

CITY OF
Safety Harbor
FLORIDA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FYE SEPTEMBER 30, 2012

City of Safety Harbor, Florida

Comprehensive Annual Financial Report

For the fiscal year ended September 30, 2012



Prepared by:
Finance Department

June Solanes
Finance Director

This page left blank intentionally.

CITY OF SAFETY HARBOR, FLORIDA

September 30, 2012

**CITY COMMISSION
2012**

Andy Steingold, Mayor
Joseph Ayoub, Vice Mayor
Nina Bandoni
Nancy Besore
Cliff Merz

**CITY ADMINISTRATION
2012**

City Manager
Matthew Spoor

Assistant City Manager
Bill Baker

City Clerk
Karen Sammons

City Attorney
Alan S. Zimmet

This page left blank intentionally.

**CITY OF SAFETY HARBOR, FLORIDA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
SEPTEMBER 30, 2012**

TABLE OF CONTENTS

	Page
Table of Contents	i – iii
<u>INTRODUCTORY SECTION</u>	
Letter of Transmittal	iv - vii
Certificate of Achievement	viii
Principal City Officials	ix
Organizational Chart	x
<u>FINANCIAL SECTION</u>	
Independent Auditor’s Report	1 – 2
Management’s Discussion and Analysis	3 – 15
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Assets	16
Statement of Activities	17 – 18
Fund Financial Statements	
Balance Sheet – Governmental Funds	19
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	20
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	21
Reconciliation to the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	22
Statement of Net Assets – Proprietary Funds	23
Statement of Revenues, Expenses and Changes in Net Assets – Proprietary Funds	24
Statement of Cash Flows – Proprietary Funds	25 – 26
Statement of Fiduciary Net Assets	27
Statement of Changes in Fiduciary Net Assets	28
Notes to the Basic Financial Statements	29 - 57

**CITY OF SAFETY HARBOR, FLORIDA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 SEPTEMBER 30, 2012**

	Page
Required Supplementary Information	
Budgetary Comparison Schedules -	
Major Governmental Funds -	
General Fund	58 – 59
Community Redevelopment Fund	60
Parkland Fund	61
Schedule of Funding Progress – Firefighters’ Retirement Fund	62
Schedule of Funding Contributions from the Employer and Other Contributing	
Entities – Firefighters’ Retirement Fund	63
Schedule of Employer Contributions – Other Post Employment Benefits	64
Schedule of Funding Progress – Other Post Employment Benefits	65
Combining and Individual Fund Statements and Schedules	
Combining Balance Sheet – Nonmajor Governmental Funds	66
Combining Statement of Revenues, Expenditures and Changes in Fund Balances -	
Nonmajor Governmental Funds	67
Budgetary Comparison Schedules -	
Nonmajor Governmental Funds -	
Public Safety	68
Street Improvement	69
Street Assessment	70
Marina Boat Basin	71
Transportation Impact Fee	72
Library Impact Fee	73
Debt Service	74
Major Governmental Fund -	
Capital Projects Fund	75
Other Supplemental Schedules	
Schedule of Revenues and Expenditures – Actual and Budget – Fire District and	
Emergency Medical Services Sub-Funds	76
Schedule of Revenues and Expenditures – Actual and Budget – Library Sub-Funds	77
Schedule of Operations – Actual and Budget – Water and Sewer Fund	78
Schedule of Operations – Actual and Budget – Solid Waste Fund	79
Schedule of Operations – Actual and Budget – Stormwater Fund	80
Reconciliation of Total Fund Balance for the Governmental Funds to Total Net	
Assets for Governmental Activities	81
Reconciliation of Net Change in Fund Balances for the Governmental Funds to	
Changes in Net Assets for Governmental Activities	82

**CITY OF SAFETY HARBOR, FLORIDA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 SEPTEMBER 30, 2012**

Page

STATISTICAL SECTION (UNAUDITED)

Introduction to the Statistical Section	83 – 84
Schedule 1 Net Assets by Component	85
Schedule 2 Changes in Net Assets	86 – 87
Schedule 3 Program Revenues by Function/Program	88
Schedule 4 Fund Balances of Governmental Funds	89
Schedule 5 Changes in Fund Balances of Governmental Funds	90
Schedule 6 Assessed Value and Estimated Value of Taxable Property	91
Schedule 7 Direct and Overlapping Property Tax Rates	92
Schedule 8 Principal Taxpayers – Real Property	93
Schedule 9 Principal Taxpayers – Personal Property	94
Schedule 10 Property Tax Levies and Collections	95
Schedule 11 Ratios of Outstanding Debt by Type	96
Schedule 12 Legal Debt Margin Information	97
Schedule 13 Direct and Overlapping Governmental Activities Debt	98
Schedule 14 Pledged Revenue Coverage – Governmental Activities	99
Schedule 15 Pledged Revenue Coverage – Business-Type Activities	100
Schedule 16 Demographic and Economic Statistics	101
Schedule 17 Principal Employers	102
Schedule 18 Full-time Equivalent City Government Employees by Function	103
Schedule 19 Operating Indicators by Function	104
Schedule 20 Capital Asset Statistics by Function	105

REGULATORY REPORTS

Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Governmental Auditing Standards</i>	106 – 107
Independent Auditor’s Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133	108 – 109
Schedule of Expenditures of Federal Awards	110
Notes to Schedule of Expenditures of Federal Awards	111
Schedule of Findings and Questioned Costs	112 – 113
Management Letter	114 - 116

This page left blank intentionally.

INTRODUCTORY SECTION

This page left blank intentionally.



City of Safety Harbor Florida

HOME OF ESPIRITU SANTO MINERAL SPRINGS

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

February 27, 2013

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, 2012, 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, 2012. 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 a 3.17 percent decrease in the City's property tax base and an unemployment rate for the local metropolitan area of nine 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 2012/2013, the City budgeted for a .7 percent decrease in property values and held the millage rate of 3.3808, consistent with the two prior fiscal years. Citywide revenues excluding transfers and debt proceeds were assumed to increase by \$254,360. To offset the City's funding of street lights on City owned streets, a street light assessment of \$50.97 annually per ERU was implemented effective January 1, 2013. Due to ongoing drainage infrastructure projects, the City increased the stormwater charge per ERU from \$5.00 to \$7.25 effective October 1st, 2012. The increase per ERU is estimated to generate just over \$300,000 in additional revenue annually to fund operating and capital.

Relevant financial policies

It is a policy of the City Commission to maintain a General Fund minimum reserve of 17 percent of General Fund expenditures of the prior year's audited financial statements. Additionally, the City Commission authorized fund balance policy of twenty (20) percent of General Fund operating expenditures based on the current year's adopted budget be 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.

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 2012/2013 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. The Five-year Capital Improvements Plan (CIP) for FY 2012/13 to FY2016/17 is \$22.4 million, of which \$5.1 million is appropriated in FY 2012/2013.

The City remains active with construction projects in the area of drainage including dredging and pipe relining as well as water and wastewater main replacements. Major capital project improvements are programmed in parks and transportation.

In fiscal 2013, the City will implement single stream recycling, which is green, more efficient, less costly and allows for the resident to have one co-mingled recyclable pick-up a week. Estimated savings over the next 10 years in capital replacement is approximately \$100,000.

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, 2011. 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, 2011

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.



Christopher P. Morill

President

Jeffrey R. Emer

Executive Director

This page left blank intentionally.

CITY OF SAFETY HARBOR



LIST OF PRINCIPAL OFFICIALS

September 30, 2012

CITY COMMISSION

Andy Steingold, Mayor
Joseph Ayoub, Vice Mayor
Nina Bandoni
Nancy Besore
Cliff Merz

City Manager
Matthew Spoor

Assistant City Manager
Bill Baker

City Clerk
Karen Sammons

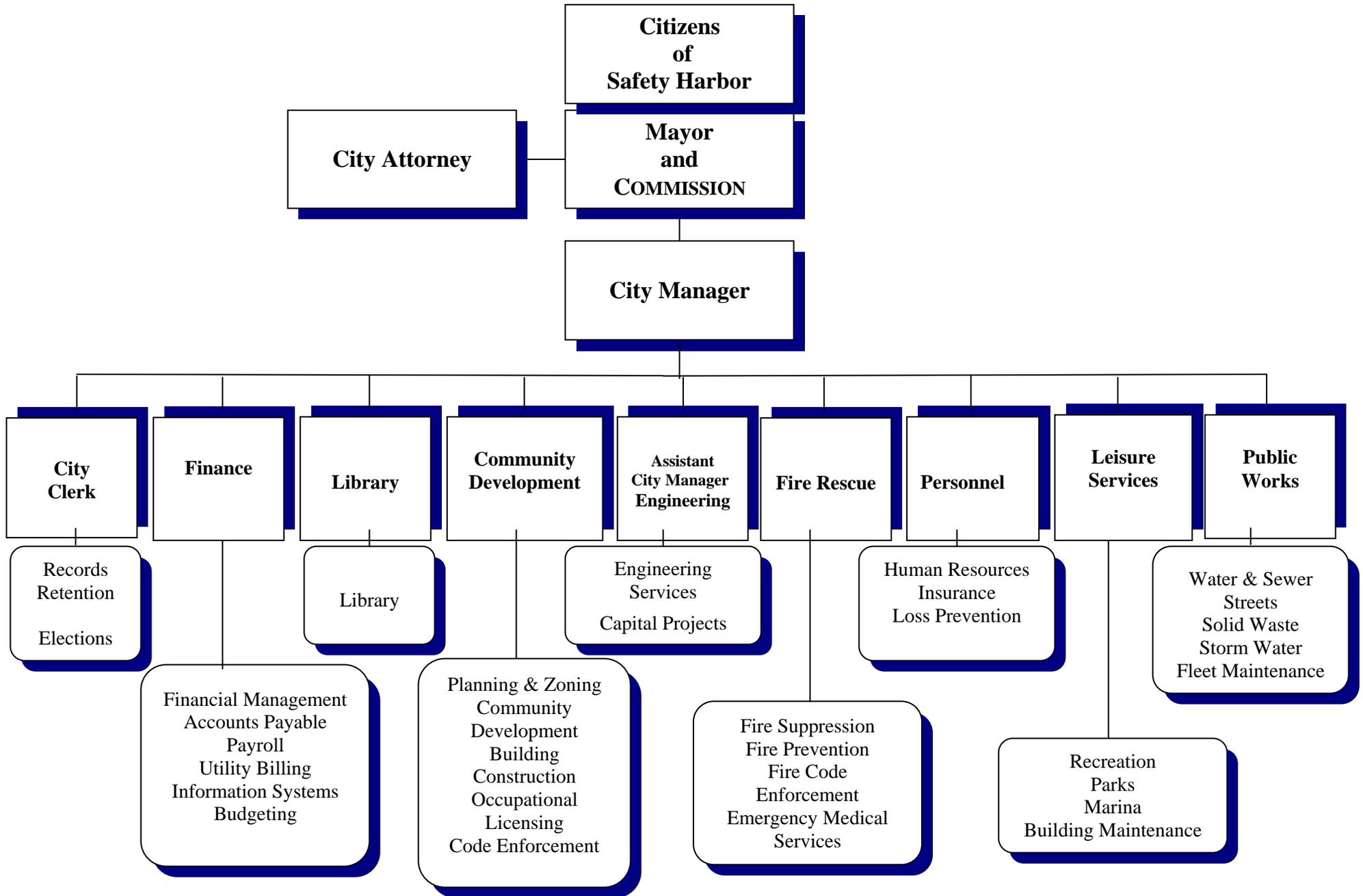
City Attorney
Alan Zimmet

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

This page left blank intentionally.



Mayer Hoffman McCann P.C.

An Independent CPA Firm

KRMT Tampa Bay Division

13577 Feather Sound Drive, Suite 400

Clearwater, FL 33762

Phone: 727.572.1400 • 813.879.1400

Fax: 727.571.1933

www.mhm-pc.com

Independent Auditor's 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, 2012, 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, 2012, 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 27, 2013 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 and required supplementary information as listed in the table of contents on pages 3 through 15 and pages 58 through 65, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund statements and schedules, other supplemental schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. In addition, the accompanying schedule of expenditures of federal awards is prepared for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States and Local Governments, and Non-Profit Organizations* and Chapter 10.550, *Rules of the Auditor General*, and is also not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund statements and schedules, other supplemental schedules and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the financial statements as a whole. The introductory section 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 or provide any assurance on them.

Maury Hoffman Mc Carr P. C.

February 27, 2013
Clearwater, Florida

MANAGEMENT'S DISCUSSION AND ANALYSIS

This page left blank intentionally.

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 16).

Financial Highlights

- The assets of the City of Safety Harbor exceeded its liabilities at September 30, 2012 by \$60,410,665 (net assets). Of this amount, \$13,296,454 (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 \$1,795,883 or 3.06 percent. Governmental net assets decreased by \$1,855,790 or 5.96 percent while business type net assets increased by \$3,651,673 or 13.29 percent as of September 30, 2012.
- As of September 30, 2012, the City of Safety Harbor's governmental funds reported combined ending fund balances of \$12,135,720, a decrease of \$1,730,301 in comparison with the prior year. Of this total amount, \$9,401,693 or 77.47 percent, is available for spending at the City's discretion (unrestricted fund balance).
- The City's total debt for bonds and notes increased by a net amount of \$1,961,763 or 13.52 percent during the fiscal year. The primary element in this increase is the issuance of \$2,775,000 in debt to purchase parkland on the waterfront. The difference between additional debt issuance the net increase is principal repayment and the economic gain on refunding Series 2001A debt.

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 16 through 18 of this report.

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

assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City's net assets changed during the most recent fiscal year, focusing on both the gross and net costs of various activities, both governmental and business-type, that are supported by the government's general tax and other revenues. This is intended to summarize and simplify the user's analysis of the cost of 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 19 through 22 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 eleven 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, Capital Projects and the Parkland Funds, which are considered to be major funds. Data from seven of the

governmental funds are combined into a single, aggregate presentation. Individual fund data for each of these non-major governmental funds (Special Revenue and Debt Service Funds) is provided in the form of combining statements in this report, following the Notes to the Financial Statements on pages 66 and 67.

The City adopts an annual appropriated budget for all 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 through 61 and 68 through 75, respectively, of this report.

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.

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 23 through 26 of this report.

Internal service funds. *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.

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 27 and 28 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 29 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, community redevelopment agency, and parkland 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 65 of this report.

Government-wide Financial Analysis

Statement of Net Assets. Net assets over time may serve as a useful indicator of a government's financial position. For the current year, the City's assets exceeded liabilities by \$60.4 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 16.

	Net Assets					
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Assets						
Current and other assets	\$ 14,269,020	\$ 16,032,745	\$ 17,290,033	\$ 15,768,858	\$ 31,559,053	\$ 31,801,603
Capital assets	25,065,043	22,793,106	25,717,747	23,152,191	50,782,790	45,945,297
Total assets	<u>39,334,063</u>	<u>38,825,851</u>	<u>43,007,780</u>	<u>38,921,049</u>	<u>82,341,843</u>	<u>77,746,900</u>
Liabilities						
Current and other liabilities	2,327,508	2,219,802	2,771,828	1,910,621	5,099,336	4,130,423
Long-term liabilities	7,727,068	5,470,771	9,104,774	9,530,923	16,831,842	15,001,694
Total liabilities	<u>10,054,576</u>	<u>7,690,573</u>	<u>11,876,602</u>	<u>11,441,544</u>	<u>21,931,178</u>	<u>19,132,117</u>
Net Assets						
Invested in capital assets, net of related debt	17,747,220	17,815,778	16,597,580	13,561,385	34,344,800	31,377,163
Restricted	6,703,478	8,618,746	6,065,933	5,249,420	12,769,411	13,868,166
Unrestricted	4,828,789	4,700,753	8,467,665	8,668,700	13,296,454	13,369,453
Total net assets	<u>\$ 29,279,487</u>	<u>\$ 31,135,277</u>	<u>\$ 31,131,178</u>	<u>\$ 27,479,505</u>	<u>\$ 60,410,665</u>	<u>\$ 58,614,782</u>

Fifty seven 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 one 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 \$13,296,454 or twenty two percent may be used to meet the City's ongoing obligations to citizens and creditors.

At September 30, 2012, 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 17 and 18 of this report.

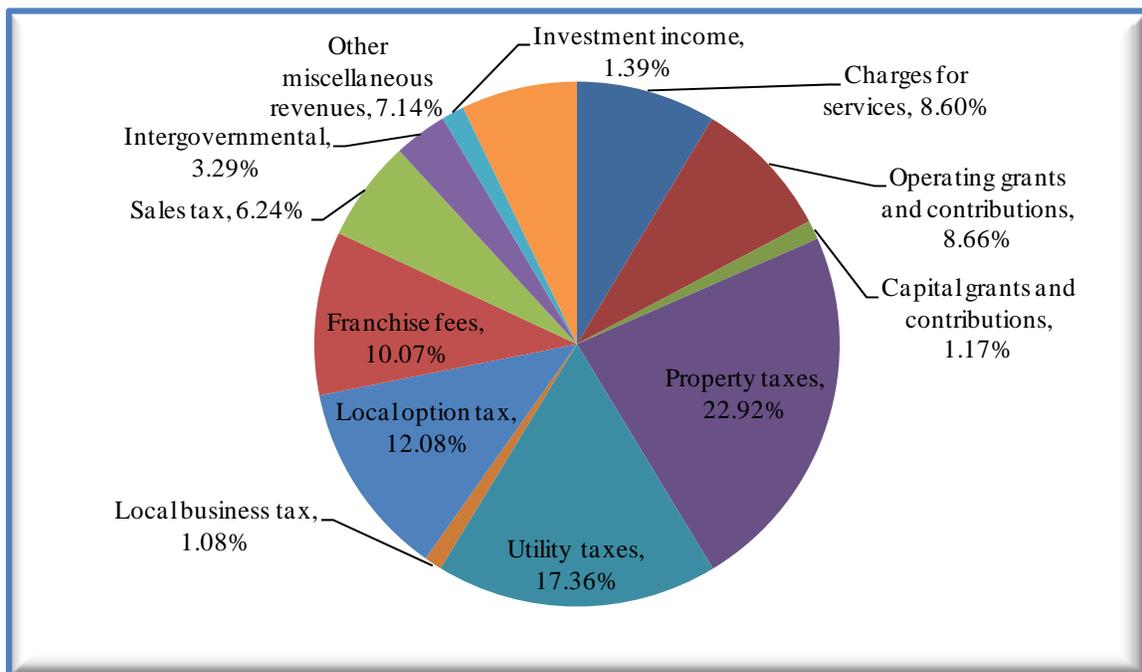
	Changes in Net Assets					
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
REVENUES						
Program revenues:						
Charges for services	\$ 1,225,163	\$ 1,176,100	\$ 11,411,699	\$ 11,772,859	\$ 12,636,862	\$ 12,948,959
Operating grants and contributions	1,234,112	1,294,887	13,067	13,457	1,247,179	1,308,344
Capital grants and contributions	166,567	31,067	1,057,627	240,675	1,224,194	271,742
General revenues:						
Property taxes	3,267,040	3,454,605	-	-	3,267,040	3,454,605
Utility taxes	2,473,714	2,427,378	-	-	2,473,714	2,427,378
Local business tax	154,396	146,230	-	-	154,396	146,230
Local option tax	1,721,958	1,632,243	-	-	1,721,958	1,632,243
Franchise fees	1,435,731	1,463,744	-	-	1,435,731	1,463,744
Sales tax	889,029	874,854	-	-	889,029	874,854
Intergovernmental	469,506	472,827	-	-	469,506	472,827
Investment income	198,116	507,216	209,919	438,080	408,035	945,296
Other miscellaneous revenues	1,018,166	1,202,502	714,805	692,246	1,732,971	1,894,748
Transfers in	(806,520)	-	806,520	-	-	-
Total Revenues	13,446,978	14,683,653	14,213,637	13,157,317	27,660,615	27,840,970
EXPENSES						
Function/program activities						
Primary government:						
Governmental activities:						
General government	3,139,084	3,219,077	-	-	3,139,084	3,219,077
Law enforcement	1,268,788	1,266,876	-	-	1,268,788	1,266,876
Fire protection	3,724,329	3,843,029	-	-	3,724,329	3,843,029
Building department	296,574	300,126	-	-	296,574	300,126
Physical environment	414,406	483,956	-	-	414,406	483,956
Transportation	2,009,562	1,858,822	-	-	2,009,562	1,858,822
Library	1,528,418	1,560,737	-	-	1,528,418	1,560,737
Parks and recreation	2,737,957	2,663,696	-	-	2,737,957	2,663,696
Interest on long-term debt	183,650	176,981	-	-	183,650	176,981
Business-type activities:						
Water and sewer	-	-	7,080,853	7,301,156	7,080,853	7,301,156
Solid waste	-	-	2,662,998	2,623,957	2,662,998	2,623,957
Stormwater	-	-	818,113	814,809	818,113	814,809
Total Expenses	15,302,768	15,373,300	10,561,964	10,739,922	25,864,732	26,113,222
Change in net assets	(1,855,790)	(689,647)	3,651,673	2,417,395	1,795,883	1,727,748
Net assets, beginning of year	31,135,277	31,824,924	27,479,505	25,062,110	58,614,782	56,887,034
Net assets, end of year	\$ 29,279,487	\$ 31,135,277	\$ 31,131,178	\$ 27,479,505	\$ 60,410,665	\$ 58,614,782

Governmental activities. Governmental activities decreased the City's net assets by \$1,855,790.

