTHER POST EMPLOYMENT BENEFITS
 YEAR ENDED SEPTEMBER 30, 2010

<u>Year Ended September 30,</u>	<u>Annual Required Contribution</u>	<u>% Contribution</u>	<u>Annual OPEB Cost</u>	<u>% Contribution</u>
2009	\$ 112,000	42%	\$ 112,000	42%
2010	113,000	42%	110,000	44%

See Independent Auditors' Report.

CITY OF SAFETY HARBOR, FLORIDA
 SCHEDULE OF FUNDING PROGRESS –
 OTHER POST EMPLOYMENT BENEFITS
 SEPTEMBER 30, 2010

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability - Projected Unit Credit (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
7/1/2009	\$ -	\$ 778,000	\$ 778,000	0.00%	\$ 7,569,000	10.28%

See Independent Auditors' Report.

This page left blank intentionally.

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

CITY OF SAFETY HARBOR, FLORIDA
COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2010

	Special Revenue Funds											Debt Service	Total Other Governmental Funds	
	Public Safety	Street Improvement	Street Assessment	Marina Boat Basin	Transportation Impact Fee	Library Impact Fee	Drainage Impact Fee	Street Lighting	Parking Impact Fee	Law Enforcement	Parkland			Total Special Revenue Funds
ASSETS														
Cash and cash equivalents	\$ 69,608	\$ 284,024	\$ 22,257	\$ 202,148	\$ 517,067	\$ 23,443	\$ 197	\$ 626,957	\$ 4,692	\$ (4,015)	\$ 751,272	\$ 2,497,650	\$ 60,421	\$ 2,558,071
Receivables, net:														
Accounts receivable	214	540	896	1,517	1,593	72	1	1,950	13	-	2,315	9,111	-	9,111
Due from other governments	-	36,870	-	-	-	-	-	-	-	4,015	-	40,885	-	40,885
Total assets	<u>\$ 69,822</u>	<u>\$ 321,434</u>	<u>\$ 23,153</u>	<u>\$ 203,665</u>	<u>\$ 518,660</u>	<u>\$ 23,515</u>	<u>\$ 198</u>	<u>\$ 628,907</u>	<u>\$ 4,705</u>	<u>\$ -</u>	<u>\$ 753,587</u>	<u>\$ 2,547,646</u>	<u>\$ 60,421</u>	<u>\$ 2,608,067</u>
LIABILITIES AND FUND BALANCES														
Liabilities:														
Accounts payable	\$ -	\$ 1,180	\$ -	\$ 5,252	\$ 6,680	\$ -	\$ -	\$ 20,923	\$ -	\$ -	\$ -	\$ 34,035	\$ 912	\$ 34,947
Accrued liabilities	-	-	-	562	-	-	-	-	-	-	-	562	-	562
Customer deposits	-	-	-	6,117	-	-	-	-	-	-	-	6,117	-	6,117
Deferred revenue	-	-	4,429	-	-	-	-	-	-	-	-	4,429	-	4,429
Total liabilities	<u>-</u>	<u>1,180</u>	<u>4,429</u>	<u>11,931</u>	<u>6,680</u>	<u>-</u>	<u>-</u>	<u>20,923</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>45,143</u>	<u>912</u>	<u>46,055</u>
Fund Balances														
Reserved for:														
Debt service	-	-	-	-	-	-	-	-	-	-	-	-	59,509	59,509
Public safety	69,822	-	-	-	-	-	-	-	-	-	-	69,822	-	69,822
Parkland	-	-	-	-	-	-	-	-	-	-	753,587	753,587	-	753,587
Transportation	-	-	-	-	511,980	-	-	-	-	-	-	511,980	-	511,980
Library	-	-	-	-	-	23,515	-	-	-	-	-	23,515	-	23,515
Parking	-	-	-	-	-	-	-	-	4,705	-	-	4,705	-	4,705
Unreserved:														
Designated for special assessment	-	-	18,724	-	-	-	-	-	-	-	-	18,724	-	18,724
Designated for street improvement	-	320,254	-	-	-	-	-	-	-	-	-	320,254	-	320,254
Designated for street lighting	-	-	-	-	-	-	-	607,984	-	-	-	607,984	-	607,984
Designated for marina	-	-	-	191,734	-	-	-	-	-	-	-	191,734	-	191,734
Designated for drainage	-	-	-	-	-	-	198	-	-	-	-	198	-	198
Total fund balances	<u>69,822</u>	<u>320,254</u>	<u>18,724</u>	<u>191,734</u>	<u>511,980</u>	<u>23,515</u>	<u>198</u>	<u>607,984</u>	<u>4,705</u>	<u>-</u>	<u>753,587</u>	<u>2,502,503</u>	<u>59,509</u>	<u>2,562,012</u>
Total liabilities and fund balances	<u>\$ 69,822</u>	<u>\$ 321,434</u>	<u>\$ 23,153</u>	<u>\$ 203,665</u>	<u>\$ 518,660</u>	<u>\$ 23,515</u>	<u>\$ 198</u>	<u>\$ 628,907</u>	<u>\$ 4,705</u>	<u>\$ -</u>	<u>\$ 753,587</u>	<u>\$ 2,547,646</u>	<u>\$ 60,421</u>	<u>\$ 2,608,067</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, 2010

	Special Revenue Funds											Debt Service	Total Other Governmental Funds	
	Public Safety	Street Improvement	Street Assessment	Marina Boat Basin	Transportation Impact Fee	Library Impact Fee	Drainage Impact Fee	Street Lighting	Parking Impact Fee	Law Enforcement	Parkland			Total Special Revenue Funds
Revenues:														
Charges for services	\$ 1,083	\$ -	\$ 8,200	\$ 49,406	\$ 6,988	\$ -	\$ -	\$ 5,646	\$ -	\$ -	\$ -	\$ 71,323	\$ -	\$ 71,323
State and local revenue sharing	-	228,963	-	-	-	-	-	-	-	-	-	228,963	-	228,963
Intergovernmental revenues	-	-	-	-	-	-	-	-	-	4,015	-	4,015	-	4,015
Interest income and net appreciation in fair value of investments	4,657	14,437	1,476	13,403	34,592	1,578	13	46,670	1,634	-	52,307	170,767	-	170,767
Total revenues	5,740	243,400	9,676	62,809	41,580	1,578	13	52,316	1,634	4,015	52,307	475,068	-	475,068
Expenditures:														
Current operating:														
Physical environment	-	-	-	16,484	-	-	-	-	-	-	-	16,484	-	16,484
Transportation	-	485,089	-	-	-	-	-	252,295	-	-	-	737,384	-	737,384
Capital outlay	-	66,428	-	11,423	16,100	-	-	-	114,222	8,515	105,596	322,284	-	322,284
Debt service														
Principal payments	-	-	-	-	-	-	-	-	-	-	-	-	442,344	442,344
Interest and other fiscal charges	-	-	-	-	-	-	-	-	-	-	-	-	230,841	230,841
Total expenditures	-	551,517	-	27,907	16,100	-	-	252,295	114,222	8,515	105,596	1,076,152	673,185	1,749,337
Excess (deficiency) of revenues over (under) expenditures	5,740	(308,117)	9,676	34,902	25,480	1,578	13	(199,979)	(112,588)	(4,500)	(53,289)	(601,084)	(673,185)	(1,274,269)
Other financing sources (uses):														
Transfers in	-	300,000	-	-	-	-	-	-	-	4,500	-	304,500	620,184	924,684
Total other financing sources (uses)	-	300,000	-	-	-	-	-	-	-	4,500	-	304,500	620,184	924,684
Net change in fund balances	5,740	(8,117)	9,676	34,902	25,480	1,578	13	(199,979)	(112,588)	-	(53,289)	(296,584)	(53,001)	(349,585)
Fund balances, beginning of year	64,082	328,371	9,048	156,832	486,500	21,937	185	807,963	117,293	-	806,876	2,799,087	112,510	2,911,597
Fund balances, end of year	\$ 69,822	\$ 320,254	\$ 18,724	\$ 191,734	\$ 511,980	\$ 23,515	\$ 198	\$ 607,984	\$ 4,705	\$ -	\$ 753,587	\$ 2,502,503	\$ 59,509	\$ 2,562,012

CITY OF SAFETY HARBOR, FLORIDA
 BUDGETARY COMPARISON SCHEDULE
 MAJOR GOVERNMENTAL FUND – CAPITAL PROJECTS FUND
 YEAR ENDED SEPTEMBER 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Resources (inflows):				
State and local revenue sharing	\$ 1,537,685	\$ 1,537,685	\$ 1,277,614	\$ (260,071)
Interest income and net appreciation in fair value of investments	<u>90,390</u>	<u>90,390</u>	<u>104,547</u>	<u>14,157</u>
Amounts available for appropriation	<u>1,628,075</u>	<u>1,628,075</u>	<u>1,382,161</u>	<u>(245,914)</u>
Charges to appropriations (outflows):				
Capital outlay	633,162	682,140	553,421	128,719
Transfers to other funds	<u>1,220,184</u>	<u>1,220,184</u>	<u>920,184</u>	<u>300,000</u>
Total charges to appropriations	<u>1,853,346</u>	<u>1,902,324</u>	<u>1,473,605</u>	<u>428,719</u>
Excess (deficiency) of resources over (under) charges to appropriations	<u>(225,271)</u>	<u>(274,249)</u>	<u>(91,444)</u>	<u>182,805</u>
Appropriated fund balance	<u>225,271</u>	<u>274,249</u>	<u>-</u>	<u>(274,249)</u>
Deficiency of resources under charges to appropriations	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (91,444)</u>	<u>\$ (91,444)</u>

See Independent Auditors' Report.

OTHER SUPPLEMENTAL SCHEDULES

This page left blank intentionally.

