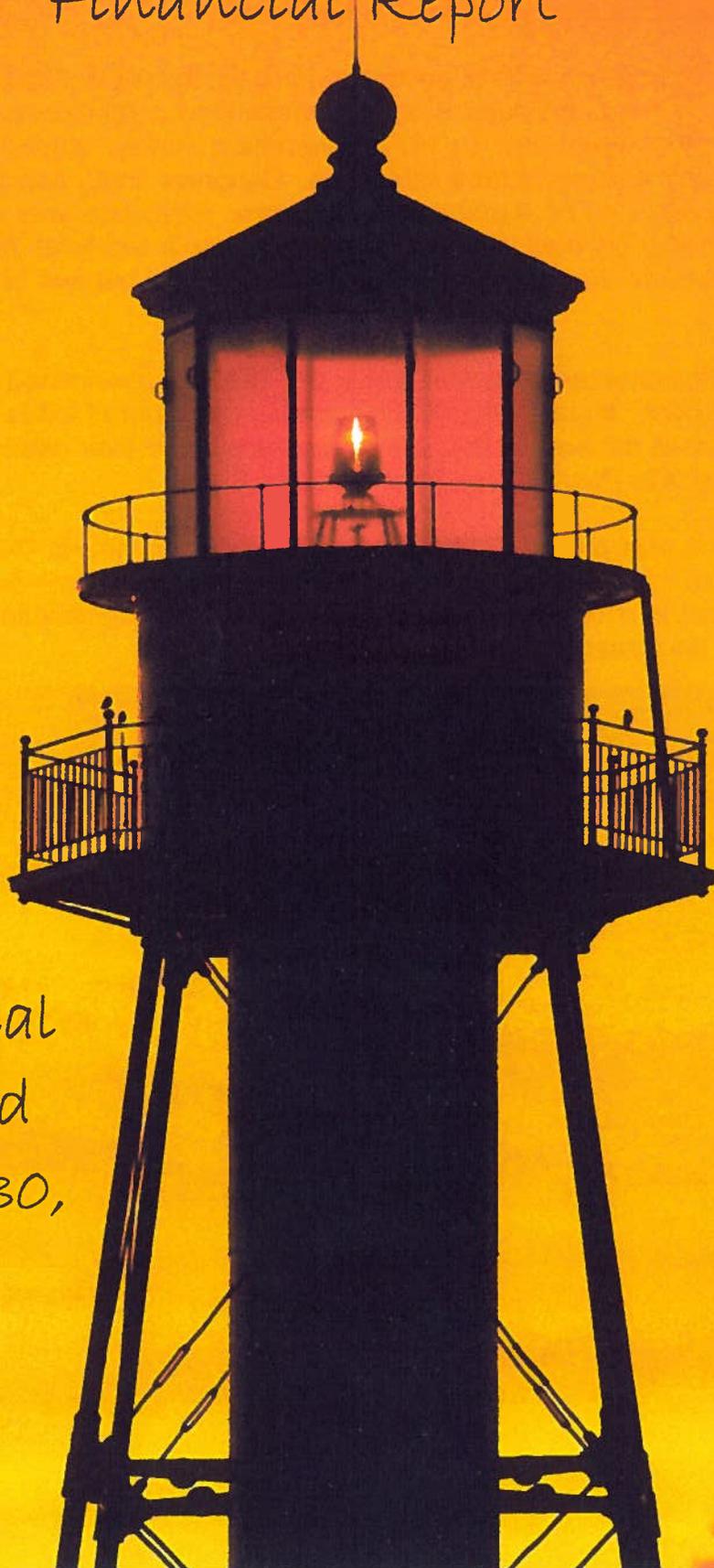


City of Sanibel, Florida  
Comprehensive Annual  
Financial Report



For the Fiscal  
Year Ended  
September 30,  
2010

## On the Cover

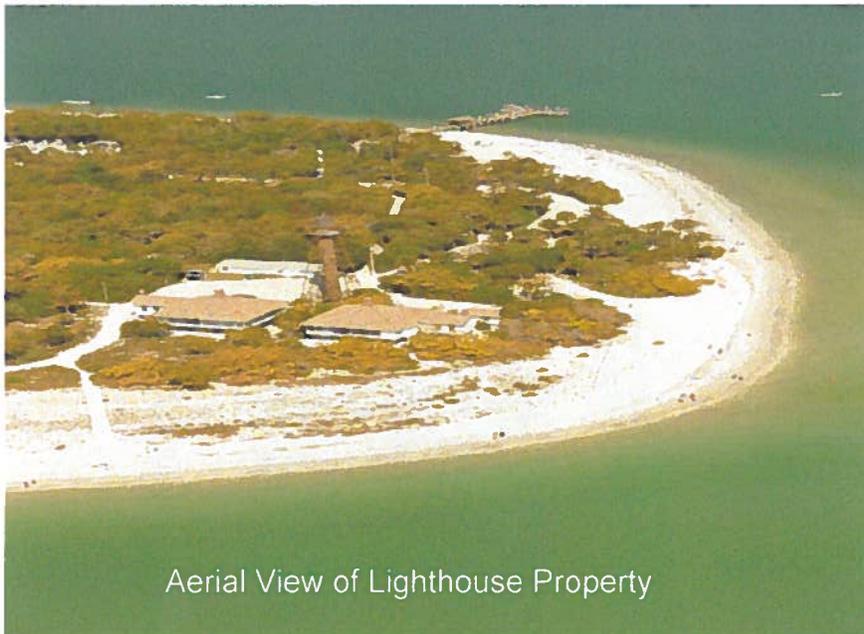
### *Sanibel Lighthouse Sunrise Silhouette*

The Sanibel Island lighthouse was the first lighthouse on Florida's Gulf coast north of Key West and the Dry Tortugas. It is located on the eastern tip of Sanibel Island, and was built to mark the entrance to San Carlos Bay for ships calling at the port of Punta Rassa, across San Carlos Bay from Sanibel Island.