Revenues for the City's governmental activities decreased by \$1,236,675 under the prior year. Of this amount, \$806,520 is a transfer from the governmental Capital Projects and Transportation Impact Fee funds to the proprietary Stormwater fund for City match of the South Bayshore project. Key elements of the \$430,155 decrease in program and general revenues, excluding transfers, are as follows:

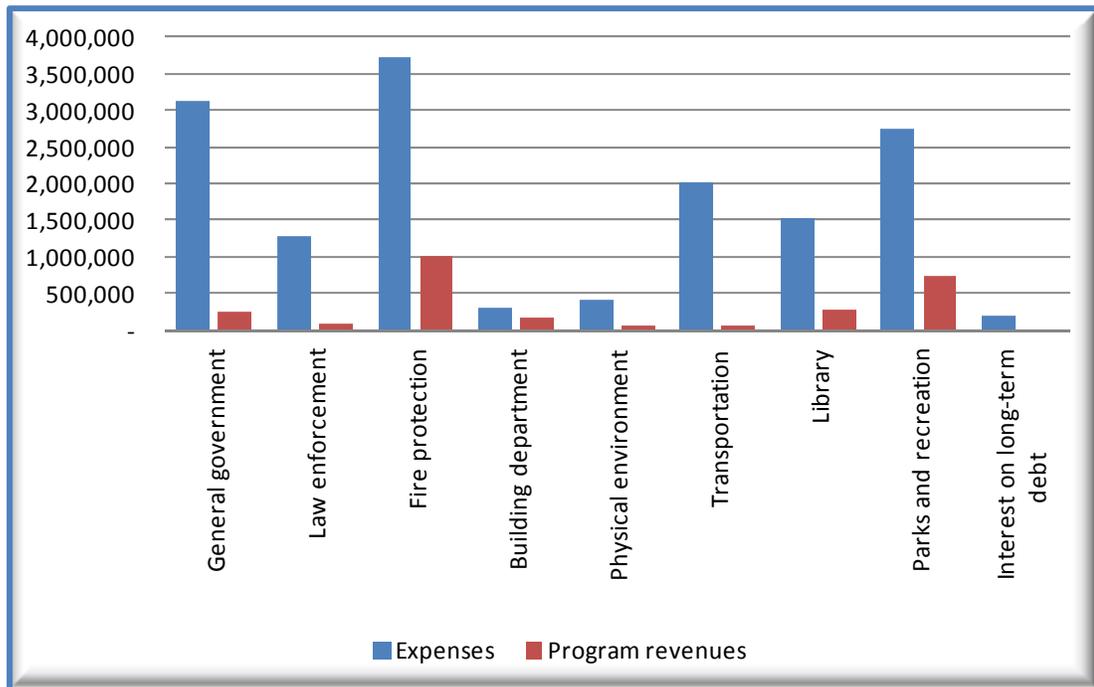
- Program revenues increased by 4.95 percent or \$123,788.
 - Charges for services increased by \$49,063. Program revenues increased by 29.75 percent in building permits and impact fees. The number of permits issued increased by 2 percent and reflect a 9 percent increase in the valuation of improvements and new construction.

- Operating grants and contributions decreased by a net amount of \$60,775. Of note are decreases in EMS, Fire, and Library funding of 11.04, 5.45, and 23.04 percent, respectively under prior year funding.
- Capital grants and contributions increased by \$135,500. Of the net increase, the City received \$150,000 from a Community Development Block Grant for the Mullet Creek Park.
- General revenues decreased by 4.55 percent or \$553,943, excluding the transfers from governmental to the proprietary fund.
 - Property tax revenue decreased by \$187,565 (5.43 percent). Taxable values continue to decline with the economic downturn with taxable values in the City declining by 3.17 percent under prior year. This is the smallest decline in taxable values since 2007/2008. Property Taxable values in the Community Redevelopment District declined by 5.53 percent in 2012 compared to 12.5 percent the prior year.
 - Utility taxes and franchise fees increased by \$18,323, which is less than 1 percent over prior year.
 - Investment income and fair value adjustment decreased by \$309,100. The City has taken a more conservative approach in purchasing investments with lower risk resulting in less interest earnings. Additionally, the City sustained a loss on the sale of two investments where interest rates no longer supported the market price of the securities and credit worthiness deteriorated as evidenced by the rating agencies.
 - Local option taxes increased by \$89,715. Of this increase, \$75,000 is revenue from the “Penny” tax, a local 1-percent sales tax for infrastructure improvements.
 - Miscellaneous revenue is decreased by \$184,336 under prior year. Reimbursements for services between governmental and proprietary funds were reevaluated and allocations reduced by \$83,130. \$70,000 of the decrease is due to a non-recurring transaction occurring in the prior year.



Expenses for the City’s governmental activities decreased by \$70,533. Key elements of the net decrease are as follows:

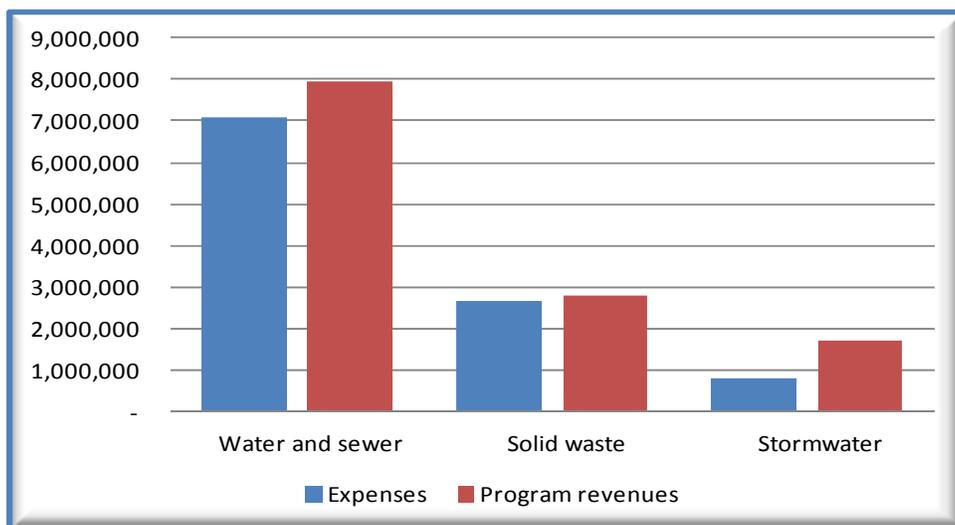
- General government decreased by \$79,993. Salaries and fringes decreased by just under \$290,000 with the separation of 3.5 full time employees in fiscal year 2011, which were replaced by either full time or part time staff moving into the current fiscal year. Additionally, the City Manager’s office lost a position due to retirement and the position has been filled by a part time employee. The full payout of termination benefits spanning fiscal years occurred in fiscal 2011. Contracted and other services increased by \$30,283 in legal services and auditing services. Legal services increased due to litigated cases not included in the City Attorney’s retainer and auditing services increased due to an Other Post Employee Benefit actuarial report delivered in the current year. This report is conducted once every two years. Other operating expenses increased by \$72,144. This increase is due to additional activities completed in the Community Redevelopment Agency (CRA) district as well as expenditures associated with the election in January 2012. The general government allocation for Information Systems (IS) support increased by \$18,260 after reevaluating the service provided to general employees.
- Fire protection decreased by \$118,700. Of this decrease, just over \$109,000 was due to a decrease in salaries and fringes due to a payout in the prior year for two separated employees. Additionally, 1.7 positions were not refilled in the current budget year resulting in additional savings over prior year.
- Physical environment decreased by \$69,550 with the deletion of a Construction Inspector position.
- Transportation increased by a net amount of \$150,740. Street re-paving citywide combined with contractual services to clean city streets increased by \$263,088. Two positions were eliminated when the City outsourced the contract for street cleaning.
- Parks and recreation increased by \$74,260, primarily in materials and supplies, with increased activity in recreation center special events, Mullet Creek Park and the Museum.



Business-type activities. Business-type activities increased the City’s net assets by \$3,651,673.

Revenues for the City’s business-type activities increased by \$1,056,320. Key elements of the increase are as follows:

- Program revenues increased by \$455,402.
 - Charges for services for business-type activities decreased by \$361,160 (3.07 percent) under prior year. Of the total decrease in charges for services, water and sewer decreased by 3.5 percent; sanitation by 2.61 percent; and stormwater by just under 1.00 percent. Of the total decrease, 3.03 percent is due to reevaluation and increases in allowances for doubtful accounts.
 - Capital grant revenue is \$816,952 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.
 - General revenues decreased by \$205,602. This excludes non-recurring transfers into the stormwater fund of \$806,520 for an infrastructure project with eligible project components meeting the requirements for capital infrastructure and transportation.
 - Investment income from interest earnings and market value adjustments decreased by \$228,161 due to the recognition of premiums paid for investment activities during the current year as well as a loss associated with the sale of two investments.
- Expenses decreased by \$177,958. Key elements of the decrease are as follows:
 - Personnel services decreased \$226,097. Current year salaries and fringes reflect a full year impact of prior year separations in Water & Sewer Finance and the Water Department. The decrease is a result of compensated absences paid in prior year as well as refilling position at lower starting pay.
 - Materials and supplies and other operating expenses increased by \$12,110 or 0.7 over prior year. The increase was primarily in non-capital equipment.
 - Depreciation and amortization expense increased by \$35,000 or 3.1 percent over prior year.



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, 2012, the City's governmental funds reported combined ending fund balances of \$12,135,720, a decrease of \$1,730,301 in comparison with the prior year. Of this total amount, \$5,432,242 or 44.76 percent is unassigned and available for spending at the City's discretion. The remainder of fund balance, \$6,703,478 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, 2012, the unrestricted fund balance of the general fund was \$8,403,005, inclusive of committed and assigned fund balances for emergency/disaster stabilization and the use of fund reserves for the fiscal 2013 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 0.27 percent of total general fund expenditures, while unrestricted fund balance is 66.62 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, 2012, the City's unassigned fund balance meets this goal at 41.59 percent of prior year's operating expenditures. General fund balance decreased by \$530,928 during the current year. Key elements of the decrease are as follows:

- Revenues decreased by \$535,154. Of note is ad valorem revenue with a decrease of \$156,799 based on the decline in taxable value. Interest income decreased by \$188,243 due to the sale of two investments experiencing a decline in credit worthiness. Intergovernmental revenues decreased by \$82,683 consisting primarily of a 23.04 percent decline in revenue from the Pinellas Public Library Cooperative. Interfund allocations were reevaluated and factors affecting activities between funds resulted in a decrease of \$83,560. Miscellaneous revenue decreased by \$66,295 as a result of a non-recurring transaction of the prior year.
- Expenditures decreased by \$447,962. Personnel services decreased just over \$615,000 with 8 positions electing voluntary separation and two involuntary separations in the prior year. Two of the positions were eliminated and 8 positions were refilled at lower rates of pay or hired on a part-time basis. Additionally, the Executive Assistant to the City Manager retired current year and was replaced by a part-time position, which is shared by the City Manager's office and the City Clerk's office. Materials and supplies increased by \$32,795 due to additional duties in Parks and Recreation with the addition of parks to maintain as well as supplies for athletic programs and recreational classes. Other operating expenses and contracted/other services, inclusive of interfund allocations, increased by \$141,277. Of this increase, legal services increased by \$21,895 due to litigated cases of a non-recurring nature; the bay at Fire Station was resurfaced for a total cost of \$6,187; mowing services were brought in-house after the deletion of a position for an annual increase in contracted services of \$29,250; communications services increased in the library by \$17,244, which is offset by a corresponding increase in revenue from the ERATE program; interfund allocations for services provided by Information Services was reevaluated for general fund support and increased by \$34,990.

The Community Redevelopment Agency's fund balance is \$398,869 as of September 30, 2012. The decline in the tax base within the CRA resulted in a reduction in property tax revenue of just over \$30,000; however, revenue increased by \$110,320 overall with funding from a Community Development

Block grant as match for the Mullet Creek Park and a parking impact fee of \$14,480 for 2nd Street Parking Improvements. Capital outlay of \$505,898 increased over prior year with improvements at Mullet Creek Park, 2nd Street (parking) and improvements at the Museum.

The Capital Projects Fund balance is \$1,617,843 at September 30, 2012. Revenue from the Penny for Pinellas sales tax has increased by just over \$75,000 or 5.89 percent current year over prior. The “Penny” is eligible for capital infrastructure improvements as well as the servicing of debt. Current year capital improvements and acquisitions remained relatively flat compared to prior year. Transfers increased by over \$314,000, of which \$306,250 was transferred to Stormwater fund for improvements on South Bayshore.

More detail regarding the governmental funds can be found in the Statement of Revenues, Expenditures and Changes in Fund Balance on page 21 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 \$5,626,285, \$1,533,568 and \$1,307,812, respectively. Cumulatively, the unrestricted net assets for the enterprise funds decreased \$201,035 or 2.32 percent under prior year. The total increase in net assets current year is \$3,652 million.

Revenue generated by charges for services is 3 percent or \$361,160 lower than prior year. This decrease is due to recognizing an increase in allowance accounts across all proprietary funds for all utility accounts past due by more than 120 days.

Operating expenses in the City's proprietary funds decreased by \$145,143. The largest decrease of \$226,099 is in personnel services due to separations in the prior year. With the exception of ½ a position in Finance Water & Sewer, positions vacated due to early separation have been refilled at lower rates of pay. Materials and supplies increased \$87,770 with 44.23 percent (\$38,828) of the increase in sanitation for tires and diesel, 17.66 percent (\$15,500) in water and sewer renewal and replacement supplies and 33.89 percent (\$29,747) in computer replacements.

General Fund Budgetary Highlights

During the current year, the total decrease between adopted and final budgeted revenue totaled \$136,280. Supplemental budget amendments for budgeted appropriations increased between the adopted and final budget by \$283,310. 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:

- Whereas there were increases and decreases among multiple budgeted line items, the most significant change was a decrease of \$136,320 in interest income and net appreciation in the fair value of investments. The budget was amended to reflect the sale of two investments for which the City sustained a loss. The City has taken a conservative approach and purchases investments at a premium with less interest earnings with a focus on principal payments.

Appropriations:

- Increase of \$196,139 in Firefighters' budget for overtime resulting from three long term illnesses and one long term workers' comp case where staffing levels did not meet the minimum requirement and overtime was required.

- Net increase of \$245,268 in transportation for current year street light service that no longer meets the requirement of reporting as a special revenue fund.
- Increase of \$150,000 for transfer from general fund to stormwater for damages sustained as a result of Tropical Storm Debby. Ultimately, this was treated as a loan to the stormwater fund and did not flow through the statement as an expense.
- Increase of \$40,000 in legal services for two litigated cases that did not fall under the umbrella of the City Attorney's monthly retainer as well as an additional 48 cases totaling just under \$24,000 that did not fall within the guidelines of the City Attorney's monthly retainer.
- Decreases across all other departments totaled \$353,622 based on mid-year budget review.

Capital Asset and Debt Administration

Capital Assets. The City's investment in capital assets for governmental and business-type activities as of September 30, 2012 is \$50,782,790, net of accumulated depreciation. As reflected in the following schedule, this investment includes land, buildings, improvements, machinery and equipment, park facilities and roads. The net increase in the City's investment in capital assets is \$4,837,493 over prior year.

	Capital Assets					
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Land	\$ 6,453,676	\$ 3,688,288	\$ 606,548	\$ 606,548	\$ 7,060,224	\$ 4,294,836
Construction in progress	1,064,097	673,519	2,081,531	1,484,538	3,145,628	2,158,057
Buildings	4,048,428	4,020,976	229,719	229,719	4,278,147	4,250,695
Improvements other than buildings	26,655,628	26,320,271	32,559,412	29,740,343	59,215,040	56,060,614
Equipment	6,953,189	6,538,196	7,874,708	7,693,186	14,827,897	14,231,382
Less:						
Accumulated Depreciation	20,109,975	18,448,144	17,634,171	16,602,143	37,744,146	35,050,287
Total	\$ 25,065,043	\$ 22,793,106	\$ 25,717,747	\$ 23,152,191	\$ 50,782,790	\$ 45,945,297

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>
Spa Land Purchase	\$ 2,765,388	N.E. Wastewater Plant	\$ 1,049,514
Library Books	100,799	Erosion Control (Mullet Creek)	619,393
Fire Station 53 100KW Generator	77,396	Asbestos Cement Water	223,797
Fire Station 52 100KW Generator	74,020	Server Virtualization	163,606
Rigsby Center Equipment	59,769	Gabion Walls at Bishop Creek	150,000
10 Ton Overhead Bridge Crane	55,808	Claw Truck Replacement	121,621
Main Entryway McMullen	51,356	Master Lift Station Pumps	113,559
Fire Station 53 Building for Generator	51,155	Mapleway Sanitary Sewer	86,645
Replace Vehicle #349	44,157	Replace #324 Dumpster Transporter	79,286
Bridge Repair and Maintenance	39,942	Citywide Stormwater Improvements	78,575
Replace Vehicle #800	32,035	Phillipe Parkway Water Line	67,885
Sidewalk Maintenance	30,804	Citywide Sewer Improvements	56,122
Replace City Hall A/C Units	29,050	Portable Dri Trash Pump	41,869
Gym #1 A/C Replacement	28,245		
City Park Fence Improvement	26,979		
Fuel Control Terminal	26,469		

The following reconciliation summarizes the Changes in Capital Assets, which is presented in detail on page 45 of the notes to the financial statements.

	Governmental Activities	Business-Type Activities	Total Primary Government
Beginning Balance	\$ 22,793,106	\$ 23,152,191	\$ 45,945,297
Additions	4,291,996	5,206,981	9,498,977
Depreciation	(1,790,822)	(1,296,839)	(3,087,661)
Retirement (net of depreciation)	(229,237)	(1,344,586)	(1,573,823)
Ending Balance	\$ 25,065,043	\$ 25,717,747	\$ 50,782,790

Long-term debt. As of fiscal year end, the City's outstanding long-term debt from revenue bonds and notes increased by \$1,961,763. The increase is a result of debt issued to purchase waterfront property for a park, which is located adjacent to the marina. Pages 46 through 49 of the notes to the financial statements provide details for the following summary.

Outstanding Debt at Year-end				
	2012	2011	Change	Percent Change
Governmental Activities				
2012 Purchase of land for park	\$ 2,775,000	\$ -	\$ 2,775,000	100.00%
2008 Library expansion	4,252,000	4,651,000	(399,000)	-8.58%
2006 General government improvements	333,182	348,244	(15,062)	-4.33%
Governmental activities total	7,360,182	4,999,244	2,360,938	47.23%
Business-Type Activities				
2012 Refunding for utility system improvements	1,500,000	-	1,500,000	100.00%
2006 Utility system improvements	7,612,848	7,957,023	(344,175)	-4.33%
2001 Utility system improvements	-	1,555,000	(1,555,000)	-100.00%
Business-type activities total	9,112,848	9,512,023	(399,175)	-4.20%
Total Outstanding Debt	\$ 16,473,030	\$ 14,511,267	\$ 1,961,763	13.52%

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 2012 was 8.8 percent compared to the prior year's 10.8 percent. This compares only slightly unfavorably to Florida's unemployment rate of 8.7 percent and the national unemployment rate of 7.8 percent.
- From 2008 through 2011, the City experienced declines in property values in excess of 9.0 percent annually. The prior year realized a decline of just over 3 percent while the 2012 tax year and the fiscal 2013 budget property values declined by just over 1.0 percent.
- The City Commission held the millage rate at 3.3808 for the third year in a row in fiscal 2013.
- The City implemented a street light assessment effective January 1, 2013 for street lighting services for City owned lights and leases from Progress Energy. This assessment provides a special benefit to residents. The base billing unit or ERU is based on the size of the average single-family residence in the City. The rate is \$50.97 annually per ERU.

- The City took a long term approach to funding stormwater operating and capital infrastructure by implementing a rate increase in stormwater from \$5.00 per ERU (Equivalent Residential Unit) to \$7.25 per ERU. In evaluating this increase, projects over the next 5 years were conservatively identified and prioritized.

Requests for Information

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

This space left blank intentionally.

This page left blank intentionally.

BASIC FINANCIAL STATEMENTS

This page left blank intentionally.