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, 2010

	Actual Amounts				Total Amounts	Variance Favorable (Unfavorable)
	Fire Budget	City Amounts	Fire District Amounts	EMS Amounts		
REVENUE						
Municipality - City of Safety Harbor	\$ 2,608,660	\$ 2,648,008	\$ -	\$ -	\$ 2,648,008	\$ 39,348
EMS District funds	826,135	-	-	826,135	826,135	-
Safety Harbor Fire District	200,100	-	163,837	-	163,837	(36,263)
Total revenues	<u>3,634,895</u>	<u>2,648,008</u>	<u>163,837</u>	<u>826,135</u>	<u>3,637,980</u>	<u>3,085</u>
EXPENDITURES						
Personnel services	3,269,754	2,395,942	163,837	712,442	3,272,221	(2,467)
Contractual/other services	287,350	212,856	-	67,226	280,082	7,268
Materials and supplies	77,791	39,210	-	24,380	63,590	14,201
Capital outlay	-	-	-	-	-	-
Total expenditures	<u>3,634,895</u>	<u>2,648,008</u>	<u>163,837</u>	<u>804,048</u>	<u>3,615,893</u>	<u>19,002</u>
Excess of revenues over expenditures before operating transfers	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,087</u>	<u>\$ 22,087</u>	<u>\$ (22,087)</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, 2010

	Library Budget	Actual Amounts		Total Amounts	Variance Favorable (Unfavorable)
		City Amounts	Library Amounts		
REVENUE					
Municipality - City of					
Safety Harbor	\$ 1,079,067	\$ 838,642	\$ -	\$ 838,642	(240,425)
Library impact revenue	1,200	-	-	-	(1,200)
Intergovernmental	244,582	-	244,582	244,582	-
Chrissie Shull Elmore Trust	15,000	13,263	-	13,263	(1,737)
Interest income and net appreciation in fair value of investments	90	798	-	798	708
Miscellaneous	38,750	50,854	-	50,854	12,104
Total revenues	<u>1,378,689</u>	<u>903,557</u>	<u>244,582</u>	<u>1,148,139</u>	<u>(230,550)</u>
EXPENDITURES					
Personnel services	797,274	571,520	220,481	792,001	5,273
Contractual/other services	373,762	307,670	17,651	325,321	48,441
Materials and supplies	59,835	20,893	21,649	42,542	17,293
Capital outlay	147,818	2,676	88,805	91,481	56,337
Total expenditures	<u>1,378,689</u>	<u>902,759</u>	<u>348,586</u>	<u>1,251,345</u>	<u>127,344</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing	-	798	(104,004)	(103,206)	(103,206)
Fund balance, beginning of year	-	19,793	104,004	123,797	123,797
Fund balance, end of year	<u>\$ -</u>	<u>\$ 20,591</u>	<u>\$ -</u>	<u>\$ 20,591</u>	<u>\$ 20,591</u>

See Independent Auditors' Report.

CITY OF SAFETY HARBOR, FLORIDA
SCHEDULE OF OPERATIONS – ACTUAL AND BUDGET
WATER AND SEWER FUND
YEAR ENDED SEPTEMBER 30, 2010

	<u>Budget</u>	<u>Budgetary Basis Actual</u>	<u>Variance Favorable (Unfavorable)</u>
OPERATING REVENUES			
Charges for services	\$ 8,567,500	\$ 8,081,185	\$ (486,315)
Miscellaneous	589,816	577,353	(12,463)
Total operating revenue	<u>9,157,316</u>	<u>8,658,538</u>	<u>(498,778)</u>
OPERATING EXPENSES			
Salaries, wages and employee benefits	1,893,809	1,840,488	53,321
Materials and supplies	2,653,530	277,003	2,376,527
Contractual and other services	4,772,616	4,141,125	631,491
Capital outlay	<u>2,305,562</u>	<u>991,438</u>	<u>1,314,124</u>
Total operating expenses	<u>11,625,517</u>	<u>7,250,054</u>	<u>4,375,463</u>
Operating income (loss)	<u>(2,468,201)</u>	<u>1,408,484</u>	<u>3,876,685</u>
NONOPERATING REVENUES (EXPENSES)			
Interest income and net appreciation			
in fair value of investments	158,190	423,343	265,153
Interest expense	(317,085)	(234,146)	82,939
Gain on sale of capital assets	-	5,079	5,079
Debt service principal retirement	<u>(597,739)</u>	<u>(570,539)</u>	<u>27,200</u>
Total nonoperating revenues (expenses)	<u>(756,634)</u>	<u>(376,263)</u>	<u>380,371</u>
Income (loss) before appropriated net assets	(3,224,835)	1,032,221	4,257,056
Appropriated net assets	<u>3,224,835</u>		<u>(3,224,835)</u>
Changes in net assets	<u>\$ -</u>	<u>\$ 1,032,221</u>	<u>\$ 1,032,221</u>
Adjustments to reconcile to combining statement of revenues, expenses, and changes in net assets - proprietary funds			
Depreciation and amortization		(876,205)	
Capital outlay		991,438	
Debt service principal repayment		<u>570,539</u>	
Change in net assets GAAP basis		<u>\$ 685,772</u>	

See Independent Auditors' Report.

CITY OF SAFETY HARBOR, FLORIDA
SCHEDULE OF OPERATIONS – ACTUAL AND BUDGET
SOLID WASTE FUND
YEAR ENDED SEPTEMBER 30, 2010

	<u>Budget</u>	<u>Budgetary Basis Actual</u>	<u>Variance Favorable (Unfavorable)</u>
OPERATING REVENUES			
Charges for services	\$ 2,675,100	\$ 2,782,138	\$ 107,038
Franchise fees	35,000	29,928	(5,072)
Intergovernmental	13,000	13,439	439
Miscellaneous	37,700	80,488	42,788
Total operating revenues	<u>2,760,800</u>	<u>2,905,993</u>	<u>145,193</u>
OPERATING EXPENSES			
Salaries, wages and employee benefits	1,198,806	1,182,200	16,606
Materials and supplies	541,159	236,853	304,306
Contractual and other services	1,122,400	951,912	170,488
Capital outlay	248,000	224,150	23,850
Total operating expenses	<u>3,110,365</u>	<u>2,595,115</u>	<u>515,250</u>
Operating income (loss)	<u>(349,565)</u>	<u>310,878</u>	<u>660,443</u>
NONOPERATING REVENUES (EXPENSES)			
Interest income and net appreciation in fair value of investments	50,620	52,291	1,671
Interest expense	(5,486)	(24,668)	(19,182)
Gain on sale of capital assets	-	4,376	4,376
Debt service principal retirement	(32,777)	(59,714)	(26,937)
Total nonoperating revenues (expenses)	<u>12,357</u>	<u>(27,715)</u>	<u>(40,072)</u>
Income (loss) before appropriated net assets	(337,208)	283,163	620,371
Appropriated net assets	<u>337,208</u>	<u>-</u>	<u>(337,208)</u>
Changes in net assets	<u>\$ -</u>	<u>\$ 283,163</u>	<u>\$ 283,163</u>
Adjustments to reconcile to combining statement of revenues, expenses, and changes in net assets - proprietary funds			
Depreciation and amortization		(217,677)	
Capital outlay		224,150	
Debt service principal repayment		59,714	
Change in net assets GAAP basis		<u>\$ 66,187</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, 2010

	Total Governmental Funds	Assets and Long- term Liabilities	Reclasses and Eliminations	Statement of Net Assets
Assets				
Equity in pooled cash and investments	\$ 15,586,347	\$ -	\$ -	\$ 15,586,347
Receivables, net:				
Accounts receivable	436,562	-	-	436,562
Due from other governments	482,222	-	-	482,222
Inventories	95,643	-	-	95,643
Prepays	231,235	-	-	231,235
Capital assets:				
Nondepreciable	-	4,859,276	-	4,859,276
Depreciable, net of accumulated depreciation	-	21,925,368	-	21,925,368
Unamortized bond issuance costs	-	32,088	-	32,088
Pension asset	-	406,852	-	406,852
Total assets	\$ 16,832,009	\$ 27,223,584	\$ -	\$ 44,055,593
Liabilities				
Liabilities:				
Accounts payable	206,138	-	-	206,138
Accrued liabilities	311,322	-	-	311,322
Customer deposits	90,036	-	-	90,036
Unearned revenue	37,402	-	-	37,402
Long-term obligations	-	7,815,993	-	7,815,993
Total liabilities	644,898	7,815,993	-	8,460,891
Fund Balances				
Invested in capital assets, net of related debt	-	20,007,450	-	20,007,450
Reserved for:				
Debt service	59,509	-	-	59,509
Prepays	231,235	-	-	231,235
Inventories	61,505	-	-	61,505
Public safety	69,822	-	-	69,822
Parkland	753,587	-	-	753,587
Transportation	511,980	-	-	511,980
Library	23,515	-	-	23,515
Parking	4,705	-	-	4,705
Capital projects	2,095,656	-	-	2,095,656
Unreserved:				
Designated for community redevelopment agency	898,337	-	(898,337)	-
Designated for stormwater	1,822,500	-	(1,822,500)	-
Designated for special assessment	18,724	-	(18,724)	-
Designated for street improvement	320,254	-	(320,254)	-
Street lighting	607,984	-	(607,984)	-
Designated for marina	191,734	-	(191,734)	-
Designated for drainage	198	-	(198)	-
Undesignated	8,515,866	(599,859)	3,859,731	11,775,738
Total fund balances	16,187,111	19,407,591	-	35,594,702
Total liabilities and fund balances	\$ 16,832,009	\$ 27,223,584	\$ -	\$ 44,055,593

