

City of
Safety Harbor
Florida

Comprehensive Annual Financial Report
FYE September 30, 2011



City of Safety Harbor, Florida

Comprehensive Annual Financial Report

For the fiscal year ended September 30, 2011



Prepared by:
Finance Department

June Solanes
Finance Director

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CITY OF SAFETY HARBOR, FLORIDA

September 30, 2011

CITY COMMISSION

2011

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

CITY ADMINISTRATION

2011

City Manager
Matthew Spoor

Assistant City Manager
Bill Baker

City Clerk
Karen Sammons

City Attorney
Alan S. Zimmet

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**CITY OF SAFETY HARBOR, FLORIDA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
SEPTEMBER 30, 2011**

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City of Safety Harbor Florida

HOME OF ESPIRITU SANTO MINERAL SPRINGS

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

February 23, 2012

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, 2011, 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, 2011. 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, solid waste and stormwater 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 in the current fiscal year has managed accordingly given the impact of an 8.53 percent decrease in the City's property tax base and an unemployment rate for the local metropolitan area of just under eleven percent. Safety Harbor's advantage is the fact that the City has continued to experience an extremely sound fiscal condition, and as a result has been able to continue on with 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 2011/2012, the City budgeted for a three percent decrease in property taxable values. Citywide revenues excluding major grants for the South Bayshore project were assumed to increase by just \$237,260. The City is effectively holding the line on operating expenses citywide.

The Five-year Capital Improvements Plan (CIP) for FY 2011/12 to FY2015/16 is \$29.5 million, of which \$6.3 million is appropriated in FY 2011/2012.

The largest appropriation for physical environment is plant improvements at the Northeast Regional Wastewater Treatment Plant. Transportation includes improvements to existing sidewalks, streets and signage as well as new sidewalk construction. Governmental includes replacement of air conditioning units at City Hall and the Community Center, replacement of a generator at Fire Station 53, vehicle replacements in Streets and Leisure services and heavy equipment replacement in Public Works and Leisure Services. Rehabilitation of brick streets as outlined in the Brick Street Master Plan continues in FY 2012. Subsequent to preparation of the 2012 budget, the City negotiated the purchase of parkland property on the waterfront adjacent to the Marina.

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, solid waste and stormwater 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 2011/2012 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 current fiscal year, the City completed or was in the process of completing ongoing capital improvement projects totaling \$5.7 million 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 2012, the City remains 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 project improvements are programmed in transportation, parks and citywide water and sewer projects.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Safety Harbor for its comprehensive annual financial report for the fiscal year ended September 30, 2010. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

This timely preparation and submission of this report is due to the efficient and dedicated services of the Finance Department staff. We would like to express our sincere appreciation to all members of the department who contributed to the year-end close out process and document preparation. We would also like to express our appreciation to City departmental staff who provided a significant contribution by ensuring the accuracy and integrity of accounting information compiled and submitted throughout the entire year. Our sincerest appreciation is expressed for the City Commission's continued support and interest in the planning and conducting of the City's financial operations in a responsible manner. We extend our gratitude to the Audit Committee for their continued support and high level of professionalism, and Mayer Hoffman McCann P.C. for their professionalism and expertise.

Respectfully submitted,



Matthew Spoor
City Manager



June Solanes
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Safety Harbor
Florida

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2010

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



Linda C. Davison

President

Jeffrey R. Emen

Executive Director

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CITY OF SAFETY HARBOR



LIST OF PRINCIPAL OFFICIALS

September 30, 2011

CITY COMMISSION

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

City Manager
Matthew Spoor

Assistant City Manager
Bill Baker

City Clerk
Karen Sammons

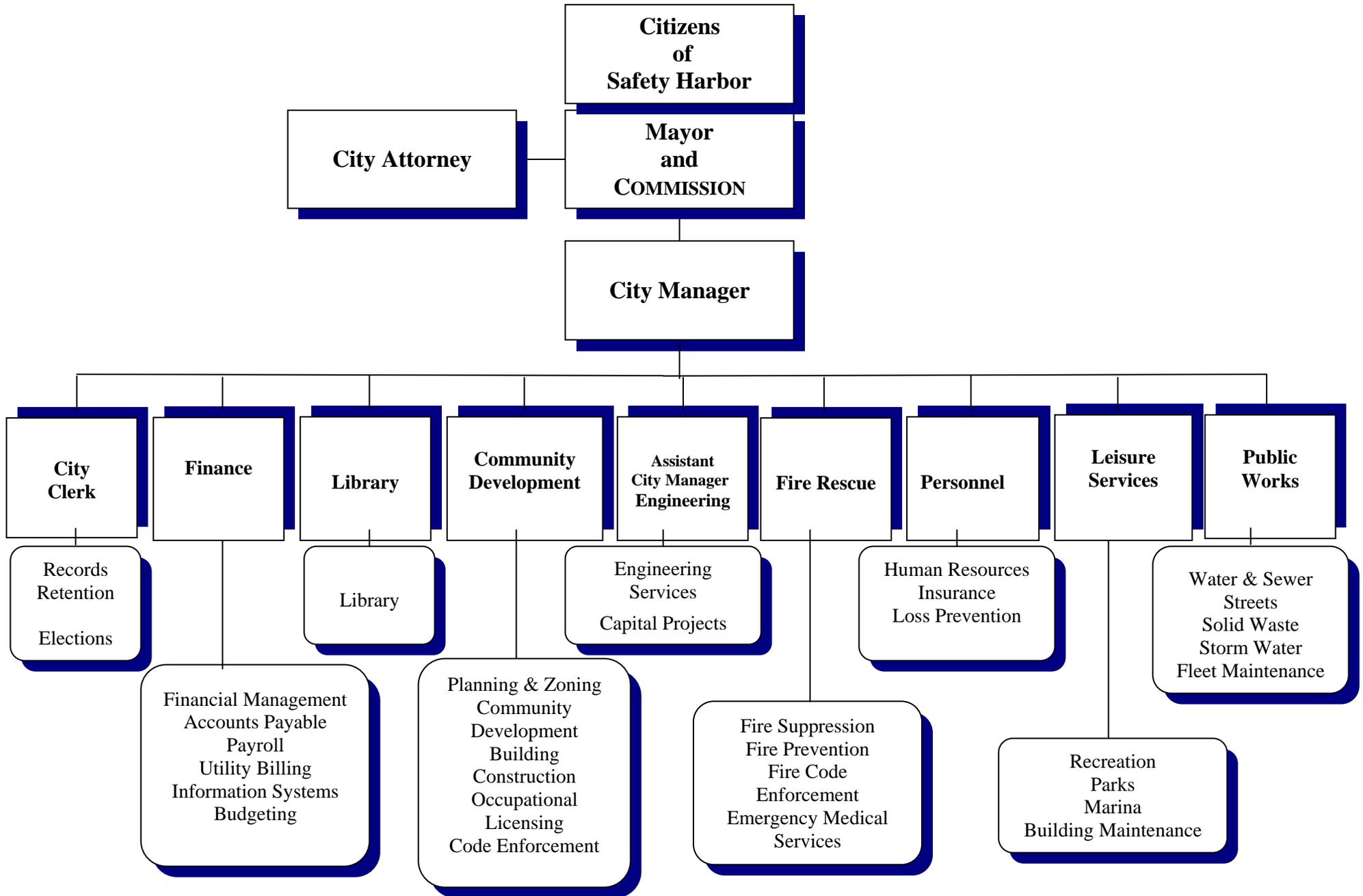
City Attorney
Alan Zimmet

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
Lisa Kothe
Bill Cropsey
Ray Boler

CITY OF SAFETY HARBOR ORGANIZATIONAL CHART



FINANCIAL SECTION

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Mayer Hoffman McCann P.C.

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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, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the 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, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 23, 2012 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 58 through 63, respectively, be presented to supplement the basic financial statements. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. 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, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section, budgetary comparison schedules, 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 express no opinion on them.

Mayer Hoffman McCann P.C.

February 23, 2012
Clearwater, Florida

MANAGEMENT'S DISCUSSION AND ANALYSIS

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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 basic financial statements (beginning on page 15).

Financial Highlights

- The assets of the City of Safety Harbor exceeded its liabilities at September 30, 2011 by \$58,614,783 (net assets). Of this amount, \$13,369,454 (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 \$1,727,748 or 3.04 percent. Governmental net assets decreased by \$689,647 or 2.17 percent while business type net assets increased by \$2,417,395 or 9.65 percent as of September 30, 2011.
- As of September 30, 2011, the City of Safety Harbor's governmental funds reported combined ending fund balances of \$13,866,021, a decrease of \$488,228 in comparison with the prior year. Of this total amount, \$9,652,357 or 69.61 percent, is available for spending at the City's discretion (unrestricted fund balance).
- The City's total debt decreased by a net amount of \$941,807 or 5.55 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 \$946,598. 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 statements' 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 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; transportation, which includes activities associated with streets and sidewalks; library; and parks and recreation, which also includes Main Street events and marina activities. The business-type activities of the City include water and sewer, solid waste and stormwater.

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*.

The City maintains thirteen 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, Community Redevelopment Agency Fund and Capital Projects Fund, which are considered to be major funds. Data from ten of the governmental funds are combined into a single, aggregate presentation. Individual fund data for each of these non-major

governmental funds (Special Revenue Funds) is provided in the form of combining statements in this report, following the Notes to the Financial Statements on pages 64 and 65. Data from two funds no longer meet the Special Revenue Fund requirement and are presented within the General Fund; the two funds are the Parking Impact Fee and Street Light funds. The City discontinued reporting of the Stormwater Fund as a governmental fund in the current year and began reporting the fund as an Enterprise Fund.

The City adopts an annual appropriated budget for all of its funds. Budgetary comparison statements have been provided for all major and non-major governmental funds to demonstrate compliance with the budget. The budgetary comparison reporting can be found on pages 58, 59 and 66 through 75, respectively, of this report.

Proprietary funds. The City maintains three proprietary 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, Solid Waste operation and Stormwater (drainage) 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, solid waste operation and stormwater operation, all 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 firefighters' 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 and 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 57 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the City's budgetary legal compliance for the general and community redevelopment agency funds; the City's progress in funding the firefighters' pension obligation; and the funding progress of the retiree health plan. Required supplementary information can be found on pages 58 through 63 of this report.

Government-wide Financial Analysis

Statement of Net Assets. 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 \$58.6 million. 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. For more detailed information see the Statement of Net Assets on page 15.

	Net Assets					
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2011	2010 (Restated)	2011	2010 (Restated)	2011	2010
Assets						
Current and other assets	\$ 15,596,729	\$ 15,309,798	\$ 10,465,538	\$ 9,086,362	\$ 26,062,267	\$ 24,396,160
Noncurrent assets	23,229,122	23,419,591	28,455,511	27,782,708	51,684,633	51,202,299
Total assets	<u>38,825,851</u>	<u>38,729,389</u>	<u>38,921,049</u>	<u>36,869,070</u>	<u>77,746,900</u>	<u>75,598,459</u>
Liabilities						
Current and other liabilities	2,219,802	1,063,951	1,910,621	1,787,052	4,130,423	2,851,003
Long-term liabilities	5,470,771	5,840,513	9,530,923	10,019,905	15,001,694	15,860,418
Total liabilities	<u>7,690,573</u>	<u>6,904,464</u>	<u>11,441,544</u>	<u>11,806,957</u>	<u>19,132,117</u>	<u>18,711,421</u>
Net Assets						
Invested in capital assets, net of related debt	17,815,778	18,018,704	13,561,385	12,760,978	31,377,163	30,779,682
Restricted	8,618,746	3,811,514	5,249,420	4,832,069	13,868,166	8,643,583
Unrestricted	4,700,754	9,994,707	8,668,700	7,469,063	13,369,454	17,463,770
Total net assets	<u>\$ 31,135,278</u>	<u>\$ 31,824,925</u>	<u>\$ 27,479,505</u>	<u>\$ 25,062,110</u>	<u>\$ 58,614,783</u>	<u>\$ 56,887,035</u>

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.

Twenty four 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 \$13,369,454 (23 percent) may be used to meet the City's ongoing obligations to citizens and creditors.

At September 30, 2011, 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.

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.

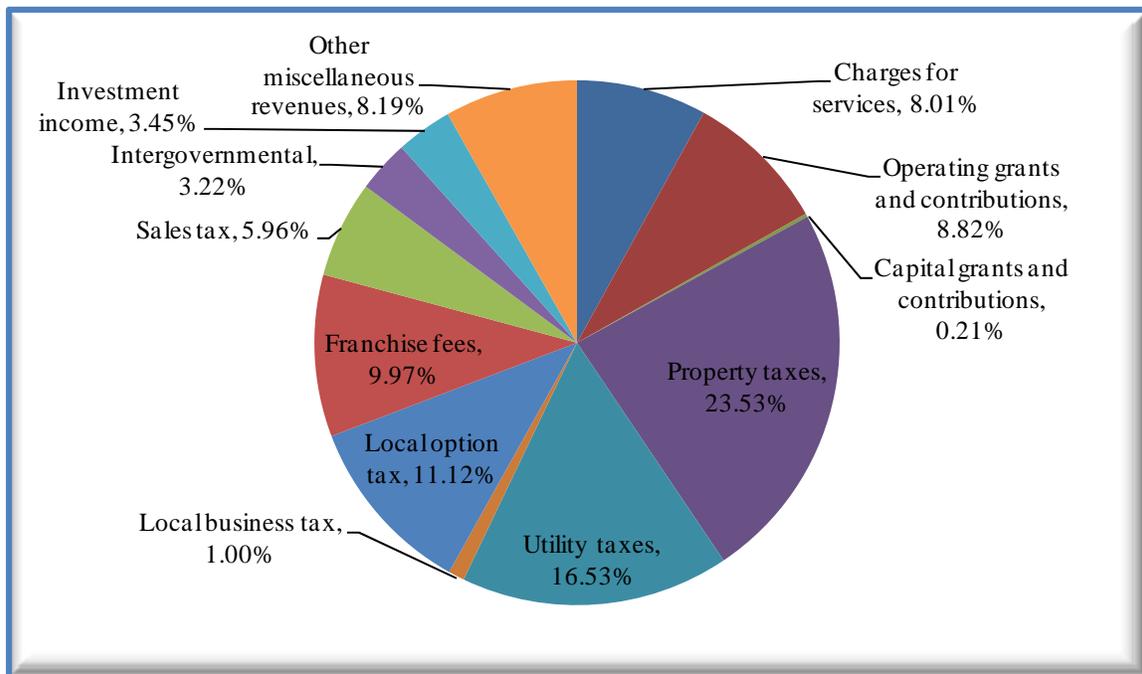
	Changes in Net Assets					
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2011	2010 (Restated)	2011	2010 (Restated)	2011	2010
REVENUES						
Program revenues:						
Charges for services	\$ 1,176,100	\$ 1,191,282	\$ 11,772,859	\$ 11,322,519	\$ 12,948,959	\$ 12,513,801
Operating grants and contributions	1,294,887	1,269,902	13,457	13,439	1,308,344	1,283,341
Capital grants and contributions	31,067	4,015	240,675	190,525	271,742	194,540
General revenues:						
Property taxes	3,454,605	3,493,007	-	-	3,454,605	3,493,007
Utility taxes	2,427,378	2,624,901	-	-	2,427,378	2,624,901
Local business tax	146,230	144,522	-	-	146,230	144,522
Local option tax	1,632,243	1,506,577	-	-	1,632,243	1,506,577
Franchise fees	1,463,744	1,629,370	-	-	1,463,744	1,629,370
Sales tax	874,854	847,342	-	-	874,854	847,342
Intergovernmental	472,827	462,685	-	-	472,827	462,685
Investment income	507,216	679,411	438,080	641,200	945,296	1,320,611
Other miscellaneous revenues	1,202,502	990,532	692,246	697,224	1,894,748	1,687,756
Total Revenues	14,683,653	14,843,546	13,157,317	12,864,907	27,840,970	27,708,453
EXPENSES						
Function/program activities						
Primary government:						
Governmental activities:						
General government	3,219,077	3,474,937	-	-	3,219,077	3,474,937
Law enforcement	1,266,876	1,231,263	-	-	1,266,876	1,231,263
Fire protection	3,843,029	3,814,874	-	-	3,843,029	3,814,874
Building department	300,126	305,251	-	-	300,126	305,251
Physical environment	483,956	572,228	-	-	483,956	572,228
Transportation	1,858,822	2,152,048	-	-	1,858,822	2,152,048
Library	1,560,737	1,514,773	-	-	1,560,737	1,514,773
Parks and recreation	2,663,696	2,585,030	-	-	2,663,696	2,585,030
Interest on long-term debt	176,981	191,394	-	-	176,981	191,394
Business-type activities:						
Water and sewer	-	-	7,301,156	7,368,967	7,301,156	7,368,967
Solid waste	-	-	2,623,957	2,613,310	2,623,957	2,613,310
Stormwater	-	-	814,809	821,559	814,809	821,559
Total Expenses	15,373,300	15,841,798	10,739,922	10,803,836	26,113,222	26,645,634
Change in net assets	(689,647)	(998,252)	2,417,395	2,061,071	1,727,748	1,062,819
Net assets, beginning of year	31,824,925	32,823,177	25,062,110	23,001,039	56,887,035	55,824,216
Net assets, end of year	\$ 31,135,278	\$ 31,824,925	\$ 27,479,505	\$ 25,062,110	\$ 58,614,783	\$ 56,887,035

Governmental activities. Governmental activities decreased the City's net assets by \$689,647.

Revenues for the City's governmental activities decreased by \$159,893 under the prior year. Key elements of the decrease are as follows:

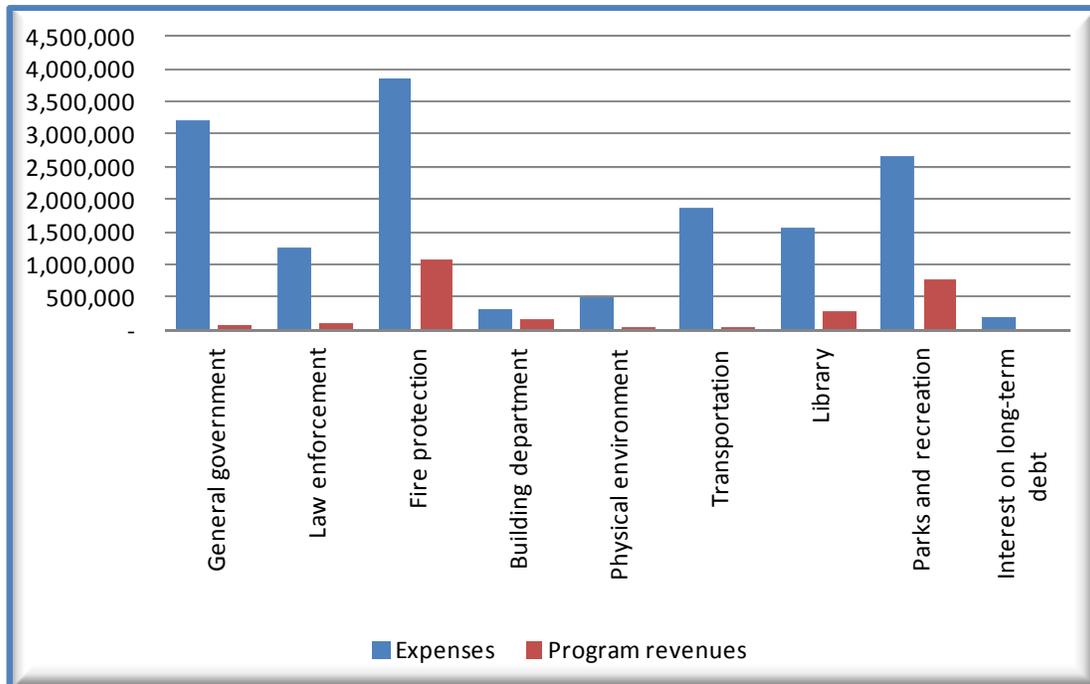
- Program revenues increased by 1.5 percent or \$36,855.
 - Charges for services decreased by \$15,182. Program revenues increased for recreational activities; however, minor decreases are noted in miscellaneous special activities and the downtown business community events revenue.
 - Operating grants and contributions increased by \$24,985. The net increase is due to the contribution from the County for funding of EMS services for fire, which increased 8.3 percent.

- Capital grants and contributions increased by \$27,052. Of the total increase, \$25,000 is attributable to a donation from the Kiwanis Club of Safety Harbor for capital improvements for the public purpose of supporting the ongoing efforts of the Safety Harbor Little League.
- General revenues decreased by 1.6 percent or \$196,748.
 - Property tax revenue decreased by \$38,402 (1.1 percent). This is due to a decline of 12.5 percent in taxable values in the Community Redevelopment District tax increment area.
 - Utility taxes and franchise fees decreased by \$363,149, which correlates with the decline in consumption and the amount Progress Energy billed to their customers.
 - Investment income fair value decreased by \$172,195. The City has taken a more conservative approach in purchasing investments with lower risk resulting in paying premiums on investments, which is recognized at the time of purchase.
 - Local option taxes increased by \$126,134, of which \$128,937 was due to the recognition of the Firefighters' premium tax.