CITY OF SAFETY HARBOR, FLORIDA
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2012

Assets	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Current assets:			
Equity in pooled cash and investments	\$ 12,600,215	\$ 8,189,266	\$ 20,789,481
Receivables, net:			
Accounts receivable	380,046	1,119,540	1,499,586
Due from other governments	580,066	263,510	843,576
Due from other funds	66,314	-	66,314
Inventories	71,303	252,103	323,406
Advances to other funds - stormwater	83,686	-	83,686
Restricted assets:			
Equity in pooled cash and investments:			
Sinking fund	-	54,432	54,432
Customer deposits	-	601,561	601,561
Capital projects	-	665,579	665,579
Total current assets	<u>13,781,630</u>	<u>11,145,991</u>	<u>24,927,621</u>
Noncurrent assets:			
Restricted assets:			
Equity in pooled cash and investments:			
Sinking fund	-	1,106,957	1,106,957
Capital projects	-	4,958,976	4,958,976
Capital assets:			
Non depreciable	7,517,773	2,688,079	10,205,852
Depreciable, net of accumulated depreciation	17,547,270	23,029,668	40,576,938
Unamortized bond issuance costs	42,359	78,109	120,468
Pension asset	445,031	-	445,031
Total noncurrent assets	<u>25,552,433</u>	<u>31,861,789</u>	<u>57,414,222</u>
Total assets	<u>39,334,063</u>	<u>43,007,780</u>	<u>82,341,843</u>
Liabilities			
Current liabilities:			
Accounts payable	242,410	666,669	909,079
Accrued liabilities	300,960	103,434	404,394
Due to other funds	-	150,000	150,000
Customer deposits	8,372	-	8,372
Current liabilities, payable from restricted assets:			
Accrued interest payable	-	54,432	54,432
Customer deposits	-	601,561	601,561
Construction contracts payable	-	665,579	665,579
Unearned revenue	1,094,168	-	1,094,168
Current portion of long-term obligations	681,598	530,153	1,211,751
Total current liabilities	<u>2,327,508</u>	<u>2,771,828</u>	<u>5,099,336</u>
Noncurrent portion of long-term obligations	<u>7,727,068</u>	<u>9,104,774</u>	<u>16,831,842</u>
Total liabilities	<u>10,054,576</u>	<u>11,876,602</u>	<u>21,931,178</u>
Net Assets			
Invested in capital assets, net of related debt	17,747,220	16,597,580	34,344,800
Restricted, net of payables from restricted assets:			
Inventories and prepaid amounts	33,461	-	33,461
General government	418,985	-	418,985
Fire protection	79,318	-	79,318
Physical environment	268,930	-	268,930
Transportation	570,494	-	570,494
Culture and recreation	687,719	-	687,719
Debt service	76,081	1,106,957	1,183,038
Capital projects	1,597,727	4,958,976	6,556,703
Other	2,970,763	-	2,970,763
Unrestricted	<u>4,828,789</u>	<u>8,467,665</u>	<u>13,296,454</u>
Total net assets	<u>\$ 29,279,487</u>	<u>\$ 31,131,178</u>	<u>\$ 60,410,665</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, 2012

Function/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 3,139,084	\$ 90,475	\$ -	\$ 150,000
Law enforcement	1,268,788	77,056	-	-
Fire protection	3,724,329	6,845	996,700	9,933
Building department	296,574	169,407	-	-
Physical environment	414,406	49,913	-	-
Transportation	2,009,562	40,550	6,436	-
Library	1,528,418	47,223	230,976	-
Parks and recreation	2,737,957	743,694	-	6,634
Interest and other fiscal charges on long-term debt	183,650	-	-	-
Total governmental activities	<u>15,302,768</u>	<u>1,225,163</u>	<u>1,234,112</u>	<u>166,567</u>
Business-type activities:				
Water and sewer	7,080,853	7,952,369	-	-
Solid waste	2,662,998	2,797,521	13,067	-
Stormwater	818,113	661,809	-	1,057,627
Total business-type activities	<u>10,561,964</u>	<u>11,411,699</u>	<u>13,067</u>	<u>1,057,627</u>
Total primary government	<u>\$ 25,864,732</u>	<u>\$ 12,636,862</u>	<u>\$ 1,247,179</u>	<u>\$ 1,224,194</u>

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

Transfers

Total general revenues

Change in net assets

Net assets, beginning of year

Net assets, end of year

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

CITY OF SAFETY HARBOR, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2012

Net (Expenses) Revenues and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (2,898,609)	\$ -	\$ (2,898,609)
(1,191,732)	-	(1,191,732)
(2,710,851)	-	(2,710,851)
(127,167)	-	(127,167)
(364,493)	-	(364,493)
(1,962,576)	-	(1,962,576)
(1,250,219)	-	(1,250,219)
(1,987,629)	-	(1,987,629)
(183,650)	-	(183,650)
(12,676,926)	-	(12,676,926)
-	871,516	871,516
-	147,590	147,590
-	901,323	901,323
-	1,920,429	1,920,429
(12,676,926)	1,920,429	(10,756,497)
3,267,040	-	3,267,040
2,473,714	-	2,473,714
154,396	-	154,396
1,721,958	-	1,721,958
1,435,731	-	1,435,731
889,029	-	889,029
469,506	-	469,506
198,116	209,919	408,035
1,018,166	696,670	1,714,836
-	18,135	18,135
(806,520)	806,520	-
10,821,136	1,731,244	12,552,380
(1,855,790)	3,651,673	1,795,883
31,135,277	27,479,505	58,614,782
\$ 29,279,487	\$ 31,131,178	\$ 60,410,665

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, 2012

	<u>General</u>	<u>Community Redevelopment Agency</u>	<u>Capital Projects</u>	<u>Parkland</u>	<u>Other Non-major Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets						
Cash and cash equivalents	\$ 9,126,657	\$ 419,479	\$ 1,400,411	\$ 675,884	\$ 977,784	\$ 12,600,215
Receivables, net:						
Accounts receivable	361,713	1,608	4,583	1,856	10,286	380,046
Due from other funds - stormwater fund	66,314	-	-	-	-	66,314
Due from other governments	262,292	53,640	223,638	5,000	35,496	580,066
Inventories	71,303	-	-	-	-	71,303
Advances to other funds - stormwater fund	83,686	-	-	-	-	83,686
Total assets	<u>\$ 9,971,965</u>	<u>\$ 474,727</u>	<u>\$ 1,628,632</u>	<u>\$ 682,740</u>	<u>\$ 1,023,566</u>	<u>\$ 13,781,630</u>
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	\$ 141,387	\$ 72,767	\$ 10,789	\$ -	\$ 17,467	\$ 242,410
Accrued liabilities	297,307	3,091	-	-	562	300,960
Customer deposits	3,892	-	-	-	4,480	8,372
Deferred revenue	1,092,913	-	-	-	1,255	1,094,168
Total liabilities	<u>1,535,499</u>	<u>75,858</u>	<u>10,789</u>	<u>-</u>	<u>23,764</u>	<u>1,645,910</u>
Fund Balances:						
Nonspendable:						
Inventories and prepaid items	33,461	-	-	-	-	33,461
Restricted for:						
General government	-	377,745	-	-	-	377,745
Fire protection	-	-	-	-	78,160	78,160
Physical environment	-	-	-	-	-	-
Transportation	-	-	-	-	201,956	201,956
Library	-	-	-	-	4,979	4,979
Parks and recreation	-	-	-	363,918	-	363,918
Debt service	-	-	-	-	76,081	76,081
Capital projects	-	-	1,597,727	-	-	1,597,727
Committed to:						
Emergency/disaster relief stabilization	2,573,083	-	-	-	-	2,573,083
Physical environment	-	-	-	-	265,067	265,067
Assigned to:						
General government	-	21,124	20,116	-	-	41,240
Fire protection	-	-	-	-	1,158	1,158
Physical environment	-	-	-	-	3,863	3,863
Transportation	-	-	-	-	368,538	368,538
Parks and recreation	-	-	-	318,822	-	318,822
Other	397,680	-	-	-	-	397,680
Unassigned:	<u>5,432,242</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,432,242</u>
Total fund balances	<u>8,436,466</u>	<u>398,869</u>	<u>1,617,843</u>	<u>682,740</u>	<u>999,802</u>	<u>12,135,720</u>
Total liabilities and fund balances	<u>\$ 9,971,965</u>	<u>\$ 474,727</u>	<u>\$ 1,628,632</u>	<u>\$ 682,740</u>	<u>\$ 1,023,566</u>	<u>\$ 13,781,630</u>

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

CITY OF SAFETY HARBOR, FLORIDA
RECONCILIATION OF THE BALANCE SHEET –
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2012

Fund balances - total governmental funds		\$ 12,135,720
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 funds.		
Governmental capital assets		
Non depreciable	\$ 7,517,773	
Depreciable	37,657,245	
Less, accumulated depreciation	<u>20,109,975</u>	25,065,043
The net pension asset related to governmental activities does not represent financial resources and is not reported in the funds		
		445,031
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)		42,359
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Revenue notes payable	(7,360,182)	
Compensated absences	(885,089)	
Other post employment benefits	<u>(163,395)</u>	<u>(8,408,666)</u>
Net assets of governmental activities		<u>\$ 29,279,487</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, 2012

	<u>General</u>	<u>Community Redevelopment Agency</u>	<u>Capital Projects</u>	<u>Parkland</u>	<u>Other Non-major Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:						
Property taxes	\$ 2,990,749	\$ 276,291	\$ -	\$ -	\$ -	\$ 3,267,040
Utility taxes	2,473,714	-	-	-	-	2,473,714
Local business taxes	154,396	-	-	-	-	154,396
Local option taxes	142,828	-	1,354,216	-	224,914	1,721,958
Franchise fees	1,435,731	-	-	-	-	1,435,731
Licenses and permits	169,407	-	-	-	-	169,407
Impact fees	-	14,480	-	4,095	25,154	43,729
Special assessments	-	-	-	-	10,696	10,696
Sales tax	889,029	-	-	-	-	889,029
Intergovernmental	1,689,294	150,000	9,933	1,634	-	1,850,861
Charges for services	810,761	-	-	-	49,913	860,674
Fines and forfeitures	140,659	-	-	-	-	140,659
Interest income and net appreciation in fair value of investments	153,284	6,644	15,116	8,803	14,269	198,116
Other	1,032,488	-	5,000	-	-	1,037,488
Total revenues	<u>12,082,340</u>	<u>447,415</u>	<u>1,384,265</u>	<u>14,532</u>	<u>324,946</u>	<u>14,253,498</u>
Expenditures:						
Current operating:						
General government	2,571,483	227,081	-	-	-	2,798,564
Law enforcement	1,264,935	-	-	-	-	1,264,935
Fire protection	3,566,685	-	-	-	-	3,566,685
Building department	293,273	-	-	-	-	293,273
Physical environment	386,410	-	-	-	16,830	403,240
Transportation	998,674	-	-	-	467,544	1,466,218
Library	1,157,376	-	-	-	-	1,157,376
Parks and recreation	2,273,634	-	-	13,468	-	2,287,102
Capital outlay	100,798	505,898	584,788	2,816,687	88,560	4,096,731
Debt service						
Principal payments	-	-	-	-	414,062	414,062
Interest and other fiscal charges	-	-	-	-	179,572	179,572
Total expenditures	<u>12,613,268</u>	<u>732,979</u>	<u>584,788</u>	<u>2,830,155</u>	<u>1,166,568</u>	<u>17,927,758</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(530,928)</u>	<u>(285,564)</u>	<u>799,477</u>	<u>(2,815,623)</u>	<u>(841,622)</u>	<u>(3,674,260)</u>
Other financing sources (uses):						
Transfers in	-	-	-	-	921,720	921,720
Transfers out	-	-	(1,203,710)	(24,530)	(500,000)	(1,728,240)
Bond issuance costs	-	-	-	-	(24,521)	(24,521)
Debt proceeds	-	-	-	2,775,000	-	2,775,000
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(1,203,710)</u>	<u>2,750,470</u>	<u>397,199</u>	<u>1,943,959</u>
Net change in fund balances	<u>(530,928)</u>	<u>(285,564)</u>	<u>(404,233)</u>	<u>(65,153)</u>	<u>(444,423)</u>	<u>(1,730,301)</u>
Fund balances, beginning of year	<u>8,967,394</u>	<u>684,433</u>	<u>2,022,076</u>	<u>747,893</u>	<u>1,444,225</u>	<u>13,866,021</u>
Fund balances, end of year	<u>\$ 8,436,466</u>	<u>\$ 398,869</u>	<u>\$ 1,617,843</u>	<u>\$ 682,740</u>	<u>\$ 999,802</u>	<u>\$ 12,135,720</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, 2012

Net change in fund balances - total governmental funds \$ (1,730,301)

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	4,062,760	
Less, current year depreciation	<u>1,790,822</u>	2,271,938

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	30,931
------------------------------------------	--------

The issuance of long-term debt provides current financial resources for
governmental funds, while 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.

Increase in bond issuance cost	24,521
Long-term debt issuance	(2,775,000)
Principal payments	414,062

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	(4,078)	
Compensated absences	(51,405)	
Other post employment benefits	<u>(36,458)</u>	<u>(91,941)</u>

Change in net assets of governmental activities	<u>\$ (1,855,790)</u>
-------------------------------------------------	-----------------------

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

CITY OF SAFETY HARBOR, FLORIDA
STATEMENT OF NET ASSETS – PROPRIETARY FUNDS
SEPTEMBER 30, 2012

	<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	\$ 5,191,841	\$ 1,549,231	\$ 1,448,194	\$ 8,189,266
Accounts receivable, net				
Accounts receivable	855,516	212,970	51,054	1,119,540
Due from other governments	-	13,067	250,443	263,510
Inventories	252,103	-	-	252,103
Restricted assets:				
Equity in pooled cash and investments:				
Sinking fund	40,349	5,029	9,054	54,432
Customer deposits	536,134	65,427	-	601,561
Capital projects	665,579	-	-	665,579
Total current assets	<u>7,541,522</u>	<u>1,845,724</u>	<u>1,758,745</u>	<u>11,145,991</u>
Noncurrent assets:				
Restricted equity in pooled cash and investments:				
Sinking fund	798,023	203,790	105,144	1,106,957
Capital projects	4,958,976	-	-	4,958,976
Capital assets:				
Nondepreciable	665,586	1,201	2,021,292	2,688,079
Depreciable, net of accumulated depreciation	18,369,300	1,189,927	3,470,441	23,029,668
Unamortized bond costs	70,075	1,386	6,648	78,109
Total noncurrent assets	<u>24,861,960</u>	<u>1,396,304</u>	<u>5,603,525</u>	<u>31,861,789</u>
Total assets	<u>32,403,482</u>	<u>3,242,028</u>	<u>7,362,270</u>	<u>43,007,780</u>
Liabilities				
Current liabilities:				
Accounts payable	379,961	57,176	229,532	666,669
Accrued liabilities	62,980	31,258	9,196	103,434
Due to other funds	-	-	150,000	150,000
Current liabilities, payable from restricted assets:				
Accrued interest payable	40,349	5,029	9,054	54,432
Customer deposits	536,134	65,427	-	601,561
Construction contracts payable	665,579	-	-	665,579
Current portion of long-term obligations:				
Compensated absences	11,427	7,602	2,814	21,843
Bonds and notes payable	416,722	32,704	58,884	508,310
Total current liabilities	<u>2,113,152</u>	<u>199,196</u>	<u>459,480</u>	<u>2,771,828</u>
Noncurrent liabilities:				
Compensated absences	179,008	119,104	44,091	342,203
Other post employment benefits	39,799	26,560	6,246	72,605
Bonds and notes payable	6,811,869	670,620	1,207,477	8,689,966
Total noncurrent liabilities	<u>7,030,676</u>	<u>816,284</u>	<u>1,257,814</u>	<u>9,104,774</u>
Total liabilities	<u>9,143,828</u>	<u>1,015,480</u>	<u>1,717,294</u>	<u>11,876,602</u>
Net assets				
Invested in capital assets, net of related debt	11,876,370	489,190	4,232,020	16,597,580
Restricted for:				
Debt service	798,023	203,790	105,144	1,106,957
Capital projects	4,958,976	-	-	4,958,976
Unrestricted	5,626,285	1,533,568	1,307,812	8,467,665
Total net assets	<u>\$ 23,259,654</u>	<u>\$ 2,226,548</u>	<u>\$ 5,644,976</u>	<u>\$ 31,131,178</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, 2012

	<u>Water and Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Stormwater Fund</u>	<u>Total</u>
Operating revenues				
Charges for services	\$ 7,952,369	\$ 2,797,521	\$ 661,809	\$ 11,411,699
Other	615,229	81,441	-	696,670
Total operating revenue	<u>8,567,598</u>	<u>2,878,962</u>	<u>661,809</u>	<u>12,108,369</u>
Operating expenses				
Salaries, wages and employee benefits	1,772,167	1,167,662	278,223	3,218,052
Materials and supplies	280,803	296,862	68,833	646,498
Contractual and other services	3,897,071	907,926	301,490	5,106,487
Depreciation and amortization	892,472	269,422	132,122	1,294,016
Total operating expenses	<u>6,842,513</u>	<u>2,641,872</u>	<u>780,668</u>	<u>10,265,053</u>
Operating income (loss)	<u>1,725,085</u>	<u>237,090</u>	<u>(118,859)</u>	<u>1,843,316</u>
Nonoperating revenues (expenses)				
Interest income and net appreciation in fair value of investments	164,617	24,798	20,504	209,919
Interest expense	(238,340)	(21,126)	(37,445)	(296,911)
Intergovernmental	-	13,067	-	13,067
Gain on sale of capital assets	5,755	12,380	-	18,135
Total nonoperating revenues (expenses)	<u>(67,968)</u>	<u>29,119</u>	<u>(16,941)</u>	<u>(55,790)</u>
Income (loss) before contributions and transfers	1,657,117	266,209	(135,800)	1,787,526
Transfers and contributions				
Capital contributions	-	-	1,057,627	1,057,627
Transfers in	-	-	806,520	806,520
Total transfers and contributions	<u>-</u>	<u>-</u>	<u>1,864,147</u>	<u>1,864,147</u>
Changes in net assets	1,657,117	266,209	1,728,347	3,651,673
Total net assets - beginning of year	<u>21,602,537</u>	<u>1,960,339</u>	<u>3,916,629</u>	<u>27,479,505</u>
Total net assets - end of year	<u>\$ 23,259,654</u>	<u>\$ 2,226,548</u>	<u>\$ 5,644,976</u>	<u>\$ 31,131,178</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, 2012

	<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	\$ 8,041,166	\$ 2,841,258	\$ 672,555	\$ 11,554,979
Other operating revenue	615,229	81,441	-	696,670
Cash paid to suppliers for goods and services	(4,248,048)	(1,118,004)	(190,144)	(5,556,196)
Cash payments to and for the benefit of employees	(1,760,358)	(1,158,210)	(278,721)	(3,197,289)
Cash provided (used) by operating activities	<u>2,647,989</u>	<u>646,485</u>	<u>203,690</u>	<u>3,498,164</u>
Cash flows from capital and related financing activities:				
Principal payments on long-term debt	(365,133)	(31,795)	(57,247)	(454,175)
Interest payments on long-term debt	(240,164)	(21,025)	(37,855)	(299,044)
Principal payments on capital leases	-	(37,935)	-	(37,935)
Interest payment on capital leases	-	(328)	-	(328)
Refunding debt issue	1,483,746	-	-	1,483,746
Defeased debt	(1,459,450)	-	-	(1,459,450)
Proceeds from sale of capital assets	5,755	12,380	-	18,135
Capital grants received	-	-	956,846	956,846
Transfers from other funds	-	-	956,520	956,520
Acquisition and construction of capital assets	(1,216,205)	(202,109)	(1,778,504)	(3,196,818)
Cash used by capital and related financing activities	<u>(1,791,451)</u>	<u>(280,812)</u>	<u>39,760</u>	<u>(2,032,503)</u>
Cash flows from investing activity:				
Interest and dividends on investments	167,900	25,215	20,906	214,021
Cash provided by investing activities	<u>167,900</u>	<u>25,215</u>	<u>20,906</u>	<u>214,021</u>
Net increase (decrease) in cash and cash equivalents	1,024,438	390,888	264,356	1,679,682
Cash and cash equivalents at beginning of year	<u>11,166,464</u>	<u>1,432,589</u>	<u>1,298,036</u>	<u>13,897,089</u>
Cash and cash equivalents at end of year	<u>\$ 12,190,902</u>	<u>\$ 1,823,477</u>	<u>\$ 1,562,392</u>	<u>\$ 15,576,771</u>

(Continues on next page)

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

CITY OF SAFETY HARBOR, FLORIDA
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	<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	\$ 5,191,841	\$ 1,549,231	\$ 1,448,194	\$ 8,189,266
Total restricted equity in pooled cash and investments	<u>6,999,061</u>	<u>274,246</u>	<u>114,198</u>	<u>7,387,505</u>
Total equity in pooled cash and investments	<u>\$ 12,190,902</u>	<u>\$ 1,823,477</u>	<u>\$ 1,562,392</u>	<u>\$ 15,576,771</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ 1,725,085	\$ 237,090	\$ (118,859)	\$ 1,843,316
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation and amortization	892,472	269,422	132,122	1,294,016
Change in operating assets and liabilities:				
Decrease (increase) in accounts receivable	88,797	43,737	10,746	143,280
Decrease in inventories	(2,274)	-	-	(2,274)
Decrease in prepaid items	59,654	83,593	8,209	151,456
Increase (decrease) in accounts payable	(136,852)	3,096	171,970	38,214
Increase (decrease) in accrued liabilities	3,718	(390)	1,295	4,623
Increase in customer deposits	9,298	95	-	9,393
Increase in OPEB	9,631	6,191	1,720	17,542
Increase (decrease) in accumulated unused compensated absences	<u>(1,540)</u>	<u>3,651</u>	<u>(3,513)</u>	<u>(1,402)</u>
Net cash provided by operating activities	<u>\$ 2,647,989</u>	<u>\$ 646,485</u>	<u>\$ 203,690</u>	<u>\$ 3,498,164</u>
Noncash investing, capital, and financing activities:				
Amortization of loan discounts and bond premiums	\$ 9,320	\$ (84)	\$ (404)	\$ 8,832
Construction contracts payable at year end	665,579	-	-	665,579

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, 2012

	Pension Trust Fund
Assets	
Cash and cash equivalents:	
Money market	\$ 104,588
Investments, at fair value:	
Equity securities	2,566,755
U.S. Treasury Bonds, Notes and Bills	1,686,475
Total investments	4,253,230
Total assets	4,357,818
 Net assets	
Held in trust for pension benefits	\$ 4,357,818

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, 2012

	Pension Trust Fund
Additions	
Contributions:	
State of Florida	\$ 134,297
City	273,018
Employees	9,128
Total contributions	416,443
Investment income:	
Interest income and net appreciation in fair value of investments	601,345
Total additions	1,017,788
Deductions	
Administrative expenses	16,668
Total deductions	16,668
Change in net assets	1,001,120
Net assets - beginning of year	3,356,698
Net assets - end of year	\$ 4,357,818

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

This page left blank intentionally.