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, 2010

	Total Governmental Funds	Depreciation	Capital Outlay	Change in Pension Asset	Long-term Debt	Reclasses and Eliminations	Statement of Activities Total
REVENUES							
Property taxes	\$ 3,493,007	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,493,007
Charges for services	1,355,436	-	-	-	-	-	1,355,436
Franchise fees	1,629,370	-	-	-	-	-	1,629,370
Utility taxes	2,624,901	-	-	-	-	-	2,624,901
Licenses and permits	266,369	-	-	-	-	-	266,369
State and local revenue sharing	1,974,802	-	-	-	-	-	1,974,802
Intergovernmental revenues	1,464,442	-	-	-	-	-	1,464,442
Sales tax	847,342	-	-	-	-	-	847,342
Special assessments	-	-	-	-	-	-	-
Fines and forfeitures	28,673	-	-	-	-	-	28,673
Interest income and net appreciation in fair value of investments	844,977	-	-	-	-	-	844,977
Impact fees	-	-	-	-	-	-	-
Miscellaneous	1,122,522	-	-	-	-	-	1,122,522
Total revenues	<u>15,651,841</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,651,841</u>
EXPENDITURES							
Current operating:							
General government	3,223,596	268,107	-	-	(16,766)	-	3,474,937
Law enforcement	1,228,769	2,494	-	-	-	-	1,231,263
Fire protection	3,615,892	194,954	-	(11,728)	15,756	-	3,814,874
Building department	300,581	-	-	-	4,670	-	305,251
Physical environment	1,219,847	110,493	-	-	17,574	-	1,347,914
Transportation	1,652,066	497,344	-	-	2,759	(121)	2,152,048
Library	1,163,288	353,810	-	-	(2,325)	-	1,514,773
Parks and recreation	2,158,588	412,292	-	-	14,150	-	2,585,030
Capital outlay	1,716,128	-	(1,716,249)	-	-	121	-
Debt service							
Principal payments	467,878	-	-	-	(468,004)	-	(126)
Interest and other fiscal charges	234,801	-	-	-	2,592	-	237,393
Total expenditures	<u>16,981,434</u>	<u>1,839,494</u>	<u>(1,716,249)</u>	<u>(11,728)</u>	<u>(429,594)</u>	<u>-</u>	<u>16,663,357</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,329,593)</u>	<u>(1,839,494)</u>	<u>1,716,249</u>	<u>11,728</u>	<u>429,594</u>	<u>-</u>	<u>(1,011,516)</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	924,684	-	-	-	-	(924,684)	-
Transfers out	(924,684)	-	-	-	-	924,684	-
Sale of capital assets	6,992	-	-	-	-	-	6,992
Total other financing sources (uses)	<u>6,992</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,992</u>
Net change in fund balances	<u>\$ (1,322,601)</u>	<u>\$ (1,839,494)</u>	<u>\$ 1,716,249</u>	<u>\$ 11,728</u>	<u>\$ 429,594</u>	<u>\$ -</u>	<u>\$ (1,004,524)</u>

See Independent Auditors' Report.

STATISTICAL SECTION

This page left blank intentionally

City of Safety Harbor, Florida
STATISTICAL SECTION

This section of the City's CAFR presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information say about the City's overall financial health. This information has not been audited by the independent auditor.

Contents

Financial Trends

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

Schedule 1	Net Assets by Component
Schedule 2	Changes in Net Assets
Schedule 3	Program Revenues by Function/Program
Schedule 4	Fund Balances of Governmental Funds
Schedule 5	Changes in Fund Balances of Governmental Funds

Revenue Capacity

These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.

Schedule 6	Assessed Value and Estimated Actual Value of Taxable Property
Schedule 7	Direct and Overlapping Property Tax Rates
Schedule 8	Principal Taxpayers - Real Property
Schedule 9	Principal Taxpayers - Personal Property
Schedule 10	Property Tax Levies and Collections

Debt Capacity

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

Schedule 11	Ratios of Outstanding Debt by Type
Schedule 12	Ratios of Net General Bonded Debt Outstanding
Schedule 13	Legal Debt Margin Information
Schedule 14	Direct and Overlapping Governmental Activities Debt
Schedule 15	Water and Sewer Revenue Bond Coverage

City of Safety Harbor, Florida
STATISTICAL SECTION

Demographic and Economic Information

These schedules offer economic and demographic indicators to help the reader understand the environment within which the City's financial activities take place.

- Schedule 16 Demographic and Economic Statistics
- Schedule 17 Principal Employers

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

- Schedule 18 Full-time Equivalent City Government Employees by Function
- Schedule 19 Operating Indicators by Function
- Schedule 20 Capital Asset Statistics by Function

Sources: Unless otherwise noted, the information in this section is derived from the City's comprehensive annual financial reports for the relevant year. The City implemented the new reporting model, GASB 34, in the fiscal year ending September 30, 2003.

SCHEDULE 1

City of Safety Harbor, Florida
NET ASSETS BY COMPONENT
 Last Eight Fiscal Years
 (Accrual Basis of Accounting)

	Fiscal Year							
	2010	2009	2008	2007	2006	2005	2004	2003
Governmental Activities								
Invested in capital assets, net of related debt	\$ 20,007,450	\$ 19,665,284	\$ 17,632,941	\$ 21,125,097	\$ 17,924,729	\$ 16,738,559	\$ 15,260,064	\$ 14,693,273
Restricted	3,811,514	3,318,189	2,594,159	1,184,718	1,574,248	1,420,295	6,340,939	6,836,156
Unrestricted	11,775,738	13,615,753	17,118,139	14,179,092	16,001,033	15,196,276	9,800,653	8,139,108
Total governmental activities net assets	<u>\$ 35,594,702</u>	<u>\$ 36,599,226</u>	<u>\$ 37,345,239</u>	<u>\$ 36,488,907</u>	<u>\$ 35,500,010</u>	<u>\$ 33,355,130</u>	<u>\$ 31,401,656</u>	<u>\$ 29,668,537</u>
Business-type Activities								
Invested in capital assets, net of related debt	\$ 10,772,232	\$ 9,965,349	\$ 11,937,820	\$ 11,736,926	\$ 13,227,123	\$ 12,819,967	\$ 12,184,794	\$ 11,540,899
Restricted	4,832,069	3,984,661	1,802,944	2,327,691	1,677,869	2,145,621	2,014,929	1,667,454
Unrestricted	5,688,035	5,274,983	4,559,472	3,748,015	3,077,758	3,908,785	5,704,762	7,633,255
Total business-type activities net assets	<u>\$ 21,292,336</u>	<u>\$ 19,224,993</u>	<u>\$ 18,300,236</u>	<u>\$ 17,812,632</u>	<u>\$ 17,982,750</u>	<u>\$ 18,874,373</u>	<u>\$ 19,904,485</u>	<u>\$ 20,841,608</u>
Primary Government								
Invested in capital assets, net of related debt	\$ 30,779,682	\$ 29,630,633	\$ 29,570,761	\$ 32,862,023	\$ 31,151,852	\$ 29,558,526	\$ 27,444,858	\$ 26,234,172
Restricted	8,643,583	7,302,850	4,397,103	3,512,409	3,252,117	3,565,916	8,355,868	8,503,610
Unrestricted	17,463,773	18,890,736	21,677,611	17,927,107	19,078,791	19,105,061	15,505,415	15,772,363
Total primary government net assets	<u>\$ 56,887,038</u>	<u>\$ 55,824,219</u>	<u>\$ 55,645,475</u>	<u>\$ 54,301,539</u>	<u>\$ 53,482,760</u>	<u>\$ 52,229,503</u>	<u>\$ 51,306,141</u>	<u>\$ 50,510,145</u>

Note: The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2003.

SCHEDULE 2

City of Safety Harbor, Florida
CHANGES IN NET ASSETS
 Last Eight Fiscal Years
 (Accrual Basis of Accounting)

	Fiscal Year							
	2010	2009	2008	2007	2006	2005	2004	2003
Expenses								
Governmental activities:								
General government	\$ 3,474,937	\$ 3,307,998	\$ 3,830,166	\$ 3,447,422	\$ 2,959,689	\$ 2,656,709	\$ 2,942,283	\$ 2,908,779
Law enforcement	1,231,263	1,336,447	1,278,181	1,209,614	1,130,054	1,010,907	863,987	775,565
Fire protection	3,814,874	4,082,474	3,935,680	3,591,781	3,072,479	2,903,403	2,647,055	2,502,611
Building department	305,251	293,109	305,203	276,335	256,155	240,855	258,762	210,843
Physical environment	1,347,914	1,289,878	1,269,798	1,294,981	1,202,864	2,162,943	904,404	2,644,072
Transportation	2,152,048	2,283,184	2,180,589	1,721,927	1,198,203	1,219,261	871,961	965,207
Library	1,514,773	1,670,642	1,361,946	1,165,872	1,003,278	964,798	894,326	696,630
Parks and recreation	2,585,030	2,611,334	2,417,586	2,433,918	2,064,743	1,860,585	1,954,384	1,898,353
Interest and other fiscal charges on long-term debt	237,267	103,790	96,730	401	10,725	20,938	30,419	39,419
Total governmental activities expenses	<u>16,663,357</u>	<u>16,978,856</u>	<u>16,675,879</u>	<u>15,142,251</u>	<u>12,898,190</u>	<u>13,040,399</u>	<u>11,367,581</u>	<u>12,641,479</u>
Business-type activities:								
Water and sewer	7,368,967	7,975,242	7,835,184	7,445,253	6,962,043	6,251,307	6,058,950	5,878,793
Sanitation	2,613,310	2,760,181	2,866,134	2,413,274	2,154,910	2,127,022	2,129,922	1,804,291
Total business-type activities expenses	<u>9,982,277</u>	<u>10,735,423</u>	<u>10,701,318</u>	<u>9,858,527</u>	<u>9,116,953</u>	<u>8,378,329</u>	<u>8,188,872</u>	<u>7,683,084</u>
Total primary government expenses	<u>\$ 26,645,634</u>	<u>\$ 27,714,279</u>	<u>\$ 27,377,197</u>	<u>\$ 25,000,778</u>	<u>\$ 22,015,143</u>	<u>\$ 21,418,728</u>	<u>\$ 19,556,453</u>	<u>\$ 20,324,563</u>
Program Revenues (see Schedule 3)								
Governmental activities:								
Charges for services	\$ 1,650,478	\$ 1,681,855	\$ 1,596,196	\$ 1,557,328	\$ 1,078,116	\$ 907,909	\$ 981,259	\$ 1,267,227
Operating grants and contributions	1,269,902	1,508,338	256,837	17,116	511,503	1,405,141	503,864	508,301
Capital grants and contributions	194,540	11,000	400,126	950,484	75,000	423,240	192,327	386,204
Total governmental activities program revenues	<u>3,114,920</u>	<u>3,201,193</u>	<u>2,253,159</u>	<u>2,524,928</u>	<u>1,664,619</u>	<u>2,736,290</u>	<u>1,677,450</u>	<u>2,161,732</u>
Business-type activities:								
Charges for services	10,863,323	10,573,310	9,545,610	8,732,929	7,865,248	7,116,528	7,015,755	6,816,764
Operating grants and contributions	13,439	13,439	-	-	-	-	-	-
Total business-type activities program revenues	<u>10,876,762</u>	<u>10,586,749</u>	<u>9,545,610</u>	<u>8,732,929</u>	<u>7,865,248</u>	<u>7,116,528</u>	<u>7,015,755</u>	<u>6,816,764</u>
Total primary government program revenues	<u>\$ 13,991,682</u>	<u>\$ 13,787,942</u>	<u>\$ 11,798,769</u>	<u>\$ 11,257,857</u>	<u>\$ 9,529,867</u>	<u>\$ 9,852,818</u>	<u>\$ 8,693,205</u>	<u>\$ 8,978,496</u>
Net (Expense)/Revenue								
Governmental activities	\$ (13,548,437)	\$ (13,777,663)	\$ (14,450,216)	\$ (12,664,729)	\$ (11,344,715)	\$ (10,361,347)	\$ (9,824,062)	\$ (10,735,220)
Business-type activities	894,485	(148,674)	(1,155,708)	(1,125,598)	(1,251,705)	(1,261,801)	(1,173,117)	(866,320)
Total primary government net expense	<u>\$ (12,653,952)</u>	<u>\$ (13,926,337)</u>	<u>\$ (15,605,924)</u>	<u>\$ (13,790,327)</u>	<u>\$ (12,596,420)</u>	<u>\$ (11,623,148)</u>	<u>\$ (10,997,179)</u>	<u>\$ (11,601,540)</u>