Residents of Sanibel Island first petitioned for a lighthouse in 1833, but no action was taken. In 1856 the Lighthouse Board recommended a lighthouse on Sanibel Island, but Congress took no action. In 1877 government workers surveyed the eastern end of the island and reserved it for a lighthouse. Congress finally appropriated funds for a lighthouse in 1883. The foundation for the new lighthouse was completed in early 1884, but the ship bringing ironwork for the tower sank two miles from Sanibel Island. A crew of hard-hat divers from Key West recovered all but two of the pieces for the tower.

Punta Rassa became an important port in the 1830s and remained so up to the Spanish-American War. It was primarily used to ship cattle from Florida to Cuba. Until the railroads reached the area in the 1880s, ranchers drove their cattle from open ranges in central Florida to Punta Rassa for shipment to Cuba.

The lighthouse was placed on the National Register of Historic Places in 1974. The Department of Interior Bureau of Land Management turned the property over to the City of Sanibel in a ceremony on April, 21, 2010. The lighthouse is still in use and managed by the United States Coast Guard.



Aerial View of Lighthouse Property

Photographs by  
David Meardon Photography  
[www.sanibelphoto.com](http://www.sanibelphoto.com)

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

City of Sanibel, Florida

For the Fiscal Year Ended  
September 30, 2010



Prepared by the Finance Department

Sylvia A. Edwards, CPA, CGFO, CPFO  
Finance Director

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CITY OF SANIBEL, FLORIDA  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

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## ***INTRODUCTORY SECTION***

**This section contains the following subsections:**

Letter of Transmittal

Certificate of Achievement for Excellence in Financial Reporting

City of Sanibel Organizational Chart

List of City Elected and Appointed Officials

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March 7, 2011

Honorable Mayor and  
Members of City Council  
CITY OF SANIBEL, FLORIDA  
Sanibel, Florida



City of Sanibel

800 Dunlop Road  
Sanibel, Florida  
33957-4096

[www.mysanibel.com](http://www.mysanibel.com)

AREA CODE – 239

CITY COUNCIL	472-4135
ADMINISTRATIVE	472-3700
BUILDING	472-4555
EMERGENCY	472-3111
MANAGEMENT	
FINANCE	472-9615
LEGAL	472-4359
NATURAL RESOURCES	472-3700
RECREATION	472-0345
PLANNING	472-4136
POLICE	472-3111
PUBLIC WORKS	472-6397
UTILITIES	472-6397

The Comprehensive Annual Financial Report of the City of Sanibel, Florida, (the “City”) for the fiscal year ended September 30, 2010 is respectfully submitted. Chapter 218.39, Florida Statutes, and the City charter require that a complete set of financial statements be published within one year of the fiscal year end, be presented in conformance with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with auditing standards generally accepted in the United States of America by licensed independent certified public accountants.

This report consists of management’s representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the government’s assets from loss, theft or misuse, and to compile sufficient, reliable information for the preparation of the City’s financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City’s comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Sanibel’s financial statements have been audited by LarsonAllen, LLP a licensed certified public accounting firm. The independent audit was performed to provide reasonable assurance that the financial statements of the City for the fiscal year ended September 30, 2010 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified (“clean”) opinion that the City’s financial statements for the fiscal year ended September 30, 2010 are fairly presented in conformity with GAAP. The independent auditor’s report is presented as the first component 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.

## **CITY PROFILE**

The City of Sanibel incorporated on November 5, 1974. The City is located on Sanibel Island, a barrier island in the Gulf of Mexico off the coast of southwest Florida in Lee County. The City is connected to the mainland by a three-mile causeway owned and operated by Lee County. The City operates under the council-manager form of government. Policy-making and legislative authority is vested in a governing council consisting of five (5) non-partisan members elected at-large in staggered four (4) year terms. One council member is selected annually from among the five council members to serve as mayor.

The City Council is responsible for adopting ordinances and resolutions, adopting the annual budget, appointing the planning commission and advisory committees and hiring the City Manager and City Attorney. The City Manager is responsible for administering policies and ordinances of the City Council, overseeing the day-to-day operations of the City and appointing the heads of the various City departments, the chief of police and city clerk.

The City Council is required to adopt a final budget no later than the close of the fiscal year. The annual budget serves as the foundation for the City's financial planning and control. The budget is prepared by fund, function (e.g. public safety) and department (e.g. police). The City Manager may authorize appropriation transfers within departments of the general fund and within the fund as a whole for all other funds. The transfers are requested by the relevant department director. The transfers are reviewed and processed by Finance staff and approved by the City Manager as required by administrative policy. Any other revisions require approval by City Council.

The City provides a comprehensive range of municipal services including general government, public safety (police protection, emergency management and building inspection), planning, natural resource management, sewer utility services including reclaimed water, transportation, (road, bridge and multi-use path construction and maintenance) and culture/recreation activities.

Fire and library services are provided by independent taxing districts, electric service is provided by a cooperative and water service is provided by a non-profit. Private, not-for-profit organizations also provide additional community services including a below market rate housing program, a historical village and museum and a cultural arts center.

The Comprehensive Annual Financial Report includes all funds of the City of Sanibel and its component unit. The City as the primary government includes Community Housing and Resources, Inc. (CHR) as a component unit using the discrete method of presentation determined pursuant to Government Accounting Standards Board (GASB) Statement No. 14, as amended, criteria. CHR is under contract with the City to administer the City's below market rate housing program. Although the board of CHR is not selected by the City Council, CHR is fiscally dependent upon the City in that there is a financial obligation by the City and the nature and significance of the relationship between the City and CHR is such that excluding CHR from the City's financial statements would be misleading and incomplete.