NOTES TO THE BASIC FINANCIAL STATEMENTS

This page left blank intentionally.

CITY OF SAFETY HARBOR, FLORIDA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

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, 2012

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 function's 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, 2012

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 Statement 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, parkland 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 property tax 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, 2012

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, 2012

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

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

	Supplemental Appropriations Fiscal Year 2012
General Fund	\$ 14,290
CRA Fund	(412,747)
Parkland Fund	2,495,000
Street Improvement	(20,868)
Marina Boat Basin	70
Debt Service fund	44,200
Capital Projects Fund	(242,555)
Transportation Impact Fee	500,000

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 and 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 \$474,017.

CITY OF SAFETY HARBOR, FLORIDA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

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

Taxes Receivable

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

Property Taxes

Under Florida Law, the assessment of all properties and the collection of all City property taxes are consolidated in the offices of the Pinellas County Property Appraiser and the Pinellas County Tax Collector. The laws of the State regulating tax assessments are also designed to assure a consistent property valuation method statewide. Florida Statutes permit cities to levy property taxes at a rate of up to 10 mils. The millage rate in effect for the fiscal year ended September 30, 2012 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

CITY OF SAFETY HARBOR, FLORIDA
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2012

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

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, 2012:

	Amount
Equipment supplies	\$ 32,564
Office supplies	897
Fuel supplies	37,842
	\$ 71,303

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:

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

Depreciation expense for the year ended September 30, 2012 totaled \$1,790,822 and \$1,296,839 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.

CITY OF SAFETY HARBOR, FLORIDA
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2012

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

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 are earned.

Long-term Obligations

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

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

Postretirement Health and Life Insurance Benefits

The City makes healthcare insurance available 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.

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.

The City sold a 50 year interest in cell tower leases for \$1,027,000 in April 2011. 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:

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

CITY OF SAFETY HARBOR, FLORIDA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

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, 2012, \$20,540 was amortized as other revenue.

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.

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

CITY OF SAFETY HARBOR, FLORIDA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

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

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 Community Redevelopment Agency 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.

- 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.

Stabilization Arrangement

Commitment of general fund balance may be made by the City Commission by authorizing resolution for such purposes including, but not limited to, a) meeting future obligations resulting from a natural disaster; b) accumulating resources pursuant to a

CITY OF SAFETY HARBOR, FLORIDA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

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

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, 2012, the fund balance committed for stabilization is \$2,573,083.

- Assigned fund balance is established by City Commission or City Management, the City Manager, 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 (the City Manager) 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 (Proprietary and Government Wide)

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.
- 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.

CITY OF SAFETY HARBOR, FLORIDA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

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

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, 2012, the carrying amount of the City’s deposits with financial institutions was \$4,152,011 and the bank account balance was \$4,374,141. 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	\$ 1,580	-	n/a	n/a
Cash in bank	4,152,011	-	n/a	n/a
Total cash and cash equivalents	4,153,591	14.74%		
<u>Investments</u>				
Certificates of Deposit	995,271	3.53%	3.31	n/a
Money Markets	1,757,457	6.24%	0.00	n/a
SBA Florida Prime	283,586	1.01%	0.11	AAAm
SBA Pool B	5,206	0.02%	4.08	No Rating
Federal Home Loan Bank	577,141	2.05%	0.00	AAA Implied
Federal Home Loan Mortgage ARM FHLMC	664,875	2.36%	2.96	AAA Implied
Federal Home Loan Mortgage CMO FHLMC	2,583,837	9.17%	2.72	AAA Implied
Federal Home Loan Mortgage MBS FHLMC	2,037,837	7.23%	2.48	AAA Implied
Government National Mortgage Association ARM GNMA	2,101,844	7.46%	4.01	AAA Implied
Government National Mortgage Association CMO GNMA	7,002,502	24.85%	2.60	AAA Implied
Government National Mortgage Association MBS GNMA	235,901	0.84%	3.06	AAA Implied
Federal National Mortgage Association ARM FNMA	137,467	0.49%	1.88	AAA Implied
Federal National Mortgage Association CMO FNMA	2,172,973	7.71%	2.69	AAA Implied
Federal National Mortgage Association MBS FNMA	3,467,498	12.31%	2.66	AAA Implied
Total investments	24,023,395			
Total pooled cash and investments	\$ 28,176,986	100.00%		

CITY OF SAFETY HARBOR, FLORIDA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

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 \$6.4 billion for State and local governments. The SBA is authorized to administer and invest Florida PRIME 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, 2012 of 39 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 .94896811 at September 30, 2012. As a participant in Fund B, the City will receive distributions to the extent that SBA deems the proceeds to be material. The weighted average life, based on expected future cash flows, of

CITY OF SAFETY HARBOR, FLORIDA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE 2 – DEPOSITS AND INVESTMENTS (continued):

Fund B at September 30, 2012 is 4.08 years. Participant balances in Fund B at September 30, 2012 total \$249 million.

On September 30, 2012, the fair value of the City’s investments in Florida PRIME was \$283,586 with no liquidity restrictions and an ending Net Asset Value of \$5,206 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	\$ 995,271	4.14%
Money Markets	No Rating	1,757,457	7.32%
SBA Florida Prime	AAA	283,586	1.18%
SBA Pool B	No Rating	5,206	0.02%
Federal Home Loan Bank	AAA Implied	577,141	2.40%
Federal Home Loan Mortgage ARM FHLMC	AAA Implied	664,875	2.77%
Federal Home Loan Mortgage CMO FHLMC	AAA Implied	2,583,837	10.76%
Federal Home Loan Mortgage MBS FHLMC	AAA Implied	2,037,837	8.48%
Government National Mortgage Association ARM GNMA	AAA Implied	2,101,844	8.75%
Government National Mortgage Association CMO GNMA	AAA Implied	7,002,502	29.15%
Government National Mortgage Association MBS GNMA	AAA Implied	235,901	0.98%
Federal National Mortgage Association ARM FNMA	AAA Implied	137,467	0.57%
Federal National Mortgage Association CMO FNMA	AAA Implied	2,172,973	9.05%
Federal National Mortgage Association MBS FNMA	AAA Implied	3,467,498	14.43%
		\$ 24,023,395	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, 2012

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	\$ 995,271	\$ 233,460	\$ -	\$ -	\$ 246,760	\$ 515,051
Money Markets	1,757,457	1,757,457	-	-	-	-
SBA Florida Prime	283,586	283,586	-	-	-	-
SBA Pool B	5,206	-	-	-	-	5,206
Federal Home Loan Bank	577,141	-	-	-	-	577,141
Federal Home Loan Mortgage ARM FHLMC	664,875	-	-	664,875	-	-
Federal Home Loan Mortgage CMO FHLMC	2,583,837	28,579	692,486	980,655	882,117	-
Federal Home Loan Mortgage MBS FHLMC	2,037,837	-	7,404	1,836,180	194,253	-
Government National Mortgage Association ARM GNMA	2,101,844	-	-	-	1,043,580	1,058,264
Government National Mortgage Association CMO GNMA	7,002,502	-	1,165,985	3,927,381	1,909,136	-
Government National Mortgage Association MBS GNMA	235,901	-	-	-	235,901	-
Federal National Mortgage Association ARM FNMA	137,467	-	137,467	-	-	-
Federal National Mortgage Association CMO FNMA	2,172,973	50,298	279,549	617,030	1,226,096	-
Federal National Mortgage Association MBS FNMA	3,467,498	-	580,536	2,185,894	701,068	-
	<u>\$ 24,023,395</u>	<u>\$ 2,353,380</u>	<u>\$ 2,863,427</u>	<u>\$ 10,212,015</u>	<u>\$ 6,438,911</u>	<u>\$ 2,155,662</u>

NOTE 3 – RECEIVABLES:

Receivables at September 30, 2012 for the City's governmental and enterprise funds, including the applicable allowances for uncollectible accounts are as follows:

	Utility		Liens	Special	Accounts	Total	Less:	Net Total
	Interest	Taxes & Franchise Fees						
Governmental activities								
General fund	\$23,668	\$ 283,899	\$ 1,893,843	\$ -	\$ 27,973	\$2,229,383	\$ (1,867,670)	\$ 361,713
Community Redevelopment Agency	1,608	-	-	-	-	1,608	-	1,608
Parkland	1,856	-	-	-	-	1,856	-	1,856
Capital Projects	4,583	-	-	-	-	4,583	-	4,583
Non-major governmental funds	3,188	-	-	3,978	7,098	14,264	(3,978)	10,286
Gross receivables	34,903	283,899	1,893,843	3,978	35,071	2,251,694	-	380,046
Less: allowance for uncollectibles	-	-	(1,867,670)	(3,978)	-	-	(1,871,648)	-
Net total receivables governmental activities	<u>\$34,903</u>	<u>\$ 283,899</u>	<u>\$ 26,173</u>	<u>\$ -</u>	<u>\$ 35,071</u>	<u>\$2,251,694</u>	<u>\$ (1,871,648)</u>	<u>\$ 380,046</u>
Business-type activities								
Stormwater utility	\$ 3,290	\$ -	\$ 16,873	\$ -	\$ 50,364	\$ 70,527	\$ (19,473)	\$ 51,054
Water and sewer utility	26,903	-	314,530	21,723	853,925	1,217,081	(361,565)	855,516
Solid waste utility	3,410	-	81,469	-	221,070	305,949	(92,979)	212,970
Gross receivables	33,603	-	412,872	21,723	1,125,359	1,593,557	-	1,119,540
Less: allowance for uncollectibles	-	-	-	(4,788)	(469,229)	-	(474,017)	-
Net total receivables business-type activities	<u>\$33,603</u>	<u>\$ -</u>	<u>\$ 412,872</u>	<u>\$ 16,935</u>	<u>\$ 656,130</u>	<u>\$1,593,557</u>	<u>\$ (474,017)</u>	<u>\$1,119,540</u>

This space left blank intentionally.

CITY OF SAFETY HARBOR, FLORIDA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE 3 – RECEIVABLES (continued):

Due from other governments

The following amounts were due from other governments as of September 30, 2012.

Fund	Name of Government	Revenue Source	Amount
Governmental Funds			
General	Pinellas County	Ad Valorem	\$ 352
General	State of Florida	Half-Cent Sales Tax	71,086
General	State of Florida	Alcoholic Beverage Tax	4,868
General	Pinellas County	Court Fines and Fees	5,189
General	State of Florida	Firefighters' Supplemental Compensation	1,560
General	City of Clearwater	Franchise Fees	12,338
General	City of Clearwater	Propane Tax	5,871
General	Pinellas County	EMS District Tax	70,493
General	Pinellas County	Fire District Tax	11,915
General	State of Florida	Communications Services Tax	<u>78,620</u>
Total general fund			<u>262,292</u>
Capital Projects Fund	Pinellas County	Local Government Infrastructure Tax	<u>223,638</u>
Special Revenue Funds			
Street Improvement	State of Florida	Local Option Gas Tax	35,496
Parkland	State of Florida	Tampa Bay Estuary	5,000
Community Redevelopment Agency	Pinellas County	Community Development Block Grant	<u>53,640</u>
Total special revenue funds			<u>94,136</u>
Total governmental funds			<u>\$ 580,066</u>
Proprietary Funds			
Stormwater	State of Florida	Southwest Florida Water Mgmt. District	\$ 97,395
Stormwater	State of Florida	Department of Environmental Protection	95,211
Stormwater	State of Florida	Federal Emergency Management	<u>57,837</u>
Total stormwater			250,443
Solid Waste	State of Florida	Pinellas County Municipal Recycling Grant	<u>13,067</u>
Total proprietary funds			<u>\$ 263,510</u>

This space left blank intentionally.

CITY OF SAFETY HARBOR, FLORIDA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE 4 – CAPITAL ASSETS:

The following is a summary of changes in capital assets for the year ended September 30, 2012:

	Balance Sept. 30, 2011	Additions	Disposals	Balance Sept. 30, 2012
Governmental activities:				
Nondepreciable assets:				
Land	\$ 3,688,288	\$ 2,765,388	\$ -	\$ 6,453,676
Construction in progress	673,519	619,814	229,236	1,064,097
Depreciable assets:				
Buildings	4,020,976	51,155	23,703	4,048,428
Infrastructure	26,320,271	335,357	-	26,655,628
Equipment	6,538,196	520,282	105,289	6,953,189
Total at historical cost	<u>41,241,250</u>	<u>4,291,996</u>	<u>358,228</u>	<u>45,175,018</u>
Less, accumulated depreciation for:				
Buildings	2,818,263	78,968	23,703	2,873,528
Infrastructure	11,084,889	1,209,936	-	12,294,825
Equipment	4,544,992	501,918	105,288	4,941,622
Total accumulated depreciation	<u>18,448,144</u>	<u>1,790,822</u>	<u>128,991</u>	<u>20,109,975</u>
Governmental activities capital assets, net	<u>\$ 22,793,106</u>	<u>\$ 2,501,174</u>	<u>\$ 229,237</u>	<u>\$ 25,065,043</u>
Business-type activities:				
Nondepreciable assets:				
Land	\$ 606,548	\$ -	\$ -	\$ 606,548
Construction in progress	1,484,538	1,941,579	1,344,586	2,081,531
Depreciable assets:				
Buildings	229,719	-	-	229,719
Infrastructure	29,740,343	2,819,069	-	32,559,412
Equipment	7,693,186	446,333	264,811	7,874,708
Total at historical cost	<u>39,754,334</u>	<u>5,206,981</u>	<u>1,609,397</u>	<u>43,351,918</u>
Less, accumulated depreciation for:				
Buildings	218,100	2,905	-	221,005
Infrastructure	10,855,052	818,066	-	11,673,118
Equipment	5,528,991	475,868	264,811	5,740,048
Total accumulated depreciation	<u>16,602,143</u>	<u>1,296,839</u>	<u>264,811</u>	<u>17,634,171</u>
Business-type activities capital assets, net	<u>\$ 23,152,191</u>	<u>\$ 3,910,142</u>	<u>\$ 1,344,586</u>	<u>\$ 25,717,747</u>

CITY OF SAFETY HARBOR, FLORIDA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE 4 – CAPITAL ASSETS (continued):

Depreciation expense was charged to governmental functions as follows:

	Amount
General government	\$ 301,592
Law enforcement	3,853
Fire protection	151,758
Transportation	533,531
Library	370,680
Parks and recreation	429,408
Total depreciation expense	\$ 1,790,822

Construction projects actively underway as of September 30, 2012 were as follows:

Project	Spent to Date	Remaining Commitment
South Bayshore Drainage Project	\$ 1,808,735	\$ 576,740
2nd Street South Parking Improvements	696,226	34,861
Mullet Creek Park	220,404	108,633
Mapleway St. Sewer Replacement	187,134	15,078
Museum Improvements	137,426	14,372
Sanitary Sewer Relining	81,033	28,393
PW Security Camera	4,627	5,983
FS 52 Network Switch	4,010	947
Replacement Phone Equipment	2,098	1,178
Phone Equipment Replacement	1,680	9,229
Network Switches	815	4,293
1" Water Line 9th & 2nd	650	43,766
911 Encoder	570	21,990
Equipment Storage Awning	131	163,911
Total	\$ 3,145,539	\$ 1,029,374

NOTE 5 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS:

Interfund receivables and payables for the year ended September 30, 2012, consisted of a \$150,000 balance due to the general fund from the stormwater fund resulting from a loan made for stormwater drainage activities related to a project funded by federal and state grants; \$66,314 is due to general fund within one year and \$83,686 scheduled to be repaid in the two subsequent years.

CITY OF SAFETY HARBOR, FLORIDA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE 5 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (continued):

Interfund transfers for the year ended September 30, 2012, consisted of the following:

Transfers from governmental funds:		
Capital Projects fund	\$	1,203,710
Parkland fund		24,530
Transportation Impact Fee fund		500,000
Total transfers from	<u>\$</u>	<u>1,728,240</u>
Transfers to governmental funds:		
Street Improvement fund	\$	300,000
Debt Service fund		621,720
Transfer to proprietary fund:		
Stormwater		806,520
Total transfers to	<u>\$</u>	<u>1,728,240</u>

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.

NOTE 6 – LONG TERM LIABILITIES:

The following is a summary of changes in long-term liabilities for the year ended September 30, 2012:

	Balance Sept. 30, 2011	Increases	Decreases	Balance Sept. 30, 2012	Amount Due Within One Year
Governmental Activities					
2012 Capital Improvement Revenue Note	\$ -	\$ 2,775,000	\$ -	\$ 2,775,000	\$ 200,000
2008 Capital Improvement Revenue Note	4,651,000	-	399,000	4,252,000	413,000
2006 Capital Improvement Line of Credit	348,244	-	15,062	333,182	15,493
Accrued compensated absences	833,684	566,137	514,732	885,089	53,105
OPEB liability	126,937	36,458	-	163,395	-
Governmental activities total	<u>5,959,865</u>	<u>3,377,595</u>	<u>928,794</u>	<u>8,408,666</u>	<u>681,598</u>
Business-Type Activities					
2012 Refunding Revenue Note	-	1,500,000	-	1,500,000	145,000
2006 Capital Improvement Revenue Note	7,957,023	-	344,175	7,612,848	353,990
Series 2001 A Florida Municipal Loan Council Revenue Bonds	1,555,000	-	1,555,000	-	-
Less deferred amount for issuance premium	94,748	-	9,320	85,428	9,320
Total bonds payable	<u>9,606,771</u>	<u>1,500,000</u>	<u>1,908,495</u>	<u>9,198,276</u>	<u>508,310</u>
Capital leases	37,935	-	37,935	-	-
Accrued compensated absences	365,447	223,609	225,010	364,046	21,843
OPEB liability	55,063	17,542	-	72,605	-
Business-type activities totals	<u>10,065,216</u>	<u>1,741,151</u>	<u>2,171,440</u>	<u>9,634,927</u>	<u>530,153</u>
Total all activities	<u>\$ 16,025,081</u>	<u>\$ 5,118,746</u>	<u>\$ 3,100,234</u>	<u>\$ 18,043,593</u>	<u>\$ 1,211,751</u>

CITY OF SAFETY HARBOR, FLORIDA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE 6 – LONG TERM LIABILITIES (continued):

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

2012 Refunding Revenue Bond – On January 19, 2012, the City issued a \$4,275,000 Refunding Revenue Bond, Series 2012 Refunding & New Money, at a fixed interest rate of 2.34% with Branch Banking and Trust Company, which matures on November 1, 2021. The bond was issued in the amount of \$1,500,000 to refund \$1,445,000 of outstanding Series 2001A revenue bonds, with variable interest rates of 4.75% to 5.25% and to purchase parkland on the waterfront (New Money) for \$2,775,000. Debt service payments are made semi-annually. The loan repayment obligations of the City are secured by a lien upon and a pledge of non-ad valorem funds budgeted and appropriated for purposes of payment. The refunding was undertaken to reduce total debt service payments by \$187,786 over the next ten years. The net present value savings on refunding the old debt is \$169,378.