Expenses for the City's governmental activities decreased by \$468,498. Key elements of the decrease are as follows:

- General government decreased by \$255,860. Fleet Maintenance salaries and fringes decreased due to a partial year unfilled position for the Fleet Maintenance Supervisor position. General government Finance is lower as a result of position reevaluations and reclassification of positions to Water and Sewer Finance. Non-departmental expenses are lower due to a bad debt write off in the prior year.
- Physical environment decreased by \$88,272 with the deletion of a Construction Engineer position. Additionally, engineering services and other contractual services are lower as there was more new project activity in the prior year requiring engineering and other services.
- Transportation decreased by \$293,222 due to a slowdown in street resurfacing current year over prior year.



Business-type activities. Business-type activities increased the City’s net assets by \$2,417,395. The City discontinued reporting the Stormwater Fund as a governmental activity in the current year and instead reports the fund as a business-type activity. For comparative purposes, prior year financial data has been adjusted to reflect the Stormwater fund as a business-type activity. The table on the next page reflects that all business-type activities’ program revenues exceed expenditures current year.

Revenues for the City’s business-type activities increased by \$292,410. Key elements of the increase are as follows:

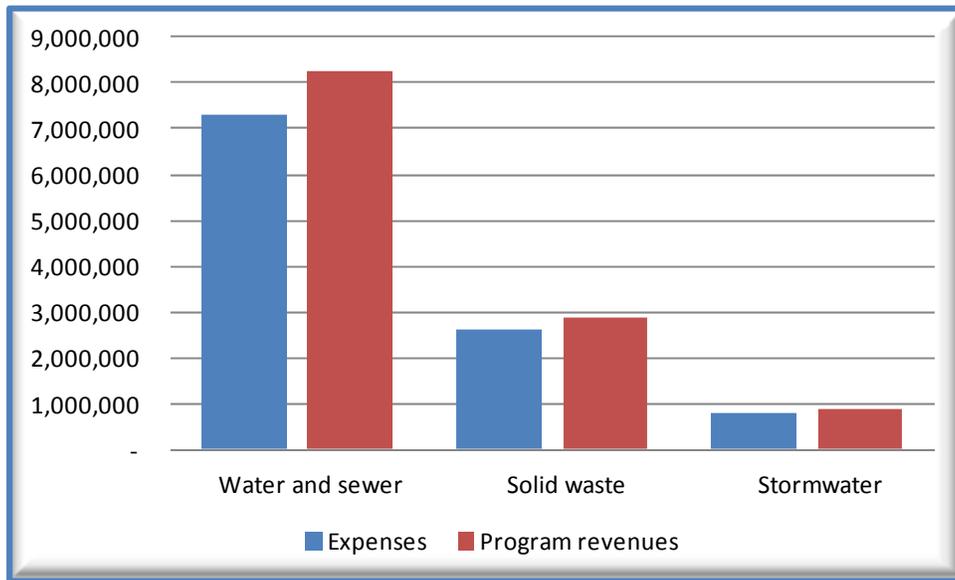
- Charges for services for business-type activities increased by \$450,340 (3.98 percent) over prior year. Of the total increases in charges for services, water and sewer increased by 4.12 percent; solid waste increased by 1.21 percent; sanitation by 1.96 percent; and stormwater by approximately 20.00 percent excluding a prior year write off. Increases for water, sewer and sanitation are consistent with consumption demands. A stormwater rate increase to \$5.00 per ERU (Equivalent Residential Unit) was approved and implemented in the current year to cover operating costs.
- Capital grant revenue is \$50,150 over prior year due to activity for the stormwater capital project on South Bayshore, which is funded by the Florida Department of Environmental Protection and the Southwest Florida Water Management District.
- Investment income from interest earnings and market value adjustments decreased by \$203,120 due to the recognition of premiums paid for investment activities during the current year.

Expenses for the City’s business-type activities decreased by \$63,914. Key elements of the decrease are as follows:

- Personnel services increased \$136,347 current year due to salaries and fringes associated with the payout for early separations.
- Contracted and other services decreased \$208,037. Of the total decrease, the most significant

decrease of \$243,000 was for the purchase of sewer services from City of Clearwater. This is consistent with a 19 percent decrease in the average daily flow of sewage.

- Materials and supplies and other operating expenses decreased by \$42,000 or just over 2.0 from prior year. The most notable decreases were in non-capital office equipment, tires and tubes and educational expenses.



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, 2011, the City's governmental funds reported combined ending fund balances of \$13,866,021, a decrease of \$488,228 in comparison with the prior year. Of this total amount, \$5,247,275 or 37.8 percent is unassigned and available for spending at the City's discretion. The remainder of fund balance, \$8,618,746 is either not in spendable form or restricted, committed or assigned for specific purposes.

The General Fund is the chief operating fund of the City. At September 30, 2011, the unrestricted fund balance of the general fund was \$8,751,063, inclusive of committed and assigned fund balances for emergency/disaster stabilization and specific assignments for transportation and the use of fund reserves for the fiscal 2012 budget. As a measure of the general fund's liquidity, it may be useful to compare both non-spendable and restricted fund balance as well as unrestricted fund balance to total general fund expenditures. Fund balance that is either non-spendable (inventories and prepaids) or restricted for a specific purpose is 1.7 percent of total general fund expenditures, while unrestricted fund balance is 67 percent of total general fund expenditures. The City Commission's desire of a minimum unassigned general fund balance of the prior year's operating expenditures is 17 percent. As of September 30, 2011, the City's unassigned fund balance meets this goal at 40 percent of prior year's operating expenditures.

General fund balance decreased by \$443,736 during the current year. The use of general fund balance less the impact of revenues and expenditures for street lights and parking impact fees is \$202,922. Key elements of the decrease in fund balance are as follows:

- Revenues increased in total by \$56,618. Of note is the revenue from franchise fees and utility taxes, most of which is based on electric consumption, declined overall by \$363,149 under prior year. This decrease is offset by a net increase in program revenues for Fire and EMS services of \$65,430. Revenue from the local government half-cent sales tax increased by \$27,512. An increase due to recognition of \$128,937 from the firefighters' insurance premium tax, which was not recognized prior year. Additionally, increased activity occurred for building permits issued in generating \$28,638 in revenue over prior year.
- Expenditures decreased in total by \$26,314. The net decrease in personnel services is \$301,536. For comparative purposes, excluding recognition of the pass-through for the firefighters' premium tax, the total decrease in personnel services is \$430,473 under prior year. This is due to multi-year separation agreements and a combination of staff reductions, not refilling positions immediately upon vacancy and refilling positions at lower starting salaries. Street lights and parking impact fee expenditures not reported in general fund expenditures prior year total \$264,679.

The Community Redevelopment Agency's fund balance is \$684,433 as of September 30, 2011. The decline in the tax base within the CRA resulted in a reduction in property tax revenue of \$100,000. However, capital outlay in this fund continued with improvements at Church Street, North Bayshore, 2nd Street (parking) and at Rigsby Center.

The Capital Projects Fund has a total fund balance of \$2,022,076 at September 30, 2011. 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.

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, Sanitation and Stormwater funds at the end of the year were \$6,025,965, \$1,301,337 and \$1,341,398, respectively. Cumulatively, the unrestricted net assets for the Enterprise Funds increased \$1.2 million or 16.1 percent over prior year. The total change in proprietary funds is \$2.4 million over prior year.

Revenue generated by charges for services is 4 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. Additionally, stormwater rates increased from \$4.13 to \$5.00 per ERU current year.

Expenses in the City's proprietary funds decreased by \$67,811 due to minor variances throughout multiple lines. Salaries and fringes increased by \$136,347 most of which is due to employee separations in Water and Sewer Finance totaling just over \$103,000. Contracted services for the purchase of sewer from City of Clearwater, which is based on consumption, decreased by just under \$244,000. Landfill fees decreased by just over \$37,000.

General Fund Budgetary Highlights

During the current year, increases in revenue that were unknown during the budget cycle totaled \$152,710. Supplemental budget amendments for general fund budget appropriations increased between the adopted and final budget by \$145,479. For additional information, refer to page 58 within this report. The following make up the key components of current year changes between the original and final budget:

Revenues:

- The local option tax increased by \$140,000. This amount reflects State collection of the Firefighters' premium tax, which is remitted to the City by the State of Florida.
- Intergovernmental revenues increased by \$12,710 from the Pinellas Public Library Cooperative for the annual contribution to subsidize library services.

Appropriations:

- Increase of \$170,000 in Firefighters' budget for recognition of firefighters' pension benefit from the premium insurance tax and outside vehicle repairs for a fire engine.
- Cumulatively, Finance and Planning department budget appropriations increased by \$28,000 for sick and vacation leave payouts of voluntary separations.
- Non-departmental appropriations decreased by \$73,900 as anticipated budget savings were amended to cover other departments' needs for budget increases. By fiscal year end, non-departmental expenditures ran over budget by \$10,508 due to higher than anticipated payments for unemployment compensation.
- Transportation appropriations decreased between the adopted and final budget by \$4,000; however, expenditures ran over budget by \$194,141 as a result of payments for street lights. The Street Light Fund no longer meets the requirement of special revenue fund as a substantial portion of the inflows into the fund are not from a restricted revenue source.

Capital Asset and Debt Administration

Capital Assets. The City's investment in capital assets for governmental and business-type activities as of September 30, 2011 is \$45,945,297, 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 \$341,587 under prior year.

	Capital Assets					
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2011	2010 (Restated)	2011	2010 (Restated)	2011	2010
Land	\$ 3,688,288	\$ 3,688,288	\$ 606,548	\$ 606,548	\$ 4,294,836	\$ 4,294,836
Construction in progress	673,519	424,652	1,484,538	569,994	2,158,057	994,646
Buildings	4,020,976	4,020,976	229,719	229,719	4,250,695	4,250,695
Improvements other than buildings	26,320,271	25,822,236	29,740,343	29,461,833	56,060,614	55,284,069
Equipment	6,538,196	6,559,965	7,693,186	7,443,654	14,231,382	14,003,619
Less:						
Accumulated Depreciation	18,448,144	17,120,988	16,602,143	15,419,993	35,050,287	32,540,981
Total	\$ 22,793,106	\$ 23,395,129	\$ 23,152,191	\$ 22,891,755	\$ 45,945,297	\$ 46,286,884

The following schedule reflects current year major capital asset additions:

<u>Governmental Activities</u>	<u>Additions</u>	<u>Business-type Activities</u>	<u>Additions</u>
North Bayshore Parking Improvements	\$ 97,213	Replacement Vehicle #310	\$ 225,292
Library Books	96,036	Citywide Stormwtr Improvements	179,660
Purchase Transportation Bus	83,021	N.E. Wastewater Plant	98,851
Replacement Vehicle #944	80,887	Replacement Bobcat 231	37,013
CRA 9th Avenue Beautification	68,433	Replacement Port Generator	34,700
New Sidewalk Construction	49,695		
Brick Street Restoration	47,152		
CRA Brick Improvements	46,549		
Replacement Vehicle #415	37,466		
Concession Turf Improvements	35,730		
Library - Integration	32,744		
Sidewalk Maintenance	32,729		
Church Street Park	32,255		
City Hall Improvements	29,970		
Replacement Vehicle #414	26,089		
Community Center Improvements	25,298		

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

Changes in Capital Assets

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>
Beginning Balance, as restated	\$ 23,395,129	\$ 22,891,755	\$ 46,286,884
Additions	1,276,567	1,502,830	2,779,397
Depreciation	(1,731,352)	(1,242,394)	(2,973,746)
Retirement (net of depreciation)	(147,238)	-	(147,238)
Ending Balance	\$ 22,793,106	\$ 23,152,191	\$ 45,945,297

Long-term debt. As of fiscal year end, the City's outstanding long-term debt from revenue bonds and notes decreased by \$841,221. Pages 46 through 49 of the notes to the financial statements provide details for the following summary.

Outstanding Debt at Year-end

	<u>2011</u>	<u>2010 (Restated)</u>	<u>Change</u>	<u>Percent Change</u>
Governmental Activities				
2008 Library expansion	\$ 4,651,000	\$ 5,038,000	\$ (387,000)	-7.68%
2006 General government improvements	348,244	362,887	(14,643)	-4.04%
Governmental activities total	<u>4,999,244</u>	<u>5,400,887</u>	<u>(401,643)</u>	
Business-Type Activities				
2006 Utility system improvements	7,957,023	8,291,601	(334,578)	-4.04%
2001 Utility system improvements	1,555,000	1,660,000	(105,000)	-6.33%
Business-type activities total	<u>9,512,023</u>	<u>9,951,601</u>	<u>(439,578)</u>	-4.42%
Total Outstanding Debt	\$ 14,511,267	\$ 15,352,488	\$ (841,221)	-5.48%

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 for the Tampa-St. Petersburg-Clearwater Metropolitan area in 2011 was 10.8 percent compared to the prior year's 12.1 percent. This compares unfavorably to the Florida's unemployment rate of 10.6 percent and the national unemployment rate of 9.1 percent.
- Since 2007, the City has experienced declines in property values in excess of 9.0 percent annually. Moving into the 2011 tax year and the fiscal 2012 budget, property values declined by just over 3.0 percent.
- The City Commission held the millage rate at 3.3808. This is not changed from the prior year.
- The City did not implement any rate increases for services provided to its residents in the fiscal year 2012 budget.
- Building permits and occupational licenses are expected to remain consistent with current year increases of 9.9 and 8.2 percent, respectively.

Requests for Information

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

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BASIC FINANCIAL STATEMENTS

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CITY OF SAFETY HARBOR, FLORIDA
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2011

Assets	Governmental Activities	Business-Type Activities	Total
Current assets:			
Equity in pooled cash and investments	\$ 14,466,828	\$ 7,883,173	\$ 22,350,001
Receivables, net:			
Accounts receivable	363,916	1,266,922	1,630,838
Due from other governments	362,599	149,662	512,261
Other assets	166,040	-	166,040
Inventories	87,637	249,829	337,466
Prepaid items	149,709	151,456	301,165
Restricted assets:			
Equity in pooled cash and investments:			
Sinking fund	-	56,893	56,893
Customer deposits	-	592,168	592,168
Capital projects	-	115,435	115,435
Total current assets	<u>15,596,729</u>	<u>10,465,538</u>	<u>26,062,267</u>
Noncurrent assets:			
Restricted assets:			
Equity in pooled cash and investments:			
Sinking fund	-	803,595	803,595
Capital projects	-	4,445,825	4,445,825
Capital assets:			
Non depreciable	4,361,807	2,091,086	6,452,893
Depreciable, net of accumulated depreciation	18,431,299	21,061,105	39,492,404
Unamortized bond issuance costs	21,916	53,900	75,816
Pension asset	414,100	-	414,100
Total noncurrent assets	<u>23,229,122</u>	<u>28,455,511</u>	<u>51,684,633</u>
Total assets	<u>38,825,851</u>	<u>38,921,049</u>	<u>77,746,900</u>
Liabilities			
Current liabilities:			
Accounts payable	328,998	513,021	842,019
Accrued liabilities	318,234	98,811	417,045
Customer deposits	7,699	-	7,699
Current liabilities, payable from restricted assets:			
Accrued interest payable	-	56,893	56,893
Customer deposits	-	592,168	592,168
Construction contracts payable	-	115,435	115,435
Unearned revenue	1,075,777	-	1,075,777
Current portion of long-term obligations	489,094	534,293	1,023,387
Total current liabilities	<u>2,219,802</u>	<u>1,910,621</u>	<u>4,130,423</u>
Noncurrent portion of long-term obligations	<u>5,470,771</u>	<u>9,530,923</u>	<u>15,001,694</u>
Total liabilities	<u>7,690,573</u>	<u>11,441,544</u>	<u>19,132,117</u>
Net Assets			
Invested in capital assets, net of related debt	17,815,778	13,561,385	31,377,163
Restricted, net of payables from restricted assets:			
Inventories and prepaid amounts	193,576	-	193,576
General government	701,192	-	701,192
Fire protection	73,947	-	73,947
Physical environment	233,038	-	233,038
Transportation	1,317,926	-	1,317,926
Culture and recreation	752,247	-	752,247
Debt service	72,516	803,595	876,111
Capital projects	2,022,076	4,445,825	6,467,901
Other	3,252,228	-	3,252,228
Unrestricted	<u>4,700,754</u>	<u>8,668,700</u>	<u>13,369,454</u>
Total net assets	<u>\$ 31,135,278</u>	<u>\$ 27,479,505</u>	<u>\$ 58,614,783</u>

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

CITY OF SAFETY HARBOR, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2011

Function/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 3,219,077	\$ 75,110	\$ -	\$ -
Law enforcement	1,266,876	90,658	1,577	2,701
Fire protection	3,843,029	6,890	1,055,402	-
Building department	300,126	150,485	-	-
Physical environment	483,956	51,235	-	-
Transportation	1,858,822	9,624	-	-
Library	1,560,737	55,745	237,908	-
Parks and recreation	2,663,696	736,353	-	28,366
Interest and other fiscal charges on long-term debt	176,981	-	-	-
Total governmental activities	15,373,300	1,176,100	1,294,887	31,067
Business-type activities:				
Water and sewer	7,301,156	8,233,441	-	-
Solid waste	2,623,957	2,871,451	13,457	-
Stormwater	814,809	667,967	-	240,675
Total business-type activities	10,739,922	11,772,859	13,457	240,675
Total primary government	\$ 26,113,222	\$ 12,948,959	\$ 1,308,344	\$ 271,742

General revenues:

Taxes:

Property taxes

Utility taxes

Local business tax

Local option tax

Franchise fees

Sales tax

Intergovernmental

Interest income and net appreciation in fair value of investments

Other

Gain on sale of capital assets

Total general revenues

Change in net assets

Net assets, beginning of year, as restated

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
\$ (3,143,967)	\$ -	\$ (3,143,967)
(1,171,940)	-	(1,171,940)
(2,780,737)	-	(2,780,737)
(149,641)	-	(149,641)
(432,721)	-	(432,721)
(1,849,198)	-	(1,849,198)
(1,267,084)	-	(1,267,084)
(1,898,977)	-	(1,898,977)
<u>(176,981)</u>	<u>-</u>	<u>(176,981)</u>
<u>(12,871,246)</u>	<u>-</u>	<u>(12,871,246)</u>
-	932,285	932,285
-	260,951	260,951
<u>-</u>	<u>93,833</u>	<u>93,833</u>
<u>-</u>	<u>1,287,069</u>	<u>1,287,069</u>
<u>(12,871,246)</u>	<u>1,287,069</u>	<u>(11,584,177)</u>
3,454,605	-	3,454,605
2,427,378	-	2,427,378
146,230	-	146,230
1,632,243	-	1,632,243
1,463,744	-	1,463,744
874,854	-	874,854
472,827	-	472,827
507,216	438,080	945,296
1,202,502	680,091	1,882,593
<u>-</u>	<u>12,155</u>	<u>12,155</u>
<u>12,181,599</u>	<u>1,130,326</u>	<u>13,311,925</u>
(689,647)	2,417,395	1,727,748
<u>31,824,925</u>	<u>25,062,110</u>	<u>56,887,035</u>
<u>\$ 31,135,278</u>	<u>\$ 27,479,505</u>	<u>\$ 58,614,783</u>

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, 2011

	General	Community Redevelopment Agency	Capital Projects	Other Non-major Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 9,819,161	\$ 805,755	\$ 1,844,552	\$ 1,997,360	\$ 14,466,828
Receivables, net:					
Accounts receivable	343,935	1,804	5,142	13,035	363,916
Due from other governments	110,039	-	212,384	40,176	362,599
Other assets	-	-	-	166,040	166,040
Inventories	87,637	-	-	-	87,637
Prepays	149,709	-	-	-	149,709
Total assets	\$ 10,510,481	\$ 807,559	\$ 2,062,078	\$ 2,216,611	\$ 15,596,729
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 153,267	\$ 120,297	\$ 40,002	\$ 15,432	\$ 328,998
Accrued liabilities	314,861	2,829	-	544	318,234
Customer deposits	3,219	-	-	4,480	7,699
Deferred revenue	1,071,740	-	-	4,037	1,075,777
Total liabilities	1,543,087	123,126	40,002	24,493	1,730,708
Fund Balances:					
Nonspendable:					
Inventories and prepaid items	193,576	-	-	-	193,576
Restricted for:					
General government	16,759	684,433	-	-	701,192
Fire protection	588	-	-	73,359	73,947
Physical environment	1,054	-	-	-	1,054
Transportation	-	-	-	707,076	707,076
Library	1,930	-	-	-	1,930
Parks and recreation	2,424	-	-	437,873	440,297
Debt service	-	-	-	72,516	72,516
Capital projects	-	-	2,022,076	-	2,022,076
Committed to:					
Emergency/disaster relief stabilization	2,670,058	-	-	-	2,670,058
Physical environment	-	-	-	231,984	231,984
Assigned to:					
Transportation	251,560	-	-	359,290	610,850
Parks and recreation	-	-	-	310,020	310,020
Other	582,170	-	-	-	582,170
Unassigned:	5,247,275	-	-	-	5,247,275
Total fund balances	8,967,394	684,433	2,022,076	2,192,118	13,866,021
Total liabilities and fund balances	\$ 10,510,481	\$ 807,559	\$ 2,062,078	\$ 2,216,611	\$ 15,596,729