## **ECONOMIC CONDITION AND OUTLOOK**

Sanibel is a world class visitor destination with a mild winter climate, 15.5 miles of white sandy beaches that are habitat for numerous endangered and threatened species, 22.85 miles of paved shared use paths and numerous eco-tourist opportunities. Sixty-seven percent of the island's land area is located within the J.N. Ding Darling National Wildlife Refuge; other designated conservation land brings Sanibel's total of land under conservation to 70 percent. The island is a world-renowned location for birding and shelling. Protection of the island's natural environment is the paramount priority of the City of Sanibel and residents as evidenced in the City's vision statement;

***“Sanibel is and shall remain a barrier island sanctuary, one in which a diverse population lives in harmony with the island's wildlife and natural habitats.”***

Lee County's estimated population as of April 1, 2010 was 613,546<sup>(1)</sup>. According to the Lee County Visitor and Convention Bureau (VCB) tourism employs one out of every five people here in Lee County. Based upon statistics collected by the VCB Lee County receives approximately five million visitors a year that generate approximately \$3 billion dollars in economic impact.

Sanibel Island (estimated population as of April 1, 2010 was 6,211<sup>(1)</sup>) is a major component of the region's tourism industry. According to the VCB the top attributes visitors considered in selecting Lee County during December 2010 were warm weather, white sandy beaches, and peaceful relaxing location. These describe Sanibel perfectly.

According to VCB's statistics, calendar year 2010 total visitation showed modest growth from calendar year 2009 (+2.3%), with paid accommodations visitation up nearly 5 percent and visiting friends/relatives visitation essentially flat (-0.1%). For the 2010 calendar year, estimated total expenditures were down 5.4 percent over 2009. The average per person per day expenditures decreased from \$120.08 in 2009 to \$117.73 in 2010 (-2.0%).

The seasonal fluctuations of visitors and the resident population require constant attention from City employees to ensure City functions operate smoothly. Causeway traffic and the number of visitors to the chamber of commerce show the seasonality that affects all Sanibel activities.

The number of visitors to the Sanibel-Captiva Chamber of Commerce's visitor center is shown in the following table:

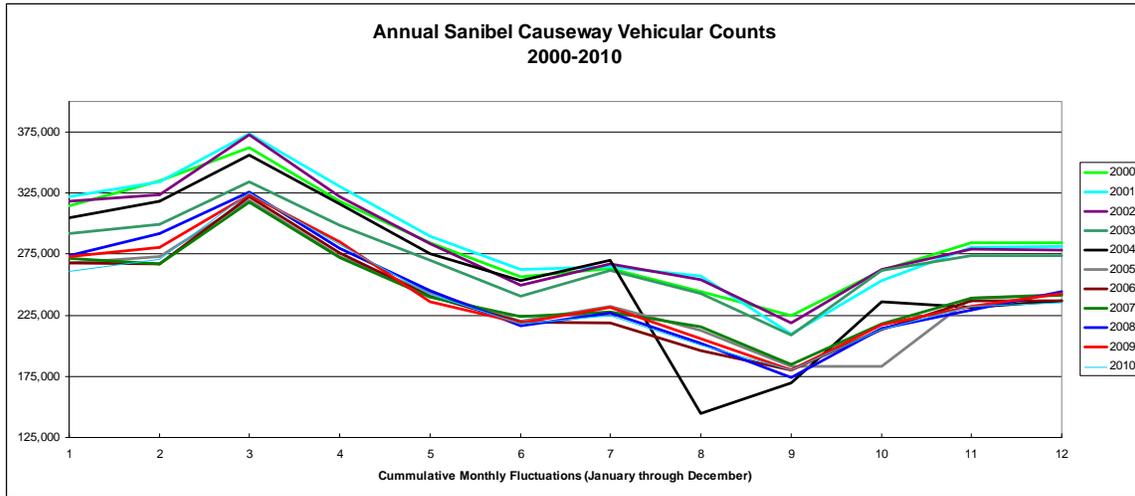
Month	Visitors*				
	2006	2007	2008	2009	2010
January	14.4	14.1	17.2	21.3	18.7
February	18.0	17.5	25.1	27.7	24.3
March	18.7	19.8	26.6	28.5	26.7
April	14.8	15.3	20.2	22.2	18.3
May	10.4	9.7	13.2	13.5	13.1
June	9.6	10.0	12.8	13.3	11.0
July	9.3	11.0	15.3	15.5	12.7
August	7.1	8.8	11.3	12.5	10.1
September	5.1	6.2	7.2	7.7	7.4
October	7.0	8.2	10.6	10.7	10.1
November	8.7	9.8	13.5	12.6	11.2
December	9.3	12.1	15.0	14.0	12.0
Totals	132.4	142.5	188.0	199.5	175.6

\*Thousands of individuals visiting the Sanibel and Captiva Chamber of Commerce visitor center  
Source: Sanibel-Captiva Chamber of Commerce