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

	Governmental Activities				Business - Type Activities				
	Land Purchase	Library Expansion	Capital Improvements	Total	Refunding Water & Sewer Capital Improvements	Stormwater Capital Improvements	Water & Sewer Capital Improvements	Solid Waste Capital Improvements	Total
Issue Date	2012	2008	2006		2012	2006	2006	2006	
Retirement Date	2022	2020	2029		2022	2029	2029	2029	
Debt at Issuance	\$ 2,775,000	\$ 5,412,000	\$ 385,198	\$ 8,572,198	\$ 1,500,000	\$ 1,425,296	\$ 6,393,426	\$ 796,080	\$ 10,114,802
Outstanding Principal	\$ 2,775,000	\$ 4,252,000	\$ 333,182	\$ 7,360,182	\$ 1,500,000	\$ 1,266,361	\$ 5,643,163	\$ 703,324	\$ 9,112,848
Interest Rate	2.340%	3.340%	2.860%		2.340%	2.860%	2.860%	2.860%	
Annual Debt Service									
2013	\$ 262,595	\$ 548,104	\$ 25,022	\$ 835,721	\$ 178,404	\$ 95,102	\$ 423,797	\$ 52,819	\$ 750,122
2014	317,213	548,078	25,022	890,313	170,069	95,101	423,798	52,819	741,787
2015	316,071	547,584	25,021	888,676	166,793	95,103	423,797	52,819	738,512
2016	319,752	546,622	25,021	891,395	163,517	95,103	423,797	52,819	735,236
2017	318,260	547,159	25,021	890,440	165,182	95,102	423,798	52,819	736,901
Thereafter	1,584,212	2,184,408	300,261	4,068,881	837,034	1,141,228	5,085,542	633,825	7,697,629
	<u>\$ 3,118,103</u>	<u>\$ 4,921,955</u>	<u>\$ 425,368</u>	<u>\$ 8,465,426</u>	<u>\$ 1,680,999</u>	<u>\$ 1,616,739</u>	<u>\$ 7,204,529</u>	<u>\$ 897,920</u>	<u>\$ 11,400,187</u>

CITY OF SAFETY HARBOR, FLORIDA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE 6 – LONG TERM LIABILITIES (continued):

DEBT SERVICE REQUIREMENTS

The annual debt service requirements for the governmental activities long-term debt as of September 30, 2012 are as follow:

Year Ending September 30,	2012 Refunding Revenue Bond		
	Principal	Interest	Total
2013	\$ 200,000	\$ 62,595	\$ 262,595
2014	260,000	57,213	317,213
2015	265,000	51,071	316,071
2016	275,000	44,752	319,752
2017	280,000	38,260	318,260
2018 - 2022	1,495,000	89,212	1,584,212
Total debt service	<u>\$ 2,775,000</u>	<u>\$ 343,103</u>	<u>\$ 3,118,103</u>

Year Ending September 30,	2008 Capital Improvement Revenue Note		
	Principal	Interest	Total
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	471,000	76,159	547,159
2018 - 2021	2,045,000	139,408	2,184,408
Total debt service	<u>\$ 4,252,000</u>	<u>\$ 669,955</u>	<u>\$ 4,921,955</u>

Year Ending September 30,	2006 Capital Improvement Revenue Note		
	Principal	Interest	Total
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	17,342	7,679	25,021
2018 - 2022	94,441	30,666	125,107
2023 - 2027	108,742	16,367	125,109
2028 - 2029	47,977	2,068	50,045
Total debt service	<u>\$ 333,182</u>	<u>\$ 92,186</u>	<u>\$ 425,368</u>

CITY OF SAFETY HARBOR, FLORIDA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE 6 – LONG TERM LIABILITIES (continued):

The annual debt service requirements for the business-type activities long-term debt as of September 30, 2012 are as follow:

Year Ending September 30,	2012 Refunding Revenue Bond		
	Principal	Interest	Total
2013	\$ 145,000	\$ 33,404	\$ 178,404
2014	140,000	30,069	170,069
2015	140,000	26,793	166,793
2016	140,000	23,517	163,517
2017	145,000	20,182	165,182
2018 - 2022	790,000	47,034	837,034
Total debt service	\$ 1,500,000	\$ 180,999	\$ 1,680,999

Year Ending September 30,	2006 Capital Improvement Revenue Note		
	Principal	Interest	Total
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	396,259	175,460	571,719
2018 - 2022	2,157,907	700,687	2,858,594
2023 - 2027	2,484,649	373,943	2,858,592
2028 - 2029	1,096,162	47,247	1,143,409
Total debt service	\$ 7,612,848	\$ 2,106,340	\$ 9,719,188

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

CITY OF SAFETY HARBOR, FLORIDA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE 7 – PENSION PLANS (continued):

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 employees, 5.18%; special risk, 14.90%; and senior management, 6.30%. 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, 2012, 2011 and 2010 were approximately \$297,000, \$430,000, and \$490,000 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 \$277,955 for the year ended September 30, 2012. 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 2012 for the City Manager was \$13,377.

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 \$273,018 for 2012 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 2012, the State of Florida's contribution to the retirement trust fund was \$134,297.

CITY OF SAFETY HARBOR, FLORIDA
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2012

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, 2011:

	Firefighters' Pension Plan
Actuarial valuation date	10/1/2011
Contribution rates:	
City	Actuarially determined
State	*
Plan members	1%
Annual required contribution	\$ 269,442
Contributions made	\$ 301,931
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	5.26%
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, 2012

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	\$ 269,442
Interest on net pension obligation	(31,058)
Adjustment to annual required contribution	32,616
Annual pension cost	<u>271,000</u>
Contributions made	(301,931)
Increase in net pension obligation (asset)	<u>(30,931)</u>
Net pension obligation (asset) beginning of the year	(414,100)
Net pension obligation (asset) end of the year	<u><u>\$ (445,031)</u></u>

Three year trend information

Year Ending	Annual Pension Cost (APC)	Actual Contributions	Percentage of APC Contributed	Net Pension Asset
9/30/2012	\$ 271,000	\$ 301,931	111%	\$ 445,031
9/30/2011	293,337	300,585	102%	414,100
9/30/2010	306,794	318,522	104%	406,852

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)
\$ 2,663,464	\$ 2,399,722	\$ -	110.99%	\$907,930	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, 2012.

CITY OF SAFETY HARBOR, FLORIDA
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2012

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, 2012, 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	\$ 102,000
Interest on Net OPEB Obligation	7,000
Adjustment to Annual Required Contribution	<u>(16,000)</u>
Annual OPEB Cost (Expense)	93,000
Contributions Made	<u>(39,000)</u>
Increase in Net OPEB Obligation	54,000
Net OPEB Obligation - Beginning of Year	<u>182,000</u>
Net OPEB Obligation - End of Year	<u><u>\$ 236,000</u></u>

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012 were as follows:

Fiscal Year End	Annual OPEB Cost	% of Annual OPEB Cost Contributed	Net OPEB Obligation
9/30/2012	\$ 93,000	42%	\$ 236,000
9/30/2011	94,000	41%	182,000
9/30/2010	110,000	44%	127,000

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, 2012. 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, 2012

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.

This space left blank intentionally.

CITY OF SAFETY HARBOR, FLORIDA
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2012

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, 2012.

	Deposits	Withdrawals
Sources of deposits:		
Ad valorem taxes	\$ 112,803	\$ -
Ad valorem taxes from Pinellas County	163,488	-
Community Development Block Grant	150,000	-
Parking in lieu of fee	14,480	-
Interest and investment income	6,644	-
Purpose of withdrawals:		
Personal services	-	80,220
District fees	-	670
Façade and partnership incentives	-	132,680
Decorative lighting	-	3,467
Streetscaping - benches, trash cans, planter, ballasts	-	840
Marina improvements	-	1,729
Public Art Committee	-	2,050
Museum building improvements	-	1,030
Land lease - CSX	-	425
Economic development	-	3,970
Mullet Creek Park	-	220,404
2nd Street parking phase II	-	148,068
Museum building improvements	-	137,426
Totals	\$ 447,415	\$ 732,979

NOTE 11 – 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, 2012. The City had no significant reductions in insurance coverage during the fiscal year ended September 30, 2012. 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.

CITY OF SAFETY HARBOR, FLORIDA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE 12 – 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 13 – SUBSEQUENT EVENTS

In February 2013, the City entered into a fifty (50) year lease-purchase agreement (“agreement”) for real property with the School Board of Pinellas County. Under the terms of the agreement, the City has an exclusive option to purchase the property for the sum of \$250,000 (the “purchase price”) with no annual interest or accrual rate. The City may purchase the property at any time during the lease. The full amount of each of the City’s annual rent payments of \$5,000 shall be credited to the purchase price of the property upon conveyance.

This space left blank intentionally.

This page left blank intentionally.

REQUIRED SUPPLEMENTARY INFORMATION

This page left blank intentionally.

CITY OF SAFETY HARBOR, FLORIDA
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
 YEAR ENDED SEPTEMBER 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Resources (inflows):				
Property taxes	\$ 3,082,340	\$ 3,082,340	\$ 2,990,749	\$ (91,591)
Utility taxes	2,386,000	2,418,600	2,473,714	55,114
Local business tax	150,000	130,000	154,396	24,396
Local option tax	140,000	130,000	142,828	12,828
Franchise fees	1,427,000	1,410,000	1,435,731	25,731
Licenses and permits	116,930	164,120	169,407	5,287
Sales tax	852,000	850,000	889,029	39,029
Intergovernmental revenues	1,725,330	1,648,200	1,689,294	41,094
Charges for services	800,250	853,780	810,761	(43,019)
Fines and forfeitures	109,000	98,600	140,659	42,059
Interest income and net appreciation in fair value of investments	228,540	92,220	153,284	61,064
Other	962,900	966,150	1,032,488	66,338
Amounts available for appropriation	<u>11,980,290</u>	<u>11,844,010</u>	<u>12,082,340</u>	<u>238,330</u>
Charges to appropriations (outflows):				
General Government:				
City Commission	165,190	158,581	148,968	9,613
City Manager	245,510	188,830	186,332	2,498
City Clerk	138,900	144,080	135,029	9,051
Finance	268,600	250,350	246,804	3,546
Personnel*	281,630	274,460	278,411	(3,951)
Planning	266,443	255,775	250,800	4,975
City Attorney	117,500	157,500	152,479	5,021
Nondepartmental	318,858	293,535	286,885	6,650
Maintenance	632,170	607,760	598,265	9,495
Nonoperating	287,510	287,510	287,510	-
Total general government	<u>2,722,311</u>	<u>2,618,381</u>	<u>2,571,483</u>	<u>46,898</u>
Public Safety:				
Law enforcement	1,264,940	1,264,940	1,264,935	5
Fire*	3,350,578	3,546,717	3,566,685	(19,968)
Building department	308,220	297,265	293,273	3,992
Total public safety	<u>4,923,738</u>	<u>5,108,922</u>	<u>5,124,893</u>	<u>(15,971)</u>
Physical environment	<u>404,184</u>	<u>389,280</u>	<u>386,410</u>	<u>2,870</u>
Transportation**	<u>1,046,500</u>	<u>1,022,748</u>	<u>998,674</u>	<u>24,074</u>

See Independent Auditor's Report.

CITY OF SAFETY HARBOR, FLORIDA
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (CONTINUED)
 YEAR ENDED SEPTEMBER 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	Variance with Final Budget Positive (Negative)
Culture and recreation:				
Library	1,246,253	1,167,107	1,157,376	9,731
Parks and recreation	2,403,794	2,304,977	2,273,634	31,343
Total culture and recreation	<u>3,650,047</u>	<u>3,472,084</u>	<u>3,431,010</u>	<u>41,074</u>
Capital outlay	104,345	104,000	100,798	3,202
Transfers to other funds	-	150,000	-	150,000
Total charges to appropriations	<u>12,851,125</u>	<u>12,865,415</u>	<u>12,613,268</u>	<u>252,147</u>
Excess (deficiency) of resources over (under) charges to appropriations	<u>(870,835)</u>	<u>(1,021,405)</u>	<u>(530,928)</u>	<u>490,477</u>
Appropriated fund balance	<u>870,835</u>	<u>1,021,405</u>	<u>-</u>	<u>(1,021,405)</u>
Deficiency of resources under charges to appropriations	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (530,928)</u>	<u>\$ (530,928)</u>

*Expenditures exceed appropriations in Personnel due to payout of sick and vacation upon separation of employee.

Fire expenditures exceed appropriations due to a combination of higher than estimated salaries and pass through of Chapter 175 property insurance premiums.

**Original and final budget include street lights not eligible for reporting as Special Revenue fund per GASB No. 54.

See Independent Auditor's Report.

CITY OF SAFETY HARBOR, FLORIDA
 BUDGETARY COMPARISON SCHEDULE
 MAJOR GOVERNMENTAL FUND – COMMUNITY REDEVELOPMENT AGENCY FUND
 YEAR ENDED SEPTEMBER 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Resources (inflows):				
Property taxes	\$ 276,950	\$ 276,290	\$ 276,291	\$ 1
Impact fees	-	14,480	14,480	-
Intergovernmental revenues	-	150,000	150,000	-
Interest income and net appreciation in fair value of investments	<u>19,040</u>	<u>2,000</u>	<u>6,644</u>	<u>4,644</u>
Amounts available for appropriation	<u>295,990</u>	<u>442,770</u>	<u>447,415</u>	<u>4,645</u>
Charges to appropriations (outflows):				
General government*	297,626	223,820	227,081	(3,261)
Capital outlay	<u>844,841</u>	<u>505,900</u>	<u>505,898</u>	<u>2</u>
Total charges to appropriations	<u>1,142,467</u>	<u>729,720</u>	<u>732,979</u>	<u>(3,259)</u>
Excess (deficiency) of resources over (under) charges to appropriations	<u>(846,477)</u>	<u>(286,950)</u>	<u>(285,564)</u>	<u>1,386</u>
Appropriated fund balance	<u>846,477</u>	<u>286,950</u>	<u>-</u>	<u>(286,950)</u>
Deficiency of resources under charges to appropriations	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (285,564)</u>	<u>\$ (285,564)</u>

*Expenditures exceed appropriations in general government due to higher salaries & fringes than estimated for year-end.

See Independent Auditor's Report.

CITY OF SAFETY HARBOR, FLORIDA
 BUDGETARY COMPARISON SCHEDULE
 MAJOR GOVERNMENTAL FUND – PARKLAND FUND
 YEAR ENDED SEPTEMBER 30, 2012

	<u>Budget Amounts</u>		<u>Actual Amount (Budgetary Basis)</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Resources (inflows):				
Revenues:				
Impact fees	\$ 940	\$ 3,000	\$ 4,095	\$ 1,095
Intergovernmental	150,000	-	1,634	1,634
Interest income and net appreciation in fair value of investments	19,040	5,140	8,803	3,663
Debt proceeds	-	2,775,000	2,775,000	-
Amounts available for appropriation	<u>169,980</u>	<u>2,783,140</u>	<u>2,789,532</u>	<u>6,392</u>
Charges to appropriations (outflows):				
Park and recreation	25,000	25,000	13,468	11,532
Capital outlay	463,900	2,934,370	2,816,687	117,683
Transfers to other funds	-	24,530	24,530	-
Total charges to appropriations	<u>488,900</u>	<u>2,983,900</u>	<u>2,854,685</u>	<u>129,215</u>
(Deficiency) excess of resources (under) over charges to appropriations	(318,920)	(200,760)	(65,153)	135,607
Appropriated fund balance	<u>318,920</u>	<u>200,760</u>	<u>-</u>	<u>(200,760)</u>
Deficiency of resources under charges to appropriations	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (65,153)</u>	<u>\$ (65,153)</u>
Explanation of differences between budgetary inflows and GAAP revenues:				
Actual amounts (budgetary basis) available for appropriation from the budgetary comparison schedule				\$ 2,789,532
Differences - budget to GAAP				
Debt proceeds are inflows of budgetary resources but are not resources for financial reporting purposes				<u>2,775,000</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances governmental funds				<u>\$ 14,532</u>
Explanation of differences between budgetary outflows and GAAP revenues:				
Actual amounts (budgetary basis) charges to appropriations per the budgetary comparison schedule				\$ 2,854,685
Differences - budget to GAAP				
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes				<u>24,530</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances governmental funds				<u>\$ 2,830,155</u>

See Independent Auditor's Report.

CITY OF SAFETY HARBOR, FLORIDA
SCHEDULE OF FUNDING PROGRESS
FIREFIGHTERS' RETIREMENT FUND
YEAR ENDED SEPTEMBER 30, 2012

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability* (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
10/1/2011	\$ 2,663,464	\$ 2,399,722	\$ -	110.99%	\$ 907,930	0.00%
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 Auditor's Report.

CITY OF SAFETY HARBOR, FLORIDA
 SCHEDULE OF FUNDING CONTRIBUTIONS FROM THE EMPLOYER
 AND OTHER CONTRIBUTING ENTITIES – FIREFIGHTERS’ RETIREMENT FUND
 YEAR ENDED SEPTEMBER 30, 2012

<u>Year ended September 30,</u>	<u>Annual Required Contribution</u>	<u>City Contribution</u>	<u>State Contribution</u>	<u>Percentage Contribution</u>
2012	\$ 269,442	\$ 273,018	\$ 134,297	112%
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 Auditor’s Report.

CITY OF SAFETY HARBOR, FLORIDA
 SCHEDULE OF EMPLOYER CONTRIBUTIONS -
 OTHER POST EMPLOYMENT BENEFITS
 YEAR ENDED SEPTEMBER 30, 2012

Year Ended September 30,	Annual Required Contribution	% Contributio n	Annual OPEB Cost	% Contribution
2012	\$ 102,000	38%	\$ 93,000	42%
2011	100,000	39%	94,000	41%
2010	113,000	42%	110,000	44%

See Independent Auditor's Report.

CITY OF SAFETY HARBOR, FLORIDA
 SCHEDULE OF FUNDING PROGRESS –
 OTHER POST EMPLOYMENT BENEFITS
 SEPTEMBER 30, 2012

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 Auditor's Report.

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

CITY OF SAFETY HARBOR, FLORIDA
 COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2012

	<u>Public Safety</u>	<u>Street Improvement</u>	<u>Street Assessment</u>	<u>Marina Boat Basin</u>	<u>Transportation Impact Fee</u>	<u>Library Impact Fee</u>	<u>Total Special Revenue Funds</u>	<u>Debt Service</u>	<u>Total Other Governmental Funds</u>
Assets									
Cash and cash equivalents	\$ 79,137	\$ 457,049	\$ 32,113	\$ 266,744	\$ 61,681	\$ 4,979	\$ 901,703	\$ 76,081	\$ 977,784
Receivables, net:									
Accounts receivable	181	1,101	-	7,680	1,324	-	10,286	-	10,286
Due from other governments	-	35,496	-	-	-	-	35,496	-	35,496
Other assets	-	-	-	-	-	-	-	-	-
Total assets	\$ 79,318	\$ 493,646	\$ 32,113	\$ 274,424	\$ 63,005	\$ 4,979	\$ 947,485	\$ 76,081	\$ 1,023,566
Liabilities and Fund Balances									
Liabilities:									
Accounts payable	\$ -	\$ 2,533	\$ -	\$ 452	\$ 14,482	\$ -	\$ 17,467	\$ -	\$ 17,467
Accrued liabilities	-	-	-	562	-	-	562	-	562
Customer deposits	-	-	-	4,480	-	-	4,480	-	4,480
Deferred revenue	-	-	1,255	-	-	-	1,255	-	1,255
Total liabilities	-	2,533	1,255	5,494	14,482	-	23,764	-	23,764
Fund Balances									
Restricted for:									
Fire protection	78,160	-	-	-	-	-	78,160	-	78,160
Transportation	-	122,648	30,858	-	48,450	-	201,956	-	201,956
Library	-	-	-	-	-	4,979	4,979	-	4,979
Parks and recreation	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	76,081	76,081
Committed to:									
Physical environment	-	-	-	265,067	-	-	265,067	-	265,067
Assigned to:									
Fire protection	1,158	-	-	-	-	-	1,158	-	1,158
Physical environment	-	-	-	3,863	-	-	3,863	-	3,863
Transportation	-	368,465	-	-	73	-	368,538	-	368,538
Parks and recreation	-	-	-	-	-	-	-	-	-
Total fund balances	79,318	491,113	30,858	268,930	48,523	4,979	923,721	76,081	999,802
Total liabilities and fund balances	\$ 79,318	\$ 493,646	\$ 32,113	\$ 274,424	\$ 63,005	\$ 4,979	\$ 947,485	\$ 76,081	\$ 1,023,566

See Independent Auditor's Report

CITY OF SAFETY HARBOR, FLORIDA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED SEPTEMBER 30, 2012

	<u>Public Safety</u>	<u>Street Improvement</u>	<u>Street Assessment</u>	<u>Marina Boat Basin</u>	<u>Transportation Impact Fee</u>	<u>Library Impact Fee</u>	<u>Total Special Revenue Funds</u>	<u>Debt Service</u>	<u>Total Other Governmental Funds</u>
Revenues:									
Local option taxes	\$ -	\$ 224,914	\$ -	\$ -	\$ -	\$ -	\$ 224,914	\$ -	\$ 224,914
Impact fees	4,801	-	-	-	15,374	4,979	25,154	-	25,154
Special assessments	-	-	10,696	-	-	-	10,696	-	10,696
Intergovernmental	-	-	-	-	-	-	-	-	-
Charges for services	-	-	-	49,913	-	-	49,913	-	49,913
Interest income and net appreciation in fair value of investments	1,158	9,175	-	3,863	73	-	14,269	-	14,269
Contributions and donations	-	-	-	-	-	-	-	-	-
Total revenues	5,959	234,089	10,696	53,776	15,447	4,979	324,946	-	324,946
Expenditures:									
Current operating:									
General government	-	-	-	-	-	-	-	-	-
Law enforcement	-	-	-	-	-	-	-	-	-
Fire protection	-	-	-	-	-	-	-	-	-
Building department	-	-	-	-	-	-	-	-	-
Physical environment	-	-	-	16,830	-	-	16,830	-	16,830
Transportation	-	467,544	-	-	-	-	467,544	-	467,544
Library	-	-	-	-	-	-	-	-	-
Parks and recreation	-	-	-	-	-	-	-	-	-
Capital outlay	-	88,560	-	-	-	-	88,560	-	88,560
Debt service	-	-	-	-	-	-	-	-	-
Principal payments	-	-	-	-	-	-	-	414,062	414,062
Interest and other fiscal charges	-	-	-	-	-	-	-	179,572	179,572
Total expenditures	-	556,104	-	16,830	-	-	572,934	593,634	1,166,568
Excess (deficiency) of revenues over (under) expenditures	5,959	(322,015)	10,696	36,946	15,447	4,979	(247,988)	(593,634)	(841,622)
Other financing sources (uses):									
Transfers in	-	300,000	-	-	-	-	300,000	621,720	921,720
Transfers out	-	-	-	-	(500,000)	-	(500,000)	-	(500,000)
Debt issuance costs	-	-	-	-	-	-	-	(24,521)	(24,521)
Total other financing sources (uses)	-	300,000	-	-	(500,000)	-	(200,000)	597,199	397,199
Net change in fund balances	5,959	(22,015)	10,696	36,946	(484,553)	4,979	(447,988)	3,565	(444,423)
Fund balances, beginning of year	73,359	513,128	20,162	231,984	533,076	-	1,371,709	72,516	1,444,225
Fund balances, end of year	\$ 79,318	\$ 491,113	\$ 30,858	\$ 268,930	\$ 48,523	\$ 4,979	\$ 923,721	\$ 76,081	\$ 999,802