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, 2011

Fund balances - total governmental funds		\$ 13,866,021
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	\$ 4,361,807	
Depreciable	36,879,443	
Less, accumulated depreciation	<u>18,448,144</u>	22,793,106
The net pension asset related to governmental activities does not represent financial resources and is not reported in the funds		
		414,100
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)		
		21,916
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Revenue notes payable	(4,999,244)	
Compensated absences	(833,684)	
Other post employment benefits	<u>(126,937)</u>	<u>(5,959,865)</u>
Net assets of governmental activities		<u><u>\$ 31,135,278</u></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, 2011

	General	Community Redevelopment Agency	Capital Projects	Other Non-major Governmental Funds	Total Governmental Funds
Revenues:					
Property taxes	\$ 3,147,548	\$ 307,057	\$ -	\$ -	\$ 3,454,605
Utility taxes	2,427,378	-	-	-	2,427,378
Local business taxes	146,230	-	-	-	146,230
Local option taxes	128,937	-	1,278,888	224,418	1,632,243
Franchise fees	1,463,744	-	-	-	1,463,744
Licenses and permits	150,485	-	-	-	150,485
Impact fees	-	-	-	5,738	5,738
Special assessments	-	-	-	991	991
Sales tax	874,854	-	-	-	874,854
Intergovernmental	1,771,977	-	-	7,644	1,779,621
Charges for services	834,447	-	-	50,734	885,181
Fines and forfeitures	127,865	-	-	-	127,865
Interest income and net appreciation in fair value of investments	341,527	30,038	66,769	68,882	507,216
Contributions and donations	-	-	-	25,000	25,000
Other	1,202,502	-	-	-	1,202,502
Total revenues	<u>12,617,494</u>	<u>337,095</u>	<u>1,345,657</u>	<u>383,407</u>	<u>14,683,653</u>
Expenditures:					
Current operating:					
General government	2,800,711	169,008	-	-	2,969,719
Law enforcement	1,258,543	-	-	1,577	1,260,120
Fire protection	3,673,446	-	-	-	3,673,446
Building department	295,895	-	-	-	295,895
Physical environment	466,839	-	-	18,036	484,875
Transportation	1,069,494	-	-	258,142	1,327,636
Library	1,190,494	-	-	-	1,190,494
Parks and recreation	2,193,967	-	-	16,321	2,210,288
Capital outlay	111,841	381,991	530,157	159,345	1,183,334
Debt service					
Principal payments	-	-	-	401,643	401,643
Interest and other fiscal charges	-	-	-	174,431	174,431
Total expenditures	<u>13,061,230</u>	<u>550,999</u>	<u>530,157</u>	<u>1,029,495</u>	<u>15,171,881</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(443,736)</u>	<u>(213,904)</u>	<u>815,500</u>	<u>(646,088)</u>	<u>(488,228)</u>
Other financing sources (uses):					
Transfers in	-	-	-	889,080	889,080
Transfers out	-	-	(889,080)	-	(889,080)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(889,080)</u>	<u>889,080</u>	<u>-</u>
Net change in fund balances	<u>(443,736)</u>	<u>(213,904)</u>	<u>(73,580)</u>	<u>242,992</u>	<u>(488,228)</u>
Fund balances, beginning of year, as restated	<u>9,411,130</u>	<u>898,337</u>	<u>2,095,656</u>	<u>1,949,126</u>	<u>14,354,249</u>
Fund balances, end of year	<u>\$ 8,967,394</u>	<u>\$ 684,433</u>	<u>\$ 2,022,076</u>	<u>\$ 2,192,118</u>	<u>\$ 13,866,021</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, 2011

Net change in fund balances - total governmental funds \$ (488,228)

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	1,129,329	
Less, current year depreciation	<u>1,731,352</u>	(602,023)

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		7,248
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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		401,643
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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	(2,550)	
Compensated absences	(7,249)	
Termination benefits	39,236	
Other post employment benefits	<u>(37,724)</u>	<u>(8,287)</u>

Change in net assets of governmental activities		<u><u>\$ (689,647)</u></u>
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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
SEPTEMBER 30, 2011

	<u>Water and Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Stormwater Fund</u>	<u>Total</u>
ASSETS				
Current assets:				
Equity in pooled cash and investments	\$ 5,451,667	\$ 1,189,773	\$ 1,241,733	\$ 7,883,173
Accounts receivable, net				
Accounts receivable	947,596	257,124	62,202	1,266,922
Due from other governments	-	-	149,662	149,662
Inventories	249,829	-	-	249,829
Prepaid items	59,654	83,593	8,209	151,456
Restricted assets:				
Equity in pooled cash and investments:				
Sinking fund	42,173	5,256	9,464	56,893
Customer deposits	526,836	65,332	-	592,168
Capital projects	115,435	-	-	115,435
Total current assets	<u>7,393,190</u>	<u>1,601,078</u>	<u>1,471,270</u>	<u>10,465,538</u>
Noncurrent assets:				
Restricted equity in pooled cash and investments:				
Sinking fund	584,528	172,228	46,839	803,595
Capital projects	4,445,825	-	-	4,445,825
Capital assets:				
Nondepreciable	958,460	-	1,132,626	2,091,086
Depreciable, net of accumulated depreciation	17,090,425	1,258,358	2,712,322	21,061,105
Unamortized bond costs	45,378	1,470	7,052	53,900
Total noncurrent assets	<u>23,124,616</u>	<u>1,432,056</u>	<u>3,898,839</u>	<u>28,455,511</u>
Total assets	<u>30,517,806</u>	<u>3,033,134</u>	<u>5,370,109</u>	<u>38,921,049</u>
LIABILITIES				
Current liabilities:				
Accounts payable	401,377	54,081	57,563	513,021
Accrued liabilities	59,262	31,648	7,901	98,811
Current liabilities, payable from restricted assets:				
Accrued interest payable	42,173	5,256	9,464	56,893
Customer deposits	526,836	65,332	-	592,168
Construction contracts payable	115,435	-	-	115,435
Current portion of long-term obligations:				
Compensated absences	17,277	11,075	4,538	32,890
Bonds, notes and capital leases payable	374,426	69,730	57,247	501,403
Total current liabilities	<u>1,536,786</u>	<u>237,122</u>	<u>136,713</u>	<u>1,910,621</u>
Noncurrent liabilities:				
Compensated absences	174,697	111,980	45,880	332,557
Other post employment benefits	30,168	20,369	4,526	55,063
Bonds, notes and capital leases payable	7,173,618	703,324	1,266,361	9,143,303
Total noncurrent liabilities	<u>7,378,483</u>	<u>835,673</u>	<u>1,316,767</u>	<u>9,530,923</u>
Total liabilities	<u>8,915,269</u>	<u>1,072,795</u>	<u>1,453,480</u>	<u>11,441,544</u>
NET ASSETS				
Invested in capital assets, net of related debt	10,546,219	486,774	2,528,392	13,561,385
Restricted for:				
Debt service	584,528	172,228	46,839	803,595
Capital projects	4,445,825	-	-	4,445,825
Unrestricted	<u>6,025,965</u>	<u>1,301,337</u>	<u>1,341,398</u>	<u>8,668,700</u>
Total net assets	<u>\$ 21,602,537</u>	<u>\$ 1,960,339</u>	<u>\$ 3,916,629</u>	<u>\$ 27,479,505</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, 2011

	<u>Water and Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Stormwater Fund</u>	<u>Total</u>
OPERATING REVENUES				
Charges for services	\$ 8,233,441	\$ 2,871,451	\$ 667,967	\$ 11,772,859
Other	566,600	113,491	-	680,091
Total operating revenue	<u>8,800,041</u>	<u>2,984,942</u>	<u>667,967</u>	<u>12,452,950</u>
OPERATING EXPENSES				
Salaries, wages and employee benefits	1,998,582	1,172,828	272,741	3,444,151
Materials and supplies	234,149	266,422	58,157	558,728
Contractual and other services	3,933,331	912,383	323,547	5,169,261
Depreciation and amortization	878,561	248,404	111,091	1,238,056
Total operating expenses	<u>7,044,623</u>	<u>2,600,037</u>	<u>765,536</u>	<u>10,410,196</u>
Operating income (loss)	<u>1,755,418</u>	<u>384,905</u>	<u>(97,569)</u>	<u>2,042,754</u>
NONOPERATING REVENUES (EXPENSES)				
Interest income and net appreciation in fair value of investments	346,790	38,274	53,016	438,080
Interest expense	(256,533)	(23,920)	(49,273)	(329,726)
Intergovernmental	-	13,457	240,675	254,132
Gain on sale of capital assets	6,124	6,031	-	12,155
Total nonoperating revenues (expenses)	<u>96,381</u>	<u>33,842</u>	<u>244,418</u>	<u>374,641</u>
Changes in net assets	1,851,799	418,747	146,849	2,417,395
Total net assets - beginning of year, as restated	<u>19,750,738</u>	<u>1,541,592</u>	<u>3,769,780</u>	<u>25,062,110</u>
Total net assets - end of year	<u><u>\$ 21,602,537</u></u>	<u><u>\$ 1,960,339</u></u>	<u><u>\$ 3,916,629</u></u>	<u><u>\$ 27,479,505</u></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, 2011

	<u>Water and Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Stormwater Fund</u>	<u>Total</u>
Cash flows from operating activities:				
Cash received from customers	\$ 8,288,839	\$ 2,858,208	\$ 659,856	\$ 11,806,903
Other operating revenue	566,600	113,491	-	680,091
Cash paid to suppliers for goods and services	(3,941,336)	(1,163,934)	(409,118)	(5,514,388)
Cash payments to and for the benefit of employees	(2,013,399)	(1,174,704)	(270,992)	(3,459,095)
Cash provided (used) by operating activities	<u>2,900,704</u>	<u>633,061</u>	<u>(20,254)</u>	<u>3,513,511</u>
Cash flows from noncapital financing activities:				
Subsidies from local government	-	13,457	-	13,457
Cash provided by noncapital financing activities	<u>-</u>	<u>13,457</u>	<u>-</u>	<u>13,457</u>
Cash flows from capital and related financing activities:				
Principal payments on long-term debt	(353,013)	(30,910)	(55,655)	(439,578)
Interest payments on long-term debt	(260,127)	(22,310)	(39,447)	(321,884)
Principal payments on capital leases	(30,901)	(36,028)	(29,132)	(96,061)
Interest payment on capital leases	(1,420)	(2,235)	(362)	(4,017)
Proceeds from sale of capital assets	6,124	6,031	-	12,155
Capital grants received	-	-	240,675	240,675
Acquisition and construction of capital assets	(711,587)	(225,292)	(565,950)	(1,502,829)
Cash used by capital and related financing activities	<u>(1,350,924)</u>	<u>(310,744)</u>	<u>(449,871)</u>	<u>(2,111,539)</u>
Cash flows from investing activity:				
Interest and dividends on investments	343,010	38,053	53,016	434,079
Cash provided by investing activities	<u>343,010</u>	<u>38,053</u>	<u>53,016</u>	<u>434,079</u>
Net increase (decrease) in cash and cash equivalents	1,892,790	373,827	(417,109)	1,849,508
Cash and cash equivalents at beginning of year, as restated	<u>9,273,674</u>	<u>1,058,762</u>	<u>1,715,145</u>	<u>12,047,581</u>
Cash and cash equivalents at end of year	<u>\$ 11,166,464</u>	<u>\$ 1,432,589</u>	<u>\$ 1,298,036</u>	<u>\$ 13,897,089</u>

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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 (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	<u>Water and Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Stormwater Fund</u>	<u>Total</u>
Reconciliation of cash and investments to Statement of Net Assets:				
Total unrestricted equity in pooled cash and investments	\$ 5,451,667	\$ 1,189,773	\$ 1,241,733	\$ 7,883,173
Total restricted equity in pooled cash and investments	<u>5,714,797</u>	<u>242,816</u>	<u>56,303</u>	<u>6,013,916</u>
Total equity in pooled cash and investments	<u>\$ 11,166,464</u>	<u>\$ 1,432,589</u>	<u>\$ 1,298,036</u>	<u>\$ 13,897,089</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ 1,755,418	\$ 384,905	\$ (97,569)	\$ 2,042,754
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation and amortization	878,561	248,404	111,091	1,238,056
Change in operating assets and liabilities:				
Decrease (increase) in accounts receivable	55,398	(13,243)	(8,111)	34,044
Decrease in inventories	13,822	-	-	13,822
Decrease (increase) in prepaid items	10,005	(8,725)	1,955	3,235
Increase (decrease) in accounts payable	195,256	23,411	(29,369)	189,298
Decrease in accrued liabilities	(5,394)	(7,235)	(1,368)	(13,997)
Increase in customer deposits	7,061	185	-	7,246
Decrease in termination benefits	(12,881)	-	-	(12,881)
Increase in OPEB	9,519	6,346	1,410	17,275
Increase (decrease) in accumulated unused compensated absences	<u>(6,061)</u>	<u>(987)</u>	<u>1,707</u>	<u>(5,341)</u>
Net cash provided by operating activities	<u>\$ 2,900,704</u>	<u>\$ 633,061</u>	<u>\$ (20,254)</u>	<u>\$ 3,513,511</u>
Noncash investing, capital, and financing activities:				
Amortization of loan discounts and bond premiums	<u>\$ 9,316</u>	<u>\$ (137)</u>	<u>\$ (574)</u>	<u>\$ 8,605</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, 2011

	Pension Trust Fund
Assets	
Cash and cash equivalents:	
Money market	\$ 60,421
Investments, at fair value:	
U.S. Treasury Bonds, Notes and Bills	1,446,737
Equity securities	1,849,540
Total investments	3,296,277
Total assets	3,356,698
 Net assets	
Held in trust for pension benefits	\$ 3,356,698

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, 2011

	Pension Trust Fund
Additions	
Contributions:	
State of Florida	\$ 132,549
City	268,096
Employees	9,106
Total contributions	409,751
Investment income:	
Interest income and net appreciation in fair value of investments	17,040
Total additions	426,791
Deductions	
Administrative expenses	15,241
Distributions	1,626
Total deductions	16,867
Change in net assets	409,924
Net assets - beginning of year	2,946,774
Net assets - end of year	\$ 3,356,698

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS

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CITY OF SAFETY HARBOR, FLORIDA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

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). For proprietary funds, 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

CITY OF SAFETY HARBOR, FLORIDA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

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

activities such as employee pension plans. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and City general revenues, from business-type activities, generally financed in a whole or in part with fees charged to external customers.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services, which report fees, fines and forfeitures, and other charges to users of the City's services; (2) operating grants and contributions, which finance annual operating activities; 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, 2011

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 community redevelopment agency and capital projects 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, solid waste and stormwater 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.

Governmental Fund Types

Governmental fund types are as follows:

- General Fund – accounts for and reports for all financial resources not accounted for in another fund.
- Community Redevelopment Agency – accounts for and reports the proceeds of revenue restricted for financing or refinancing community redevelopment pursuant to the City's adopted community redevelopment plan.
- Capital Projects Fund – accounts for and reports financial resources that are restricted, committed or assigned to expenditure for capital outlay.

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.
- Stormwater Utility Fund – to account for the provision of stormwater and drainage services to the City and some County residents. 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 OF SAFETY HARBOR, FLORIDA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

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

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.

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

CITY OF SAFETY HARBOR, FLORIDA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

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

Supplemental appropriations in the governmental funds were enacted during the year, as follows:

General Fund	\$	190,986
Street Improvement		97,880
Debt Service fund		(80,650)
Capital Projects Fund		91,463
Law Enforcement Fund		4,306
Parkland Fund		28,366
Transportation Impact Fee		3,340
Library Impact Fee		1,140
CRA Fund		653,220
Parking Impact Fee		(2,520)

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.

Receivables

Utility (water, sewer, solid waste and stormwater) 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, solid waste and stormwater billings. Accounts receivable in the Proprietary Funds are shown net of the allowance of \$171,614.

Taxes Receivable

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

CITY OF SAFETY HARBOR, FLORIDA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

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

Property Taxes

Under Florida Law, the assessment of all properties and the collection of all City property taxes are consolidated in the offices of the Pinellas County Property Appraiser and the Pinellas County Tax Collector. The laws of the State regulating tax assessments are also designed to assure a consistent property valuation method statewide. Florida Statutes permit cities to levy property taxes at a rate of up to 10 mils. The millage rate in effect for the fiscal year ended September 30, 2011 was 3.3808.

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

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

All taxes are due and payable on November 1 of each year or as soon thereafter as the assessment roll is certified and delivered to the Pinellas County Tax Collector. All unpaid taxes become delinquent on April 1 following the year in which they are assessed. At this time a lien is placed on the property. Discounts are allowed for early payment at the rate of 4% in the month of November, 3% in the month of December, 2% in the month of January and 1% in the month of February. The taxes paid in March are without discount.

Delinquent taxes on real property bear interest up to 18% per year. On or prior to June 1 following the tax year, certificates are sold for all delinquent taxes on real property. Application for a tax deed on any unredeemed tax certificates may be made by the certificate holder after a period of two years. Unsold certificates are held by Pinellas County.

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

Inventories 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 fund inventories at September 30, 2011:

	Amount
Equipment supplies	\$ 42,205
Office supplies	1,662
Fuel supplies	43,770
	<u>\$ 87,637</u>

CITY OF SAFETY HARBOR, FLORIDA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

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

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. The cost of these items are recorded as expenditures when consumed rather than when purchased. Prepaid items are equally offset by non-spendable fund balance and are not available for spending even though they are a component of net current assets.

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, 2011 totaled \$1,731,352 and \$1,242,394 for governmental and business type funds, respectively.

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 governmental fund where the vacation and/or sick was earned.

CITY OF SAFETY HARBOR, FLORIDA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

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

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.

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 been communicated to the employees and the amount can be estimated. Termination benefits are recorded as expenditures and liabilities 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.

Deferred Revenue

In the government-wide financial statements as well as in governmental fund, proprietary and fiduciary fund financial statements, revenue recognition is deferred in connection with resources that have been received but not yet earned.

During the year, the City sold a 50 year interest in cell tower leases for \$1,027,000. The City's annual expected revenue from the leases is \$92,819. The sale is from the time period of April 19, 2011 through April 30, 2061. Based on a 2.5 percent rate of return, the comparison between the net present value of revenues sold and sales proceeds are as follows:

	Governmental Activities
Net present value of all future cash flows	\$ 2,632,561
Cash received by the City	1,027,000
Difference	<u>\$ 1,605,561</u>

CITY OF SAFETY HARBOR, FLORIDA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

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

The sales proceeds of \$1,027,000 are recognized as deferred revenue and amortized over the life of the agreement. For the fiscal year ending September 30, 2011, \$8,558 was amortized as other charges.

Fund Balances

Governmental funds

The City Commission established and adopted by resolution a fund balance policy consistent with the Government Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The City's policy identifies the classification of fund balances as follows:

- Non-spendable fund balance cannot be spent because it is not in spendable form, legally or contractually required to be maintained intact or is not yet available for spending. The City reports inventories and prepaids as fund balance amounts that are not in spendable form other than fuel, which is accounted for under the consumption method and recorded as an expenditure when consumed.
- Restricted fund balance is restricted for specific purposes that are either externally imposed by creditors, grantors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The City's Special Revenue fund balance policy accounts for the following funds as restricted:

Public Safety Fund

The Public Safety fund is used to account for and report the proceeds of impact fee revenue *restricted* for public safety related capital improvements limited to facilities, vehicles, and equipment for firefighting and fire protection services and for emergency medical services. The Public Safety fund is restricted per Pinellas County Resolution Number 09-38, Chapter 62, Pinellas County Code and Section 163.31801, Florida Statutes.

Street Improvement Fund

The Street Improvement fund is used to account for and report the proceeds of the local option gas tax *restricted* to transportation expenditures per Section 336.025, Florida Statutes, as may be amended.

Law Enforcement Fund

The Law Enforcement fund is used to account for and report the proceeds of specific grant revenues that are *restricted* to expenditures for specified purposes per the terms of the grant agreements, as may be amended.

Parkland Fund

The Parkland fund is used to account for and report the proceeds of impact fee revenue *restricted* for the acquisition of park facilities and park lands. The Parkland fund is restricted per Section 163.3202, Florida Statutes, as may be amended.

Transportation Impact Fee Fund

The Transportation Impact Fee fund is used to account for and report the proceeds of impact fee revenues that are *restricted* to expenditures for capital improvements to and expansion of

CITY OF SAFETY HARBOR, FLORIDA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

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

transportation facilities specified per the Pinellas County Impact Fee ordinance 86-43, as amended in Pinellas County Land Development Code, as may be amended.

Library Impact Fee Fund

The Library Impact Fee fund is used to account for and report the proceeds of library impact fee funds *restricted* for financing of capital and resource expansion of the City's Library in accordance with standards established by the Florida Library Association. The Library Impact Fee Fund is restricted per Section 163.31801, Florida Statutes, as may be amended.

Street Assessment Fund

The Street Assessment fund is used to account for and report the proceeds of special assessment revenue *restricted* for financing capital improvements for streets pursuant to Section 170.01, Florida Statutes, as may be amended.