SCHEDULE 2

City of Safety Harbor, Florida
CHANGES IN NET ASSETS
 Last Eight Fiscal Years
 (Accrual Basis of Accounting)

	Fiscal Year							
	2010	2009	2008	2007	2006	2005	2004	2003
General Revenues and Other Changes in Net Assets								
Governmental activities:								
Taxes								
Property taxes	\$ 3,493,007	\$ 3,543,283	\$ 3,534,380	\$ 3,585,742	3,155,726	2,774,932	2,512,112	2,311,036
Utility taxes	2,624,901	2,591,091	2,402,197	2,439,157	2,343,568	2,198,950	2,147,831	2,315,672
Sales tax	847,342	857,009	941,432	2,615,837	2,811,287	2,520,076	2,439,520	2,271,148
Franchise fees	1,629,370	1,570,352	1,453,539	1,454,358	1,472,988	1,211,370	1,106,837	1,005,617
State and local revenue sharing	1,974,802	1,992,307	3,580,909	1,605,526	1,539,431	573,345	470,939	392,814
Interest income and net appreciation in fair value of investments	844,977	835,294	1,113,049	716,601	709,644	316,550	221,835	344,062
Miscellaneous	1,122,522	1,907,942	1,354,046	1,456,702	1,345,807	1,247,640	1,620,555	1,276,967
Gain on sale of capital assets	6,992	-	-	-	-	-	-	-
Expense allocation business-type activities	-	-	-	-	-	953,975	903,621	729,219
Total governmental activities	<u>12,543,913</u>	<u>13,297,278</u>	<u>14,379,552</u>	<u>13,873,923</u>	<u>13,378,451</u>	<u>11,796,838</u>	<u>11,423,250</u>	<u>10,646,535</u>
Business-type activities:								
Franchise fees	29,928	38,290	-	-	-	-	-	-
Interest income and net appreciation in fair value of investments	475,634	361,878	354,785	251,076	217,395	158,708	126,867	220,198
Miscellaneous	657,841	673,263	1,139,362	949,217	142,687	72,888	109,127	152,564
Gain on sale of capital assets	9,455	-	-	-	-	-	-	-
Total business-type activities	<u>1,172,858</u>	<u>1,073,431</u>	<u>1,494,147</u>	<u>1,200,293</u>	<u>360,082</u>	<u>231,596</u>	<u>235,994</u>	<u>372,762</u>
Total primary government	<u>\$ 13,716,771</u>	<u>\$ 14,370,709</u>	<u>\$ 15,873,699</u>	<u>\$ 15,074,216</u>	<u>\$ 13,738,533</u>	<u>\$ 12,028,434</u>	<u>\$ 11,659,244</u>	<u>\$ 11,019,297</u>
Change in Net Assets								
Governmental activities	\$ (1,004,524)	\$ (480,385)	\$ (70,664)	\$ 1,209,194	\$ 2,033,736	\$ 1,435,491	\$ 1,599,188	\$ (88,685)
Business-type activities	2,067,343	924,757	338,439	74,695	(891,623)	(1,030,205)	(937,123)	(493,558)
Total primary government	<u>\$ 1,062,819</u>	<u>\$ 444,372</u>	<u>\$ 267,775</u>	<u>\$ 1,283,889</u>	<u>\$ 1,142,113</u>	<u>\$ 405,286</u>	<u>\$ 662,065</u>	<u>\$ (582,243)</u>

Note: The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2003.

SCHEDULE 3

City of Safety Harbor, Florida
PROGRAM REVENUES BY FUNCTION/PROGRAM
 Last Eight Fiscal Years
 (Accrual Basis of Accounting)

	Fiscal Year							
	2010	2009	2008	2007	2006	2005	2004	2003
Function/Program								
Governmental activities:								
General government	\$ 61,854	\$ 209,488	\$ 68,943	\$ 205,805	\$ 184,112	\$ 190,858	\$ 218,961	\$ 231,657
Law enforcement	72,302	93,570	122,726	75,072	69,361	51,390	48,725	109,086
Fire protection	991,055	1,104,730	-	-	-	163,845	-	-
Building department	266,369	256,748	252,434	114,489	126,401	113,989	164,065	266,027
Physical environment	699,457	591,432	894,454	1,468,176	587,624	1,665,932	698,600	885,647
Transportation	20,834	-	51,147	-	-	-	-	-
Library	310,543	377,434	301,073	20,823	20,969	22,437	25,806	25,879
Parks and recreation	692,506	567,791	534,886	593,157	565,008	470,601	387,362	387,963
Total governmental activities program revenues	<u>3,114,920</u>	<u>3,201,193</u>	<u>2,225,663</u>	<u>2,477,522</u>	<u>1,553,475</u>	<u>2,679,052</u>	<u>1,543,519</u>	<u>1,906,259</u>
Business-type activities:								
Water and sewer	8,081,185	7,877,674	7,078,269	6,451,147	5,949,010	5,314,876	5,217,285	5,024,798
Sanitation	2,795,577	2,709,075	2,467,341	2,281,782	1,916,238	1,801,652	1,798,470	1,791,966
Total business-type activities program revenues	<u>10,876,762</u>	<u>10,586,749</u>	<u>9,545,610</u>	<u>8,732,929</u>	<u>7,865,248</u>	<u>7,116,528</u>	<u>7,015,755</u>	<u>6,816,764</u>
Total primary government program revenues	<u>\$13,991,682</u>	<u>\$13,787,942</u>	<u>\$11,771,273</u>	<u>\$11,210,451</u>	<u>\$9,418,723</u>	<u>\$9,795,580</u>	<u>\$8,559,274</u>	<u>\$8,723,023</u>

SCHEDULE 4

City of Safety Harbor, Florida
FUND BALANCES OF GOVERNMENTAL FUNDS
 Last Eight Fiscal Years
 (Modified Accrual Basis of Accounting)

	Fiscal Year							
	2010	2009	2008	2007	2006	2005	2004	2003
General Fund								
Reserved	\$ 282,576	\$ 167,223	\$ 260,271	\$ 124,501	\$ 99,234	\$ 93,302	\$ 117,127	\$ 146,863
Unreserved	8,515,866	9,051,391	8,498,484	8,721,789	9,335,644	8,984,191	8,203,142	6,439,638
Total general fund	<u>\$ 8,798,442</u>	<u>\$ 9,218,614</u>	<u>\$ 8,758,755</u>	<u>\$ 8,846,290</u>	<u>\$ 9,434,878</u>	<u>\$ 9,077,493</u>	<u>\$ 8,320,269</u>	<u>\$ 6,586,501</u>
All Other Governmental Funds								
Reserved	\$ 3,528,938	\$ 4,733,095	\$ 8,510,572	\$ 6,532,749	\$ 7,536,906	\$ 6,202,858	\$ 6,223,812	\$ 6,689,293
Unreserved, reported in:								
Special revenue	3,859,731	3,558,003	2,758,876	238,219	738,672	1,566,990	1,985,454	1,991,760
Total all other governmental funds	<u>\$ 7,388,669</u>	<u>\$ 8,291,098</u>	<u>\$ 11,269,448</u>	<u>\$ 6,770,968</u>	<u>\$ 8,275,578</u>	<u>\$ 7,769,848</u>	<u>\$ 8,209,266</u>	<u>\$ 8,681,053</u>

SCHEDULE 5

City of Safety Harbor, Florida
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 Last Eight Fiscal Years
 (Modified Accrual Basis of Accounting)