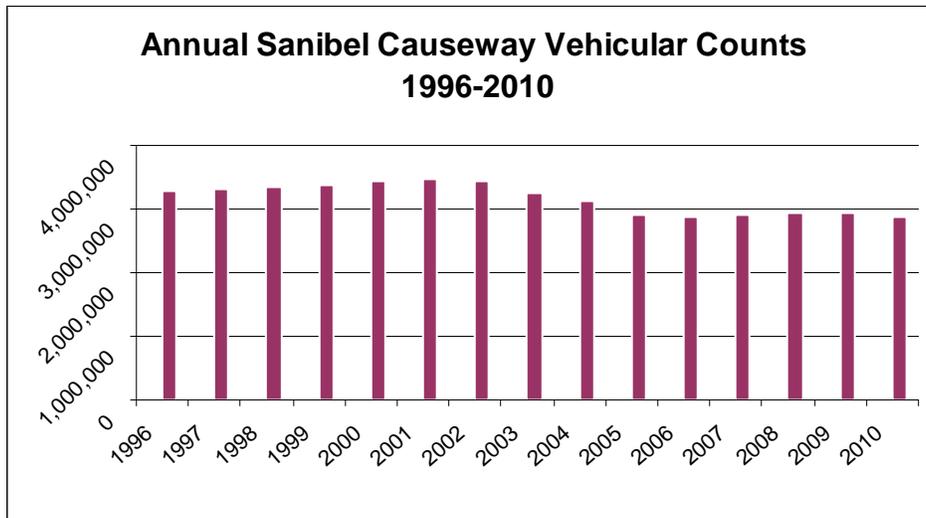
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<sup>(1)</sup> Source for Lee County and Sanibel Population Estimates: Bureau of Economic and Business Research, University of Florida.

The chart below demonstrates the vehicular traffic's seasonal fluctuations:



According to the Lee County Toll System's traffic reports total annual cumulative vehicular count to the island has not exceeded 3 million since 2004. The total annual cumulative count is down by 16.6% from the 2001 peak year (3,460,437 in 2001; 2,886,605 in 2010).

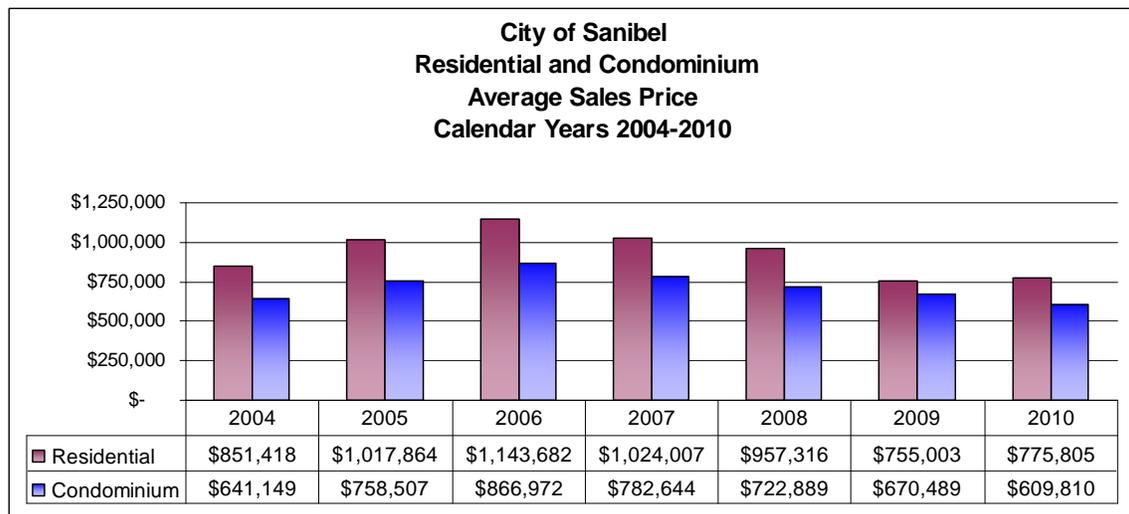
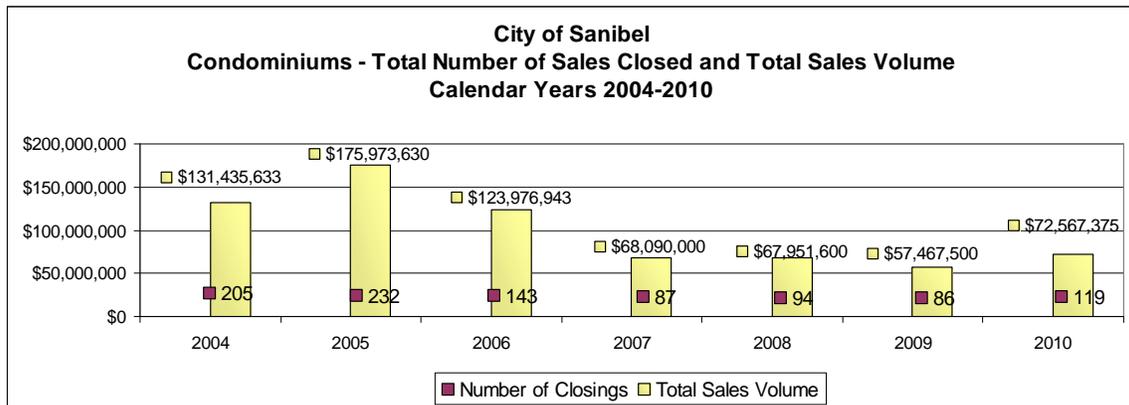
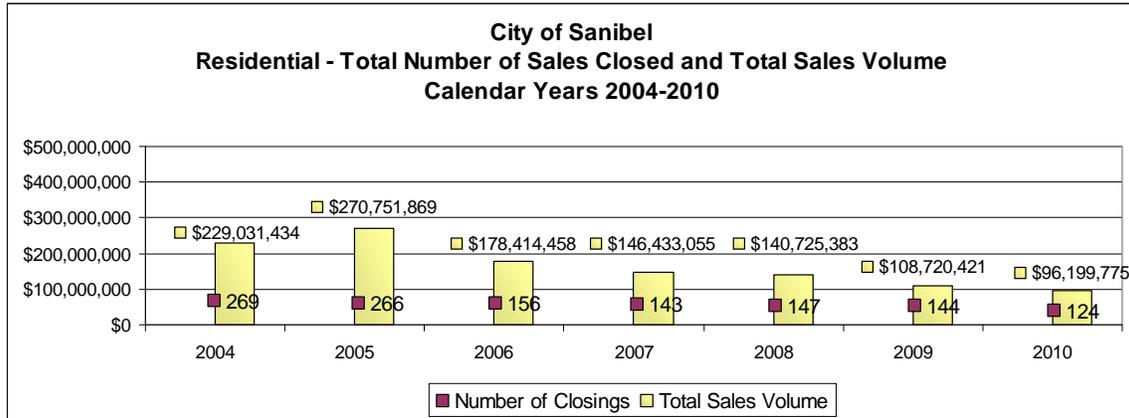