Community Redevelopment Agency Fund

The CRA fund is used to account for and report proceeds of revenue *restricted* for financing or refinancing community redevelopment pursuant to Section 163.370, Florida Statutes, as may be amended.

Capital Projects Fund

The Capital Projects fund is used to account for and report the proceeds of the local government infrastructure (Penny for Pinellas) discretionary sales tax that is *restricted* for the purpose of capital outlay, including the acquisition or construction of new facilities and other capital assets, pursuant to Section 212.055(2), Florida Statutes, as may be amended.

Debt Service Fund

The Debt Service fund is used to account for and report resources that are *restricted* to expenditure for principal and interest of debt service pursuant to bond covenants.

In the event the City no longer expects that a substantial portion of Special Revenue Fund inflows will be derived from restricted or committed revenue sources, the City shall discontinue reporting these funds as a Special Revenue Fund and shall report the funds remaining as resources in the General Fund. For the current year, resources from the Parking Impact Fee and Street Light Funds are reported as resources in the General Fund.

- Committed fund balance may only be used for specific purposes as imposed by formal action of the City Commission, which is the highest level of decision making authority. Commitments of fund balance may only be removed or changed by taking the same type of action formally used to commit the amount, which is by resolution.

Marina Fund

The Marina fund is used to account for and report the proceeds from marina slip rentals that are *committed* for the specific purpose of marina expenditures, including operating, maintenance and capital outlay and improvements.

CITY OF SAFETY HARBOR, FLORIDA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

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

Stabilization Arrangement

Commitment of general fund balance may be made by the City Commission for such purposes including, but not limited to, a) meeting future obligations resulting from a natural disaster; b) accumulating resources pursuant to a stabilization arrangement; and/or c) setting aside amounts for specific projects. Once a fund balance has been committed, the City Commission may only change the classification upon duly adopted resolution. The City maintains at a minimum, a fund balance of twenty (20) percent of General Fund operating expenditures based on the current year's adopted budget, including amendments thereto, committed for the specific purpose for use in the event of a major storm or other unforeseen disaster of a nonrecurring character, including environmental damage, flood, fire or tornado; provided that if federal or state funds are received to offset appropriations for such purposes, such monies shall be returned to the Stabilization Arrangement. Replenishment of the stabilization arrangement will be from Unassigned Fund Balance over a period of five (5) years. At September 30, 2011, the fund balance committed for stabilization is \$2,670,058.

- Assigned fund balance is established by City Commission or City management and is intended to be used for specific purposes, which are neither considered restricted or committed. The subsequent year's budgeted fund balance shall be assigned by the City Commission and/or City Management as set forth in the annual budget, and any amendments thereto, to appropriate a portion of existing unassigned fund balance to eliminate a projected deficit in the subsequent year's budget in an amount not to exceed the projected excess of estimated expenditures over estimated revenues, transfers, and other financing sources.
- Unassigned fund balance is the residual classification for the general fund that has not been assigned to other funds and has not been restricted, committed or assigned to a specific purpose within the general fund. The City Commission adopted a resolution whereby there shall be a targeted minimum unassigned fund balance of two months or 17 percent of General Fund operating expenditures based on the prior year's audited financial statements. This minimum unassigned fund balance shall be in addition to all other categories of unrestricted fund balances.

The spending order of fund balances as established by the City is to first spend restricted amounts when both restricted and unrestricted fund balances are available, unless there are legal restrictions that prohibit such action, such as grant agreements that require a dollar match. Additionally, when expenditures are incurred for purposes for which unrestricted fund balances could be used, the City shall first spend committed fund balance, followed by assigned fund balance, and then unassigned fund balance.

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 for payment of governmental and proprietary funds' long-term debt.

CITY OF SAFETY HARBOR, FLORIDA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

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

- 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.

NOTE 2 – DEPOSITS AND INVESTMENTS:

Equity in Pooled Cash and Investments

At September 30, 2011, the carrying amount of the City’s deposits with financial institutions was \$4,982,499 and the bank account balance was \$5,315,002. 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	4,982,499	-	n/a	n/a
Total cash and cash equivalents	4,984,614	17.57%		
<u>Investments</u>				
Certificates of Deposit	233,455	0.82%	0.51	n/a
Money Markets	1,321,396	4.66%	0.10	n/a
SBA Florida Prime	281,541	0.99%	0.22	AAAm
SBA Pool B	5,046	0.02%	4.82	No Rating
Private Label CWALT CMO	691,068	2.44%	2.29	Caa2
Private Label CWHL CMO	872,234	3.08%	3.44	Ba3
Federal Home Loan Bank	742,581	2.62%	5.92	AAA Implied
Federal Home Loan Mortgage CMO FHLMC	2,501,125	8.82%	3.12	AAA Implied
Federal Home Loan Mortgage MBS FHLMC	2,508,554	8.84%	3.10	AAA Implied
Government National Mortgage Association ARM GNMA	384,694	1.36%	2.80	AAA Implied
Government National Mortgage Association CMO GNMA	9,076,213	32.00%	3.05	AAA Implied
Federal National Mortgage Association CMO FNMA	905,231	3.19%	2.70	AAA Implied
Federal National Mortgage Association MBS FNMA	3,518,361	12.40%	2.77	AAA Implied
Federal National Mortgage Association MBS GNMA	337,804	1.19%	3.80	AAA Implied
Total investments	23,379,303			
Total pooled cash and investments	\$ 28,363,917	100.00%		

CITY OF SAFETY HARBOR, FLORIDA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 2 – DEPOSITS AND INVESTMENTS (continued):

Equity in Pooled Investments

Custodial Risk

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

Credit Risk

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 does not have a policy with respect to credit rating limitations beyond the types of authorized investments.

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 Florida PRIME, with a current Standard & Poor's rating of AAAM, manages \$6.1 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, 2011 of 38 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 .75683860 at September 30, 2011. As a participant in Fund B, the City will receive distributions to the extent that SBA deems the proceeds to be

CITY OF SAFETY HARBOR, FLORIDA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 2 – DEPOSITS AND INVESTMENTS (continued):

material. The weighted average life, based on expected future cash flows, of Fund B at September 30, 2011 is 4.82 years. Participant balances in Fund B at September 30, 2011 totals \$400 million.

On September 30, 2011, the fair value of the City’s investments in Florida PRIME was \$281,541 with no liquidity restrictions and an ending Net Asset Value of \$5,046 in Fund B.

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.

Investment Types	Credit Rating	Concentration at Fair Value	Percentage Pooled Investments
Certificates of Deposit	No Rating	\$ 233,455	1.00%
Money Markets	No Rating	1,321,396	5.65%
SBA Florida Prime	AAAm	281,541	1.20%
SBA Pool B	No Rating	5,046	0.02%
Private Label CWALT CMO	Caa2	691,068	2.96%
Private Label CWHL CMO	Ba3	872,234	3.73%
Federal Home Loan Bank	AAA Implied	742,581	3.18%
Federal Home Loan Mortgage CMO FHLMC	AAA Implied	2,501,125	10.70%
Federal Home Loan Mortgage MBS FHLMC	AAA Implied	2,508,554	10.73%
Government National Mortgage Association ARM GNMA	AAA Implied	384,694	1.65%
Government National Mortgage Association CMO GNMA	AAA Implied	9,076,213	38.82%
Federal National Mortgage Association CMO FNMA	AAA Implied	905,231	3.87%
Federal National Mortgage Association MBS FNMA	AAA Implied	3,518,361	15.05%
Federal National Mortgage Association MBS GNMA	AAA Implied	337,804	1.44%
		\$ 23,379,303	100.00%

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Pursuant to the City’s investment policy, 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 on the next page.

CITY OF SAFETY HARBOR, FLORIDA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 2 – DEPOSITS AND INVESTMENTS (continued):

Investment Types	Fair Value	0 to 1 Year	1 to 2 Years	2 to 3 Years	3 to 4 Years	More than 4 Years
Certificates of Deposit	\$ 233,455	\$ 233,455	\$ -	\$ -	\$ -	\$ -
Money Markets	1,321,396	1,321,396	-	-	-	-
SBA Pool Florida Prime	281,541	281,541	-	-	-	-
SBA Pool B	5,046	-	-	-	-	5,046
Private Label CWALT CMO	691,068	-	-	691,068	-	-
Private Label CWHL CMO	872,234	-	-	-	872,234	-
Federal Home Loan Bank	742,581	-	-	-	-	742,581
Federal Home Loan Mortgage CMO FHLMC	2,501,125	-	238,856	1,029,728	1,232,541	-
Federal Home Loan Mortgage MBS FHLMC	2,508,554	-	11,747	978,678	1,518,129	-
Government National Mortgage Association ARM GNMA	384,694	-	-	384,694	-	-
Government National Mortgage Association CMO GNMA	9,076,213	397,790	319,128	2,393,860	5,965,435	-
Federal National Mortgage Association CMO FNMA	905,231	-	119,698	551,534	233,999	-
Federal National Mortgage Association MBS FNMA	3,518,361	5,563	-	1,664,614	1,848,184	-
Federal National Mortgage Association MBS GNMA	337,804	-	-	-	337,804	-
	<u>\$ 23,379,303</u>	<u>\$ 2,239,745</u>	<u>\$ 689,429</u>	<u>\$ 7,694,176</u>	<u>\$ 12,008,326</u>	<u>\$ 747,627</u>

NOTE 3 – RECEIVABLES:

Receivables at September 30, 2011 for the City's governmental and enterprise funds, including the applicable allowances for uncollectible accounts are as follows:

	Utility					Total Gross Receivables	Less: Allowance for Uncollectibles	Net Total Receivables
	Interest	Taxes & Franchise Fees	Liens	Special Assessments	Accounts			
Governmental activities								
General fund	\$26,484	\$ 261,756	\$2,617,373	\$ -	\$ 29,521	\$2,935,134	\$ (2,591,199)	\$ 343,935
Community Redevelopment Agency	1,804	-	-	-	-	1,804	-	1,804
Capital Projects	5,142	-	-	-	-	5,142	-	5,142
Non-major governmental funds	5,725	-	-	12,316	6,659	24,700	(11,665)	13,035
Gross receivables	39,155	261,756	2,617,373	12,316	36,180	2,966,780	-	-
Less: allowance for collectibles	-	-	(2,591,199)	(11,665)	-	-	(2,602,864)	-
Net total receivables governmental activities	<u>\$39,155</u>	<u>\$ 261,756</u>	<u>\$ 26,174</u>	<u>\$ 651</u>	<u>\$ 36,180</u>	<u>\$2,966,780</u>	<u>\$ (2,602,864)</u>	<u>\$ 363,916</u>
Business-type activities								
Stormwater utility	\$ 3,692	\$ -	\$ 15,084	\$ -	\$ 53,237	\$ 72,013	\$ (9,811)	\$ 62,202
Water and sewer utility	30,186	-	264,841	16,194	756,907	1,068,128	(120,532)	947,596
Solid waste utility	3,827	-	71,756	-	222,812	298,395	(41,271)	257,124
Gross receivables	37,705	-	351,681	16,194	1,032,956	1,438,536	-	-
Less: allowance for collectibles	-	-	(171,614)	-	-	-	(171,614)	-
Net total receivables business-type activities	<u>\$37,705</u>	<u>\$ -</u>	<u>\$ 180,067</u>	<u>\$ 16,194</u>	<u>\$1,032,956</u>	<u>\$1,438,536</u>	<u>\$ (171,614)</u>	<u>\$1,266,922</u>

CITY OF SAFETY HARBOR, FLORIDA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 3 – RECEIVABLES (continued):

Due from other governments

The following amounts were due from other governments as of September 30, 2011.

Fund	Name of Government	Revenue Source	Amount
Governmental Funds			
General	Pinellas County	Ad Valorem	\$ 30,650
General	State of Florida	Half-Cent Sales Tax	68,435
General	State of Florida	Alcoholic Beverage Tax	6,043
General	Pinellas County	Court Fines and Fees	4,911
Total general fund			<u>110,039</u>
Capital Projects Fund	Pinellas County	Local Government Infrastructure Tax	<u>212,384</u>
Special Revenue Funds			
Street Improvement	State of Florida	Local Option Gas Tax	35,969
Law Enforcement	State of Florida	Justice Assistance Grant	841
Parkland	State of Florida	Tampa Bay Estuary	3,366
Total special revenue funds			<u>40,176</u>
Total governmental funds			<u><u>\$ 362,599</u></u>
Proprietary Funds			
Stormwater	State of Florida	Southwest Florida Water Mgmt. District	\$ 130,490
Stormwater	State of Florida	Department of Environmental Protection	19,172
Total proprietary funds			<u><u>\$ 149,662</u></u>

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CITY OF SAFETY HARBOR, FLORIDA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 4 – CAPITAL ASSETS:

The following is a summary of changes in capital assets for the year ended September 30, 2011:

	Balance Sept. 30, 2010 (Restated)	Additions	Disposals	Balance Sept. 30, 2011
Governmental activities:				
Nondepreciable assets:				
Land	\$ 3,688,288	\$ -	\$ -	\$ 3,688,288
Construction in progress	424,652	396,105	147,238	673,519
Depreciable assets:				
Buildings	4,020,976	-	-	4,020,976
Infrastructure	25,822,236	498,035	-	26,320,271
Equipment	6,559,965	382,427	404,196	6,538,196
Total at historical cost	40,516,117	1,276,567	551,434	41,241,250
Less, accumulated depreciation for:				
Buildings	2,740,259	78,004	-	2,818,263
Infrastructure	9,892,457	1,192,432	-	11,084,889
Equipment	4,488,272	460,916	404,196	4,544,992
Total accumulated depreciation	17,120,988	1,731,352	404,196	18,448,144
Governmental activities capital assets, net	\$ 23,395,129	\$ (454,785)	\$ 147,238	\$ 22,793,106
Business-type activities:				
Nondepreciable assets:				
Land	\$ 606,548	\$ -	\$ -	\$ 606,548
Construction in progress	569,994	914,544	-	1,484,538
Depreciable assets:				
Buildings	229,719	-	-	229,719
Infrastructure	29,461,833	278,510	-	29,740,343
Equipment	7,443,654	309,776	60,244	7,693,186
Total at historical cost	38,311,748	1,502,830	60,244	39,754,334
Less, accumulated depreciation for:				
Buildings	215,195	2,905	-	218,100
Infrastructure	10,099,260	755,792	-	10,855,052
Equipment	5,105,538	483,697	60,244	5,528,991
Total accumulated depreciation	15,419,993	1,242,394	60,244	16,602,143
Business-type activities capital net	\$ 22,891,755	\$ 260,436	\$ -	\$ 23,152,191

CITY OF SAFETY HARBOR, FLORIDA
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2011

NOTE 4 – CAPITAL ASSETS (continued):

Depreciation expense was charged to governmental functions as follows:

	Amount
General government	\$ 277,717
Law enforcement	4,055
Fire protection	137,544
Physical environment	96
Transportation	521,893
Library	370,954
Parks and recreation	419,093
Total depreciation expense	\$ 1,731,352

Construction projects actively underway as of September 30, 2011 were as follows:

Project	Spent to Date	Remaining Commitment
2nd Street South Parking Improvements	\$ 548,907	\$ 182,179
McMullen Entryway Sign	40,897	7,760
Power Generators -Fire Station #52	54,891	2,295
Community Center Improvement	5,470	16,375
Rigsby Playground Resurfacing	2,306	60,452
Rigsby Pond Improvements	21,047	55
Upper Mullet Creek Erosion Control	611,323	6,920
South Bayshore Drainage Project	309,296	2,064,017
Citywide Sewer Improvements	56,122	20,646
Reline Clay Sewer	2,988	83,657
Sanitary Sewer Relining	42,844	66,582
Pump Master Lift Station	104,657	8,902
Bay Hill Main - Phase II	54,896	12,967
Amber Glades Lift Repair	10,527	3,073
Mapleway St. Sewer Replacement	38,414	162,927
Asbestos Waterline	106,366	148,409
Server Virtualization	147,106	19,247
Total	\$ 2,158,057	\$ 2,866,463

NOTE 5 – INTERFUND TRANSFERS:

Interfund transfers for the year ended September 30, 2011, consisted of the following:

Transfers within governmental funds from:	
Capital Projects fund	\$ 889,080
Transfers within governmental funds to:	
Street Improvement fund	300,000
Debt Service fund	589,080

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, 2011

NOTE 6 – LONG TERM LIABILITIES:

The following is a summary of changes in long-term liabilities for the year ended September 30, 2011:

	Balance Sept. 30, 2010 (Restated)	Increases	Decreases	Balance Sept. 30, 2011	Amount Due Within One Year
Governmental Activities					
2008 Capital Improvement					
Revenue Note	\$ 5,038,000	\$ -	\$ 387,000	\$ 4,651,000	\$ 399,000
2006 Capital Improvement					
Line of Credit	362,887	-	14,643	348,244	15,062
Accrued compensated absences	826,435	708,132	700,883	833,684	75,032
Termination benefits	39,236	199,560	238,796	-	-
OPEB liability	89,213	37,724	-	126,937	-
Governmental activities total	<u>6,355,771</u>	<u>945,416</u>	<u>1,341,322</u>	<u>5,959,865</u>	<u>489,094</u>
Business-Type Activities					
Series 2001 A Florida Municipal					
Loan Council Revenue Bonds	1,660,000	-	105,000	1,555,000	110,000
Plus deferred amount					
for issuance premium	104,064	-	9,316	94,748	9,320
Total bond payable	<u>1,764,064</u>	<u>-</u>	<u>114,316</u>	<u>1,649,748</u>	<u>119,320</u>
2006 Capital Improvement					
Revenue Note	8,291,601	-	334,578	7,957,023	344,148
Capital leases	133,996	-	96,061	37,935	37,935
Accrued compensated absences	370,788	282,966	288,307	365,447	32,890
Termination benefits	12,881	171,351	184,232	-	-
OPEB liability	37,787	17,276	-	55,063	-
Business-type activities totals	<u>10,611,117</u>	<u>471,593</u>	<u>1,017,494</u>	<u>10,065,216</u>	<u>534,293</u>
Total all activities	<u>\$ 16,966,888</u>	<u>\$ 1,417,009</u>	<u>\$ 2,358,816</u>	<u>\$ 16,025,081</u>	<u>\$ 1,023,387</u>

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

DEBT SERVICE

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

CITY OF SAFETY HARBOR, FLORIDA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 6 – LONG TERM LIABILITIES (continued):

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 \$3,610,00 Revenue Bond, series 2001A, at a variable rate with the Florida Municipal Loan Council and maturing on November 1, 2021. As of September 30, 2011, the rate was 5.00%. 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.

	Governmental Activities			Business - Type Activities				
	Library Expansion	Capital Improvements	Total	Stormwater Capital Improvements	Water & Sewer Capital Improvements	Solid Waste Capital Improvements	Refunding & Utility System Improvements	Total
Issue Date	2008	2006		2006	2006	2006	2001	
Retirement Date	2020	2029		2029	2029	2029	2021	
Debt at Issuance	\$ 5,412,000	\$ 385,198	\$ 5,797,198	\$ 1,425,296	\$ 6,393,426	\$ 796,080	\$ 3,610,000	\$ 12,224,802
Outstanding Principal	\$ 4,651,000	\$ 348,244	\$ 4,999,244	\$ 1,323,608	\$ 5,898,296	\$ 735,119	\$ 1,555,000	\$ 9,512,023
Interest Rate	3.340%	2.860%		2.860%	2.860%	2.860%	Variable	
<u>Annual Debt Service</u>								
2012	\$ 547,662	\$ 25,022	\$ 572,684	\$ 95,102	\$ 423,797	\$ 52,820	\$ 188,500	\$ 760,219
2013	548,104	25,022	573,126	95,102	423,797	52,819	188,000	759,718
2014	548,078	25,022	573,100	95,101	423,798	52,819	187,250	758,968
2015	547,584	25,021	572,605	95,103	423,797	52,819	185,950	757,669
2016	546,622	25,021	571,643	95,103	423,797	52,819	184,388	756,107
Thereafter	2,731,567	325,283	3,056,850	1,236,330	5,509,367	686,644	1,125,014	8,557,355
Total	<u>\$ 5,469,617</u>	<u>\$ 450,391</u>	<u>\$ 5,920,008</u>	<u>\$ 1,711,841</u>	<u>\$ 7,628,353</u>	<u>\$ 950,740</u>	<u>\$ 2,059,102</u>	<u>\$ 12,350,036</u>

DEBT SERVICE REQUIREMENTS

The annual debt service requirements for the governmental activities long-term debt as of September 30, 2011 are as follow:

Year Ending September 30,	2008 Capital Improvement Revenue Note		
	Principal	Interest	Total
2012	\$ 399,000	\$ 148,662	\$ 547,662
2013	413,000	135,104	548,104
2014	427,000	121,078	548,078
2015	441,000	106,584	547,584
2016	455,000	91,622	546,622
2017 - 2021	2,516,000	215,567	2,731,567
Total debt service	<u>\$ 4,651,000</u>	<u>\$ 818,617</u>	<u>\$ 5,469,617</u>

CITY OF SAFETY HARBOR, FLORIDA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 6 – LONG TERM LIABILITIES (continued):

Year Ending September 30,	2006 Capital Improvement Revenue Note		
	Principal	Interest	Total
2012	\$ 15,062	\$ 9,960	\$ 25,022
2013	15,493	9,529	25,022
2014	15,936	9,086	25,022
2015	16,391	8,630	25,021
2016	16,860	8,161	25,021
2017 - 2021	91,815	33,292	125,107
2022 - 2026	105,718	19,390	125,108
2027 - 2029	70,969	4,099	75,068
Total debt service	<u>\$ 348,244</u>	<u>\$ 102,147</u>	<u>\$ 450,391</u>

The annual debt service requirements for the business-type activities long-term debt as of September 30, 2011 are as follow:

Year Ending September 30,	2006 Capital Improvement Revenue Note		
	Principal	Interest	Total
2012	\$ 344,148	\$ 227,571	\$ 571,719
2013	353,990	217,728	571,718
2014	364,113	207,605	571,718
2015	374,528	197,191	571,719
2016	385,240	186,479	571,719
2017 - 2021	2,097,908	760,686	2,858,594
2022 - 2026	2,415,565	443,028	2,858,593
2027 - 2029	1,621,531	93,623	1,715,154
Total debt service	<u>\$ 7,957,023</u>	<u>\$ 2,333,911</u>	<u>\$ 10,290,934</u>

Year Ending September 30,	2001 Florida Municipal Loan Council Revenue Bond		
	Principal	Interest	Total
2012	\$ 110,000	\$ 78,500	\$ 188,500
2013	115,000	73,000	188,000
2014	120,000	67,250	187,250
2015	125,000	60,950	185,950
2016	130,000	54,388	184,388
2017 - 2021	775,000	161,464	936,464
2022	180,000	8,550	188,550
Total debt service	<u>\$ 1,555,000</u>	<u>\$ 504,102</u>	<u>\$ 2,059,102</u>

CITY OF SAFETY HARBOR, FLORIDA
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2011

NOTE 6 – LONG-TERM LIABILITIES (continued):

Capital Leases

The City entered into a lease agreement for financing the acquisition of a sanitation vehicle for collection of solid waste. The lease agreement qualifies as a capital lease for accounting purposes and has been recorded at the present value of its future minimum lease payment.