	Fiscal Year							
	2010	2009	2008	2007	2006	2005	2004	2003
Revenues								
Property taxes	\$ 3,493,007	\$ 3,543,283	\$ 3,534,380	\$ 3,585,742	\$ 3,155,726	\$ 2,774,932	\$ 2,512,112	\$ 2,311,036
Charges for services	1,355,436	1,395,022	1,154,506	1,188,682	1,239,600	1,088,020	1,097,855	1,266,582
Franchise fees	1,629,370	1,570,352	1,453,539	1,454,358	1,472,988	1,211,370	1,106,837	1,005,617
Utility taxes	2,624,901	2,591,091	2,402,197	2,439,157	2,343,568	2,198,950	2,147,831	2,315,672
Licenses and permits	266,369	256,748	252,434	273,485	259,690	259,967	312,737	397,472
State and local revenue sharing	1,974,802	1,992,307	-	-	-	-	-	-
Intergovernmental revenues	1,464,442	1,456,853	5,179,303	5,598,383	4,839,933	5,718,375	4,153,693	3,778,204
Sales tax	847,342	857,009	-	-	-	-	-	-
Fines and forfeitures	28,673	92,570	189,258	95,895	90,541	73,827	349,799	74,604
Interest income and net appreciation in fair value of investments	844,977	835,294	1,113,050	716,602	709,643	316,550	221,835	344,062
Miscellaneous	1,122,522	1,907,942	1,354,046	1,046,549	931,382	891,137	1,198,001	1,315,018
Total revenues	15,651,841	16,498,471	16,632,713	16,398,853	15,043,071	14,533,128	13,100,700	12,808,267
Expenditures								
General government	3,223,596	3,307,998	3,102,319	3,178,784	2,847,137	2,521,200	2,551,993	2,435,484
Law enforcement	1,228,769	1,336,447	1,277,100	1,208,207	1,122,791	999,273	835,935	751,497
Fire protection	3,615,892	4,082,474	3,679,384	3,318,354	2,883,327	2,708,977	2,555,165	2,423,772
Building department	300,581	293,109	295,879	268,376	242,518	230,699	251,029	204,208
Physical environment	1,219,847	1,289,878	1,184,793	973,168	1,151,621	2,099,223	826,533	2,577,143
Transportation	1,652,066	2,283,184	1,732,432	1,375,531	926,335	970,809	701,390	818,863
Library	1,163,288	1,670,642	1,186,319	1,027,308	873,826	821,902	776,254	595,328
Parks and recreation	2,158,588	2,611,334	2,045,159	1,955,310	1,735,908	1,557,120	1,628,634	1,618,870
Capital outlay	1,716,128	4,182,276	5,213,631	4,918,909	2,165,768	2,313,535	1,476,367	3,083,308
Debt service								
Principal retirement	467,878	-	-	-	220,000	215,000	205,000	200,000
Principal repayment	-	(25,431)	-	-	-	-	-	-
Interest and other fiscal charges	234,801	103,790	96,730	401	10,725	20,938	30,419	39,419
Debt issuance costs	-	-	-	-	10,200	-	-	-
Total expenditures	16,981,434	21,135,701	19,813,746	18,224,348	14,190,156	14,458,676	11,838,719	14,747,892
Excess (deficiency) of revenues over (under) expenditures	(1,329,593)	(4,637,230)	(3,181,033)	(1,825,495)	852,915	74,452	1,261,981	(1,939,625)
Other Financing Sources (Uses)								
Transfers in	924,684	2,141,239	2,685,436	916,461	751,573	1,340,238	1,709,473	3,227,427
Transfers out	(924,684)	(2,141,239)	(2,685,436)	(916,461)	(751,573)	(1,340,238)	(1,709,473)	(3,227,427)
Sale of capital assets	6,992	-	-	-	-	-	-	-
Debt proceeds	-	304,007	6,908,287	-	10,200	-	-	-
Total other financing sources (uses)	6,992	304,007	6,908,287	-	10,200	-	-	-
Special item	-	(265,628)	(216,212)	-	-	-	-	-
Net change in fund balances	\$ (1,322,601)	\$ (4,598,851)	\$ 3,511,042	\$ (1,825,495)	\$ 863,115	\$ 74,452	\$ 1,261,981	\$ (1,939,625)
Debt service as a percentage of noncapital expenditures	4.60%	0.46%	0.66%	0.00%	2.00%	1.94%	2.27%	2.05%

SCHEDULE 6

City of Safety Harbor, Florida
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
 Last Ten Fiscal Years

Fiscal Year	Tax Year	Estimated Actual Value			Exemptions ^a			Taxable Assessed Value			Total	Total Direct Tax Rate
		Real Property	Personal Property	Centrally Assessed Property	Real Property	Personal Property	Centrally Assessed Property	Real Property	Personal Property	Centrally Assessed Property		
2010	2009	\$ 1,669,297,187	\$ 107,537,652	\$ 278,640	\$ 632,609,905	\$ 55,012,410	\$ 41,544	\$ 1,036,687,282	\$ 52,525,242	\$ 237,096	\$ 1,089,449,620	3.0674
2009	2008	1,958,533,900	103,893,250	261,021	812,959,674	48,958,026	40,443	1,145,574,226	54,935,224	220,578	1,200,730,028	2.7830
2008	2007	2,109,555,400	104,481,050	502,966	841,641,252	43,058,180	-	1,267,914,148	61,422,870	502,966	1,329,839,984	2.5140
2007	2006	2,014,888,720	95,798,960	249,413	824,172,813	41,340,120	-	1,190,715,907	54,458,840	249,413	1,245,424,160	2.7391
2006	2005	1,648,622,700	82,943,400	222,282	600,434,600	29,810,110	-	1,048,188,100	53,133,290	222,282	1,101,543,672	2.7391
2005	2004	1,426,371,500	79,465,450	345,803	488,912,400	28,190,570	-	937,459,100	51,274,880	345,803	989,079,783	2.7391
2004	2003	1,249,719,500	90,177,450	302,182	411,560,300	37,317,390	-	838,159,200	52,860,060	302,182	891,321,442	2.9668
2003	2002	1,126,480,800	81,954,910	198,579	366,518,200	24,319,250	-	759,962,600	57,635,660	198,579	817,796,839	2.9668
2002	2001	1,005,883,600	90,405,470	191,930	304,016,900	27,028,050	-	701,866,700	63,377,420	191,930	765,436,050	3.1071
2001	2000	920,213,800	79,117,390	214,617	274,081,300	23,044,910	-	646,132,500	56,072,480	214,617	702,419,597	3.3429

Source: Pinellas County Property Appraiser Revised Recapitulation of the Ad Valorem Assessment Rolls of Safety Harbor, Form DR-403AM

^a Exemptions are provided for agricultural government and institutional property. Exemptions available solely to residential property include, but are not limited to, widows/widowers, disabled/blind, \$25,000 homestead and homestead differential (capped values).

SCHEDULE 7

City of Safety Harbor, Florida
DIRECT AND OVERLAPPING PROPERTY TAX RATES
 Last Ten Fiscal Years

Fiscal Year	Taxable Year	Direct Rate	Overlapping Rates					Total
		City of Safety Harbor	Pinellas County	School District	Emergency Medical Services [“]	Transit District [“]	Other [”]	
2010	2009	3.0674	4.8730	8.3460	0.5832	0.5601	1.5106	18.9403
2009	2008	2.7830	4.8730	8.0610	0.5832	0.5601	1.5551	18.4154
2008	2007	2.5140	4.8730	7.7310	0.5832	0.5601	1.5121	17.7734
2007	2006	2.7391	5.4700	8.2100	0.6300	0.6074	1.6378	19.2943
2006	2005	2.7391	6.1410	8.3900	0.6600	0.6377	1.6555	20.2233
2005	2004	2.7391	6.1410	8.1220	0.6600	0.6377	1.6557	19.9555
2004	2003	2.9668	6.1410	8.2430	0.6600	0.6319	1.6562	20.2989
2003	2002	2.9668	6.1410	8.4490	0.6600	0.6319	1.6562	20.5049
2002	2001	3.1071	6.1410	8.4870	0.6600	0.6501	1.6562	20.7014
2001	2000	3.3429	6.0040	8.4330	0.7470	0.6501	1.6562	20.8332

Source: Pinellas County Tax Collector's Office

[“] Emergency Medical Services and Transit District assessed on Real Property only

[”] Other includes:

- Pinellas County Planning Council
- Juvenile Welfare Board
- Southwest Florida Water Management District
- Pinellas Anclote River Basin

SCHEDULE 8

City of Safety Harbor, Florida
PRINCIPAL TAXPAYERS - REAL PROPERTY
 Current Year and Nine Years Ago

Taxpayer	2010		2001	
	Taxable Assessed Valuation	Percentage of City Taxable Assessed Valuation	Taxable Assessed Valuation	Percentage of City Taxable Assessed Valuation
Mease Hospital Inc	\$ 16,714,320	1.61%	\$ 6,169,700	0.88%
Safety Harbor Spa & Resort, LLC	16,048,157	1.55%	-	0.00%
Preedom Land Trust	12,969,250	1.25%	9,665,800	1.38%
Northwood Oaks, LLC	8,585,000	0.83%	-	0.00%
Northwood Commons LLC	6,950,000	0.67%	4,456,000	0.63%
Bayshore Palms Apartments, Inc	6,500,000	0.63%	-	0.00%
Safety Harbor Investment Properties	6,300,000	0.61%	-	0.00%
Leisure Associates Ltd Partnership	5,500,000	0.53%	4,118,900	0.59%
Health Care Property Investment, Inc	4,900,000	0.47%	-	0.00%
Capstone Capital Corp	3,900,000	0.38%	5,015,400	0.71%
Roglee, Inc	-	0.00%	8,696,100	1.24%
Prime-Muben Partners	-	0.00%	5,573,700	0.79%
Philippe Landing, Inc	-	0.00%	5,374,400	0.77%
Chancellor Clearwater, Inc	-	0.00%	5,280,100	0.75%
Westchester Gardens Ltd	-	0.00%	2,891,900	0.41%
	<u>88,366,727</u>	<u>8.52%</u>	<u>57,242,000</u>	<u>8.15%</u>
Total Taxable Assessed Value	<u>\$ 1,036,924,378</u>		<u>\$ 702,419,597</u>	