Historically, real estate has also been one of Lee County's economic drivers. Lee ranked fourth (4<sup>th</sup>) in absolute state population growth between 2000 and 2007. However, the steep housing decline that began in 2007 hit Lee County particularly hard and caused county-wide growth to slow. The Lee County communities of Cape Coral and Lehigh Acres, which experienced some of the most dramatic national increases in home sales from 2004 to 2006, also experienced some of the greatest number of foreclosures from 2007-2009.

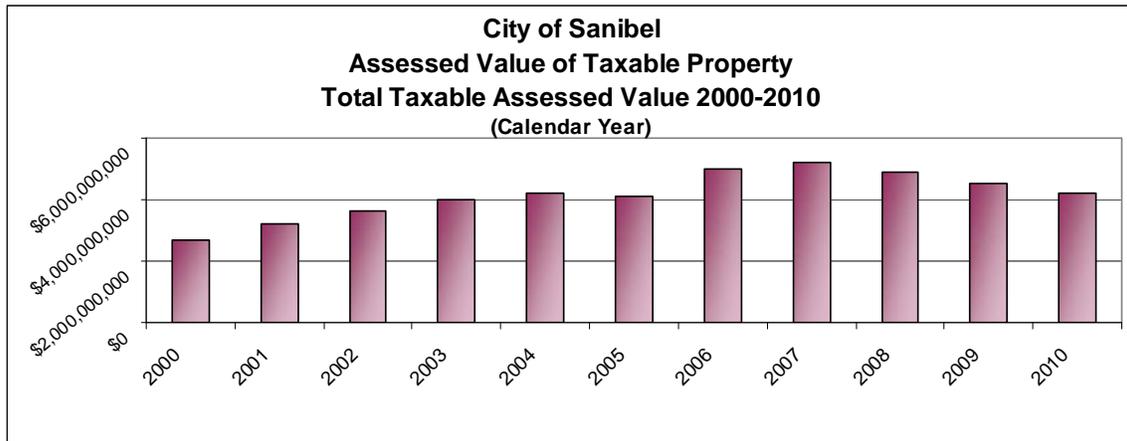
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On Sanibel, the number of sale closings and total sales volume for residential units and condominium units declined between 2006 and 2009, as illustrated in the following charts (data source: the Sanibel and Captiva Islands Association of Realtors Multiple Listing Service). In 2010 the number of residential closings continued to decline from 144 units in 2009 to 124 units in 2010 while condominium closings increased from 86 units in 2009 to 119 units in 2010. Inversely, the average sales price for residential homes increased from \$755,003 in 2009 to \$775,805 in 2010 while the average sales price for condominiums declined from \$670,489 in 2009 to \$609,810 in 2010.

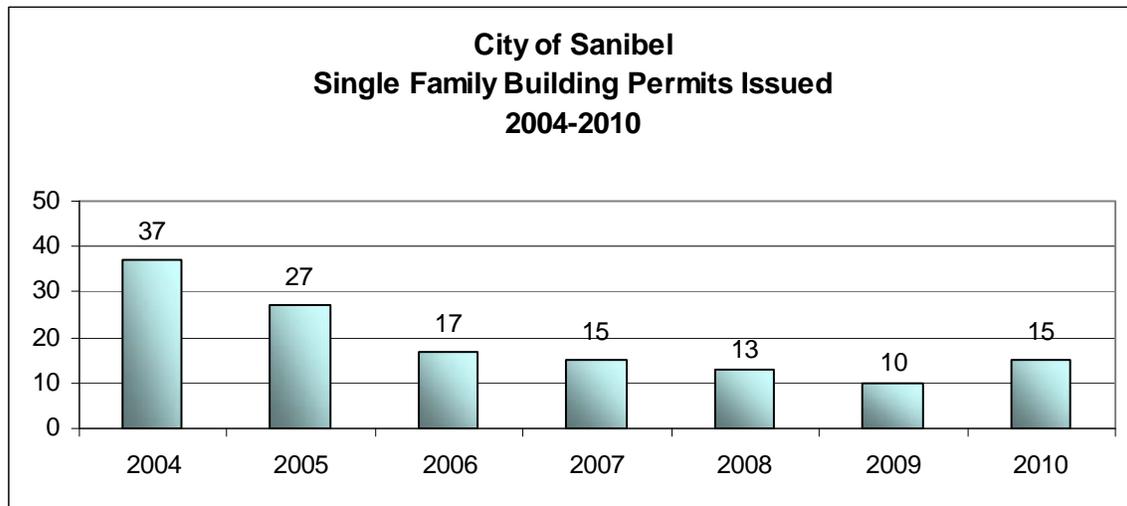
Source of Data: Multiple Listing Service (MLS)



Sanibel's property values peaked in 2007 before beginning declines of 5.6 percent in 2008, 7.9 percent in 2009 and 6.8 percent in 2010.



Between 2004 and 2009 Sanibel experienced a decrease in single family home starts from 37 in 2004 to 10 in 2009. Fifteen (15) permits were issued in 2010. The average value for new home permits decreased from \$927,561 in 2008 to \$690,676 in 2010. In addition to the economy's impact on real estate, the City's decrease in housing starts is also attributable to availability of vacant property. Being an island, the City is approaching build out.