Assets acquired through capital leases are as follows:

	<u>Proprietary Funds</u>
Asset:	
Equipment	\$ 388,706
Less: Accumulated Depreciation	133,205
Total	\$ 255,501

The future minimum lease payment and the net present value of the minimum lease payment as of September 30, 2011 are as follows:

<u>Year ending September 30,</u>	<u>Sanitation</u>
2012	\$ 38,263
Total minimum lease payment	38,263
Less: amount representing interest costs	328
Present value of minimum lease payment	\$ 37,935

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 twenty-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 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 (888) 738-2252.

Presently, the System requires a 3.00% contribution from covered members in the regular, special risk and senior management classes. The City is required to contribute an actuarially determined rate. The employers current contribution rates, based upon employees' gross earnings, are: regular

CITY OF SAFETY HARBOR, FLORIDA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 7 – PENSION PLANS (continued):

employees, 4.91%; special risk, 14.10%; and senior management, 6.27%. The contribution requirements of the City are established by and may be amended by the State Legislature. The City's contributions to the System for the fiscal years ending September 30, 2011, 2010 and 2009 were approximately \$430,000, \$490,000 and \$546,000 respectively, equal to the required contributions for each year.

B. Defined Contribution Plan

The City contributes to one defined contribution plan for employees starting after January 1, 1996 (Opt-Out Plan). Plan provisions and contributions are established by City Resolution. 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 City contribution to the 401(a) plan accounts for general employees was \$264,788 for the year ended September 30, 2011. For the City Manager, retirement participation is in a 401(a) plan with the ICMA with a 12.5% City contribution. The total plan contribution for fiscal year 2011 for the City Manager was \$14,954.

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 \$268,096 for 2011 is reflected in the departmental expenditures section of the General Fund. The State of Florida levies a tax on property, casualty and auto insurance premiums the proceeds of which are distributed to the Plan. In 2011, the State of Florida's contribution to the retirement trust fund was \$132,549.

CITY OF SAFETY HARBOR, FLORIDA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 7 – PENSION PLANS (continued):

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	\$ 291,806
Contributions made	\$ 300,585
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%
Inflation rate (cost-of-living)	2.00%

*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.

Projected salary increases are assumed to increase at a rate of 5.20% annually. With respect to plan participants with less than four years of service, compensation is assumed to increase at a higher rate. Compensation for participants with less than one year of service is assumed to increase 8 percent annually, with less than two years but more than one year of service is assumed to increase 7 percent annually, with between two and three years of service is assumed to increase 6 percent annually and for participants with at least three years but less than four years the assumption is a 5.5 percent annual increase.

CITY OF SAFETY HARBOR, FLORIDA
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2011

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	\$ 291,806
Interest on net pension obligation	(30,514)
Adjustment to annual required contribution	32,045
Annual pension cost	<u>293,337</u>
Contributions made	(300,585)
Increase in net pension obligation (asset)	<u>(7,248)</u>
Net pension obligation (asset) beginning of the year	(406,852)
Net pension obligation (asset) end of the year	<u><u>\$ (414,100)</u></u>

Three year trend information

Year Ending	Annual Pension Cost (APC)	Actual Contributions	Percentage of APC Contributed	Net Pension Obligation (Asset)
9/30/2011	\$ 293,337	\$ 300,585	102%	\$ 414,100
9/30/2010	306,794	318,522	104%	406,852
9/30/2009	237,718	255,718	108%	395,124

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.

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, 2011.

CITY OF SAFETY HARBOR, FLORIDA
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2011

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, 2011, the City estimated it subsidized \$39,000 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 twenty 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	\$ 100,000
Interest on Net OPEB Obligation	5,000
Adjustment to Annual Required Contribution	<u>(11,000)</u>
Annual OPEB Cost (Expense)	94,000
Contributions Made	<u>(39,000)</u>
Increase in Net OPEB Obligation	55,000
Net OPEB Obligation - Beginning of Year	<u>127,000</u>
Net OPEB Obligation - End of Year	<u><u>\$ 182,000</u></u>

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 were as follows:

Fiscal Year End	Annual OPEB Cost	% of Annual OPEB Cost Contributed	Net OPEB Obligation
9/30/2011	\$ 94,000	41%	\$ 182,000
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 \$718,000 and an actuarial value of assets of zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$718,000 as of September 30, 2011. The covered payroll (annual payroll of active employees covered by the plan) was \$6,973,000, and the ratio of the UAAL to the covered payroll was 10.3 percent.

CITY OF SAFETY HARBOR, FLORIDA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

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

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 expected long-term return on the City's surplus funds. The annual healthcare cost rate was 10% initially, grading down to a rate of 5% by fiscal year 2020/21. The City's unfunded actuarial accrued liability is amortized as a level dollar amount on an open basis. The amortization period is 15 years.

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CITY OF SAFETY HARBOR, FLORIDA
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2011

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, 2011.

	<u>Deposits</u>	<u>Withdrawals</u>
Sources of deposits:		
Ad valorem taxes	\$ 125,354	\$ -
Ad valorem taxes from Pinellas County	181,703	-
Interest and investment income	30,038	-
Purpose of withdrawals:		
Personal services	-	83,375
District fees	-	570
Façade and partnership incentives	-	41,471
Decorative lighting	-	3,415
Directional signage	-	5,928
Streetscaping - benches, trash cans, planter, ballasts	-	15,827
Marina improvements	-	6,529
Public Art Committee	-	5,046
Museum building improvements	-	2,942
Land lease - CSX	-	412
Pedestrian safety improvements	-	3,494
Brick streets	-	36,179
CRA parkland improvements (Church Street)	-	29,945
North Bayshore improvements	-	97,213
2nd Street parking phase II	-	197,606
Rigsby pond improvements	-	21,047
Totals	<u>\$ 337,095</u>	<u>\$ 550,999</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 April 1, 2011 and between April 1 and May 31, 2011. Employees electing to retire or separate before April 1st received four (4) months of regular pay and paid medical and dental insurance through September 30, 2011. Employees electing to retire or separate between April 1st and May 31st received three (3) months of regular pay and paid medical and dental insurance through September 30, 2011. 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, thirteen employees elected participation in the program.

Two employees electing participation in the 2009 voluntary separation incentive program remained in the program as they elected an incentive that included three months incentive pay and twenty-four months of health insurance. Their benefits terminated during the current year. The City had no remaining liability for healthcare benefits under the voluntary retirement and termination incentive program as of September 30, 2011.

<u>Termination Benefits at September 30, 2010</u>	<u>Termination Benefits</u>	<u>Termination Benefits Paid</u>	<u>Termination Benefits at September 30, 2011</u>
\$52,117	\$370,911	\$423,028	\$0

CITY OF SAFETY HARBOR, FLORIDA
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2011

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, 2011. The City had no significant reductions in insurance coverage during the fiscal year ended September 30, 2011. 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 – RESTATEMENT OF PRIOR YEAR'S FUND BALANCE

For fiscal year 2011, the City determined Stormwater fund activity meets the reporting requirements for enterprise fund reporting under GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. As of September 30, 2011, the governmental and enterprise funds reflect the restatement of fund balance. This is considered to be a change in accounting principle based on using an accounting principle permitted by Generally Acceptable Accounting Principles (GAAP) that is more preferable than the one previously employed.

The City implemented GASB Statement No. 54, which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The implementation of this statement resulted in the reclassification of certain funds and restatement of the City's financial statements.

The reporting of Stormwater as an enterprise activity and the implementation of GASB Statement No. 54 have the following effect on fund balances of the governmental and enterprise funds as they were previously reported.

	Fund Balance at September 30, 2010	Reclassification of Stormwater Fund Balance to Enterprise Fund due to GASB 34	Reclassification of Fund Balance due to GASB 54	Restated Fund Balance at September 30, 2010
General	\$ 8,798,442	\$ -	\$ 612,688	\$ 9,411,130
Stormwater	1,832,664	(1,832,664)	-	-
Community Redevelopment Agency	898,337	-	-	898,337
Capital Projects	2,095,656	-	-	2,095,656
Other Non-major Governmental Funds	2,562,012	(198)	(612,688)	1,949,126
Total governmental funds	<u>\$ 16,187,111</u>	<u>\$ (1,832,862)</u>	<u>\$ -</u>	<u>\$ 14,354,249</u>
Water and Sewer	\$ 19,750,738	\$ -	\$ -	\$ 19,750,738
Sanitation	1,541,592	-	-	1,541,592
Stormwater	-	3,769,780	-	3,769,780
Total proprietary funds	<u>\$ 21,292,330</u>	<u>\$ 3,769,780</u>	<u>\$ -</u>	<u>\$ 25,062,110</u>

CITY OF SAFETY HARBOR, FLORIDA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 14 – 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.

NOTE 15 – SUBSEQUENT EVENT

On January 19, 2012, the City issued a \$4,275,000 Refunding Revenue Bond, Series 2012 with an average coupon interest rate of 2.34 percent and a true interest cost of 2.3403325 percent. The bonds were dated January 19, 2012 and bear interest from that date. Interest on the bonds will be payable semiannually on each May 1 and November 1 commencing on May 1, 2012. Proceeds of the Series 2012 Bond were used to refund \$1,445,000 Florida Municipal Loan Council Revenue Bonds, Series 2001A. The refunding was undertaken to reduce total debt service payments by \$187,786 over the next 10 years and will result in an economic gain of \$167,388. The remaining proceeds of \$2,775,000 of the refunding bond will be used to purchase parkland on the waterfront adjacent to the Marina.

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REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF SAFETY HARBOR, FLORIDA
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
 YEAR ENDED SEPTEMBER 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Resources (inflows):				
Property taxes	\$ 3,200,540	\$ 3,200,540	\$ 3,147,548	\$ (52,992)
Utility taxes	2,491,500	2,491,500	2,427,378	(64,122)
Local business tax	133,000	133,000	146,230	13,230
Local option tax	-	140,000	128,937	(11,063)
Franchise fees	1,525,000	1,525,000	1,463,744	(61,256)
Licenses and permits	113,960	113,960	150,485	36,525
Intergovernmental revenues	2,507,480	2,520,190	2,646,831	126,641
Charges for services	768,100	768,100	834,447	66,347
Fines and forfeitures	80,000	80,000	127,865	47,865
Interest income and net appreciation in fair value of investments	342,000	342,000	341,527	(473)
Other	1,110,590	1,110,590	1,202,502	91,912
Amounts available for appropriation	<u>12,272,170</u>	<u>12,424,880</u>	<u>12,617,494</u>	<u>192,614</u>
Charges to appropriations (outflows):				
General Government:				
City Commission	157,870	157,870	152,781	5,089
City Manager	241,850	241,850	240,257	1,593
City Clerk	212,260	212,260	204,414	7,846
Finance*	289,528	289,528	291,363	(1,835)
Personnel	287,443	281,863	278,744	3,119
Planning*	327,040	351,307	355,460	(4,153)
City Attorney	113,350	130,290	130,284	6
Nondepartmental*	324,487	244,217	254,725	(10,508)
Maintenance	696,201	696,091	623,433	72,658
Nonoperating	269,250	269,250	269,250	-
Total general government	<u>2,919,279</u>	<u>2,874,526</u>	<u>2,800,711</u>	<u>73,815</u>
Public Safety:				
Law enforcement	1,258,550	1,258,550	1,258,543	7
Fire	3,619,529	3,775,816	3,673,446	102,370
Building department	309,580	309,580	295,895	13,685
Total public safety	<u>5,187,659</u>	<u>5,343,946</u>	<u>5,227,884</u>	<u>116,062</u>
Physical environment	<u>524,149</u>	<u>517,814</u>	<u>466,839</u>	<u>50,975</u>
Transportation*	<u>879,350</u>	<u>875,350</u>	<u>1,069,494</u>	<u>(194,144)</u>
Culture and recreation:				
Library	1,269,677	1,268,774	1,190,494	78,280
Parks and recreation	2,356,347	2,353,923	2,193,967	159,956
Total culture and recreation	<u>3,626,024</u>	<u>3,622,697</u>	<u>3,384,461</u>	<u>238,236</u>
Capital outlay	<u>103,750</u>	<u>115,956</u>	<u>111,841</u>	<u>4,115</u>
Total charges to appropriations	<u>13,240,211</u>	<u>13,350,289</u>	<u>13,061,230</u>	<u>289,059</u>
Excess (deficiency) of resources over (under) charges to appropriations	<u>(968,041)</u>	<u>(925,409)</u>	<u>(443,736)</u>	<u>481,673</u>
Appropriated fund balance	<u>968,041</u>	<u>925,409</u>	<u>-</u>	<u>(925,409)</u>
Deficiency of resources under charges to appropriations	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (443,736)</u>	<u>\$ (443,736)</u>

*Expenditures exceed appropriations in Finance and Planning due to the payout of early separation benefits to employees.
 Nondepartmental expenditures exceed appropriations due to higher than anticipated payments for unemployment benefits.
 Transportation program expenditures exceed appropriations as a result of GASBS 54 reporting of Parking Impact Fees and
 Street Light expenditures in the General Fund. Both were budgeted as Special Revenue funds.

See Independent Auditors' Report.

CITY OF SAFETY HARBOR, FLORIDA
 BUDGETARY COMPARISON SCHEDULE
 MAJOR GOVERNMENTAL FUND – COMMUNITY REDEVELOPMENT FUND
 YEAR ENDED SEPTEMBER 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Resources (inflows):				
Property taxes	\$ 338,290	\$ 307,060	\$ 307,057	\$ (3)
Interest income and net appreciation in fair value of investments	<u>20,000</u>	<u>21,000</u>	<u>30,038</u>	<u>9,038</u>
Amounts available for appropriation	<u>358,290</u>	<u>328,060</u>	<u>337,095</u>	<u>9,035</u>
Charges to appropriations (outflows):				
General government	276,734	169,042	169,008	34
Capital outlay	<u>340,979</u>	<u>381,991</u>	<u>381,991</u>	<u>-</u>
Total charges to appropriations	<u>617,713</u>	<u>551,033</u>	<u>550,999</u>	<u>34</u>
Excess (deficiency) of resources over (under) charges to appropriations	<u>(259,423)</u>	<u>(222,973)</u>	<u>(213,904)</u>	<u>9,069</u>
Appropriated fund balance	<u>259,423</u>	<u>222,973</u>	<u>-</u>	<u>(222,973)</u>
Deficiency of resources under charges to appropriations	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (213,904)</u>	<u>\$ (213,904)</u>

See Independent Auditors' Report.

CITY OF SAFETY HARBOR, FLORIDA
SCHEDULE OF FUNDING PROGRESS
FIREFIGHTERS' RETIREMENT FUND
YEAR ENDED SEPTEMBER 30, 2011

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability* (AAL)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
	(a)	(b)				
10/1/2010	\$ 2,353,601	\$ 2,151,877	\$ -	109.37%	\$ 975,490	0.00%
10/1/2009	1,810,225	1,763,773	-	102.63%	971,356	0.00%
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, 2011

Year ended September 30,	Annual Required Contribution	City Contribution	State Contribution	Percentage Contribution
2011	\$ 291,806	\$ 268,096	\$ 132,549	103%
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, 2011

Year Ended September 30,	Annual Required Contribution	%	Annual OPEB Cost	%
		Contribution		Contribution
2011	\$ 100,000	39%	\$ 94,000	41%
2010	113,000	42%	110,000	44%
2009	112,000	42%	112,000	42%

See Independent Auditors' Report.

CITY OF SAFETY HARBOR, FLORIDA
 SCHEDULE OF FUNDING PROGRESS –
 OTHER POST EMPLOYMENT BENEFITS
 SEPTEMBER 30, 2011

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)
9/1/2011	\$ -	\$ 718,000	\$ 718,000	0.00%	\$ 6,973,000	10.30%
7/1/2009	-	778,000	778,000	0.00%	7,569,000	10.28%

See Independent Auditors' Report.

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

CITY OF SAFETY HARBOR, FLORIDA
 COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2011

Special Revenue Funds											
	Public Safety	Street Improvement	Street Assessment	Marina Boat Basin	Transportation Impact Fee	Library Impact Fee	Law Enforcement	Parkland	Total Special Revenue Funds	Debt Service	Total Other Governmental Funds
Assets											
Cash and cash equivalents	\$ 73,156	\$ 486,549	\$ 23,483	\$ 230,872	\$ 534,380	\$ -	\$ -	\$ 576,404	\$ 1,924,844	\$ 72,516	\$ 1,997,360
Receivables, net:											
Accounts receivable	203	2,076	716	6,471	1,486	-	-	2,083	13,035	-	13,035
Due from other governments	-	35,969	-	-	-	-	841	3,366	40,176	-	40,176
Other assets	-	-	-	-	-	-	-	166,040	166,040	-	166,040
Total assets	\$ 73,359	\$ 524,594	\$ 24,199	\$ 237,343	\$ 535,866	\$ -	\$ 841	\$ 747,893	\$ 1,978,055	\$ 72,516	\$ 2,216,611
Liabilities and Fund Balances											
Liabilities:											
Accounts payable	\$ -	\$ 11,466	\$ -	\$ 335	\$ 2,790	\$ -	\$ 841	\$ -	\$ 15,432	\$ -	\$ 15,432
Accrued liabilities	-	-	-	544	-	-	-	-	544	-	544
Customer deposits	-	-	-	4,480	-	-	-	-	4,480	-	4,480
Deferred revenue	-	-	4,037	-	-	-	-	-	4,037	-	4,037
Total liabilities	-	11,466	4,037	5,359	2,790	-	841	-	24,493	-	24,493
Fund Balances											
Restricted for:											
Fire protection	73,359	-	-	-	-	-	-	-	73,359	-	73,359
Transportation	-	153,838	20,162	-	533,076	-	-	-	707,076	-	707,076
Parks and recreation	-	-	-	-	-	-	-	437,873	437,873	-	437,873
Debt service	-	-	-	-	-	-	-	-	-	72,516	72,516
Committed to:											
Physical environment	-	-	-	231,984	-	-	-	-	231,984	-	231,984
Assigned to:											
Transportation	-	359,290	-	-	-	-	-	-	359,290	-	359,290
Parks and recreation	-	-	-	-	-	-	-	310,020	310,020	-	310,020
Total fund balances	73,359	513,128	20,162	231,984	533,076	-	-	747,893	2,119,602	72,516	2,192,118
Total liabilities and fund balances	\$ 73,359	\$ 524,594	\$ 24,199	\$ 237,343	\$ 535,866	\$ -	\$ 841	\$ 747,893	\$ 2,144,095	\$ 72,516	\$ 2,216,611