See Independent Auditor's Report

CITY OF SAFETY HARBOR, FLORIDA
 BUDGETARY COMPARISON SCHEDULE
 NONMAJOR GOVERNMENTAL FUNDS – PUBLIC SAFETY
 YEAR ENDED SEPTEMBER 30, 2012

	Budget Amounts		Actual	Variance with
	Original	Final	Amount	
			(Budgetary	Final Budget
			Basis)	
Resources (inflows):				
Impact fees	\$ 1,050	\$ 3,200	\$ 4,801	\$ 1,601
Interest income and net appreciation in fair value of investments	1,590	660	1,158	498
Amounts available for appropriation	2,640	3,860	5,959	2,099
Charges to appropriations (outflows):				
Fire protection	-	-	-	-
Total charges to appropriations	-	-	-	-
Excess of resources over charges to appropriations	2,640	3,860	5,959	2,099
Appropriated fund balance	(2,640)	(3,860)	-	3,860
Excess of resources over charges to appropriations	\$ -	\$ -	\$ 5,959	\$ 5,959

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, 2012

	<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	\$ 217,000	\$ 217,000	\$ 224,914	\$ 7,914
Interest income and net appreciation in fair value of investments	6,350	5,270	9,175	3,905
Transfers from other funds	<u>300,000</u>	<u>300,000</u>	<u>300,000</u>	<u>-</u>
Amounts available for appropriation	<u>523,350</u>	<u>522,270</u>	<u>534,089</u>	<u>11,819</u>
Charges to appropriations (outflows):				
Transportation	471,553	468,585	467,544	1,041
Capital outlay	<u>152,900</u>	<u>135,000</u>	<u>88,560</u>	<u>46,440</u>
Total charges to appropriations	<u>624,453</u>	<u>603,585</u>	<u>556,104</u>	<u>47,481</u>
(Deficiency) excess of resources (under over charges to appropriations	(101,103)	(81,315)	(22,015)	59,300
Appropriated fund balance	<u>101,103</u>	<u>81,315</u>	<u>-</u>	<u>(81,315)</u>
Excess of resources over charges to appropriations	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (22,015)</u>	<u>\$ (22,015)</u>
Explanation of differences between budgetary inflows and GAAP revenues:				
Actual amounts (budgetary basis) available for appropriation from the budgetary comparison schedule				\$ 534,089
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>\$ 234,089</u>

See Independent Auditor's Report

CITY OF SAFETY HARBOR, FLORIDA
 BUDGETARY COMPARISON SCHEDULE
 NONMAJOR GOVERNMENTAL FUNDS – STREET ASSESSMENT
 YEAR ENDED SEPTEMBER 30, 2012

	<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	\$ 300	\$ 10,696	\$ 10,396
Interest income and net appreciation in fair value of investments	<u>630</u>	<u>-</u>	<u>-</u>	<u>-</u>
Amounts available for appropriation	<u>1,000</u>	<u>300</u>	<u>10,696</u>	<u>10,396</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	1,000	300	10,696	10,396
Appropriated fund balance	<u>(1,000)</u>	<u>(300)</u>	<u>-</u>	<u>300</u>
Excess of resources over charges to appropriations	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,696</u>	<u>\$ 10,696</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, 2012

	<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):				
Revenues:				
Charges for services	\$ 51,000	\$ 50,000	\$ 49,913	\$ (87)
Interest income and net appreciation in fair value of investments	<u>4,760</u>	<u>2,140</u>	<u>3,863</u>	<u>1,723</u>
Amounts available for appropriations	<u>55,760</u>	<u>52,140</u>	<u>53,776</u>	<u>1,636</u>
Charges to appropriations (outflows):				
Physical environment	<u>18,090</u>	<u>18,160</u>	<u>16,830</u>	<u>1,330</u>
Total charges to appropriations	<u>18,090</u>	<u>18,160</u>	<u>16,830</u>	<u>1,330</u>
Excess of resources over charges to appropriations	37,670	33,980	36,946	2,966
Appropriated fund balance	<u>(37,670)</u>	<u>(33,980)</u>	<u>-</u>	<u>33,980</u>
Excess of resources over charges to appropriations	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 36,946</u>	<u>\$ 36,946</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, 2012

	<u>Budget Amounts</u>		<u>Actual Amount (Budgetary Basis)</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Resources (inflows):				
Impact fees	\$ 16,500	\$ 16,930	\$ 15,374	\$ (1,556)
Interest income and net appreciation in fair value of investments	<u>12,700</u>	<u>3,290</u>	<u>73</u>	<u>(3,217)</u>
Amounts available for appropriation	<u>29,200</u>	<u>20,220</u>	<u>15,447</u>	<u>(4,773)</u>
Charges to appropriations (outflows):				
Transfers to other funds	<u>-</u>	<u>500,000</u>	<u>500,000</u>	<u>-</u>
Total charges to appropriations	<u>-</u>	<u>500,000</u>	<u>500,000</u>	<u>-</u>
Excess (deficiency) of resources over (under) charges to appropriations	29,200	(479,780)	(484,553)	(4,773)
Appropriated fund balance	<u>(29,200)</u>	<u>479,780</u>	<u>-</u>	<u>(479,780)</u>
Excess of resources over charges to appropriations	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (484,553)</u>	<u>\$ (484,553)</u>
Explanation of differences between budgetary outflows and expenditures determined in accordance with GAAP:				
Actual amounts (budgetary basis) charges to appropriations per the budgetary comparison schedule				\$ 500,000
Differences - budget to GAAP				
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes				<u>500,000</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances governmental funds				<u>\$ -</u>

See Independent Auditor's Report

CITY OF SAFETY HARBOR, FLORIDA
 BUDGETARY COMPARISON SCHEDULE
 NONMAJOR GOVERNMENTAL FUNDS – LIBRARY IMPACT FEE
 YEAR ENDED SEPTEMBER 30, 2012

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	
			<u>(Budgetary</u>	
			<u>Basis)</u>	<u>Final Budget</u>
Resources (inflows):				
Impact fees	\$ -	\$ 4,000	\$ 4,979	\$ 979
Amounts available for appropriation	-	4,000	4,979	979
Charges to appropriations (outflows):				
Capital outlay	-	-	-	-
Total charges to appropriations	-	-	-	-
Excess (deficiency) of resources over (under) charges to appropriations	-	4,000	4,979	979
Appropriated fund balance	-	(4,000)	-	4,000
Excess of resources over charges to appropriations	\$ -	\$ -	\$ 4,979	\$ 4,979

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, 2012

	<u>Budget Amounts</u>		<u>Actual Amount (Budgetary Basis)</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Resources (inflows):				
Revenues:				
Transfers from other funds	\$ 574,190	\$ 621,720	\$ 621,720	\$ -
Amount available for appropriations	<u>574,190</u>	<u>621,720</u>	<u>621,720</u>	<u>-</u>
Charges to appropriations (outflows):				
Principal payments	401,740	414,070	414,062	8
Interest and other fiscal charges	172,240	179,580	179,572	8
Other - closing costs	-	24,530	24,521	9
Total charges to appropriations	<u>573,980</u>	<u>618,180</u>	<u>618,155</u>	<u>25</u>
Excess of resources over charges to appropriations	210	3,540	3,565	25
Appropriated fund balance	<u>(210)</u>	<u>(3,540)</u>	<u>-</u>	<u>3,540</u>
Excess of resources over charges to appropriations	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,565</u>	<u>\$ 3,565</u>
Explanation of differences between budgetary inflows and GAAP revenues:				
Actual amounts (budgetary basis) available for appropriation from the budgetary comparison schedule				\$ 621,720
Differences - budget to GAAP				
Transfer from other funds are inflows budgetary resources but are not resources for financial reporting purposes				<u>621,720</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances governmental funds				<u>\$ -</u>
Explanation of differences between budgetary outflows and GAAP expenditures:				
Actual amounts (budgetary basis) charges to appropriations per the budgetary comparison schedule				\$ 618,155
Differences - budget to GAAP				
Debt issuance costs are outflows of budgetary resources but are not expenditures for financial reporting purposes				<u>24,521</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances governmental funds				<u>\$ 593,634</u>

See Independent Auditor's Report

CITY OF SAFETY HARBOR, FLORIDA
 BUDGETARY COMPARISON SCHEDULE
 MAJOR GOVERNMENTAL FUNDS – CAPITAL PROJECTS FUND
 YEAR ENDED SEPTEMBER 30, 2012

	<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	\$ 1,172,000	\$ 1,200,000	\$ 1,354,216	\$ 154,216
Intergovernmental	-	-	9,933	9,933
Interest income and net appreciation in fair value of investments	39,680	12,800	15,116	2,316
Other	-	5,000	5,000	-
Amounts available for appropriation	<u>1,211,680</u>	<u>1,217,800</u>	<u>1,384,265</u>	<u>166,465</u>
Charges to appropriations (outflows):				
Capital outlay	721,158	649,083	584,788	64,295
Transfers to other funds	<u>1,374,190</u>	<u>1,203,710</u>	<u>1,203,710</u>	<u>-</u>
Total charges to appropriations	<u>2,095,348</u>	<u>1,852,793</u>	<u>1,788,498</u>	<u>64,295</u>
Excess (deficiency) of resources over (under) charges to appropriations	<u>(883,668)</u>	<u>(634,993)</u>	<u>(404,233)</u>	<u>230,760</u>
Appropriated fund balance	<u>883,668</u>	<u>634,993</u>	<u>-</u>	<u>634,993</u>
Excess (deficiency) of resources over (under) charges to appropriations	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (404,233)</u>	<u>\$ (404,233)</u>
Expansion of differences between budgetary outflows and GAAP expenditures:				
Actual amounts (budgetary basis) charges to appropriations per the budgetary comparison schedule				\$ 1,788,498
Differences - budget to GAAP				
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes				<u>1,203,710</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances of governmental funds				<u>\$ 584,788</u>

See Independent Auditor's Report

This page left blank intentionally.

OTHER SUPPLEMENTAL SCHEDULES

This page left blank intentionally.

CITY OF SAFETY HARBOR, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES – ACTUAL AND BUDGET
FIRE DISTRICT AND EMERGENCY MEDICAL SERVICES SUB-FUNDS
YEAR ENDED SEPTEMBER 30, 2012

	Fire Budget	Actual Amounts			Total Amounts	Variance Favorable (Unfavorable)
		City Amounts	Fire District Amounts	EMS Amounts		
Revenue:						
Municipality - City of						
Safety Harbor	\$ 2,778,900	\$ 2,741,689	\$ -	\$ -	\$ 2,741,689	\$ (37,211)
EMS District funds	845,920	-	-	845,918	845,918	(2)
Safety Harbor Fire District	143,000	-	152,915	-	152,915	9,915
Total revenues	<u>3,767,820</u>	<u>2,741,689</u>	<u>152,915</u>	<u>845,918</u>	<u>3,740,522</u>	<u>(27,298)</u>
Expenditures:						
Personnel services*	3,156,720	2,292,115	142,982	750,207	3,185,304	(28,584)
Contractual/other services	302,687	225,439	-	75,645	301,084	1,603
Materials and supplies	87,310	39,161	-	41,136	80,297	7,013
Capital outlay	221,103	184,974	9,933	-	194,907	26,196
Total expenditures	<u>3,767,820</u>	<u>2,741,689</u>	<u>152,915</u>	<u>866,988</u>	<u>3,761,592</u>	<u>6,228</u>
Excess of revenues over expenditures before operating transfers	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (21,070)</u>	<u>\$ (21,070)</u>	<u>\$ 21,070</u>

*Fire expenditures exceed appropriations due to a combination of higher than estimated salaries and pass through of Chapter 175 property insurance premiums.

See Independent Auditor's Report.

CITY OF SAFETY HARBOR, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES – ACTUAL AND BUDGET
LIBRARY SUB-FUNDS
YEAR ENDED SEPTEMBER 30, 2012

	<u>Actual Amounts</u>			Total Amounts	Variance Favorable (Unfavorable)
	Library Budget	City Amounts	Library Amounts		
Revenue:					
Municipality - City of Safety Harbor	\$ 1,033,147	\$ 979,977	\$ -	\$ 979,977	\$ (53,170)
Library impact fees	4,000	4,979	-	4,979	979
Intergovernmental	183,000	-	183,098	183,098	98
Chrissie Shull Elmore Trust	15,500	11,122	-	11,122	(4,378)
Other	39,460	79,000	-	79,000	39,540
Total revenues	<u>1,275,107</u>	<u>1,075,078</u>	<u>183,098</u>	<u>1,258,176</u>	<u>(16,931)</u>
Expenditures:					
Personnel services	775,820	609,501	152,079	761,580	14,240
Contractual/other services*	355,022	364,247	-	364,247	(9,225)
Materials and supplies	36,265	31,550	-	31,550	4,715
Capital outlay	108,000	69,780	31,019	100,799	7,201
Total expenditures	<u>1,275,107</u>	<u>1,075,078</u>	<u>183,098</u>	<u>1,258,176</u>	<u>16,931</u>
Excess of revenues over expenditures before operating transfers	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

*Contractual/other services over budget due to communication services.

See Independent Auditor's Report.

CITY OF SAFETY HARBOR, FLORIDA
SCHEDULE OF OPERATIONS – ACTUAL AND BUDGET
WATER AND SEWER FUND
YEAR ENDED SEPTEMBER 30, 2012

	<u>Budget</u>	<u>Budgetary Basis Actual</u>	<u>Variance Positive (Negative)</u>
OPERATING REVENUES			
Charges for services	\$ 7,728,020	\$ 7,952,369	\$ 224,349
Other	603,780	615,229	11,449
Total operating revenue	<u>8,331,800</u>	<u>8,567,598</u>	<u>235,798</u>
OPERATING EXPENSES			
Salaries, wages and employee benefits	1,832,600	1,772,167	60,433
Materials and supplies	313,663	280,803	32,860
Contractual and other services	3,992,899	3,897,071	95,828
Capital outlay	1,923,546	1,881,784	41,762
Total operating expenses	<u>8,062,708</u>	<u>7,831,825</u>	<u>230,883</u>
Operating income (loss)	<u>269,092</u>	<u>735,773</u>	<u>466,681</u>
NONOPERATING REVENUES (EXPENSES)			
Interest income and net appreciation			
in fair value of investments	94,580	164,617	70,037
Interest expense	(249,845)	(238,340)	11,505
Gain on sale of capital assets	4,000	5,755	1,755
Debt service principal retirement	372,400	310,133	(62,267)
Total nonoperating revenues (expenses)	<u>221,135</u>	<u>242,165</u>	<u>21,030</u>
Income (loss) before appropriated net assets	490,227	977,938	487,711
Appropriated net assets	<u>(490,227)</u>	<u>-</u>	<u>490,227</u>
Changes in net assets	<u>\$ -</u>	977,938	<u>\$ 977,938</u>
Adjustments to reconcile to combining statement of revenues, expenses, and changes in net assets - proprietary funds			
Depreciation and amortization		(892,472)	
Capital outlay		1,881,784	
Debt service principal repayment		<u>(310,133)</u>	
Change in net assets GAAP basis		<u>\$ 1,657,117</u>	

See Independent Auditor's Report.

CITY OF SAFETY HARBOR, FLORIDA
SCHEDULE OF OPERATIONS – ACTUAL AND BUDGET
SOLID WASTE FUND
YEAR ENDED SEPTEMBER 30, 2012

	<u>Budget</u>	<u>Budgetary Basis Actual</u>	<u>Variance Positive (Negative)</u>
OPERATING REVENUES			
Charges for services	\$ 2,865,700	\$ 2,797,521	\$ (68,179)
Other	100,000	81,441	(18,559)
Total operating revenues	<u>2,965,700</u>	<u>2,878,962</u>	<u>(86,738)</u>
OPERATING EXPENSES			
Salaries, wages and employee benefits	1,177,240	1,167,662	9,578
Materials and supplies	293,266	296,862	(3,596)
Contractual and other services	945,641	907,926	37,715
Capital outlay	<u>207,678</u>	<u>202,109</u>	<u>5,569</u>
Total operating expenses	<u>2,623,825</u>	<u>2,574,559</u>	<u>49,266</u>
Operating income (loss)	<u>341,875</u>	<u>304,403</u>	<u>(37,472)</u>
NONOPERATING REVENUES (EXPENSES)			
Interest income and net appreciation			
in fair value of investments	13,330	24,798	11,468
Interest expense	(20,450)	(21,126)	(676)
Intergovernmental	13,460	13,067	(393)
Gain on sale of capital assets	-	12,380	12,380
Debt service principal retirement	<u>70,640</u>	<u>69,730</u>	<u>(910)</u>
Total nonoperating revenues (expenses)	<u>76,980</u>	<u>98,849</u>	<u>21,869</u>
Income (loss) before appropriated net assets	418,855	403,252	(15,603)
Appropriated net assets	<u>(418,855)</u>	-	<u>418,855</u>
Changes in net assets	<u>\$ -</u>	403,252	<u>\$ 403,252</u>
Adjustments to reconcile to combining statement of revenues, expenses, and changes in net assets - proprietary funds			
Depreciation and amortization		(269,422)	
Capital outlay		202,109	
Debt service principal and capital lease repayment		<u>(69,730)</u>	
Change in net assets GAAP basis		<u>\$ 266,209</u>	

See Independent Auditor's Report.

CITY OF SAFETY HARBOR, FLORIDA
SCHEDULE OF OPERATIONS – ACTUAL AND BUDGET
STORMWATER FUND
YEAR ENDED SEPTEMBER 30, 2012

	<u>Budget</u>	<u>Budgetary Basis Actual</u>	<u>Variance Positive (Negative)</u>
OPERATING REVENUES			
Charges for services	\$ 667,000	\$ 661,809	\$ (5,191)
Total operating revenue	<u>667,000</u>	<u>661,809</u>	<u>(5,191)</u>
OPERATING EXPENSES			
Salaries, wages and employee benefits	294,690	278,223	16,467
Materials and supplies	40,434	68,833	(28,399)
Contractual and other services	319,320	301,490	17,830
Capital outlay	1,840,810	1,778,504	62,306
Total operating expenses	<u>2,495,254</u>	<u>2,427,050</u>	<u>68,204</u>
Operating income (loss)	<u>(1,828,254)</u>	<u>(1,765,241)</u>	<u>63,013</u>
NONOPERATING REVENUES (EXPENSES)			
Interest income and net appreciation			
in fair value of investments	10,890	20,504	9,614
Interest expense	(36,220)	(37,445)	(1,225)
Transfers from other funds	956,520	806,520	(150,000)
Intergovernmental	1,257,500	1,057,627	(199,873)
Debt service principal retirement	<u>(59,530)</u>	<u>(57,247)</u>	<u>2,283</u>
Total nonoperating revenues (expenses)	<u>2,129,160</u>	<u>1,789,959</u>	<u>(339,201)</u>
Income (loss) before appropriated net assets	300,906	24,718	(276,188)
Appropriated net assets	<u>(300,906)</u>	-	<u>300,906</u>
Changes in net assets	<u>\$ -</u>	24,718	<u>\$ 24,718</u>
Adjustments to reconcile to combining statement of revenues, expenses, and changes in net assets - proprietary funds			
Depreciation and amortization		(132,122)	
Capital outlay		1,778,504	
Debt service principal repayment		<u>57,247</u>	
Change in net assets GAAP basis		<u>\$ 1,728,347</u>	

See Independent Auditor's Report.