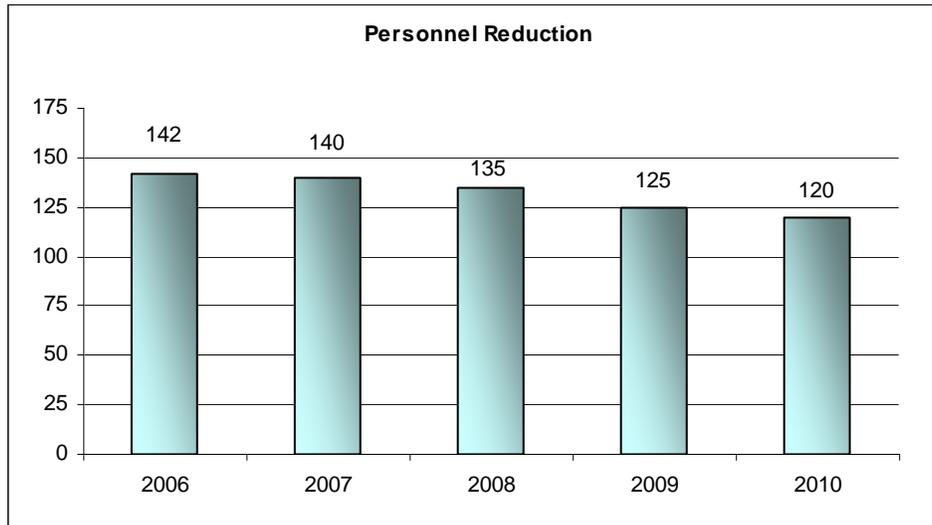


*\*Chart Source: City of Sanibel Building Department*

The building permit department is experiencing increased activity. The total value of permits for commercial properties located on Periwinkle Way, the City's business district, has increased from \$251,567 in 2009 to \$568,690 in 2010. Total number of permits issued have increased 9.55% from 2009 to 2010 (2,200 to 2,410 respectively) and the number of inspections have increased by 12.05% from 5,849 in 2009 to 6,554 in 2010.

City revenue receipts that are impacted by the general economic health of the State of Florida include gas taxes, communication services taxes, state sales tax and state revenue sharing. City operating expenditures were proactively reduced in 2009 and 2010 out of concern for these shared revenues. Due to the City's conservative budget approach these revenue sources' actual 2010 receipts were slightly higher than budgeted.

In 2010 the City reduced the number of full-time employees through attrition from 125 to 120 to reduce fixed operating costs. Between 2006 and 2010 the City's full-time work force was reduced as shown below.



The City's financial operations are managed with recurring general fund operating surpluses contributing to historically strong cash and general fund balance positions. This trend continued in 2010 by reducing operating expenditures in anticipation of declining revenues. At year end the City's general fund's unassigned fund balance of \$8.222 million was equal to 84.1 percent of general fund operating expenditures.

#### **LONG-TERM FINANCIAL PLANNING**

On September 30, 2010, unassigned fund balance available to Council in the general fund (84.1 percent of general fund operating expenditures) falls within the fund balance policy guidelines set by the Council for budgetary and planning purposes (i.e., 17 percent of general fund operating expenditures). If the general fund's unassigned fund balance falls below the acceptable level, the City shall take action necessary to restore the unassigned fund balance to acceptable levels within two years.

Effective in 2011, City Council significantly modified the General Employees' Defined Benefit Pension Plan to assure the plan's sustainability and to reduce future long-term pension costs. In addition, current employees were provided the option to make an irrevocable election to opt out of the defined benefit plan and to participate in a defined contribution plan. New hires will receive the same option.

In their 2011 session, the Florida Legislature is considering making the existing cap on state revenues more stringent potentially affecting grants and shared revenues local governments receive from the state. In addition, a property tax reform proposal would establish an additional exemption for "first time homesteaders" and reduce the current cap on non-homestead tax assessments from 10 percent to 3 percent. The City is closely monitoring these proposals and their potential impact and limitations to Florida municipalities.

The City's priority is to maintain Sanibel as a world-class, safe, clean, environmentally and fiscally sound municipality. Despite the continued economic downturn, Sanibel has maintained its strong financial position through prudent long-term financial planning and fiscal actions to reduce or contain fixed costs. The City is currently operating under the assumption that the current economic decline has yet to reach bottom. Council recognizes that as a barrier island in the sub-tropics, the City remains vulnerable to natural events such as tropical storms and hurricanes. In response to the City's natural vulnerabilities from nature and man, Council committed \$4.5 million for a disaster reserve and \$1.3 million for an environmental initiative reserve.

The City continues to evaluate and implement user fees as part of its efforts for long-term sustainability. In the 2011 budget all City fees were held flat with the exception of an increase in the recreation center's member guest rates. In 2011 the City will update its sewer rate feasibility study.

In 2010 the City finalized its acquisition of 44.77 acres, more or less, including the Sanibel lighthouse, two cottages and other buildings for the special pricing schedule of \$10 per acre from the United States of America, Bureau of Land Management. The total purchase price was \$447.70 with a fair value of \$1,523,799. The property must be used for public park or recreational purposes. The lighthouse is still in use and managed by the United States Coast Guard.

The City Council takes the responsibility of being stewards of the public's funds very seriously. Responsible management of public funds has enabled the City to build general fund reserves at an amount above the minimum established policy levels, leaving our City in a solid financial position.

### ***RELEVANT FINANCIAL POLICIES***

Budgetary control is established by Section 3.12 of the City Charter, which requires the adoption of an annual budget and Section 3.13, which provides for supplemental amendments to increase, decrease or transfer funds within the annual budget framework. Budgetary control throughout the fiscal year is maintained through monitoring encumbrances of estimated purchase amounts. Encumbrances for goods or services not received by fiscal year-end lapse and must be re-budgeted in the following year.