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, 2011

	Special Revenue Funds									Total Other Governmental Funds	
	Public Safety	Street Improvement	Street Assessment	Marina Boat Basin	Transportation Impact Fee	Library Impact Fee	Law Enforcement	Parkland	Total Special Revenue Funds	Debt Service	
Revenues:											
Local option taxes	\$ -	\$ 224,418	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 224,418	\$ -	\$ 224,418
Impact fees	700	-	-	-	2,944	1,149	-	945	5,738	-	5,738
Special assessments	350	-	641	-	-	-	-	-	991	-	991
Intergovernmental	-	-	-	-	-	-	4,278	3,366	7,644	-	7,644
Charges for services	-	-	-	50,734	-	-	-	-	50,734	-	50,734
Interest income and net appreciation in fair value of investments	2,487	13,093	798	7,552	18,152	388	-	26,412	68,882	-	68,882
Contributions and donations	-	-	-	-	-	-	-	25,000	25,000	-	25,000
Total revenues	3,537	237,511	1,439	58,286	21,096	1,537	4,278	55,723	383,407	-	383,407
Expenditures:											
Current operating:											
Law enforcement	-	-	-	-	-	-	1,577	-	1,577	-	1,577
Physical environment	-	-	-	18,036	-	-	-	-	18,036	-	18,036
Transportation	-	258,142	-	-	-	-	-	-	258,142	-	258,142
Parks and recreation	-	-	-	-	-	-	-	16,321	16,321	-	16,321
Capital outlay	-	86,496	-	-	-	25,052	2,701	45,096	159,345	-	159,345
Debt service											
Principal payments	-	-	-	-	-	-	-	-	-	401,643	401,643
Interest and other fiscal charges	-	-	-	-	-	-	-	-	-	174,431	174,431
Total expenditures	-	344,638	-	18,036	-	25,052	4,278	61,417	453,421	576,074	1,029,495
Excess (deficiency) of revenues over (under) expenditures	3,537	(107,127)	1,439	40,250	21,096	(23,515)	-	(5,694)	(95,017)	(576,074)	(646,088)
Other financing sources (uses):											
Transfers in	-	300,000	-	-	-	-	-	-	300,000	589,080	889,080
Total other financing sources (uses)	-	300,000	-	-	-	-	-	-	300,000	589,080	889,080
Net change in fund balances	3,537	192,873	1,439	40,250	21,096	(23,515)	-	(5,694)	229,986	13,006	242,992
Fund balances, beginning of year	69,822	320,255	18,723	191,734	511,980	23,515	-	753,587	1,889,616	59,510	1,949,126
Fund balances, end of year	<u>\$ 73,359</u>	<u>\$ 513,128</u>	<u>\$ 20,162</u>	<u>\$ 231,984</u>	<u>\$ 533,076</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 747,893</u>	<u>\$ 2,119,602</u>	<u>\$ 72,516</u>	<u>\$ 2,192,118</u>

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CITY OF SAFETY HARBOR, FLORIDA
 BUDGETARY COMPARISON SCHEDULE
 NONMAJOR GOVERNMENTAL FUNDS – PUBLIC SAFETY
 YEAR ENDED SEPTEMBER 30, 2011

	Budget Amounts		Actual Amount	Variance with
	Original	Final	(Budgetary Basis)	Final Budget
Resources (inflows):				
Impact fees	\$ -	\$ -	\$ 700	\$ 700
Special assessments	-	-	350	350
Interest income and net appreciation in fair value of investments	<u>2,300</u>	<u>2,300</u>	<u>2,487</u>	<u>187</u>
Amounts available for appropriation	<u>2,300</u>	<u>2,300</u>	<u>3,537</u>	<u>1,237</u>
Charges to appropriations (outflows):				
Fire protection	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total charges to appropriations	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of resources over charges to appropriations	2,300	2,300	3,537	1,237
Appropriated fund balance	<u>(2,300)</u>	<u>(2,300)</u>	<u>-</u>	<u>2,300</u>
Excess of resources over charges to appropriations	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,537</u>	<u>\$ 3,537</u>

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

CITY OF SAFETY HARBOR, FLORIDA
 BUDGETARY COMPARISON SCHEDULE
 NONMAJOR GOVERNMENTAL FUNDS – STREET IMPROVEMENT
 YEAR ENDED SEPTEMBER 30, 2011

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	
Resources (inflows):				
Local option taxes	\$ 215,000	\$ 215,000	\$ 224,418	\$ 9,418
Interest income and net appreciation in fair value of investments	12,000	12,000	13,093	1,093
Transfers from other funds	300,000	300,000	300,000	-
Amounts available for appropriation	<u>527,000</u>	<u>527,000</u>	<u>537,511</u>	<u>10,511</u>
Charges to appropriations (outflows):				
Transportation	280,230	262,322	258,142	4,180
Capital outlay	218,700	194,795	86,496	108,299
Total charges to appropriations	<u>498,930</u>	<u>457,117</u>	<u>344,638</u>	<u>112,479</u>
(Deficiency) excess of resources (under) over charges to appropriations	28,070	69,883	192,873	122,990
Appropriated fund balance	<u>(28,070)</u>	<u>(69,883)</u>	<u>-</u>	<u>69,883</u>
Excess of resources over charges to appropriations	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 192,873</u>	<u>\$ 192,873</u>
Explanation of differences between budgetary inflows and GAAP revenues:				
Actual amounts (budgetary basis) available for appropriation from the budgetary comparison schedule				\$ 537,511
Differences - budget to GAAP				
Transfer from other funds are inflows of budgetary resources but are not resources for financial reporting purposes				<u>300,000</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances governmental funds				<u>\$ 237,511</u>

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CITY OF SAFETY HARBOR, FLORIDA
 BUDGETARY COMPARISON SCHEDULE
 NONMAJOR GOVERNMENTAL FUNDS – STREET ASSESSMENT
 YEAR ENDED SEPTEMBER 30, 2011

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	
Resources (inflows):				
Special assessments	\$ 370	\$ 370	\$ 641	\$ 271
Interest income and net appreciation in fair value of investments	<u>750</u>	<u>750</u>	<u>798</u>	<u>48</u>
Amounts available for appropriation	<u>1,120</u>	<u>1,120</u>	<u>1,439</u>	<u>319</u>
Charges to appropriations (outflows):				
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total charges to appropriations	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of resources over charges to appropriations	1,120	1,120	1,439	319
Appropriated fund balance	<u>(1,120)</u>	<u>(1,120)</u>	<u>-</u>	<u>1,120</u>
Excess of resources over charges to appropriations	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,439</u>	<u>\$ 1,439</u>

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

CITY OF SAFETY HARBOR, FLORIDA
 BUDGETARY COMPARISON SCHEDULE
 NONMAJOR GOVERNMENTAL FUNDS – MARINA BOAT BASIN
 YEAR ENDED SEPTEMBER 30, 2011

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Final Budget</u>
Resources (inflows):				
Revenues:				
Charges for services	\$ 51,000	\$ 51,000	\$ 50,734	\$ (266)
Interest income and net appreciation in fair value of investments	<u>6,300</u>	<u>6,300</u>	<u>7,552</u>	<u>1,252</u>
Amounts available for appropriations	<u>57,300</u>	<u>57,300</u>	<u>58,286</u>	<u>986</u>
Charges to appropriations (outflows):				
Physical environment	<u>18,350</u>	<u>18,350</u>	<u>18,036</u>	<u>314</u>
Total charges to appropriations	<u>18,350</u>	<u>18,350</u>	<u>18,036</u>	<u>314</u>
Excess of resources over charges to appropriations	38,950	38,950	40,250	1,300
Appropriated fund balance	<u>(38,950)</u>	<u>(38,950)</u>	<u>-</u>	<u>38,950</u>
Excess of resources over charges to appropriations	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,250</u>	<u>\$ 40,250</u>

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

CITY OF SAFETY HARBOR, FLORIDA
 BUDGETARY COMPARISON SCHEDULE
 NONMAJOR GOVERNMENTAL FUNDS – TRANSPORTATION IMPACT FEE
 YEAR ENDED SEPTEMBER 30, 2011

	<u>Budget Amounts</u>		Actual Amount	Variance with
	<u>Original</u>	<u>Final</u>	(Budgetary Basis)	Final Budget
Resources (inflows):				
Impact fees	\$ 16,500	\$ 16,500	\$ 2,944	\$ (13,556)
Interest income and net appreciation in fair value of investments	<u>17,600</u>	<u>13,040</u>	<u>18,152</u>	<u>5,112</u>
Amounts available for appropriation	<u>34,100</u>	<u>29,540</u>	<u>21,096</u>	<u>(8,444)</u>
Charges to appropriations (outflows):				
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total charges to appropriations	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of resources over (under) charges to appropriations	34,100	29,540	21,096	(8,444)
Appropriated fund balance	<u>(34,100)</u>	<u>(29,540)</u>	<u>-</u>	<u>29,540</u>
Excess of resources over charges to appropriations	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,096</u>	<u>\$ 21,096</u>

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

CITY OF SAFETY HARBOR, FLORIDA
 BUDGETARY COMPARISON SCHEDULE
 NONMAJOR GOVERNMENTAL FUNDS – LIBRARY IMPACT FEE
 YEAR ENDED SEPTEMBER 30, 2011

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Final Budget</u>
Resources (inflows):				
Interest income and net appreciation in fair value of investments	\$ 800	\$ 388	\$ 388	\$ -
Impact fees	<u>-</u>	<u>767</u>	<u>1,149</u>	<u>382</u>
Amounts available for appropriation	<u>800</u>	<u>1,155</u>	<u>1,537</u>	<u>382</u>
Charges to appropriations (outflows):				
Capital outlay	<u>-</u>	<u>24,670</u>	<u>25,052</u>	<u>(382)</u>
Total charges to appropriations	<u>-</u>	<u>24,670</u>	<u>25,052</u>	<u>(382)</u>
Excess (deficiency) of resources over (under) charges to appropriations	800	(23,515)	(23,515)	-
Appropriated fund balance	<u>(800)</u>	<u>23,515</u>	<u>-</u>	<u>(23,515)</u>
Excess of resources over charges to appropriations	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (23,515)</u>	<u>\$ (23,515)</u>

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

CITY OF SAFETY HARBOR, FLORIDA
 BUDGETARY COMPARISON SCHEDULE
 NONMAJOR GOVERNMENTAL FUNDS – LAW ENFORCEMENT
 YEAR ENDED SEPTEMBER 30, 2011

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Final Budget</u>
Resources (inflows):				
Revenues:				
Intergovernmental revenue	\$ -	\$ 4,306	\$ 4,278	\$ (28)
Amounts available for appropriations	-	4,306	4,278	7,524
Charges to appropriations (outflows):				
Law Enforcement	-	1,653	1,577	(76)
Capital Outlay	-	2,653	2,701	48
Total charges to appropriations	-	4,306	4,278	(28)
(Deficiency) excess of resources (under) over charges to appropriations	-	-	-	-
Appropriated fund balance	-	-	-	-
(Deficiency) excess of resources (under) over charges to appropriations	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

CITY OF SAFETY HARBOR, FLORIDA
 BUDGETARY COMPARISON SCHEDULE
 NONMAJOR GOVERNMENTAL FUNDS – PARKLAND
 YEAR ENDED SEPTEMBER 30, 2011

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Final Budget</u>
Resources (inflows):				
Revenues:				
Impact fees	\$ -	\$ -	\$ 945	\$ 945
Intergovernmental	-	3,366	3,366	-
Interest income and net appreciation in fair value of investments	28,300	28,300	26,412	(1,888)
Contributions and donations	-	25,000	25,000	-
	<u>28,300</u>	<u>56,666</u>	<u>55,723</u>	<u>(943)</u>
Amounts available for appropriation				
Charges to appropriations (outflows):				
Park and recreation	25,000	25,000	16,321	8,679
Capital outlay	25,000	211,136	45,096	166,040
	<u>50,000</u>	<u>236,136</u>	<u>61,417</u>	<u>174,719</u>
Total charges to appropriations				
(Deficiency) excess of resources (under) over charges to appropriations	(21,700)	(179,470)	(5,694)	173,776
Appropriated fund balance	<u>21,700</u>	<u>179,470</u>	<u>-</u>	<u>(179,470)</u>
Deficiency of resources under charges to appropriations	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (5,694)</u>	<u>\$ (5,694)</u>

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

CITY OF SAFETY HARBOR, FLORIDA
 BUDGETARY COMPARISON SCHEDULE
 NONMAJOR GOVERNMENTAL FUNDS – DEBT SERVICE
 YEAR ENDED SEPTEMBER 30, 2011

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Final Budget</u>
Resources (inflows):				
Revenues:				
Transfers from other funds	\$ 669,730	\$ 589,080	\$ 589,080	\$ -
Amount available for appropriations	<u>669,730</u>	<u>589,080</u>	<u>589,080</u>	<u>-</u>
Charges to appropriations (outflows):				
Principal payments	457,760	401,740	401,643	97
Interest and other fiscal charges	<u>211,970</u>	<u>172,240</u>	<u>174,431</u>	<u>(2,191)</u>
Total charges to appropriations	<u>669,730</u>	<u>573,980</u>	<u>576,074</u>	<u>(2,094)</u>
Excess of resources over charges to appropriations	-	15,100	13,006	(2,094)
Appropriated fund balance	<u>-</u>	<u>(15,100)</u>	<u>-</u>	<u>15,100</u>
Excess of resources over charges to appropriations	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,006</u>	<u>\$ 13,006</u>
Explanation of differences between budgetary inflows and GAAP revenues:				
Actual amounts (budgetary basis) available for appropriation from the budgetary comparison schedule				\$ 589,080
Differences - budget to GAAP				
Transfer from other funds are inflows budgetary resources but are not resources for financial reporting purposes				<u>589,080</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances governmental funds				<u>\$ -</u>

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CITY OF SAFETY HARBOR, FLORIDA
 BUDGETARY COMPARISON SCHEDULE
 MAJOR GOVERNMENTAL FUNDS – CAPITAL PROJECTS FUND
 YEAR ENDED SEPTEMBER 30, 2011

	<u>Budget Amounts</u>		<u>Actual Amount (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Resources (inflows):				
Local option taxes	\$ 1,320,000	\$ 1,320,000	\$ 1,278,888	\$ (41,112)
Interest income and net appreciation in fair value of investments	<u>56,000</u>	<u>56,000</u>	<u>66,769</u>	<u>10,769</u>
Amounts available for appropriation	<u>1,376,000</u>	<u>1,376,000</u>	<u>1,345,657</u>	<u>(30,343)</u>
Charges to appropriations (outflows):				
Capital outlay	786,863	635,715	530,157	105,558
Transfers to other funds	<u>873,980</u>	<u>889,080</u>	<u>889,080</u>	<u>-</u>
Total charges to appropriations	<u>1,660,843</u>	<u>1,524,795</u>	<u>1,419,237</u>	<u>105,558</u>
Excess (deficiency) of resources over (under) charges to appropriations	<u>(284,843)</u>	<u>(148,795)</u>	<u>(73,580)</u>	<u>75,215</u>
Appropriated fund balance	<u>284,843</u>	<u>148,795</u>	<u>-</u>	<u>148,795</u>
Excess (deficiency) of resources over (under) charges to appropriations	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (73,580)</u>	<u>\$ (73,580)</u>
Expansion of differences between budgetary outflows and GAAP expenditures:				
Actual amounts (budgetary basis) charges to appropriations per the budgetary comparison schedule				\$ 1,419,237
Differences - budget to GAAP				
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes				<u>889,080</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances of governmental funds				<u>\$ 530,157</u>

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OTHER SUPPLEMENTAL SCHEDULES

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CITY OF SAFETY HARBOR, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES – ACTUAL AND BUDGET
FIRE DISTRICT AND EMERGENCY MEDICAL SERVICES SUB-FUNDS
YEAR ENDED SEPTEMBER 30, 2011

	Fire Budget	Actual Amounts			Total Amounts	Variance Favorable (Unfavorable)
		City Amounts	Fire District Amounts	EMS Amounts		
Revenue:						
Municipality - City of Safety Harbor	\$ 2,779,816	\$ 2,582,574	\$ -	\$ -	\$ 2,582,574	\$ (197,242)
EMS District funds	826,000	-	-	894,683	894,683	68,683
Safety Harbor Fire District	170,000	-	160,719	-	160,719	(9,281)
Total revenues	3,775,816	2,582,574	160,719	894,683	3,637,976	(137,840)
Expenditures:						
Personnel services	3,370,560	2,312,599	160,719	820,015	3,293,333	77,227
Contractual/other services	319,424	220,119	-	80,981	301,100	18,324
Materials and supplies	85,832	49,856	-	29,154	79,010	6,822
Capital outlay	-	-	-	-	-	-
Total expenditures	3,775,816	2,582,574	160,719	930,150	3,673,443	102,373
Excess of revenues over expenditures before operating transfers	\$ -	\$ -	\$ -	\$(35,467)	\$ (35,467)	\$ 35,467

See Independent Auditors' Report.

CITY OF SAFETY HARBOR, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES – ACTUAL AND BUDGET
LIBRARY SUB-FUNDS
YEAR ENDED SEPTEMBER 30, 2011

	<u>Actual Amounts</u>			Total Amounts	Variance Favorable (Unfavorable)
	Library Budget	City Amounts	Library Amounts		
Revenue:					
Municipality - City of Safety Harbor	\$ 1,150,418	\$ 1,071,538	\$ -	\$ 1,071,538	\$ (78,880)
Library impact fees	767	1,149	-	1,149	382
Intergovernmental	238,190	-	237,908	237,908	(282)
Chrissie Shull Elmore Trust	20,000	12,276	-	12,276	(7,724)
Total revenues	1,409,375	1,084,963	237,908	1,322,871	(86,504)
Expenditures:					
Personnel services	823,750	646,904	170,001	816,905	6,845
Contractual/other services	380,344	316,354	14,804	331,158	49,186
Materials and supplies	64,680	41,253	1,176	42,429	22,251
Capital outlay	140,601	80,452	51,927	132,379	8,222
Total expenditures	1,409,375	1,084,963	237,908	1,322,871	86,504
Excess of revenues over expenditures before operating transfers	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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CITY OF SAFETY HARBOR, FLORIDA
SCHEDULE OF OPERATIONS – ACTUAL AND BUDGET
WATER AND SEWER FUND
YEAR ENDED SEPTEMBER 30, 2011

	<u>Budget</u>	<u>Budgetary Basis Actual</u>	<u>Variance Positive (Negative)</u>
OPERATING REVENUES			
Charges for services	\$ 7,666,000	\$ 8,233,441	\$ 567,441
Other	574,493	566,600	(7,893)
Total operating revenue	<u>8,240,493</u>	<u>8,800,041</u>	<u>559,548</u>
OPERATING EXPENSES			
Salaries, wages and employee benefits	1,978,990	1,998,582	(19,592)
Materials and supplies	315,601	234,149	81,452
Contractual and other services	4,524,732	3,933,331	591,401
Capital outlay	1,429,354	711,587	717,767
Total operating expenses	<u>8,248,677</u>	<u>6,877,649</u>	<u>1,371,028</u>
Operating income (loss)	<u>(8,184)</u>	<u>1,922,392</u>	<u>1,930,576</u>
NONOPERATING REVENUES (EXPENSES)			
Interest income and net appreciation			
in fair value of investments	316,600	346,790	30,190
Interest expense	(323,810)	(256,533)	67,277
Gain on sale of capital assets	-	6,124	6,124
Debt service principal retirement	<u>(385,040)</u>	<u>(383,413)</u>	<u>1,627</u>
Total nonoperating revenues (expenses)	<u>(392,250)</u>	<u>(287,032)</u>	<u>105,218</u>
Income (loss) before appropriated net assets	(400,434)	1,635,360	2,035,794
Appropriated net assets	<u>400,434</u>	<u>-</u>	<u>(400,434)</u>
Changes in net assets	<u>\$ -</u>	<u>\$ 1,635,360</u>	<u>\$ 1,635,360</u>
Adjustments to reconcile to combining statement of revenues, expenses, and changes in net assets - proprietary funds			
Depreciation and amortization		(878,561)	
Capital outlay		711,587	
Debt service principal repayment		<u>383,413</u>	
Change in net assets GAAP basis		<u>\$ 216,439</u>	

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CITY OF SAFETY HARBOR, FLORIDA
SCHEDULE OF OPERATIONS – ACTUAL AND BUDGET
SOLID WASTE FUND
YEAR ENDED SEPTEMBER 30, 2011

	<u>Budget</u>	<u>Budgetary Basis Actual</u>	<u>Variance Positive (Negative)</u>
OPERATING REVENUES			
Charges for services	\$ 2,815,800	\$ 2,871,451	\$ 55,651
Other	47,200	113,491	66,291
Total operating revenues	<u>2,863,000</u>	<u>2,984,942</u>	<u>121,942</u>
OPERATING EXPENSES			
Salaries, wages and employee benefits	1,227,100	1,172,828	54,272
Materials and supplies	558,466	266,422	292,044
Contractual and other services	1,127,978	912,383	215,595
Capital outlay	252,800	225,292	27,508
Total operating expenses	<u>3,166,344</u>	<u>2,576,925</u>	<u>589,419</u>
Operating income (loss)	<u>(303,344)</u>	<u>408,017</u>	<u>711,361</u>
NONOPERATING REVENUES (EXPENSES)			
Interest income and net appreciation			
in fair value of investments	5,700	38,274	32,574
Interest expense	(23,850)	(23,920)	(70)
Intergovernmental	13,430	13,457	27
Gain on sale of capital assets	-	6,031	6,031
Debt service principal retirement	<u>(67,460)</u>	<u>(67,250)</u>	<u>210</u>
Total nonoperating revenues (expenses)	<u>(72,180)</u>	<u>(33,408)</u>	<u>38,772</u>
Income (loss) before appropriated net assets	(375,524)	374,609	750,133
Appropriated net assets	<u>375,524</u>	<u>-</u>	<u>(375,524)</u>
Changes in net assets	<u>\$ -</u>	<u>\$ 374,609</u>	<u>\$ 374,609</u>
Adjustments to reconcile to combining statement of revenues, expenses, and changes in net assets - proprietary funds			
Depreciation and amortization		(248,404)	
Capital outlay		225,292	
Debt service principal repayment		<u>67,250</u>	
Change in net assets GAAP basis		<u>\$ 44,138</u>	

See Independent Auditors' Report.