CITY OF SAFETY HARBOR, FLORIDA
RECONCILIATION OF TOTAL FUND BALANCE FOR THE GOVERNMENTAL FUNDS TO
TOTAL NET ASSETS FOR GOVERNMENTAL ACTIVITIES
SEPTEMBER 30, 2012

	Total Governmental Funds	Assets and Long- term Liabilities	Statement of Net Assets
Assets			
Equity in pooled cash and investments	\$ 12,600,215	\$ -	\$ 12,600,215
Receivables, net:			
Accounts receivable	380,046	-	380,046
Due from other governments	580,066	-	580,066
Due from other funds - stormwater	66,314	-	66,314
Inventories	71,303	-	71,303
Advances to other funds - stormwater	83,686	-	83,686
Capital assets:			
Nondepreciable	-	7,517,773	7,517,773
Depreciable, net of accumulated depreciation	-	17,547,270	17,547,270
Unamortized bond issuance costs	-	42,359	42,359
Pension asset	-	445,031	445,031
Total assets	\$ 13,781,630	\$ 25,552,433	\$ 39,334,063
Liabilities			
Liabilities:			
Accounts payable	242,410	-	242,410
Accrued liabilities	300,960	-	300,960
Customer deposits	8,372	-	8,372
Unearned revenue	1,094,168	-	1,094,168
Long-term obligations	-	8,408,666	8,408,666
Total liabilities	1,645,910	8,408,666	10,054,576
Fund Balances			
Invested in capital assets, net of related debt	-	17,747,220	17,747,220
Nonspendable:			
Inventories and prepaid amounts	33,461	-	33,461
Restricted for:			
General government	377,745	-	377,745
Fire protection	78,160	-	78,160
Physical environment	-	-	-
Transportation	201,956	-	201,956
Library	4,979	-	4,979
Parks and recreation	363,918	-	363,918
Debt service	76,081	-	76,081
Capital projects	1,597,727	-	1,597,727
Committed to:			
Emergency/disaster relief stabilization	2,573,083	-	2,573,083
Physical environment	265,067	-	265,067
Assigned to:			
General government	41,240	-	41,240
Fire protection	1,158	-	1,158
Physical environment	3,863	-	3,863
Transportation	368,538	-	368,538
Parks and recreation	318,822	-	318,822
Other	397,680	-	397,680
Unassigned:	5,432,242	(603,453)	4,828,789
Total fund balances	12,135,720	17,143,767	29,279,487
Total liabilities and fund balances	\$ 13,781,630	\$ 25,552,433	\$ 39,334,063

See Independent Auditor's 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, 2012

	Total Governmental Funds	Depreciation	Capital Outlay	Change in Pension Asset	Long-term Debt	Reclasses and Eliminations	Statement of Activities Total
REVENUES							
Property taxes	\$ 3,267,040	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,267,040
Utility taxes	2,473,714	-	-	-	-	-	2,473,714
Local business taxes	154,396	-	-	-	-	-	154,396
Local option taxes	1,721,958	-	-	-	-	-	1,721,958
Franchise fees	1,435,731	-	-	-	-	-	1,435,731
Licenses and permits	169,407	-	-	-	-	-	169,407
Impact fees	43,729	-	-	-	-	-	43,729
Special assessments	10,696	-	-	-	-	-	10,696
Sales tax	889,029	-	-	-	-	-	889,029
Intergovernmental	1,850,861	-	-	-	-	-	1,850,861
Charges for services	860,674	-	-	-	-	-	860,674
Fines and forfeitures	140,659	-	-	-	-	-	140,659
Interest income and net appreciation in fair value of investments	198,116	-	-	-	-	-	198,116
Other	1,037,488	-	-	-	-	-	1,037,488
Total revenues	<u>14,253,498</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,253,498</u>
EXPENDITURES							
Current operating:							
General government	2,798,564	301,592	9,949	-	28,979	-	3,139,084
Law enforcement	1,264,935	3,853	-	-	-	-	1,268,788
Fire protection	3,566,685	151,758	10,612	(30,931)	26,205	-	3,724,329
Building department	293,273	-	-	-	3,301	-	296,574
Physical environment	403,240	-	-	-	11,166	-	414,406
Transportation	1,466,218	533,531	7,118	-	2,695	-	2,009,562
Library	1,157,376	370,680	-	-	362	-	1,528,418
Parks and recreation	2,287,102	429,408	6,292	-	15,155	-	2,737,957
Capital outlay	4,096,731	-	(4,062,760)	-	-	(33,971)	-
Debt service							
Principal payments	414,062	-	-	-	(414,062)	-	-
Interest and other fiscal charges	179,572	-	-	-	4,078	-	183,650
Total expenditures	<u>17,927,758</u>	<u>1,790,822</u>	<u>(4,028,789)</u>	<u>(30,931)</u>	<u>(322,121)</u>	<u>(33,971)</u>	<u>15,302,768</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,674,260)</u>	<u>(1,790,822)</u>	<u>4,028,789</u>	<u>30,931</u>	<u>322,121</u>	<u>33,971</u>	<u>(1,049,270)</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	921,720	-	-	-	-	-	921,720
Transfers out	(1,728,240)	-	-	-	-	-	(1,728,240)
Bond issuance costs	(24,521)	-	-	-	24,521	-	-
Debt proceeds	2,775,000	-	-	-	(2,775,000)	-	-
Total other financing sources (uses)	<u>1,943,959</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,750,479)</u>	<u>-</u>	<u>(806,520)</u>
Net change in fund balances	<u>\$ (1,730,301)</u>	<u>\$ (1,790,822)</u>	<u>\$ 4,028,789</u>	<u>\$ 30,931</u>	<u>\$ (2,428,358)</u>	<u>\$ 33,971</u>	<u>\$ (1,855,790)</u>

See Independent Auditor's Report.

This page left blank intentionally.

STATISTICAL SECTION

This page left blank intentionally

City of Safety Harbor, Florida
STATISTICAL SECTION

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

Contents

Financial Trends

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

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

Revenue Capacity

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

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

Debt Capacity

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

Schedule 11	Ratios of Outstanding Debt by Type
Schedule 12	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								
	2012	2011	2010	2009	2008	2007	2006	2005	2004
Governmental Activities									
Invested in capital assets, net of related debt	\$ 17,747,220	\$ 17,815,778	\$ 18,018,704	\$ 19,665,284	\$ 17,632,941	\$ 21,125,097	\$ 17,924,729	\$ 16,738,559	\$ 15,260,064
Restricted	6,703,478	8,618,746	3,811,514	3,318,189	2,594,159	1,184,718	1,574,248	1,420,295	6,340,939
Unrestricted	4,828,789	4,700,754	9,994,707	13,615,753	17,118,139	14,179,092	16,001,033	15,196,276	9,800,653
Total governmental activities net assets	<u>\$ 29,279,487</u>	<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>
Business-type Activities									
Invested in capital assets, net of related debt	\$ 16,597,580	\$ 13,561,385	\$ 12,760,978	\$ 9,965,349	\$ 11,937,820	\$ 11,736,926	\$ 13,227,123	\$ 12,819,967	\$ 12,184,794
Restricted	6,065,933	5,249,420	4,832,069	3,984,661	1,802,944	2,327,691	1,677,869	2,145,621	2,014,929
Unrestricted	8,467,665	8,668,700	7,469,063	5,274,983	4,559,472	3,748,015	3,077,758	3,908,785	5,704,762
Total business-type activities net assets	<u>\$ 31,131,178</u>	<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>
Primary Government									
Invested in capital assets, net of related debt	\$ 34,344,800	\$ 31,377,163	\$ 30,779,682	\$ 29,630,633	\$ 29,570,761	\$ 32,862,023	\$ 31,151,852	\$ 29,558,526	\$ 27,444,858
Restricted	12,769,411	13,868,166	8,643,583	7,302,850	4,397,103	3,512,409	3,252,117	3,565,916	8,355,868
Unrestricted	13,296,454	13,369,454	17,463,770	18,890,736	21,677,611	17,927,107	19,078,791	19,105,061	15,505,415
Total primary government net assets	<u>\$ 60,410,665</u>	<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>

Note: 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								
	2012	2011	2010	2009	2008	2007	2006	2005	2004
Expenses									
Governmental activities:									
General government	\$ 3,139,084	\$ 3,219,077	\$ 3,474,937	\$ 3,307,998	\$ 3,830,166	\$ 3,447,422	\$ 2,959,689	\$ 2,656,709	\$ 2,942,283
Law enforcement	1,268,788	1,266,876	1,231,263	1,336,447	1,278,181	1,209,614	1,130,054	1,010,907	863,987
Fire protection	3,724,329	3,843,029	3,814,874	4,082,474	3,935,680	3,591,781	3,072,479	2,903,403	2,647,055
Building department	296,574	300,126	305,251	293,109	305,203	276,335	256,155	240,855	258,762
Physical environment	414,406	483,956	1,347,914	1,289,878	1,269,798	1,294,981	1,202,864	2,162,943	904,404
Transportation	2,009,562	1,858,826	2,152,048	2,283,184	2,180,589	1,721,927	1,198,203	1,219,261	871,961
Library	1,528,418	1,560,737	1,514,773	1,670,642	1,361,946	1,165,872	1,003,278	964,798	894,326
Parks and recreation	2,737,957	2,663,696	2,585,030	2,611,334	2,417,586	2,433,918	2,064,743	1,860,585	1,954,384
Interest and other fiscal charges on long-term debt	183,650	176,977	237,267	103,790	96,730	401	10,725	20,938	30,419
Total governmental activities expenses	<u>15,302,768</u>	<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>
Business-type activities:									
Water and wastewater	7,080,853	7,301,156	7,368,967	7,975,242	7,835,184	7,445,253	6,962,043	6,251,307	6,058,950
Solid waste	2,662,998	2,623,957	2,613,310	2,760,181	2,866,134	2,413,274	2,154,910	2,127,022	2,129,922
Stormwater	818,113	814,809	-	-	-	-	-	-	-
Total business-type activities expenses	<u>10,561,964</u>	<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>
Total primary government expenses	<u>\$ 25,864,732</u>	<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>
Program Revenues (see Schedule 3)									
Governmental activities:									
Charges for services:									
General government	\$ 90,475	\$ 75,110	\$ 46,854	\$ 132,810	\$ 68,943	\$ 46,809	\$ 50,823	\$ 44,880	\$ 70,289
Law enforcement	77,056	90,658	68,287	94,095	122,118	82,640	77,993	60,229	69,269
Fire protection	6,845	6,890	1,083	-	-	-	-	-	-
Building department	169,407	150,485	121,847	113,716	109,987	114,489	126,401	113,989	164,065
Physical environment	49,913	51,235	508,932	591,432	546,650	500,576	6,841	1,396	2,409
Transportation	40,550	9,624	20,834	8,083	22,243	33,557	21,852	23,288	82,675
Library	47,223	55,745	45,613	31,888	47,977	24,270	27,863	27,417	42,658
Parks and recreation	743,694	736,353	692,506	566,799	535,831	595,991	633,054	490,732	401,222
Operating grants and contributions	1,234,112	1,294,887	1,269,902	1,508,338	256,837	17,116	511,503	1,405,141	503,864
Capital grants and contributions	166,567	31,067	194,540	11,000	400,126	950,484	75,000	423,240	192,327
Total governmental activities program revenues	<u>2,625,842</u>	<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>
Business-type activities:									
Charges for services:									
Water and wastewater	7,952,369	8,233,441	8,081,185	7,877,674	7,078,269	6,451,147	5,949,010	5,314,876	5,217,285
Solid waste	2,797,521	2,871,451	2,782,138	2,695,636	2,467,341	2,281,782	1,916,238	1,801,652	1,798,470
Stormwater	661,809	667,967	-	-	-	-	-	-	-
Operating grants and contributions	13,067	13,457	13,439	13,439	-	-	-	-	-
Capital grants and contributions	1,057,627	240,675	-	-	-	-	-	-	-
Total business-type activities program revenues	<u>12,482,393</u>	<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>
Total primary government program revenues	<u>\$ 15,108,235</u>	<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>

SCHEDULE 2

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

	Fiscal Year								
	2012	2011	2010	2009	2008	2007	2006	2005	2004
Net (Expense)/Revenue									
Governmental activities	\$ (12,676,926)	\$ (12,871,246)	\$ (13,692,959)	\$ (13,920,695)	\$ (14,565,167)	\$ (12,776,319)	\$ (11,366,860)	\$ (10,450,087)	\$ (9,838,803)
Business-type activities	1,920,429	1,287,069	894,485	(148,674)	(1,155,708)	(1,125,598)	(1,251,705)	(1,261,801)	(1,173,117)
Total primary government net expense	<u>\$ (10,756,497)</u>	<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>
General Revenues and Other Changes in Net Assets									
Governmental activities:									
Taxes									
Property taxes	\$ 3,267,040	\$ 3,454,605	\$ 3,493,007	\$ 3,543,283	\$ 3,534,380	\$ 3,585,742	\$ 3,155,726	\$ 2,774,932	\$ 2,512,112
Utility taxes	2,473,714	2,427,378	2,624,901	2,591,091	2,402,197	2,439,157	2,343,568	2,198,950	2,147,831
Local business tax	154,396	146,230	144,522	143,032	142,447	158,996	133,289	145,978	148,672
Local option tax	1,721,958	1,632,711	1,506,577	1,587,588	1,787,124	1,757,699	1,928,297	1,682,567	1,592,878
Franchise fees	1,435,731	1,463,744	1,629,370	1,570,352	1,453,539	1,454,358	1,472,988	1,211,370	1,106,837
Sales tax	889,029	874,854	847,342	857,009	941,432	1,003,087	1,045,660	989,314	993,436
Intergovernmental	469,506	472,827	468,225	404,719	1,793,785	1,460,577	1,376,761	421,540	324,145
Interest income and net appreciation in fair value of investments	198,116	507,216	844,977	835,294	1,113,049	716,601	709,644	316,550	221,835
Other	1,018,166	1,202,034	1,122,522	1,907,942	1,354,046	1,456,702	1,345,807	1,247,640	1,620,555
Gain on sale of capital assets	-	-	6,992	-	-	-	-	-	-
Expense allocation business-type activities	-	-	-	-	-	-	-	953,975	903,621
Transfers	(806,520)	-	-	-	-	-	-	-	-
Total governmental activities	<u>10,821,136</u>	<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>
Business-type activities:									
Franchise fees	-	-	29,928	38,290	-	-	-	-	-
Interest income and net appreciation in fair value of investments	209,919	438,080	475,634	361,878	354,785	251,076	217,395	158,708	126,867
Other	696,670	680,091	657,841	673,263	1,139,362	949,217	142,687	72,888	109,127
Gain on sale of capital assets	18,135	12,155	9,455	-	-	-	-	-	-
Transfers	806,520	-	-	-	-	-	-	-	-
Total business-type activities	<u>1,731,244</u>	<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>
Total primary government	<u>\$ 12,552,380</u>	<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>
Change in Net Assets									
Governmental activities	\$ (1,855,790)	\$ (689,647)	\$ (1,004,524)	\$ (480,385)	\$ (43,168)	\$ 1,256,600	\$ 2,144,880	\$ 1,492,729	\$ 1,733,119
Business-type activities	3,651,673	2,417,395	2,067,343	924,757	338,439	74,695	(891,623)	(1,030,205)	(937,123)
Total primary government	<u>\$ 1,795,883</u>	<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>

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 3

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

	Fiscal Year								
	2012	2011	2010	2009	2008	2007	2006	2005	2004
Function/Program									
Governmental activities:									
General government	\$ 240,475	\$ 75,110	\$ 61,854	\$ 197,786	\$ 68,943	\$ 205,805	\$ 184,112	\$ 190,858	\$ 218,961
Law enforcement	77,056	94,936	72,302	95,095	125,885	82,640	77,993	60,229	69,269
Fire protection	1,013,478	1,062,292	991,055	1,104,730	-	-	-	163,845	-
Building department	169,407	150,485	266,369	256,748	252,434	114,489	126,401	113,989	164,065
Physical environment	49,913	51,235	699,457	591,432	894,454	1,468,176	593,344	1,665,932	698,600
Transportation	46,986	9,624	20,834	8,083	73,390	33,557	21,852	23,288	82,675
Library	278,199	293,653	310,543	378,583	302,222	24,270	27,863	27,417	42,658
Parks and recreation	750,328	764,719	692,506	568,736	535,831	595,991	633,054	490,732	401,222
Total governmental activities program revenues	<u>2,625,842</u>	<u>2,502,054</u>	<u>3,114,920</u>	<u>3,201,193</u>	<u>2,253,159</u>	<u>2,524,928</u>	<u>1,664,619</u>	<u>2,736,290</u>	<u>1,677,450</u>
Business-type activities:									
Water and wastewater	7,952,369	8,233,441	8,081,185	7,877,674	7,078,269	6,451,147	5,949,010	5,314,876	5,217,285
Solid waste	2,810,588	2,884,908	2,795,577	2,709,075	2,467,341	2,281,782	1,916,238	1,801,652	1,798,470
Stormwater	1,719,436	908,642	-	-	-	-	-	-	-
Total business-type activities program revenues	<u>12,482,393</u>	<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>
Total primary government program revenues	<u>\$ 15,108,235</u>	<u>\$ 14,529,045</u>	<u>\$ 13,991,682</u>	<u>\$ 13,787,942</u>	<u>\$ 11,798,769</u>	<u>\$ 11,257,857</u>	<u>\$ 9,529,867</u>	<u>\$ 9,852,818</u>	<u>\$ 8,693,205</u>

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								
	2012	2011	2010	2009	2008	2007	2006	2005	2004
General Fund									
Reserved	\$ 2,606,544	\$ 2,886,389	\$ 282,576	\$ 167,223	\$ 260,271	\$ 124,501	\$ 99,234	\$ 93,302	\$ 117,127
Unreserved	5,829,922	6,081,005	8,515,866	9,051,391	8,498,484	8,721,789	9,335,644	8,984,191	8,203,142
Nonspendable	\$ 33,461	\$ 193,576	-	-	-	-	-	-	-
Restricted	-	22,755	-	-	-	-	-	-	-
Committed	2,573,083	2,670,058	-	-	-	-	-	-	-
Assigned	397,680	833,730	-	-	-	-	-	-	-
Unassigned	5,432,242	5,247,275	-	-	-	-	-	-	-
Total general fund	<u>\$ 8,436,466</u>	<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>
All Other Governmental Funds									
Reserved	\$ 3,699,254	\$ 4,229,317	\$ 3,528,938	\$ 4,733,095	\$ 8,510,572	\$ 6,532,749	\$ 7,536,906	\$ 6,202,858	\$ 6,223,812
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
Restricted	\$ 2,700,566	\$ 4,229,317	-	-	-	-	-	-	-
Committed	265,067	231,984	-	-	-	-	-	-	-
Assigned	733,621	437,326	-	-	-	-	-	-	-
Total all other governmental funds	<u>\$ 3,699,254</u>	<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>

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.

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								
	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues									
Property taxes	\$ 3,267,040	\$ 3,454,605	\$ 3,493,007	\$ 3,543,283	\$ 3,534,380	\$ 3,585,742	\$ 3,155,726	\$ 2,774,932	\$ 2,512,112
Utility taxes	2,473,714	2,427,378	2,624,901	2,591,091	2,402,197	2,439,157	2,343,568	2,198,950	2,147,831
Local business tax	154,396	146,230	144,522	143,032	142,447	158,996	133,289	145,978	148,672
Local option tax	1,721,958	1,632,711	1,506,577	1,587,588	1,787,124	1,757,699	1,928,297	1,682,566	1,592,878
Franchise fees	1,435,731	1,463,744	1,629,370	1,570,352	1,453,539	1,454,358	1,472,988	1,211,370	1,106,837
Licenses and permits	169,407	150,485	121,847	113,716	109,987	114,489	126,401	113,989	164,065
Impact fees	43,729	5,738	6,988	11,702	27,496	47,407	111,145	57,238	133,931
Special assessments	10,696	991	468,479	540,663	498,033	500,635	511,503	513,903	503,864
Sales tax	889,029	874,854	847,342	857,009	941,432	1,003,087	1,045,660	989,314	993,436
Intergovernmental	1,850,861	1,779,621	1,932,667	1,861,572	2,450,747	2,837,597	1,865,976	3,046,495	1,567,379
Charges for services	860,674	885,181	879,969	652,757	628,977	640,640	616,952	516,879	460,060
Fines and forfeitures	140,659	127,865	28,673	92,570	189,258	95,895	90,541	73,827	349,799
Interest income and net appreciation in fair value of investments	198,116	507,216	844,977	835,294	1,113,050	716,602	709,643	316,550	221,835
Contributions and donations	-	25,000	-	-	-	-	-	-	-
Other	1,037,488	1,202,034	1,122,522	2,097,842	1,354,046	1,046,549	931,382	891,137	1,198,001
Total revenues	14,253,498	14,683,653	15,651,841	16,498,471	16,632,713	16,398,853	15,043,071	14,533,128	13,100,700
Expenditures									
General government	2,798,564	2,969,719	3,223,596	3,307,998	3,102,319	3,178,784	2,847,137	2,521,200	2,551,993
Law enforcement	1,264,935	1,260,120	1,228,769	1,336,447	1,277,100	1,208,207	1,122,791	999,273	835,935
Fire protection	3,566,685	3,673,446	3,615,892	4,082,474	3,679,384	3,318,354	2,883,327	2,708,977	2,555,165
Building department	293,273	295,895	300,581	293,109	295,879	268,376	242,518	230,699	251,029
Physical environment	403,240	484,875	1,219,847	1,289,878	1,184,793	973,168	1,151,621	2,099,223	826,533
Transportation	1,466,218	1,327,636	1,652,066	2,283,184	1,732,432	1,375,531	926,335	970,809	701,390
Library	1,157,376	1,190,494	1,163,288	1,670,642	1,186,319	1,027,308	873,826	821,902	776,254
Parks and recreation	2,287,102	2,210,288	2,158,588	2,611,334	2,045,159	1,955,310	1,735,908	1,557,120	1,628,634
Capital outlay	4,096,731	1,183,334	1,716,128	4,182,276	5,213,631	4,918,909	2,165,768	2,313,535	1,476,367
Debt service									
Principal retirement	414,062	401,643	467,878	-	-	-	220,000	215,000	205,000
Principal repayment	-	-	-	(25,431)	-	-	-	-	-
Interest and other fiscal charges	179,572	174,431	234,801	103,790	96,730	401	10,725	20,938	30,419
Debt issuance costs	-	-	-	-	-	-	10,200	-	-
Total expenditures	17,927,758	15,171,881	16,981,434	21,135,701	19,813,746	18,224,348	14,190,156	14,458,676	11,838,719
Excess (deficiency) of revenues over (under) expenditures	<u>(3,674,260)</u>	<u>(488,228)</u>	<u>(1,329,593)</u>	<u>(4,637,230)</u>	<u>(3,181,033)</u>	<u>(1,825,495)</u>	<u>852,915</u>	<u>74,452</u>	<u>1,261,981</u>
Other Financing Sources (Uses)									
Transfers in	921,720	889,080	924,684	2,141,239	2,685,436	916,461	751,573	1,340,238	1,709,473
Transfers out	(1,728,240)	(889,080)	(924,684)	(2,141,239)	(2,685,436)	(916,461)	(751,573)	(1,340,238)	(1,709,473)
Sale of capital assets	-	-	6,992	-	-	-	-	-	-
Bond Issuance Costs	(24,521)	-	-	-	-	-	-	-	-
Debt proceeds	2,775,000	-	-	304,007	6,908,287	-	10,200	-	-
Total other financing sources (uses)	1,943,959	-	6,992	304,007	6,908,287	-	10,200	-	-
Special item	-	-	-	(265,628)	(216,212)	-	-	-	-
Net change in fund balances	\$ (1,730,301)	\$ (488,228)	\$ (1,322,601)	\$ (4,598,851)	\$ 3,727,254	\$ (1,825,495)	\$ 863,115	\$ 74,452	\$ 1,261,981