Further downward trends in the state and/or local economy will adversely impact the City's ability to realize its historical levels of revenues. Therefore quarterly monitoring and conservative budgeting should mitigate any unforeseen circumstances. Complementing this practice is one in which certain expenses/expenditures are frozen and not released for use until it is clear that revenues will be at projected levels.

The City has an investment policy in place which places a priority on the safety of principal and liquidity. The policy incorporates the principles of limiting investment risk, maintaining adequate liquidity and flexibility to meet both scheduled and unscheduled obligations and lastly, maximizing returns.

The City does not issue debt, long or short term, to finance operational costs. The City does not have a maximum debt limit. Debt terms are matched with the life of the asset being financed. All debt service requirements are fully funded each year.

The City should maintain unassigned fund balance in accordance with established fund balance policy of 17 percent of general fund operating expenditures.

The budget continues to reserve significant taxing capacity for future needs and avoids one-time revenue sources to fund ongoing City services.

### ***MAJOR INITIATIVES***

The City will continue to provide quality services to the Sanibel community. The following major initiatives are planned:

- Sustain a diverse housing stock through redevelopment regulations for resort housing while ensuring protection of the island's unique natural system by developing a decisional framework based upon best land use practices, developing special site and design criterion applicable to resort properties, and developing provisions for relocation and restoration of nonconforming resort structures that are currently located within the Gulf Beach Zone;

- Continuation of efforts at the federal, state, regional and local levels through education, political and legal methods to improve Sanibel's water quality by reducing urban development nutrient releases into the Caloosahatchee River;
- Continuation of Phase IV (final phase) of the sewer expansion project. The final phase is scheduled to begin in fiscal year 2011. Construction cost for FY11 is estimated at \$1,100,000;
- Invest in new governmental software to be used by finance, building, utilities, code enforcement and planning for increased efficiencies for the public and staff;
- Continue the exotic plant eradication program.

#### **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 Sanibel for its comprehensive annual financial report for the fiscal year ended September 30, 2009. This was the twenty-fourth (24th) consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

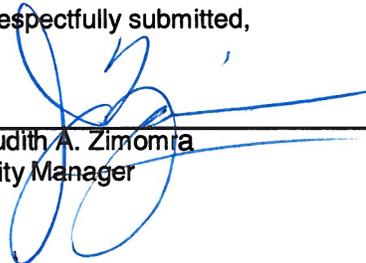
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirement and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the government also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the fiscal year beginning October 1, 2009. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device.

A comprehensive financial report of this nature could not have been prepared without the dedicated efforts of the finance department staff. We would like to express our sincere appreciation to this staff for their noteworthy accomplishments in the completion of this endeavor.

Finally, our sincere appreciation is extended to our external auditors, LarsonAllen LLP for their assistance and to the Mayor and City Council for the vital role they have played in enabling the City to remain fiscally responsible to the taxpayers of Sanibel.

Respectfully submitted,



---

Judith A. Zimomta  
City Manager



---

Sylvia A. Edwards  
Finance Director

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Sanibel  
Florida

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
September 30, 2009

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.



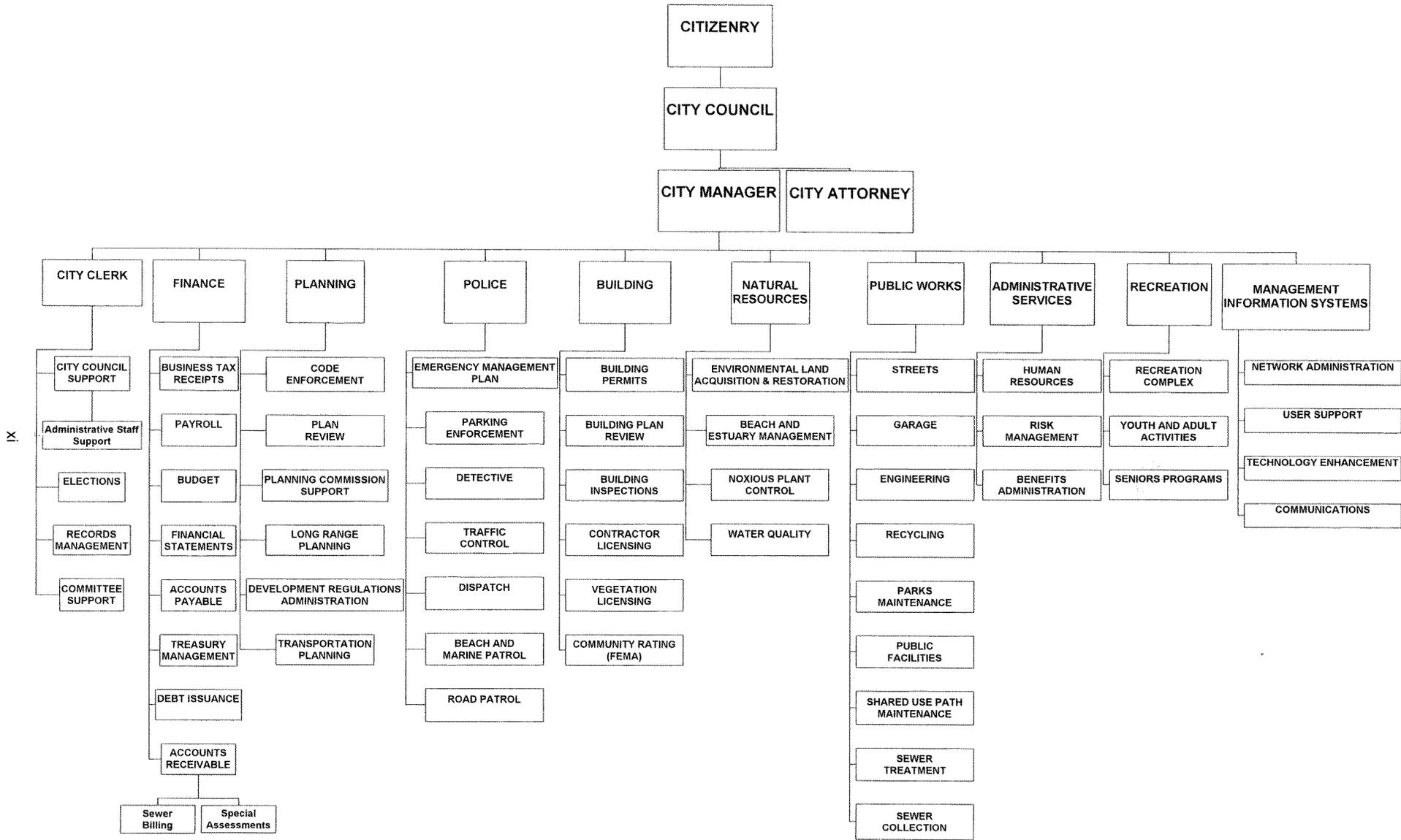
A stylized handwritten signature in black ink.