CITY OF SAFETY HARBOR, FLORIDA
SCHEDULE OF OPERATIONS – ACTUAL AND BUDGET
STORMWATER FUND
YEAR ENDED SEPTEMBER 30, 2011

	<u>Budget</u>	<u>Budgetary Basis Actual</u>	<u>Variance Positive (Negative)</u>
OPERATING REVENUES			
Charges for services	\$ 661,460	\$ 667,967	\$ 6,507
Other	-	-	-
Total operating revenue	<u>661,460</u>	<u>667,967</u>	<u>6,507</u>
OPERATING EXPENSES			
Salaries, wages and employee benefits	320,870	272,741	48,129
Materials and supplies	49,195	58,157	(8,962)
Contractual and other services	353,020	323,547	29,473
Capital outlay	<u>826,529</u>	<u>565,950</u>	<u>260,579</u>
Total operating expenses	<u>1,549,614</u>	<u>1,220,395</u>	<u>329,219</u>
Operating income (loss)	<u>(888,154)</u>	<u>(552,428)</u>	<u>335,726</u>
NONOPERATING REVENUES (EXPENSES)			
Interest income and net appreciation			
in fair value of investments	85,500	53,016	(32,484)
Interest expense	(41,130)	(49,273)	(8,143)
Intergovernmental	240,672	240,675	3
Debt service principal retirement	<u>(84,120)</u>	<u>(84,787)</u>	<u>(667)</u>
Total nonoperating revenues (expenses)	<u>200,922</u>	<u>159,631</u>	<u>(41,291)</u>
Income (loss) before appropriated net assets	(687,232)	(392,797)	294,435
Appropriated net assets	<u>687,232</u>	<u>-</u>	<u>(687,232)</u>
Changes in net assets	<u>\$ -</u>	<u>\$ (392,797)</u>	<u>\$ (392,797)</u>
Adjustments to reconcile to combining statement of revenues, expenses, and changes in net assets - proprietary funds			
Depreciation and amortization		(111,091)	
Capital outlay		565,950	
Debt service principal repayment		<u>84,787</u>	
Change in net assets GAAP basis		<u>\$ 539,646</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, 2011

	Total Governmental Funds	Assets and Long- term Liabilities	Statement of Net Assets
Assets			
Equity in pooled cash and investments	\$ 14,466,828	\$ -	\$ 14,466,828
Receivables, net:			
Accounts receivable	363,916	-	363,916
Due from other governments	362,599	-	362,599
Other assets	166,040	-	166,040
Inventories	87,637	-	87,637
Prepays	149,709	-	149,709
Capital assets:			
Nondepreciable	-	4,361,807	4,361,807
Depreciable, net of accumulated depreciation	-	18,431,299	18,431,299
Unamortized bond issuance costs	-	21,916	21,916
Pension asset	-	414,100	414,100
	\$ 15,596,729	\$ 23,229,122	\$ 38,825,851
Liabilities			
Liabilities:			
Accounts payable	328,998	-	328,998
Accrued liabilities	318,234	-	318,234
Customer deposits	7,699	-	7,699
Unearned revenue	1,075,777	-	1,075,777
Long-term obligations	-	5,959,865	5,959,865
	1,730,708	5,959,865	7,690,573
Fund Balances			
Invested in capital assets, net of related debt	-	17,815,778	17,815,778
Nonspendable:			
Inventories and prepaid amounts	193,576	-	193,576
Restricted for:			
General government	701,192	-	701,192
Fire protection	73,947	-	73,947
Physical environment	1,054	-	1,054
Transportation	707,076	-	707,076
Library	1,930	-	1,930
Parks and recreation	440,297	-	440,297
Debt service	72,516	-	72,516
Capital projects	2,022,076	-	2,022,076
Committed to:			
Emergency/disaster relief stabilizator	2,670,058	-	2,670,058
Physical environment	231,984	-	231,984
Assigned to:			
Transportation	610,850	-	610,850
Parks and recreation	310,020	-	310,020
Other	582,170	-	582,170
Unassigned:	5,247,275	(546,521)	4,700,754
	13,866,021	17,269,257	31,135,278

See Independent Auditors' Report.

CITY OF SAFETY HARBOR, FLORIDA
RECONCILIATION OF NET CHANGE IN FUND BALANCES
FOR THE GOVERNMENTAL FUNDS TO CHANGES IN NET ASSETS
FOR GOVERNMENTAL ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2011

	<u>Total Governmental Funds</u>	<u>Depreciation</u>	<u>Capital Outlay</u>	<u>Change in Pension Asset</u>	<u>Long-term Debt</u>	<u>Reclasses and Eliminations</u>	<u>Statement of Activities Total</u>
REVENUES							
Property taxes	\$ 3,454,605	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,454,605
Utility taxes	2,427,378	-	-	-	-	-	2,427,378
Local business taxes	146,230	-	-	-	-	-	146,230
Local option taxes	1,632,243	-	-	-	-	-	1,632,243
Franchise fees	1,463,744	-	-	-	-	-	1,463,744
Licenses and permits	150,485	-	-	-	-	-	150,485
Impact fees	5,738	-	-	-	-	-	5,738
Special assessments	991	-	-	-	-	-	991
Sales tax	874,854	-	-	-	-	-	874,854
Intergovernmental	1,779,621	-	-	-	-	-	1,779,621
Charges for services	885,181	-	-	-	-	-	885,181
Fines and forfeitures	127,865	-	-	-	-	-	127,865
Interest income and net appreciation in fair value of investments	507,216	-	-	-	-	-	507,216
Contributions and donations	25,000	-	-	-	-	-	25,000
Other	1,202,502	-	-	-	-	-	1,202,502
Total revenues	<u>14,683,653</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,683,653</u>
EXPENDITURES							
Current operating:							
General government	2,969,719	277,717	20,541	-	(48,900)	-	3,219,077
Law enforcement	1,260,120	4,055	2,701	-	-	-	1,266,876
Fire protection	3,673,446	137,544	-	(7,248)	39,287	-	3,843,029
Building department	295,895	-	-	-	4,231	-	300,126
Physical environment	484,875	96	2,981	-	(3,996)	-	483,956
Transportation	1,327,636	521,893	13,117	-	(3,824)	-	1,858,822
Library	1,190,494	370,954	3,600	-	(4,311)	-	1,560,737
Parks and recreation	2,210,288	419,093	11,065	-	23,250	-	2,663,696
Capital outlay	1,183,334	-	(1,129,329)	-	-	(54,005)	-
Debt service							
Principal payments	401,643	-	-	-	(401,643)	-	-
Interest and other fiscal charges	174,431	-	-	-	2,550	-	176,981
Total expenditures	<u>15,171,881</u>	<u>1,731,352</u>	<u>(1,075,324)</u>	<u>(7,248)</u>	<u>(393,356)</u>	<u>(54,005)</u>	<u>15,373,300</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(488,228)</u>	<u>(1,731,352)</u>	<u>1,075,324</u>	<u>7,248</u>	<u>393,356</u>	<u>54,005</u>	<u>(689,647)</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	889,080	-	-	-	-	889,080	1,778,160
Transfers out	(889,080)	-	-	-	-	(889,080)	(1,778,160)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ (488,228)</u>	<u>\$ (1,731,352)</u>	<u>\$ 1,075,324</u>	<u>\$ 7,248</u>	<u>\$ 393,356</u>	<u>\$ 54,005</u>	<u>\$ (689,647)</u>

See Independent Auditors' Report.

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STATISTICAL SECTION

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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	Legal Debt Margin Information
Schedule 13	Direct and Overlapping Governmental Activities Debt
Schedule 14	Pledged Revenue Coverage - Governmental Activities
Schedule 15	Pledged Revenue Coverage - Business-Type Activities

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 Nine Fiscal Years
 (Accrual Basis of Accounting)

	Fiscal Year								
	2011	2010	2009	2008	2007	2006	2005	2004	2003
Governmental Activities									
Invested in capital assets, net of related debt	\$ 17,815,778	\$ 18,018,704	\$ 19,665,284	\$ 17,632,941	\$ 21,125,097	\$ 17,924,729	\$ 16,738,559	\$ 15,260,064	\$ 14,693,273
Restricted	8,618,746	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	4,700,754	9,994,707	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>\$ 31,135,278</u>	<u>\$ 31,824,925</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	\$ 13,561,385	\$ 12,760,978	\$ 9,965,349	\$ 11,937,820	\$ 11,736,926	\$ 13,227,123	\$ 12,819,967	\$ 12,184,794	\$ 11,540,899
Restricted	5,249,420	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	8,668,700	7,469,063	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>\$ 27,479,505</u>	<u>\$ 25,062,110</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	\$ 31,377,163	\$ 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	13,868,166	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	13,369,454	17,463,770	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>\$ 58,614,783</u>	<u>\$ 56,887,035</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.

The City began reporting the Stormwater fund as a Business-type Activity in 2011. Financial data restated in 2010 for comparative purposes.

SCHEDULE 2

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

	Fiscal Year								
	2011	2010	2009	2008	2007	2006	2005	2004	2003
Expenses									
Governmental activities:									
General government	\$ 3,219,077	\$ 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	1,266,876	1,231,263	1,336,447	1,278,181	1,209,614	1,130,054	1,010,907	863,987	775,565
Fire protection	3,843,029	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	300,126	305,251	293,109	305,203	276,335	256,155	240,855	258,762	210,843
Physical environment	483,956	1,347,914	1,289,878	1,269,798	1,294,981	1,202,864	2,162,943	904,404	2,644,072
Transportation	1,858,826	2,152,048	2,283,184	2,180,589	1,721,927	1,198,203	1,219,261	871,961	965,207
Library	1,560,737	1,514,773	1,670,642	1,361,946	1,165,872	1,003,278	964,798	894,326	696,630
Parks and recreation	2,663,696	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	176,977	237,267	103,790	96,730	401	10,725	20,938	30,419	39,419
Total governmental activities expenses	<u>15,373,300</u>	<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 wastewater	7,301,156	7,368,967	7,975,242	7,835,184	7,445,253	6,962,043	6,251,307	6,058,950	5,878,793
Solid waste	2,623,957	2,613,310	2,760,181	2,866,134	2,413,274	2,154,910	2,127,022	2,129,922	1,804,291
Stormwater	814,809	-	-	-	-	-	-	-	-
Total business-type activities expenses	<u>10,739,922</u>	<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>\$ 26,113,222</u>	<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:									
General government	\$ 75,110	\$ 46,854	\$ 132,810	\$ 68,943	\$ 46,809	\$ 50,823	\$ 44,880	\$ 70,289	\$ 100,212
Law enforcement	90,658	68,287	94,095	122,118	82,640	77,993	60,229	69,269	181,087
Fire protection	6,890	1,083	-	-	-	-	-	-	-
Building department	150,485	121,847	113,716	109,987	114,489	126,401	113,989	164,065	266,027
Physical environment	51,235	508,932	591,432	546,650	500,576	6,841	1,396	2,409	2,309
Transportation	9,624	20,834	8,083	22,243	33,557	21,852	23,288	82,675	88,107
Library	55,745	45,613	31,888	47,977	24,270	27,863	27,417	42,658	64,562
Parks and recreation	736,353	692,506	566,799	535,831	595,991	633,054	490,732	401,222	433,478
Operating grants and contributions	1,294,887	1,269,902	1,508,338	256,837	17,116	511,503	1,405,141	503,864	508,301
Capital grants and contributions	31,067	194,540	11,000	400,126	950,484	75,000	423,240	192,327	386,204
Total governmental activities program revenues	<u>2,502,054</u>	<u>2,970,398</u>	<u>3,058,161</u>	<u>2,110,712</u>	<u>2,365,932</u>	<u>1,531,330</u>	<u>2,590,312</u>	<u>1,528,778</u>	<u>2,030,287</u>
Business-type activities:									
Charges for services:									
Water and wastewater	8,233,441	8,081,185	7,877,674	7,078,269	6,451,147	5,949,010	5,314,876	5,217,285	5,024,798
Solid waste	2,871,451	2,782,138	2,695,636	2,467,341	2,281,782	1,916,238	1,801,652	1,798,470	1,791,966
Stormwater	667,967	-	-	-	-	-	-	-	-
Operating grants and contributions	13,457	13,439	13,439	-	-	-	-	-	-
Capital grants and contributions	240,675	-	-	-	-	-	-	-	-
Total business-type activities program revenues	<u>12,026,991</u>	<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>\$ 14,529,045</u>	<u>\$ 13,847,160</u>	<u>\$ 13,644,910</u>	<u>\$ 11,656,322</u>	<u>\$ 11,098,861</u>	<u>\$ 9,396,578</u>	<u>\$ 9,706,840</u>	<u>\$ 8,544,533</u>	<u>\$ 8,847,051</u>

SCHEDULE 2

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

	Fiscal Year								
	2011	2010	2009	2008	2007	2006	2005	2004	2003
Net (Expense)/Revenue									
Governmental activities	\$ (12,871,246)	\$ (13,692,959)	\$ (13,920,695)	\$ (14,565,167)	\$ (12,776,319)	\$ (11,366,860)	\$ (10,450,087)	\$ (9,838,803)	\$ (10,611,192)
Business-type activities	1,287,069	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>\$ (11,584,177)</u>	<u>\$ (12,798,474)</u>	<u>\$ (14,069,369)</u>	<u>\$ (15,720,875)</u>	<u>\$ (13,901,917)</u>	<u>\$ (12,618,565)</u>	<u>\$ (11,711,888)</u>	<u>\$ (11,011,920)</u>	<u>\$ (11,477,512)</u>
General Revenues and Other Changes in Net Assets									
Governmental activities:									
Taxes									
Property taxes	\$ 3,454,605	\$ 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	2,427,378	2,624,901	2,591,091	2,402,197	2,439,157	2,343,568	2,198,950	2,147,831	2,315,672
Local business tax	146,230	144,522	143,032	142,447	158,996	133,289	145,978	148,672	131,445
Local option tax	1,632,711	1,506,577	1,587,588	1,787,124	1,757,699	1,928,297	1,682,567	1,592,878	1,482,432
Franchise fees	1,463,744	1,629,370	1,570,352	1,453,539	1,454,358	1,472,988	1,211,370	1,106,837	1,005,617
Sales tax	874,854	847,342	857,009	941,432	1,003,087	1,045,660	989,314	993,436	929,944
Intergovernmental	472,827	468,225	404,719	1,793,785	1,460,577	1,376,761	421,540	324,145	251,586
Interest income and net appreciation in fair value of investments	507,216	844,977	835,294	1,113,049	716,601	709,644	316,550	221,835	344,062
Other	1,202,034	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>12,181,599</u>	<u>12,688,435</u>	<u>13,440,310</u>	<u>14,521,999</u>	<u>14,032,919</u>	<u>13,511,740</u>	<u>11,942,816</u>	<u>11,571,922</u>	<u>10,777,980</u>
Business-type activities:									
Franchise fees	-	29,928	38,290	-	-	-	-	-	-
Interest income and net appreciation in fair value of investments	438,080	475,634	361,878	354,785	251,076	217,395	158,708	126,867	220,198
Other	680,091	657,841	673,263	1,139,362	949,217	142,687	72,888	109,127	152,564
Gain on sale of capital assets	12,155	9,455	-	-	-	-	-	-	-
Total business-type activities	<u>1,130,326</u>	<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>\$ 13,311,925</u>	<u>\$ 13,861,293</u>	<u>\$ 14,513,741</u>	<u>\$ 16,016,146</u>	<u>\$ 15,233,212</u>	<u>\$ 13,871,822</u>	<u>\$ 12,174,412</u>	<u>\$ 11,807,916</u>	<u>\$ 11,150,742</u>
Change in Net Assets									
Governmental activities	\$ (689,647)	\$ (1,004,524)	\$ (480,385)	\$ (43,168)	\$ 1,256,600	\$ 2,144,880	\$ 1,492,729	\$ 1,733,119	\$ 166,788
Business-type activities	2,417,395	2,067,343	924,757	338,439	74,695	(891,623)	(1,030,205)	(937,123)	(493,558)
Total primary government	<u>\$ 1,727,748</u>	<u>\$ 1,062,819</u>	<u>\$ 444,372</u>	<u>\$ 295,271</u>	<u>\$ 1,331,295</u>	<u>\$ 1,253,257</u>	<u>\$ 462,524</u>	<u>\$ 795,996</u>	<u>\$ (326,770)</u>

Notes: (1) The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2003.

(2) Beginning in fiscal year 2011 the City began to report the Stormwater Fund as an Enterprise Fund. Prior to 2011, the fund was reported as a Governmental Fund.

SCHEDULE 3

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

Function/Program	Fiscal Year								
	2011	2010	2009	2008	2007	2006	2005	2004	2003
Governmental activities:									
General government	\$ 75,110	\$ 61,854	\$ 197,786	\$ 68,943	\$ 205,805	\$ 184,112	\$ 190,858	\$ 218,961	\$ 231,657
Law enforcement	94,936	72,302	95,095	125,885	82,640	77,993	60,229	69,269	192,254
Fire protection	1,062,292	991,055	1,104,730	-	-	-	163,845	-	-
Building department	150,485	266,369	256,748	252,434	114,489	126,401	113,989	164,065	266,027
Physical environment	51,235	699,457	591,432	894,454	1,468,176	593,344	1,665,932	698,600	885,647
Transportation	9,624	20,834	8,083	73,390	33,557	21,852	23,288	82,675	88,107
Library	293,653	310,543	378,583	302,222	24,270	27,863	27,417	42,658	64,562
Parks and recreation	764,719	692,506	568,736	535,831	595,991	633,054	490,732	401,222	433,478
Total governmental activities program revenues	2,502,054	3,114,920	3,201,193	2,253,159	2,524,928	1,664,619	2,736,290	1,677,450	2,161,732
Business-type activities:									
Water and wastewater	8,233,441	8,081,185	7,877,674	7,078,269	6,451,147	5,949,010	5,314,876	5,217,285	5,024,798
Solid waste	2,884,908	2,795,577	2,709,075	2,467,341	2,281,782	1,916,238	1,801,652	1,798,470	1,791,966
Stormwater	908,642	-	-	-	-	-	-	-	-
Total business-type activities program revenues	12,026,991	10,876,762	10,586,749	9,545,610	8,732,929	7,865,248	7,116,528	7,015,755	6,816,764
Total primary government program revenues	\$ 14,529,045	\$ 13,991,682	\$ 13,787,942	\$ 11,798,769	\$ 11,257,857	\$ 9,529,867	\$ 9,852,818	\$ 8,693,205	\$ 8,978,496

Note: Beginning in fiscal year 2011 the City began to report the Stormwater Fund as an Enterprise Fund. Prior to 2011, the fund was reported as a Governmental Fund.

SCHEDULE 4

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

	Fiscal Year								
	2011	2010	2009	2008	2007	2006	2005	2004	2003
General Fund									
Reserved	\$ 2,886,389	\$ 282,576	\$ 167,223	\$ 260,271	\$ 124,501	\$ 99,234	\$ 93,302	\$ 117,127	\$ 146,863
Unreserved	6,081,005	8,515,866	9,051,391	8,498,484	8,721,789	9,335,644	8,984,191	8,203,142	6,439,638
Nonspendable	\$ 193,576	-	-	-	-	-	-	-	-
Restricted	22,755	-	-	-	-	-	-	-	-
Committed	2,670,058	-	-	-	-	-	-	-	-
Assigned	833,730	-	-	-	-	-	-	-	-
Unassigned	5,247,275	-	-	-	-	-	-	-	-
Total general fund	<u>\$ 8,967,394</u>	<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	\$ 4,229,317	\$ 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 funds	669,310	3,859,731	3,558,003	2,758,876	238,219	738,672	1,566,990	1,985,454	1,991,760
Restricted	\$ 4,229,317	-	-	-	-	-	-	-	-
Assigned	669,310	-	-	-	-	-	-	-	-
Total all other governmental funds	<u>\$ 4,898,627</u>	<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>

Notes: (1) The City implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in fiscal year 2011. The change in the classification of fund balance amounts in 2011 is discussed in the Notes to the Financial Statements.

(2) Prior year amounts have not been restated for the implementation of Statement 54.