Source: Pinellas County Property Appraiser

Note: The current year amounts are based on the interim/Pre-VAB final roll

SCHEDULE 9

City of Safety Harbor, Florida
PRINCIPAL TAXPAYERS - PERSONAL PROPERTY
 Current Year and Nine Years Ago

Taxpayer	2010		2001	
	Taxable Assessed Valuation	Percentage of City Taxable Assessed Valuation	Taxable Assessed Valuation	Percentage of City Taxable Assessed Valuation
Florida Power Corp	\$ 7,417,280	14.12%	\$ 4,511,340	8.05%
Verizon Florida, LLC ^a	4,412,383	8.40%	3,678,600	6.56%
Preedom Land Trust	3,046,331	5.80%	-	0.00%
Angelica Textile Services	2,852,244	5.43%	-	0.00%
US Bancorp Equipment Fin, Inc	2,317,613	4.41%	-	0.00%
Safety Harbor Resort and Spa	2,253,946	4.29%	-	0.00%
Florida Gas Transmission	2,135,980	4.07%	-	0.00%
Mastercut Tool Corp	1,968,904	3.75%	1,069,080	1.91%
Diagnostic Clinic	1,166,045	2.22%	1,178,650	2.10%
Countryside Cancer Center	1,139,209	2.17%	-	0.00%
Firmenich	-	0.00%	9,670,640	17.25%
GTE Americast	-	0.00%	2,640,030	4.71%
Meristar Safety Harbor	-	0.00%	2,040,190	3.64%
National Healthcare Linen	-	0.00%	1,677,860	2.99%
American Oncology Resource	-	0.00%	1,538,400	2.74%
Time Warner Cable	-	0.00%	1,022,270	1.82%
	<u>28,709,935</u>	<u>54.66%</u>	<u>29,027,060</u>	<u>51.77%</u>
Total Taxable Assessed Value	<u>\$ 52,525,242</u>		<u>\$ 56,072,480</u>	

Source: Pinellas County Property Appraiser

Note: The current year amounts are based on the interim/Pre-VAB final roll

^a Verizon Florida, LLC was GTE in 2000

SCHEDULE 10

City of Safety Harbor, Florida
PROPERTY TAX LEVIES AND COLLECTIONS
 Last Ten Fiscal Years

Fiscal Year	Taxable Year	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy ^a		Delinquent Tax Collections ^b	Total Collections to Date	
			Amount	Percentage of Levy		Amount	Percentage of Levy
2010	2009	\$ 3,341,778	\$ 3,064,109	91.69%	\$ 20,859	\$ 3,084,968	92.32%
2009	2008	3,341,632	3,080,653	92.19%	2,547	3,083,200	92.27%
2008	2007	3,343,218	3,218,471	96.27%	17,810	3,236,281	96.80%
2007	2006	3,410,980	3,167,153	92.85%	-	3,167,153	92.85%
2006	2005	3,017,238	2,822,065	93.53%	-	2,822,065	93.53%
2005	2004	2,712,905	2,550,991	94.03%	-	2,550,991	94.03%
2004	2003	2,644,372	2,505,705	94.76%	6,407	2,512,112	95.00%
2003	2002	2,426,239	2,309,641	95.19%	1,395	2,311,036	95.25%
2002	2001	2,378,286	2,276,142	95.71%	-	2,276,142	95.71%
2001	2000	2,348,118	2,289,720	97.51%	741	2,290,461	97.54%

Sources: Office of Economic and Demographic Research (EDR); City of Safety Harbor Finance Department

^a Discounts are allowed for early payment: 4% for November, 3% for December, 2% for January and 1% for February. No discount is allowed for payment in March. Payments must be made by March 31 to avoid becoming delinquent.

^b All delinquent tax collections received during the year are applied to the year prior to collection, regardless of the year in which the taxes were originally levied.

SCHEDULE 11

City of Safety Harbor, Florida
RATIOS OF OUTSTANDING DEBT BY TYPE
 Last Ten Fiscal Years

Fiscal Year	Governmental Activities		Business-Type Activities		Total Primary Government	Debt as a Ratio to Personal Income ^a	Debt per Capita ^a
	Revenue and Revenue Refunding Bonds	Capital Leases	Water and Sewer Refunding Bonds	Capital Leases			
2010	\$ 6,780,150	\$ 29,132	\$ 8,676,402	\$ 104,864	\$15,590,548	2.56%	\$ 884
2009	7,222,494	54,792	9,256,890	163,950	16,698,126	2.76%	943
2008	6,918,487 ^d	-	7,320,751	-	14,239,238	2.39%	799
2007	10,200	-	5,753,713 ^c	-	5,763,913	0.96%	323
2006	10,200	-	3,720,487	-	3,730,687	0.63%	209
2005	220,000	-	3,025,000	-	3,245,000	0.63%	181
2004	435,000	-	3,265,000	-	3,700,000	0.73%	208
2003	640,000	-	3,500,000	-	4,140,000	0.82%	235
2002	840,000	-	3,608,224 ^a	-	4,448,224	0.89%	254
2001	1,030,000	-	2,283,112	-	3,313,112	0.67%	191

Source: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

^a See Schedule 16 for personal income and population data

^b Issued \$5,412,000 in Capital Improvement Revenue Bonds, Series 2008

^c Issued \$9,000,000 in Capital Improvement Revenue Bonds, Series 2006

^d Issued \$3,610,000 in Revenue Bonds, Series 2001A, which included defeasing \$830,000 of outstanding 1974 Water and Sewer Bonds

SCHEDULE 12

City of Safety Harbor, Florida
RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING
 Last Ten Fiscal Years

Fiscal Year	Net General Bonded Debt Outstanding		Net General Bonded Debt	Percentage of Actual Taxable Value of Property ^a	Debt Per Capita ^b
	Revenue and Revenue Refunding Bonds	Amounts Set Aside to Repay Principal			
2010	\$ 6,780,150	\$ 59,509	\$ 6,720,641	0.62%	\$ 381
2009	7,222,494	112,510	7,109,984	0.59%	402
2008	6,918,487	120,982	6,797,505	0.51%	381
2007	10,200	20,621	-	0.00%	-
2006	10,200	11,113	-	0.00%	-
2005	220,000	231,396	-	0.00%	-
2004	435,000	242,761	192,239	0.02%	11
2003	640,000	230,992	409,008	0.05%	23
2002	840,000	241,217	598,783	0.08%	34
2001	1,030,000	248,006	781,994	0.11%	45

Source: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

^a See Schedule 6 for actual property data

^b See Schedule 16 for population data

SCHEDULE 13

City of Safety Harbor, Florida
LEGAL DEBT MARGIN INFORMATION
 Last Ten Fiscal Years

	Fiscal Year									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Debt limit	\$ 817,087,215	\$ 900,547,521	\$ 997,379,988	\$ 934,068,120	\$ 826,157,754	\$ 741,809,837	\$ 668,491,082	\$ 613,347,629	\$ 574,077,038	\$ 526,814,698
Total net debt applicable to limit	<u>6,720,641</u>	<u>7,109,984</u>	<u>6,797,505</u>	-	-	-	192,239	409,008	598,783	781,994
Legal debt margin	<u>\$ 810,366,574</u>	<u>\$ 893,437,537</u>	<u>\$ 990,582,483</u>	<u>\$ 934,068,120</u>	<u>\$ 826,157,754</u>	<u>\$ 741,809,837</u>	<u>\$ 668,298,843</u>	<u>\$ 612,938,621</u>	<u>\$ 573,478,255</u>	<u>\$ 526,032,704</u>
Total net debt applicable to this limit as a percentage of debt limit	<u>0.82%</u>	<u>0.79%</u>	<u>0.68%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.03%</u>	<u>0.07%</u>	<u>0.10%</u>	<u>0.15%</u>

Legal Debt Margin Calculation for Fiscal Year 2010

Assessed Valuation - 2009 Tax Roll	\$ 1,089,449,620
Bonded Debt Limit - 75% of Assessed Value ^a	817,087,215
Less: Amount of Debt Applicable to Debt Limit	<u>6,720,641</u>
Legal Debt Margin	<u>\$ 810,366,574</u>

^a The City's code requires general obligation debt not exceed 75% of anticipated taxes.

SCHEDULE 14

City of Safety Harbor, Florida
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
 As of September 30, 2010
 (amounts expressed in thousands)

Government Unit	Debt Outstanding	Applicable to City of Safety Harbor	
		Percent	Amount
City of Safety Harbor	\$ 6,780,150	100%	\$ 6,780,150
Pinellas County Capital Leases (Overlapping)	30,814	1.50% ^a	462
Total Direct and Overlapping Governmental Activities Debt	\$ 6,810,964		\$ 6,780,612
Total Direct and Overlapping Governmental Activities Debt Per Capita ^b			\$ 384.43

Sources: Pinellas County Clerk of the Circuit Court; City of Safety Harbor Finance Department

^a Applicable net debt percentage is based on ratio of City to County-wide taxable values for tax year 2009

^b 2010 permanent Safety Harbor population is estimated at 17,638

SCHEDULE 15

City of Safety Harbor, Florida
WATER AND SEWER REVENUE BOND COVERAGE
 Last Ten Fiscal Years

Fiscal Year	Gross Revenues ^a	Operating Expenses Less Depreciation ^b	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
2010	\$ 9,086,960	\$ 6,258,616	\$ 2,828,344	\$ 871,168	\$ 234,146	\$ 1,105,314	2.56
2009	8,903,152	6,853,054	2,050,098	285,000	224,109	509,109	4.03
2008	8,080,684	6,897,073	1,183,611	270,000	123,659	393,659	3.01
2007	7,886,340	6,538,563	1,347,777	260,000	133,981	393,981	3.42
2006	6,541,811	6,084,599	457,212	250,000	145,624	395,624	1.16
2005	5,773,925	5,340,788	433,137	240,000	156,414	396,414	1.09
2004	5,669,835	5,184,598	485,237	235,000	165,338	400,338	1.21
2003	5,534,478	5,067,774	466,704	110,000	169,014	279,014	1.67
2002	5,809,259	4,533,473	1,275,786	-	215,621	215,621	5.92
2001	5,723,429	4,358,957	1,364,472	245,000	155,843	400,843	3.40

^a Column 2 is comprised of the following types of revenues:

- Charges for services
- Interest income
- Miscellaneous income

^b Column 3 is comprised of the following types of expenses:

- Personnel services
- Material and supplies
- Other operating expenses

Note: The City' bond coverage, per the bond covenants, is 1.25%.