Debt service as a percentage

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
		Real Property	Personal Property	Centrally Assessed Property	Real Property	Personal Property	Centrally Assessed Property	Real Property	Personal Property	Centrally Assessed Property	
2012	2011	\$ 1,332,938,921	\$ 85,821,501	\$ 299,945	\$ 419,300,089	\$ 41,271,998	\$ 32,050	\$ 913,638,832	\$ 44,549,503	\$ 267,895	\$ 958,456,230
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
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
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
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
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
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
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
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
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

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	
2012	2011	3.3808	4.8730	8.3850	0.8506	0.7305	1.2390	19.4589
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

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	2012		2003	
	Taxable Assessed Valuation	Percentage of City Taxable Assessed Valuation	Taxable Assessed Valuation	Percentage of City Taxable Assessed Valuation
Mease Hospital, Inc	\$ 14,954,217	1.58%	\$ 8,929,800	1.17%
Preedom Land Trust	12,348,693	1.30%	12,214,000	1.61%
Safety Harbor Spa & Resort, LLC	11,050,874	1.17%	-	0.00%
Northwood Oaks, LLC	9,875,000	1.04%	-	0.00%
Bayshore Palms Apartments, Inc.	6,700,000	0.71%	6,000,000	0.79%
Northwood Commons LLC	6,530,000	0.69%	5,000,000	0.66%
Safety Harbor Investment Properties	6,100,000	0.64%	-	0.00%
Leisure Associates Ltd Partnership	5,120,000	0.54%	4,600,000	0.61%
Health Care Property Investment, Inc	4,965,503	0.52%	-	0.00%
A W Countryside LLC	3,861,000	0.41%	-	0.00%
Graham FI Med Bldg Ltd. Ptnshp	-	0.00%	12,783,300	1.68%
Roglee, Inc.	-	0.00%	9,344,900	1.23%
Prime-Muben Partners	-	0.00%	7,600,000	1.00%
Health Care Property Inc.	-	0.00%	5,400,000	0.71%
Capstone Capital Corp.	-	0.00%	5,100,000	0.67%
	<u>81,505,287</u>	<u>8.60%</u>	<u>76,972,000</u>	<u>10.13%</u>
Total Taxable Assessed Value	<u>\$ 948,213,280</u>		<u>\$ 760,161,179</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	2012		2003	
	Taxable Assessed Valuation	Percentage of City Taxable Assessed Valuation	Taxable Assessed Valuation	Percentage of City Taxable Assessed Valuation
Florida Power Corp	\$ 7,414,030	15.74%	\$ 5,033,490	7.89%
Florida Gas Transmission	3,929,699	8.34%	-	0.00%
Verizon Florida LLC	3,112,046	6.61%	5,355,600	8.40%
Mastercut Tool Corp	3,011,841	6.39%	-	0.00%
Bright House Networks LLC	2,492,077	5.29%	1,627,800	2.55%
Angelica Textile Services	2,208,377	4.69%	-	0.00%
US Bank National Association	1,789,661	3.80%	-	0.00%
Safety Harbor Resort and Spa	1,668,109	3.54%	-	0.00%
Countryside Surgi-Center	1,110,853	2.36%	-	0.00%
Diagnostic Clinic	845,602	1.80%	-	0.00%
Meristar Safety Harbor	-	0.00%	1,910,080	2.99%
National Healthcare Linen	-	0.00%	1,813,630	2.84%
US Bancorp Equipment Fin, Inc.	-	0.00%	1,761,200	2.76%
Clearwater Cancer Center	-	0.00%	1,739,640	2.73%
H I P Recycling	-	0.00%	1,155,870	1.81%
Kash N Karry #873/1775	-	0.00%	1,100,030	1.72%
Cardiology Associates	-	0.00%	921,780	1.45%
	<u>27,582,295</u>	<u>58.55%</u>	<u>22,419,120</u>	<u>35.15%</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
2012	2011	\$ 3,243,229	\$ 3,015,807	92.99%	\$ 4,367	\$ 3,020,174	93.12%
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%

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			
2012	\$ 2,775,000	\$ 4,585,182 ^b	\$ -	\$ 1,500,000 ^b	\$ 7,612,848	\$ -	\$ 16,473,030	2.97%	\$ 976
2011	-	4,999,244	-	1,649,748	7,957,023	37,935	14,643,950	2.51%	867
2010	-	6,780,150	29,132	1,764,064	6,912,338	104,864	15,590,548	2.58%	880
2009	-	7,222,494	54,792	2,073,384	7,183,506	163,950	16,698,126	2.80%	937
2008	-	6,918,487 ^c	-	2,367,704	4,953,047	-	14,239,238	2.38%	798
2007	-	10,200	-	2,647,025	3,106,688 ^d	-	5,763,913	0.97%	323
2006	-	10,200 ^d	-	2,916,346	804,141 ^d	-	3,730,687	0.73%	209
2005	220,000	-	-	3,025,000	-	-	3,245,000	0.64%	182
2004	435,000	-	-	3,265,000	-	-	3,700,000	0.73%	210
2003	640,000	-	-	3,500,000	-	-	4,140,000	0.83%	237

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 \$4,275,000 in Capital Improvement Refunding Revenue Bonds, Series 2012

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

^d 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

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, 2012

Government Unit	Debt Outstanding	Applicable to City of Safety Harbor	
		Percent ^a	Amount
Bonded Debt:			
Pinellas County School Board ^b	\$ 24,760,000	1.76%	\$ 436,378
Capital Leases:			
Pinellas County School Board ^b	<u>20,126,433</u>	1.76%	<u>354,715</u>
Total Overlapping Debt	\$ 44,886,433		\$ 791,093
Total Direct Debt ^c			<u>7,360,182</u>
Total Direct and Overlapping Governmental Activities Debt			<u>\$ 8,151,275</u>
Total Direct and Overlapping Governmental Activities Debt Per Capita ^d			<u>\$ 482.87</u>

Source: Pinellas County, Florida

^a Applicable net debt percentage is based on ratio of City to County-wide taxable values for tax year 2012

^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 2012 permanent Safety Harbor population is estimated at 16,884

SCHEDULE 14

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

Fiscal Year	Governmental Activities						
	Gross Revenues ^a	Operating Expenses ^b	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
2012	\$ 10,199,565	\$ 7,403,103	\$ 2,796,462	\$ 414,062	\$ 179,572	\$ 593,634	4.71
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

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	
2012	\$ 8,737,970	\$ 5,950,041	\$ 2,787,929	\$ 365,133	\$ 238,340	\$ 603,473	4.62
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

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>
2012	16,884	\$ 559,721,484	\$ 33,151	47.7	2,073	8.8%
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%

Sources:

^a Office of Economic and Demographic Research (edr.state.fl.us) (2003-2009), (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); 2010 U.S. Census (2003-2005)

^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

Employer	Employees	Percentage of Total City Employment
Mease Countryside Hospital	550	6.65%
Angelica Corporation	250	3.02%
Jacobsen Manufacturing, Inc.	200	2.42%
Safety Harbor Resort & Spa	200	2.42%
Safety Harbor Middle School	130	1.57%
MCT Engineering	100	1.21%
Firmenich Citrus Center	100	1.21%
Safety Harbor Elementary School	85	1.03%
In Star Svc Group	70	0.85%
Espiritu Santo Catholic School	68	0.82%
 Total Employed Population	 8,268	

Source: Reference USA

^a Current year only, 2012; data for 2003 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,									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
General Government										
City Manager	1.95	1.95	1.95	2.20	2.20	2.00	2.00	2.00	2.00	2.00
City Clerk	1.30	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	3.50	3.00	3.00	3.00	2.50	2.50
Finance	3.50	4.00	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
Water & Wastewater Finance	9.35	9.85	8.25	8.25	8.25	7.50	7.50	7.50	7.00	8.25
Economic Dev. Director		-	-	-	-	1.00	-	-	-	-
Planning	3.15	3.65	3.40	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Fleet Maintenance	3.15	4.05	4.05	4.05	4.05	4.05	4.05	4.05	4.05	4.05
Building Maintenance	5.80	5.80	5.80	5.55	5.55	5.55	5.55	5.55	4.80	4.80
CRA	0.60	0.60	0.60	1.00	1.00	-	-	-	-	-
Total General Government	32.30	35.40	35.05	36.05	36.05	34.60	33.60	33.60	31.85	33.10
Public Safety										
Building Department	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Fire Control and EMS	29.50	31.20	32.00	34.50	34.50	34.50	34.50	34.00	33.00	31.00
Total Public Safety	33.50	35.20	36.00	38.50	38.50	38.50	38.50	38.00	37.00	35.00
Physical Environment										
Engineering	4.30	5.80	6.55	6.50	6.50	5.50	5.50	5.00	5.00	5.00
Information Systems	4.00	3.50	3.50	4.50	4.00	4.00	3.00	3.00	3.00	3.00
Water	8.60	8.20	8.20	8.20	8.20	8.20	8.20	8.25	8.25	7.00
Stormwater	5.20	5.20	5.20	5.20	5.20	5.20	5.20	5.25	5.25	5.25
Wastewater	8.60	8.20	8.20	10.20	10.20	11.20	11.20	11.25	11.25	11.25
Sanitation	19.35	19.15	19.15	20.15	20.15	19.15	19.15	20.05	20.05	20.05
Total Physical Environment	50.05	50.05	50.80	54.75	54.25	53.25	52.25	52.80	52.80	51.55
Transportation										
Streets	10.30	12.20	13.20	13.20	13.20	13.20	13.20	13.15	13.15	13.15
Culture and Recreation										
Library	17.90	17.40	16.70	16.70	16.45	16.45	15.55	15.55	14.15	14.15
Parks	10.55	10.55	8.30	8.30	8.30	8.30	8.30	8.30	8.30	8.30
Recreation	19.05	19.05	16.00	17.00	17.00	17.50	17.50	16.50	16.75	18.45
Total Culture and Recreation	47.50	47.00	41.00	42.00	41.75	42.25	41.35	40.35	39.20	40.90
Total City	173.65	179.85	176.05	184.50	183.75	181.80	178.90	177.90	174.00	173.70

Source: City of Safety Harbor Annual Budget, Fiscal Years 2003-2012

SCHEDULE 19

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

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Public Safety										
Fire Control and EMS										
Inspections	715	715	715	715	715	665	700	680	660	600
Investigations	10	10	10	10	10	5	N/A	N/A	N/A	N/A
Fire responses	N/A	N/A	N/A	N/A	N/A	N/A	1,007	829	733	931
EMS responses	N/A	N/A	N/A	N/A	N/A	N/A	4,162	5,887	2,852	3,018
Building Department										
Building permits issued	1,823	1,658	1,508	1,304	1,627	1,717	1,968	2,129	2,616	2,830
Occupational licenses issued	1,375	1,325	1,225	1,155	1,106	1,019	1,141	1,248	1,059	1,149
Stormwater										
Storm drain/pipe cleaned (miles)	1.14	1.07	0.06	0.30	5.50	5.50	5.50	5.50	5.50	5.50
Ditches/creeks cleaned (miles)	25.76	25.76	25.76	38.64	38.64	38.64	12.88	12.88	12.88	12.88
Water										
Customer accounts	7,506	7,488	7,493	7,470	7,447	7,417	7,454	7,426	7,716	7,708
Average daily water consumption in millions of gallons	1.37	1.70	1.37	1.57	1.80	1.91	2.09	2.08	2.20	2.22
Wastewater										
Customer accounts	8,871	8,856	8,897	8,745	8,796	8,741	8,673	8,643	8,751	8,726
Average daily sewage flow in millions of gallons	1.44	1.20	1.49	1.51	1.55	1.51	1.61	1.67	1.79	1.83
Sanitation (solid waste)										
Refuse collected (tons)	12,500	12,604	13,000	13,769	15,501	16,424	14,513	18,526	17,624	16,567
Recyclables collected (tons)	1,800	1,741	2,266	1,955	1,801	2,649	2,364	3,923	2,551	2,569
Streets										
Streets swept (curb miles)	938	938	918	918	918	918	918	153	152	152
Curb/gutter/sidewalks replaced (cubic yds)	325	350	318	300	275	253	N/A	N/A	N/A	N/A
Pothole repairs (asphalt tons)	25	25	18	36	25	33	20	15	30	72
Culture and Recreation										
Recreation - Persons listed in programs										
Trips	1,670	1,588	1,965	1,079	516	339	339	323	367	199
Classes	21,900	21,254	22,474	14,197	11,702	6,526	6,526	6,215	3,851	1,473
Camps/After-school	21,115	20,503	16,092	25,436	19,641	1,608	1,608	1,531	1,643	734
Special events	825	786	723	373	1,089	1,233	1,233	1,197	2,292	1,021
Parks - Acres maintained	73.89	73.88	72.47	72.47	72.04	72.04	72.04	69.40	69.40	63.40
Library circulation	280,000	272,761	287,003	206,030	224,808	262,503	254,235	273,159	269,032	276,528
Library registered borrowers	9,750	9,700	9,641	14,303	15,650	19,290	10,346	10,198	14,596	12,934

Source: City of Safety Harbor Annual Budget, Fiscal Years 2003-2012

N/A - Information not available

SCHEDULE 20

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

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
General Government										
Buildings	4	4	4	4	4	4	4	4	4	4
Vehicles	17	17	13	12	12	11	11	12	11	10
Public Safety										
Fire stations	2	2	2	2	2	2	2	2	2	2
Vehicles	11	11	13	12	12	11	11	13	13	10
Physical Environment										
Vehicles	35	36	51	49	50	46	44	42	43	34
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)	76.3	76.0	75.8	75.7	75.7	75.7	75.4	75.1	74.7	74.3
Fire hydrants maintained	548	544	542	540	540	539	539	531	528	525
Wastewater										
Lift stations	25	25	25	25	25	25	25	25	25	25
Mains in collection system (miles)	66.5	66.3	66.3	66.3	66.3	66.3	66.3	66.0	66.0	66.0
Sanitation (solid waste)										
Collection vehicles	14	14	14	14	13	13	13	13	13	12
Streets										
Curb miles of street	100	100	100	100	153	153	153	153	153	152
Vehicles	17	16	17	16	15	12	12	13	13	14
Culture and Recreation										
Parks	11	11	11	11	11	11	11	11	11	11
Dog park	1	1	1	1	1	0	0	0	0	0
Skate park	1	1	1	1	1	1	1	1	0	0
Playgrounds	5	5	5	5	5	5	5	5	5	5
Gymnasiums	3	3	3	3	3	3	3	3	3	3
Recreation centers	2	2	2	2	2	2	2	2	2	2
Library	1	1	1	1	1	1	1	1	1	1
Marina	1	1	1	1	1	1	1	1	1	1
Picnic Shelters	12	10	10	10	10	9	9	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	4	6
Racquetball courts	2	2	2	2	2	2	2	2	2	2
Restroom facilities	14	8	8	8	8	8	8	8	7	7
Basketball courts										
Outdoor	4	4	4	4	4	4	4	4	4	4
Indoor	3	3	3	3	3	3	3	3	3	3
Vehicles	12	13	12	12	9	9	9	8	8	7
Museum/Cultural Center	1	-	-	-	-	-	-	-	-	-

Sources: City of Safety Harbor Annual Budget, Fiscal Years 2003-2012; Various City departments

This page left blank intentionally.

REGULATORY REPORTS

This page left blank intentionally.



Mayer Hoffman McCann P.C.

An Independent CPA Firm

KRMT Tampa Bay Division

13577 Feather Sound Drive, Suite 400

Clearwater, FL 33762

Phone: 727.572.1400 • 813.879.1400

Fax: 727.571.1933

www.mhm-pc.com

Independent Auditor's 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 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, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 27, 2013. 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 weaknesses. 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*.

We noted two matters that we reported to management of the City in a separate letter dated February 27, 2013.

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

Maya Hoffman McCann P.C.

February 27, 2013
Clearwater, Florida



Mayer Hoffman McCann P.C.

An Independent CPA Firm

KRMT Tampa Bay Division

13577 Feather Sound Drive, Suite 400

Clearwater, FL 33762

Phone: 727.572.1400 ■ 813.879.1400

Fax: 727.571.1933

www.mhm-pc.com

Independent Auditor's Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

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

Compliance

We have audited the City of Safety Harbor, Florida's (the "City") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2012. The City's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2012.

Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance 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 compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Honorable Mayor and Members of the City Commission, and applicable federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Maya Heffman McCann P.C.

February 27, 2013
Clearwater, Florida

CITY OF SAFETY HARBOR, FLORIDA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2012

Federal Grantor / Pass-through Grantor / Program Title	CFDA Number	Grant I.D. Number	FY 2012 Federal Share of Expenditures
Federal Emergency Management Agency (FEMA)	97.036	13-DB-73-08-62-01-613	\$ 57,837
Environmental Protection Agency			
Passed through Florida Department of Environmental Protection Nonpoint Source Implementation Grant - South Bayshore	66.460	C9-99451509-0	658,996
U.S. Department of Housing and Urban Development			
Passed through Pinellas County Community Development Block Grant - Mullet Creek Park	14.218	B-11-UC-12-0005	150,000
Total Federal Financial Assistance			<u>\$ 866,833</u>

CITY OF SAFETY HARBOR, FLORIDA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

NOTE 1 – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial grant activity projects of the City of Safety Harbor, Florida (the “City”). Federal financial assistance received directly from federal agencies and federal financial assistance passed through other governmental agencies are included on the schedule. The information in the schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*.

NOTE 2 – Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual or accrual basis of accounting, which is described in Note 1 to the City’s basic financial statements.

NOTE 3 – CFDA Numbers

CFDA numbers represent Catalog of Federal Domestic Assistance and apply only to federal awards.

City of Safety Harbor, Florida

Schedule of Findings and Questioned Costs

Year Ended September 30, 2012

Section II – Financial Statement Findings

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

There were no findings required to be reported in accordance with *Government Auditing Standards*.

Section III – Federal Award Findings and Questioned Costs

This section identifies significant deficiencies, material weaknesses, and material instances of noncompliance, including questioned costs, related to the audit of major federal awards and state financial assistance projects, as required to be reported by OMB Circular A-133.

There were no findings required to be reported in accordance with OMB Circular A-133.

Section IV – Summary of Prior Audit Findings

There were no audit findings reported in the Schedule of Findings and Questioned Costs in the prior year.



Mayer Hoffman McCann P.C.

An Independent CPA Firm

KRMT Tampa Bay Division

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

Management Letter

To the Honorable Mayor and
Members of 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, 2012 and have issued our report thereon dated February 27, 2013.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and OMB Circular A-133, *Audits of State and Local Governments and Non-Profit Organizations*; and Chapter 10.550, Rules of the Florida Auditor General. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*, Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Federal Program and on Internal Control over Compliance in Accordance with OMB Circular A-133 and Schedule of Findings and Questioned Costs. Disclosures in those reports, which are dated February 27, 2013, 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 auditor's reports or schedule:

- 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. There were no audit findings or recommendations made in the preceding annual financial audit report.
- Section 10.554(1)(i)2., *Rules of the Auditor General*, requires our audit to include a review of the provisions of Section 218.415, *Florida Statutes*, regarding the investment of public funds. In connection with our audit, we determined that the City was 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, the recommendations are noted below under the heading Process Improvements.
- Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that we address violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse that have occurred or are likely to have occurred, that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.
- Section 10.554(1)(i)5., *Rules of the Auditor General*, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on the financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse and (2) deficiencies in internal control that are not significant deficiencies. In connection with our audit, the recommendations are noted below under the heading Process Improvements.
- Section 10.554(1)(i)6., *Rules of the Auditor General*, require that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in the management letter, unless disclosed in the notes to the financial statements. This information has been disclosed in the notes to the financial statements.
- Section 10.554(1)(i)7.a., *Rules of the Auditor General*, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), *Florida Statutes* and identification of the specific condition(s) met. In connection with our audit, we determined that the City did not meet any of the conditions described in Section 218.503(1), *Florida Statutes*.
- Section 10.554(1)(i)7.b., *Rules of the Auditor General*, requires that we determine whether the annual financial report for the City for the fiscal year ended September 30, 2012, 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, 2012. 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 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.

Process Improvements

2012-01: Information Technology

Observation: During testing of Information Technology controls, it was noted that 6 user ID's were still active in the city's system that were not related to active employees. Per discussions with management, 3 of these related to terminated employees which were not communicated to the Information Technology Department by the Human Resources Department.

Recommendation: We recommend a periodic review of active user ID's to timely identify when user access is no longer necessary. Further, we recommend that the Human Resources Department utilize the terminated employee checklist for all employees terminated to ensure that the Information Technology Department is communicated all termination.

Management Response: Management agrees with the recommendation and notes that the Human Resources Department should be utilizing their terminated employee checklists for all terminations and communicating to the Information Technology Department any terminations to ensure that their ID's are properly deleted timely.

2012-02: Capitalized Interest

Observation: During testing of fixed assets, it was noted that capitalized interest was not recorded for the Stormwater fund. We noted that in prior years, capitalized interest was immaterial and the Stormwater fund was a governmental fund prior to 2011.

Recommendation: We recommend an annual assessment of capitalized interest for the proprietary fund construction projects to determine if it is necessary to record in the financial statements.

Management Response: Management agrees with the recommendation.



February 27, 2013
Clearwater, Florida



PHOTO COURTESY OF: BOB BEYAR, RETIRED L78 FDNY