SCHEDULE 5

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

	Fiscal Year								
	2011	2010	2009	2008	2007	2006	2005	2004	2003
Revenues									
Property taxes	\$ 3,454,605	\$ 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	2,427,378	2,624,901	2,591,091	2,402,197	2,439,157	2,343,568	2,198,950	2,147,831	2,315,672
Local business tax	146,230	144,522	143,032	142,447	158,996	133,289	145,978	148,672	131,445
Local option tax	1,632,711	1,506,577	1,587,588	1,787,124	1,757,699	1,928,297	1,682,566	1,592,878	1,482,432
Franchise fees	1,463,744	1,629,370	1,570,352	1,453,539	1,454,358	1,472,988	1,211,370	1,106,837	1,005,617
Licenses and permits	150,485	121,847	113,716	109,987	114,489	126,401	113,989	164,065	266,027
Impact fees	5,738	6,988	11,702	27,496	47,407	111,145	57,238	133,931	255,473
Special assessments	991	468,479	540,663	498,033	500,635	511,503	513,903	503,864	508,301
Sales tax	874,854	847,342	857,009	941,432	1,003,087	1,045,660	989,314	993,436	929,944
Intergovernmental	1,779,621	1,932,667	1,861,572	2,450,747	2,837,597	1,865,976	3,046,495	1,567,379	1,365,828
Charges for services	885,181	879,969	652,757	628,977	640,640	616,952	516,879	460,060	502,808
Fines and forfeitures	127,865	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	507,216	844,977	835,294	1,113,050	716,602	709,643	316,550	221,835	344,062
Contributions and donations	25,000	-	-	-	-	-	-	-	-
Other	1,202,034	1,122,522	2,097,842	1,354,046	1,046,549	931,382	891,137	1,198,001	1,315,018
Total revenues	14,683,653	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	2,969,719	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	1,260,120	1,228,769	1,336,447	1,277,100	1,208,207	1,122,791	999,273	835,935	751,497
Fire protection	3,673,446	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	295,895	300,581	293,109	295,879	268,376	242,518	230,699	251,029	204,208
Physical environment	484,875	1,219,847	1,289,878	1,184,793	973,168	1,151,621	2,099,223	826,533	2,577,143
Transportation	1,327,636	1,652,066	2,283,184	1,732,432	1,375,531	926,335	970,809	701,390	818,863
Library	1,190,494	1,163,288	1,670,642	1,186,319	1,027,308	873,826	821,902	776,254	595,328
Parks and recreation	2,210,288	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	1,183,334	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	401,643	467,878	-	-	-	220,000	215,000	205,000	200,000
Principal repayment	-	-	(25,431)	-	-	-	-	-	-
Interest and other fiscal charges	174,431	234,801	103,790	96,730	401	10,725	20,938	30,419	39,419
Debt issuance costs	-	-	-	-	-	10,200	-	-	-
Total expenditures	15,171,881	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	(488,228)	(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	889,080	924,684	2,141,239	2,685,436	916,461	751,573	1,340,238	1,709,473	3,227,427
Transfers out	(889,080)	(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	\$ (488,228)	\$ (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	4.12%	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		
2011	2010	\$ 1,372,646,748	\$ 91,774,019	\$ 274,392	\$ 430,162,090	\$ 44,668,976	\$ 34,697	\$ 942,484,658	\$ 47,105,043	\$ 239,695	\$ 989,829,396	3.3808
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

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

^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 Operating	Pinellas County	School District	Emergency Medical Services ^a	Transit District ^a	Other ^b	
2011	2010	3.3808	4.8730	8.3400	0.5832	0.5601	1.4410	19.1781
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

Source: Pinellas County Tax Collector's Office

^a Emergency Medical Services and Transit District assessed on Real Property only

^b 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	2011		2002	
	Taxable Assessed Valuation	Percentage of City Taxable Assessed Valuation	Taxable Assessed Valuation	Percentage of City Taxable Assessed Valuation
Mease Hospital, Inc	\$ 15,147,217	1.61%	\$ 8,353,400	1.19%
Freedom Land Trust	12,696,623	1.35%	10,317,200	1.47%
Safety Harbor Spa & Resort, LLC	11,884,991	1.26%	-	0.00%
Northwood Oaks, LLC	9,310,000	0.99%	-	0.00%
Northwood Commons LLC	6,650,000	0.71%	4,457,700	0.63%
Bayshore Palms Apartments, Inc	6,600,000	0.70%	5,937,800	0.85%
Safety Harbor Investment Properties	6,050,000	0.64%	-	0.00%
Leisure Associates Ltd Partnership	5,250,000	0.56%	4,237,400	0.60%
Health Care Property Investment, Inc	4,878,032	0.52%	-	0.00%
Roglee, Inc	-	0.00%	8,463,300	1.21%
Prime-Muben Partners	-	0.00%	5,954,000	0.85%
Chancellor Clearwater, Inc	-	0.00%	5,648,600	0.80%
Capstone Capital Corp	3,510,000	0.37%	5,017,200	0.71%
Intercit, Inc.	-	0.00%	3,428,100	0.49%
	<u>81,976,863</u>	<u>8.70%</u>	<u>61,814,700</u>	<u>8.80%</u>
Total Taxable Assessed Value	<u>\$ 942,724,353</u>		<u>\$ 702,058,630</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	2011		2002	
	Taxable Assessed Valuation	Percentage of City Taxable Assessed Valuation	Taxable Assessed Valuation	Percentage of City Taxable Assessed Valuation
Florida Power Corp	\$ 7,577,258	16.09%	\$ 4,647,230	7.29%
Verizon Florida, LLC	3,829,566	8.13%	6,405,140	10.04%
Bright House Networks, LLC	2,881,771	6.12%	-	0.00%
Mastercut Tool Corp	2,608,426	5.54%	1,616,830	2.54%
Angelica Textile Services	2,388,411	5.07%	-	0.00%
US Bancorp Equipment Fin, Inc	1,989,727	4.22%	-	0.00%
Florida Gas Transmission	1,976,452	4.20%	-	0.00%
Safety Harbor Resort and Spa	1,946,438	4.13%	-	0.00%
Countryside Surgi-Center	1,032,388	2.19%	-	0.00%
Diagnostic Clinic	1,016,294	2.16%	1,355,640	2.13%
Firmenich	-	0.00%	9,215,940	14.45%
Meristar Safety Harbor	-	0.00%	2,580,620	4.05%
Verizon Americast	-	0.00%	2,231,480	3.50%
Time Warner Cable	-	0.00%	2,187,000	3.43%
National Healthcare Linen	-	0.00%	1,440,230	2.26%
American Oncology Resource	-	0.00%	1,274,660	2.00%
	<u>27,246,731</u>	<u>57.84%</u>	<u>32,954,770</u>	<u>51.67%</u>
Total Taxable Assessed Value	<u>\$ 47,105,043</u>		<u>\$ 63,777,420</u>	

Source: Pinellas County Property Appraiser

Note: The current year amounts are based on the Interim/Pre-VAB Final Roll

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
2011	2010	\$ 3,346,414	\$ 3,087,460	92.26%	\$ 60,336	\$ 3,147,796	94.06%
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%

Sources: Office of Economic and Demographic Research (EDR); City of Safety Harbor Finance Department; Pinellas County Tax Collector's Office

^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
	Public Improvement Revenue Bonds	Capital Improvement Revenue Bonds	Capital Leases	Water and Wastewater Refunding Bond	Capital Improvement Revenue Bond	Capital Leases			
2011	\$ -	\$ 4,999,244	\$ -	\$ 1,649,748	\$ 7,957,023	\$ 37,935	\$14,643,950	2.64%	\$ 867
2010	-	6,780,150	29,132	1,764,064	6,912,338	104,864	15,590,548	2.67%	923
2009	-	7,222,494	54,792	2,073,384	7,183,506	163,950	16,698,126	2.76%	943
2008	-	6,918,487 ^b	-	2,367,704	4,953,047	-	14,239,238	2.39%	799
2007	-	10,200	-	2,647,025	3,106,688 ^c	-	5,763,913	0.96%	323
2006	-	10,200 ^c	-	2,916,346	804,141 ^c	-	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 ^d	-	-	4,448,224	0.89%	254

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 Line of Credit; The principal amount of up to \$9,000,000 may be drawn over a three-year period; 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
LEGAL DEBT MARGIN INFORMATION
Last Ten Fiscal Years

There are no limitations placed upon the amount of debt which the City of Safety Harbor may issue by either the City's Charter or Code of Ordinance or by State Statute; however, the City Commission has traditionally practiced conservative debt issuance.

SCHEDULE 13

City of Safety Harbor, Florida
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
 As of September 30, 2011

Government Unit	Debt Outstanding	Applicable to City of Safety Harbor	
		Percent ^a	Amount
Bonded Debt:			
Pinellas County School Board ^b	\$27,400,000	1.70%	\$ 465,973
Capital Leases:			
Pinellas County School Board ^b	<u>17,181,856</u>	1.70%	<u>292,200</u>
Total Overlapping Debt	\$44,581,856		\$ 758,172
Total Direct Debt ^c			<u>-</u>
Total Direct and Overlapping Governmental Activities Debt			<u>\$ 758,172</u>
Total Direct and Overlapping Governmental Activities Debt Per Capita ^d			<u>\$ 44.91</u>

Source: Pinellas County, Florida

^a Applicable net debt percentage is based on ratio of City to County-wide taxable values for tax year 2010

^b The City of Safety Harbor is not responsible for the debt of the School Board.

^c The City of Safety Harbor currently does not have any general obligation bonded debt.

^d 2011 permanent Safety Harbor population is estimated at 16,881

SCHEDULE 14

City of Safety Harbor, Florida
PLEDGED-REVENUE COVERAGE
 Last Ten Fiscal Years

Governmental Activities							
Fiscal Year	Gross Revenues ^a	Operating Expenses ^b	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
2011	\$ 10,508,546	\$ 7,732,700	\$ 2,775,846	\$ 401,643	\$ 174,431	\$ 576,074	4.82
2010	10,450,030	7,894,869	2,555,161	467,878	234,801	702,679	3.64
2009	11,088,277	8,169,710	2,918,567	-	99,728	99,728	29.27
2008	10,439,013	7,955,066	2,483,947	-	96,730	96,730	25.68
2007	-	-	-	-	-	-	-
2006	10,227,685	6,713,218	3,514,467	220,000	10,725	230,725	15.23
2005	9,618,686	5,340,788	4,277,898	215,000	20,938	235,938	18.13
2004	9,337,356	5,766,733	3,570,623	205,000	30,419	235,419	15.17
2003	8,551,645	5,543,502	3,008,143	200,000	39,419	239,419	12.56
2002	8,396,035	5,095,390	3,300,645	190,000	47,778	237,778	13.88

Note: The City's bond coverage, per the bond covenants, is 1.50%.

^a Gross revenues include general fund and capital project revenues, less ad valorem

^b Operating expenses include general government, law enforcement and fire protection

SCHEDULE 15

City of Safety Harbor, Florida
PLEDGED-REVENUE COVERAGE
 Last Ten Fiscal Years

Business-type Activities							
Fiscal Year	Gross Revenues ^a	Operating Expenses Less Depreciation ^b	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
2011	\$ 9,152,955	\$ 6,166,062	\$ 2,986,893	\$ 353,013	\$ 256,533	\$ 609,546	4.90
2010	9,086,960	6,258,616	2,828,344	541,117	234,146	775,263	3.65
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

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

^a Gross revenues include charges for services, interest income and miscellaneous income

^b Operating expenses include personnel services, material and supplies and other operating expenses

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>
2011	16,881	\$ 554,962,875	\$ 32,875	46.5	4,219	10.8%
2010	16,884	582,936,984	34,526	47.7	3,891	12.1%
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%

Sources:

^a Office of Economic and Demographic Research (edr.state.fl.us) (2002-2009), (2011); 2010 U.S. Census (2010)

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

^c Claritas (Nielsen) Profile Reports provided by Pinellas County Economic Development Department (2006-2011); 2000 U.S. Census (2002-2005)

^d 2000 U.S. Census (2002-2010); Pinellas County Schools (www.pcsb.org) (2011)

^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

<u>Employer</u>	<u>Employees</u>	<u>Percentage of Total City Employment</u>
Mease Countryside Hospital	550	6.51%
Angelica Corporation	250	2.96%
Safety Harbor Resort & Spa	200	2.37%
City of Safety Harbor	180	2.13%
Jacobsen Manufacturing, Inc.	160	1.89%
Safety Harbor Middle School	130	1.54%
Consulate Health Care	120	1.42%
Firmenich Citrus Center	100	1.18%
Brooks Way Adjusting LLC	88	1.04%
Safety Harbor Elementary School	85	1.01%
Total Employed Population	8,448	

Source: Reference USA

^a Current year only, 2011; data for 2002 is unavailable.

SCHEDULE 18

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

	Full-time Equivalent Employees as of September 30,									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
General Government										
City Manager	1.95	1.95	2.20	2.20	2.00	2.00	2.00	2.00	2.00	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	3.50	3.00	3.00	3.00	2.50	2.50	2.50
Finance	4.00	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.00
Water & Wastewater Finance	9.85	8.25	8.25	8.25	7.50	7.50	7.50	7.00	8.25	8.25
Economic Dev. Director	-	-	-	-	1.00	-	-	-	-	-
Planning	3.65	3.40	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	5.80	5.55	5.55	5.55	5.55	5.55	4.80	4.80	4.80
CRA	0.60	0.60	1.00	1.00	-	-	-	-	-	-
Total General Government	35.40	35.05	36.05	36.05	34.60	33.60	33.60	31.85	33.10	33.60
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	31.20	32.00	34.50	34.50	34.50	34.50	34.00	33.00	31.00	31.00
Total Public Safety	35.20	36.00	38.50	38.50	38.50	38.50	38.00	37.00	35.00	35.00
Physical Environment										
Engineering	5.80	6.55	6.50	6.50	5.50	5.50	5.00	5.00	5.00	5.00
Information Systems	3.50	3.50	4.50	4.00	4.00	3.00	3.00	3.00	3.00	2.00
Water	8.20	8.20	8.20	8.20	8.20	8.20	8.25	8.25	7.00	7.00
Stormwater	5.20	5.20	5.20	5.20	5.20	5.20	5.25	5.25	5.25	5.25
Wastewater	8.20	8.20	10.20	10.20	11.20	11.20	11.25	11.25	11.25	11.25
Sanitation	19.15	19.15	20.15	20.15	19.15	19.15	20.05	20.05	20.05	19.05
Total Physical Environment	50.05	50.80	54.75	54.25	53.25	52.25	52.80	52.80	51.55	49.55
Transportation										
Streets	12.20	13.20	13.20	13.20	13.20	13.20	13.15	13.15	13.15	11.15
Culture and Recreation										
Library	17.40	16.70	16.70	16.45	16.45	15.55	15.55	14.15	14.15	14.15
Parks	10.55	8.30	8.30	8.30	8.30	8.30	8.30	8.30	8.30	8.30
Recreation	19.05	16.00	17.00	17.00	17.50	17.50	16.50	16.75	18.45	14.75
Total Culture and Recreation	47.00	41.00	42.00	41.75	42.25	41.35	40.35	39.20	40.90	37.20
Total City	179.85	176.05	184.50	183.75	181.80	178.90	177.90	174.00	173.70	166.50

Source: City of Safety Harbor Annual Budget, Fiscal Years 2002-2011

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

	Fiscal Year									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Public Safety										
Fire Control and EMS										
Inspections	715	715	715	715	665	700	680	660	600	700
Investigations	10	10	10	10	5	N/A	N/A	N/A	N/A	N/A
Fire responses	N/A	N/A	N/A	N/A	N/A	1,007	829	733	931	840
EMS responses	N/A	N/A	N/A	N/A	N/A	4,162	5,887	2,852	3,018	2,762
Building Department										
Building permits issued	1,658	1,508	1,304	1,627	1,717	1,968	2,129	2,616	2,830	2,112
Occupational licenses issued	1,325	1,225	1,155	1,106	1,019	1,141	1,248	1,059	1,149	1,143
Stormwater										
Storm drain/pipe cleaned (miles)	1.07	0.06	0.30	5.50	5.50	5.50	5.50	5.50	5.50	5.50
Ditches/creeks cleaned (miles)	25.76	25.76	38.64	38.64	38.64	12.88	12.88	12.88	12.88	12.88
Water										
Customer accounts	7,488	7,493	7,470	7,447	7,417	7,454	7,426	7,716	7,708	7,318
Average daily water consumption in millions of gallons	1.70	1.37	1.57	1.80	1.91	2.09	2.08	2.20	2.22	2.18
Wastewater										
Customer accounts	8,856	8,897	8,745	8,796	8,741	8,673	8,643	8,751	8,726	8,582
Average daily sewage flow in millions of gallons	1.20	1.49	1.51	1.55	1.51	1.61	1.67	1.79	1.83	1.68
Sanitation (solid waste)										
Refuse collected (tons)	12,604	13,000	13,769	15,501	16,424	14,513	18,526	17,624	16,567	14,772
Recyclables collected (tons)	1,741	2,266	1,955	1,801	2,649	2,364	3,923	2,551	2,569	2,252
Streets										
Streets swept (curb miles)	938	918	918	918	918	918	153	152	152	152
Curb/gutter/sidewalks replaced (cubic yds)	350	318	300	275	253	N/A	N/A	N/A	N/A	N/A
Pothole repairs (asphalt tons)	25	18	36	25	33	20	15	30	72	95
Culture and Recreation										
Recreation - Persons listed in programs										
Trips	1,588	1,965	1,079	516	339	339	323	367	199	198
Classes	21,254	22,474	14,197	11,702	6,526	6,526	6,215	3,851	1,473	3,206
Camps/After-school	20,503	16,092	25,436	19,641	1,608	1,608	1,531	1,643	734	293
Special events	786	723	373	1,089	1,233	1,233	1,197	2,292	1,021	3,990
Parks - Acres maintained	73.88	72.47	72.47	72.04	72.04	72.04	69.40	69.40	63.40	63.40
Library circulation	272,761	287,003	206,030	224,808	262,503	254,235	273,159	269,032	276,528	224,500
Library registered borrowers	9,700	9,641	14,303	15,650	19,290	10,346	10,198	14,596	12,934	12,928

Source: City of Safety Harbor Annual Budget, Fiscal Years 2002-2011

N/A - Information not available

SCHEDULE 20

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

	Fiscal Year									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
General Government										
Buildings	4	4	4	4	4	4	4	4	4	4
Vehicles	17	13	12	12	11	11	12	11	10	9
Public Safety										
Fire stations	2	2	2	2	2	2	2	2	2	2
Vehicles	11	13	12	12	11	11	13	13	10	10
Physical Environment										
Vehicles	36	51	49	50	46	44	42	43	34	33
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)	76.0	75.8	75.7	75.7	75.7	75.4	75.1	74.7	74.3	73.0
Fire hydrants maintained	544	542	540	540	539	539	531	528	525	518
Wastewater										
Lift stations	25	25	25	25	25	25	25	25	25	26
Mains in collection system (miles)	66.3	66.3	66.3	66.3	66.3	66.3	66.0	66.0	66.0	65.0
Sanitation (solid waste)										
Collection vehicles	14	14	14	13	13	13	13	13	12	11
Streets										
Curb miles of street	100	100	100	153	153	153	153	153	152	152
Vehicles	16	17	16	15	12	12	13	13	14	15
Culture and Recreation										
Parks	11	11	11	11	11	11	11	11	11	11
Dog park	1	1	1	1	0	0	0	0	0	0
Skate park	1	1	1	1	1	1	1	0	0	0
Playgrounds	5	5	5	5	5	5	5	5	5	5
Gymnasiums	3	3	3	3	3	3	3	3	3	1
Recreation centers	2	2	2	2	2	2	2	2	2	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	10	9	9	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	4	6	6
Racquetball courts	2	2	2	2	2	2	2	2	2	2
Restroom facilities	8	8	8	8	8	8	8	7	7	6
Basketball courts										
Outdoor	4	4	4	4	4	4	4	4	4	4
Indoor	3	3	3	3	3	3	3	3	3	1
Vehicles	13	12	12	9	9	9	8	8	7	9

Sources: City of Safety Harbor Annual Budget, Fiscal Years 2002-2011; Various City departments

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REGULATORY REPORTS

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

To the Honorable Mayor 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, 2011, which collectively comprise the City’s basic financial statements and have issued our report thereon dated February 23, 2012. 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

Management of the City is responsible for establishing and maintaining effective 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.

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.

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

Compliance and Other Matters

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

This report is intended solely for the information and use of management and 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.

February 23, 2012
Clearwater, Florida



Mayer Hoffman McCann P.C.

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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, 2011 and have issued our report thereon dated February 23, 2012.

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 February 23, 2012, 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 governs 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 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.
 - 2010-01-Inventory: Implemented
 - 2010-02-Cash-Bank Reconciliations: Implemented
 - 2010-03-Accounting Policies and Procedures Manual: Manual has been compiled and is awaiting final review
 - 2010-04-Investments: Implemented
 - 2010-05-Enterprise Fund Determination: Implemented
- 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 caused us to believe the City was not in compliance 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, we did not have any such recommendations.

- 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, we did not have any such findings.
- Section 10.554(1)(i)6., *Rules of the Auditor General*, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in 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, 2011, 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, 2011. 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 management, the Honorable Mayor, Members of the City Commission, and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

Mayor Hoffman Mc Carr P.C.

February 23, 2012
Clearwater, Florida