SCHEDULE 16

City of Safety Harbor, Florida
DEMOGRAPHICS AND ECONOMIC STATISTICS
 Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Population ^a</u>	<u>Estimated Personal Income ^b</u>	<u>Per Capita Personal Income ^c</u>	<u>Median Age ^c</u>	<u>Public School Enrollment ^d</u>	<u>Unemployment Rate ^e</u>
2010	17,638	608,969,588	34,526	46.7	3,891	12.0%
2009	17,708	604,374,040	34,130	45.6	3,891	11.0%
2008	17,825	596,335,375	33,455	45.1	3,891	6.6%
2007	17,844	597,310,056	33,474	44.6	3,891	4.2%
2006	17,838	594,665,406	33,337	44.2	3,891	3.4%
2005	17,892	512,283,744	28,632	42.2	3,891	3.9%
2004	17,800	509,649,600	28,632	42.2	3,891	4.5%
2003	17,602	503,980,464	28,632	42.2	3,891	5.3%
2002	17,479	500,458,728	28,632	42.2	3,891	5.6%
2001	17,383	497,710,056	28,632	42.2	3,891	4.3%

Sources:

^a Office of Economic and Demographic Research (edr.state.fl.us)

^b Estimated personal income is calculated by multiplying population by per capita personal income

^c Claritas Profile Reports provided by Pinellas County Economic Development Department (2006-2010);
 2000 U.S. Census

^d 2000 U.S. Census

^e Bureau of Labor Statistics (www.bls.gov). The unemployment rates listed are for the Tampa-St. Petersburg-Clearwater, FL Metropolitan Statistical Area. Rates are not available for the City of Safety Harbor.

SCHEDULE 17

City of Safety Harbor, Florida
PRINCIPAL EMPLOYERS
 Current Year ^a

2010		
Employer	Employees	Percentage of Total City Employment
Mease Countryside Hospital	1,000-1,500	16.13%
Angelica Textile Services	250-500	4.84%
Safety Harbor Resort & Spa	100-250	2.26%
Jacobsen Manufacturing, Inc.	100-250	2.26%
City of Safety Harbor	100-250	2.26%
Firmenich, Inc	100-250	2.26%
Burns' InStar Services Group	100-250	2.26%
Integrated Business Systems	20-50	0.45%
West Winds Provisions	20-50	0.45%
Paradise Restaurant	20-50	0.45%
Total Employment	7,500-8,000	

Source: Florida Research and Economic Database (FRED)

^a Current year only; data for 2001 is unavailable.

Note: Percentage of total city employment is based on the midpoints in the ranges given.

SCHEDULE 18

City of Safety Harbor, Florida
FULL-TIME EQUIVALENT CITY GOVERNMENTAL EMPLOYEES BY FUNCTION
 Last Ten Fiscal Years

	Full-time Equivalent Employees as of September 30,									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
General Government										
City Manager	1.95	2.20	2.20	2.00	2.00	2.00	2.00	2.00	3.00	3.00
City Clerk	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Personnel	3.50	3.50	3.50	3.00	3.00	3.00	2.50	2.50	2.50	2.00
Finance	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.00	5.00
Water & Sewer Finance	8.25	8.25	8.25	7.50	7.50	7.50	7.00	8.25	8.25	8.25
Economic Dev. Director	-	-	-	1.00	-	-	-	-	-	-
Planning	3.40	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Fleet Maintenance	4.05	4.05	4.05	4.05	4.05	4.05	4.05	4.05	4.05	4.05
Building Maintenance	5.80	5.55	5.55	5.55	5.55	5.55	4.80	4.80	4.80	4.80
CRA	0.60	1.00	1.00	-	-	-	-	-	-	-
Total General Government	35.05	36.05	36.05	34.60	33.60	33.60	31.85	33.10	33.60	33.10
Public Safety										
Building Department	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Fire Control and EMS	32.00	34.50	34.50	34.50	34.50	34.00	33.00	31.00	31.00	31.00
Total Public Safety	36.00	38.50	38.50	38.50	38.50	38.00	37.00	35.00	35.00	35.00
Physical Environment										
Engineering	6.55	6.50	6.50	5.50	5.50	5.00	5.00	5.00	5.00	5.00
Information Systems	3.50	4.50	4.00	4.00	3.00	3.00	3.00	3.00	2.00	2.00
Water	8.20	8.20	8.20	8.20	8.20	8.25	8.25	7.00	7.00	7.00
Stormwater	5.20	5.20	5.20	5.20	5.20	5.25	5.25	5.25	5.25	5.25
Wastewater	8.20	10.20	10.20	11.20	11.20	11.25	11.25	11.25	11.25	11.25
Sanitation	19.15	20.15	20.15	19.15	19.15	20.05	20.05	20.05	19.05	18.05
Total Physical Environment	50.80	54.75	54.25	53.25	52.25	52.80	52.80	51.55	49.55	48.55
Transportation										
Streets	13.20	13.20	13.20	13.20	13.20	13.15	13.15	13.15	11.15	11.15
Culture and Recreation										
Library	16.70	16.70	16.45	16.45	15.55	15.55	14.15	14.15	14.15	13.80
Parks	8.30	8.30	8.30	8.30	8.30	8.30	8.30	8.30	8.30	7.30
Recreation	16.00	17.00	17.00	17.50	17.50	16.50	16.75	18.45	14.75	13.55
Total Culture and Recreation	41.00	42.00	41.75	42.25	41.35	40.35	39.20	40.90	37.20	34.65
Total City	176.05	184.50	183.75	181.80	178.90	177.90	174.00	173.70	166.50	162.45

Source: City of Safety Harbor Annual Budget, Fiscal Years 2001-2010

SCHEDULE 19
City of Safety Harbor, Florida
OPERATING INDICATORS BY FUNCTION
Last Ten Fiscal Years

	Fiscal Year									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Public Safety										
Fire Control and EMS										
Inspections	715	715	715	665	700	680	660	600	700	660
Investigations	10	10	10	5	N/A	N/A	N/A	N/A	N/A	N/A
Fire responses	N/A	N/A	N/A	N/A	1,007	829	733	931	840	806
EMS responses	N/A	N/A	N/A	N/A	4,162	5,887	2,852	3,018	2,762	2,638
Building Department										
Building permits issued	1,350	1,304	1,627	1,717	1,968	2,129	2,616	2,830	2,112	2,086
Occupational licenses issued	1,205	1,155	1,106	1,019	1,141	1,248	1,059	1,149	1,143	1,160
Stormwater										
Storm drain/pipe cleaned (miles)	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	2.50
Ditches/creeks cleaned (miles)	19.00	19.06	38.64	38.64	12.88	12.88	12.88	12.88	12.88	12.88
Water										
Customer accounts	7,493	7,470	7,447	7,417	7,454	7,426	7,716	7,708	7,318	7,278
Average daily water consumption in millions of gallons	1.37	1.57	1.80	1.91	2.09	2.08	2.20	2.22	2.18	2.22
Wastewater										
Customer accounts	8,897	8,745	8,796	8,741	8,673	8,643	8,751	8,726	8,582	8,542
Average daily sewage flow in millions of gallons	1.49	1.51	1.55	1.51	1.61	1.67	1.79	1.83	1.68	2.22
Sanitation (solid waste)										
Refuse collected (tons)	13,000	13,769	15,501	16,424	14,513	18,526	17,624	16,567	14,772	14,724
Recyclables collected (tons)	2,158	1,955	1,801	2,649	2,364	3,923	2,551	2,569	2,252	2,165
Streets										
Streets swept (curb miles)	615	918	918	918	918	153	152	152	152	152
Curb/gutter/sidewalks replaced (linear feet)	6,075	8,100	7,425	6,830	6,500	6,000	7,375	6,500	5,000	5,000
Pothole repairs (asphalt tons)	10	36	25	33	20	15	30	72	95	50
Culture and Recreation										
Recreation - Persons listed in programs										
Trips	1,588	1,079	516	339	339	323	367	199	198	266
Classes	21,870	14,197	11,702	6,526	6,526	6,215	3,851	1,473	3,206	3,217
Camps/After-school	23,579	25,436	19,641	1,608	1,608	1,531	1,643	734	293	498
Special events	606	373	1,089	1,233	1,233	1,197	2,292	1,021	3,990	2,863
Parks - Acres maintained	72.47	72.47	72.04	72.04	72.04	69.40	69.40	63.40	63.40	63.40
Library circulation	235,672	206,030	224,808	262,503	254,235	273,159	269,032	276,528	224,500	224,281
Library registered borrowers	9,500	14,303	15,650	19,290	10,346	10,198	14,596	12,934	12,928	12,168

Source: City of Safety Harbor Annual Budget, Fiscal Years 2001-2010

N/A - Information not available

SCHEDULE 20

City of Safety Harbor, Florida
CAPITAL ASSET STATISTICS BY FUNCTION
 Last Ten Fiscal Years

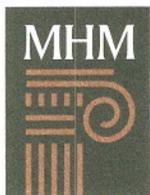
	Fiscal Year									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
General Government										
Buildings	4	4	4	4	4	4	4	4	4	4
Vehicles	13	12	12	11	11	12	11	10	9	8
Public Safety										
Fire stations	2	2	2	2	2	2	2	2	2	2
Vehicles	13	12	12	11	11	13	13	10	10	14
Physical Environment										
Vehicles	51	49	50	46	44	42	43	34	33	35
Stormwater										
Drainage basins/creeks (miles)	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
Water										
Pipeline (miles)	75.7	75.7	75.7	75.7	75.4	75.1	74.7	74.3	73.0	72.7
Fire hydrants maintained	542	540	540	539	539	531	528	525	518	514
Wastewater										
Lift stations	25	25	25	25	25	25	25	25	26	24
Mains in collection system (miles)	66.3	66.3	66.3	66.3	66.3	66.0	66.0	66.0	65.0	65.0
Sanitation (solid waste)										
Collection vehicles	14	14	13	13	13	13	13	12	11	10
Streets										
Curb miles of street	153	153	153	153	153	153	153	152	152	150
Vehicles	17	16	15	12	12	13	13	14	15	13
Culture and Recreation										
Parks	11	11	11	11	11	11	11	11	11	11
Dog park	1	1	1	0	0	0	0	0	0	0
Skate park	1	1	1	1	1	1	0	0	0	0
Playgrounds	5	5	5	5	5	5	5	5	5	5
Gymnasiums	3	3	3	3	3	3	3	3	1	1
Recreation centers	2	2	2	2	2	2	2	2	3	3
Library	1	1	1	1	1	1	1	1	1	1
Marina	1	1	1	1	1	1	1	1	1	1
Picnic Shelters	10	10	10	9	9	8	8	8	8	8
Baseball fields	4	4	4	4	4	4	4	4	4	4
Softball fields	1	1	1	1	1	1	1	1	1	1
Tennis courts	4	4	4	4	4	4	4	6	6	6
Racquetball courts	2	2	2	2	2	2	2	2	2	2
Restroom facilities	8	8	8	8	8	8	7	7	6	6
Basketball courts										
Outdoor	4	4	4	4	4	4	4	4	4	4
Indoor	3	3	3	3	3	3	3	3	1	1
Vehicles	12	12	9	9	9	8	8	7	9	9

Sources: City of Safety Harbor Annual Budget, Fiscal Years 2001-2010; Various City departments

This page left blank intentionally.

REGULATORY REPORTS

This page left blank intentionally.



Mayer Hoffman McCann P.C.

An Independent CPA Firm

KRMT Tampa Bay Division

13577 Feather Sound Drive, Suite 400
Clearwater, FL 33762
Phone: 727.572.1400 ■ 813.879.1400
Fax: 727.571.1933
www.mhm-pc.com

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

To the Honorable Mayor and
Members of the City Commission
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 and for the year ended September 30, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 31, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness and another deficiency that is considered to be a significant deficiency, as defined below.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiency identified as Finding 2010-01 to be a material weakness.

2010-01: Inventory

Observation: As noted in the prior year, we observed that the perpetual inventory system is not being properly used for the public works department.

Recommendation: We recommend that the perpetual inventory system be used to ensure proper recording and tracking of inventory items. This is a weakness in the system of controls and has the potential for allowing abuse including fraud and other defalcation to exist and not be detected. The City needs to train the appropriate Public Works employees on how to use the computerized inventory module so all Public Works activity relating to inventory management can be conducted using the automated system. Additionally, the perpetual inventory listing should be reconciled to the general ledger with any large discrepancies investigated and explained on a periodic basis.

Management Response: Management concurs. To ensure adequate controls are in place to safeguard the City's assets, management will realign staff positions so that a full time position can be dedicated to inventory control.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency identified as 2010-02 to be a significant deficiency.

2010-02: Cash - Bank Reconciliations

Observation: During our test of controls over cash, it was noted that there were times throughout the year that bank reconciliations were not performed timely. It appears that during the "budget season" bank reconciliations were not prepared on a regular basis.

Recommendation: We recommended that the City prepare timely bank reconciliations throughout the year and investigate any reconciling differences. Most of the problems encountered within the area of cash can be avoided if a proper system of checks and balances is incorporated into the city's procedures. We recommend that all reconciling items be promptly investigated and adjusted with adequate explanations. All reconciliations should also be reviewed in a timely manner.

Management Response: Management concurs. Although strong cash controls are in place, management will ensure that bank reconciliations are completed in a timely manner. Staff will cross train on the multiple interfaces that affect the timing of cash postings in general ledger so that there is adequate staff time dedicated to completion of the bank reconciliation.

Compliance and Other Matters

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

We noted certain matters that we reported to management of the City, in a separate letter dated March 31, 2011.

The City of Safety Harbor, Florida's written response to the findings identified in our audit have not been subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Honorable Mayor and Members of the City Commission, and is not intended to be and should not be used by anyone other than these specified parties.

Mayer Hoffman McCann P.C.

March 31, 2011
Clearwater, FL

This page left blank intentionally.



Mayer Hoffman McCann P.C.

An Independent CPA Firm

KRMT Tampa Bay Division

13577 Feather Sound Drive, Suite 400
Clearwater, FL 33762
Phone: 727.572.1400 ■ 813.879.1400
Fax: 727.571.1933
www.mhm-pc.com

To the Honorable Mayor and
Members of the City Commission
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 and for the year ended September 30, 2010 and have issued our report thereon dated March 31, 2011.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Report on Internal Control over Financial Reporting and on Compliance and Other Matters. Disclosures in that report, which is dated March 31, 2011, should be considered in conjunction with this Management Letter.

Additionally, our audit was conducted in accordance with Chapter 10.550, *Rules of the Auditor General* which govern the conduct of local government entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditors' report:

- Section 10.554(1)(i)1., *Rules of the Auditor General*, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report except as noted below under the heading Follow Up on Prior Year Findings 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 include a review of the provisions of Section 218.415, *Florida Statutes*, regarding the investment of public funds. In connection with our audit, nothing came to our attention that would cause us to believe that the City was in noncompliance with Section 218.415, *Florida Statutes*.
- Section 10.554(1)(i)3., *Rules of the Auditor General*, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, the recommendations are noted below under the heading Process Improvements in the accompanying Appendix 1 to this Management Letter.
- Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that we address violations of provisions of contracts or grant agreements, or abuse that have occurred or are likely to have occurred, that have an effect on the financial statements that is less than material but 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*, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on the

financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse and (2) deficiencies in internal control that are not significant deficiencies. In connection with our audit, the findings are noted below under the heading Process Improvements in the accompanying Appendix 1 to this Management Letter.

- Section 10.554(1)(i)6., *Rules of the Auditor General*, require that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in the management letter, unless disclosed in the notes to the financial statements. This information has been disclosed in the notes to the financial statements.
- 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*.
- 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, 2010, 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, 2010. In connection with our audit, we determined that these two reports were in agreement.
- Pursuant to Sections 10.554(1)(i)7.c. and 10.556(7), *Rules of the Auditor General*, we applied financial condition assessment procedures. It is management's responsibility to monitor the City's financial condition, and our financial condition assessment was based in part on representations made by management and the review of the financial information provided by same.

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

Mayra Hoffman McCann P.C.

March 31, 2011
Clearwater, FL

CITY OF SAFETY HARBOR, FLORIDA

Process Improvements**2010-03: Accounting Policies and Procedures Manual**

Observation: During our internal control documentation procedures, it was noted that there is currently no complete and up to date accounting policies and procedures manual.

Recommendation: A written comprehensive accounting procedures manual is necessary to ensure that transactions are treated in a standardized manner and that proper internal controls exist in the accounting system. Should employees have questions regarding proper handling of a transaction, the information should be available in writing. This manual will clarify procedures for existing and new employees and should identify and describe responsibilities of staff. The manual should include the following matters: reconciliations, timetables, sample formats, and instructions for schedules to be prepared. This manual will serve to strengthen internal controls over the city's accounting function and ensure a disciplined and reasoned approach if certain staff were to leave.

Management Response: Management concurs. A draft Accounting Policies and Procedures Manual has been prepared by the City Manager's office. The draft has been reviewed by the City Manager and submitted to the Finance Director for review. The document will undergo review by Finance staff and will be submitted to the Finance Advisory Committee for review and comment prior to submission to the Audit Committee.

2010-04: Investments

Observation: During our documentation of controls over investments, it was noted that the City is not in compliance with its investment policy. The investment policy requires that the chief investment officer complete no less than eight hours annually of continued professional education related to investment practices. The City policy mirrors Florida Statute 218.415 (14) which indicates that the government's officials responsible for making investment decisions or chief financial officer must annually complete eight hours of continuing education in subjects or courses of study related to investment practices and products.

Recommendation: The City should make every effort to comply with the policy on an annual basis and should consider revising the policy to clarify as to what type of courses and seminars will satisfy the "continued education" requirement.

Management Response: Management concurs. Staff will revise the current policy and bring before Commission for approval.

2010-05: Enterprise Fund Determination

Observation: The City currently reports the Stormwater Fund as a governmental fund. Based on review of the applicable City Code, we determined that the City Code Section 24.58 appears inconsistent with the reporting of the Stormwater Fund as a governmental fund. City Code Section 24.58 states "It is the intent of this article to establish stormwater management as a city

utility enterprise in accordance with Section 403.0893, Florida Statutes, and to establish utility fees for stormwater management service to be levied against all developed property within the city to provide for the planning, design, construction, operation, maintenance, regulation, surveying, and inspection of the stormwater management facilities of the city.”

Recommendation: We recommend the City review the terminology in this code section and consider dropping the word "enterprise" in order for this code section to not be misleading and to be consistent with the reporting of this fund as a governmental fund.

Management Response: Management agrees that there is inconsistency between the language in City Code and financial reporting for the Stormwater Fund. City staff will request review from the City Attorney regarding the language in City Code.

Follow Up on Prior Year Findings and Recommendations

2009-01: Implemented

2008-02: Not Implemented—see current year material weakness at 2010-01

2008-03: Implemented



Front and back photos courtesy of John Boscarino