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

Executive Director

CITY OF SANIBEL ORGANIZATIONAL CHART - 2010



X.

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**City of Sanibel**  
**COUNCIL-MANAGER FORM OF GOVERNMENT**  
**AS OF SEPTEMBER 30, 2010**

---



**ELECTED OFFICIALS**

Kevin Ruane .....Mayor  
Mick Denham .....Vice Mayor  
Marty Harrity .....Councilmember  
Jim Jennings .....Councilmember  
Peter Pappas .....Councilmember

**APPOINTED OFFICIALS**

Judith A. Zimomra, M.P.A., J.D. .... City Manager  
Kenneth B. Cuyler, Esq. .... City Attorney

**EXECUTIVE STAFF**

James R. Isom .....Administrative Services Director  
R. Harold Law, Jr. ....Chief Building Official  
William Tomlinson .....Chief of Police  
Pamela Smith, MMC ..... City Clerk  
Sylvia A. Edwards, CPA, CGFO, CPFO ..... Finance Director  
Albert Smith, Jr. .... Information Services Director  
Robert K. Loflin, Ph.d. .... Natural Resources Director  
James C. Jordan ..... Planning Director  
Gates D. Castle, PE .....Public Works Director/City Engineer  
Christopher Deal, MS ..... Recreation Director

## ***FINANCIAL SECTION***

**This section contains the following subsections:**

Independent Auditors' Report

Management's Discussion and Analysis (MD&A)

Basic Financial Statements

Required Supplementary Information Other Than MD&A

Combining Financial Statements and Schedules

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CPAs, Consultants & Advisors  
www.larsonallen.com

## INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Council  
City of Sanibel, Florida  
Sanibel, 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 Sanibel, Florida (the "City") as of and for the year ended September 30, 2010, which, together with the aggregate discretely presented component unit, 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 did not audit the financial statements of Community Housing and Resources, Inc., a component unit. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion on the financial statements, insofar as it relates to the amounts included for Community Housing and Resources, Inc., is based solely on the report of the other auditors.

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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Sanibel, Florida as of September 30, 2010, and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 16 to the basic financial statements, the City adopted the provisions of Government Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* for the year ended September 30, 2010. Adoption of the provisions of this statement results in significant changes to the classifications and components of fund balances.

Honorable Mayor and City Council  
City of Sanibel, Florida

In accordance with *Government Auditing Standards*, we have also issued our report dated March 1, 2011, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis (MD&A) on pages 3 through 20, the budgetary comparison information on pages 86 and 87, and the schedules of funding progress and schedules of funding progress on pages 88 through 90, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, the combining financial statements and schedules, and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Larson Allen LLP*  
**LarsonAllen LLP**

Fort Myers, Florida  
March 1, 2011

## Management's Discussion and Analysis

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Unaudited)

Discussion and analysis of the City of Sanibel's financial statements is intended to provide a narrative introduction to the basic financial statements and an analytical overview of the City's financial activities for the fiscal year ended September 30, 2010.

**FINANCIAL HIGHLIGHTS**

- ❑ At the close of fiscal year 2010, the City of Sanibel's assets exceeded its liabilities by \$94.324 million (net assets). Governmental and business-type assets exceeded liabilities by \$61.862 million and \$32.462 million, respectively.
- ❑ The City's total net assets increased by \$3.094 million, or 3.4%, in comparison to the prior year. Unrestricted net assets, which may be used to meet the government's ongoing obligations to citizens and creditors increased by \$2.683 million, or 12.4%.
- ❑ The City's governmental activities reported total net assets of \$61.862 million, which is an increase of \$2.153 million, or 3.6%, in comparison to the prior year. Approximately 34.9% of the total, or \$21.568 million, is unrestricted.
- ❑ The City's business-type activities reported total net assets of \$32.462 million, which is an increase of \$941,817, or 3.0%, in comparison to the prior year. Approximately 8.6% of the total, or \$2.792 million, is unrestricted.
- ❑ The City's long-term liabilities decreased by \$6.108 million during the current fiscal year. In addition to the required annual debt service payments the City prepaid an additional \$3.044 million in debt, \$2.600 million governmental debt and \$444,520 sewer debt.
- ❑ At the close of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$23.645 million, a decrease of \$1.259 million, or 5.1%, from the 2009 ending fund balance of \$24.904 million.
- ❑ At the end of the current fiscal year, fund balance for the general fund was \$16.392 million. Of this balance \$4.5 million has been committed for the disaster reserve, \$1.3 million committed for the environmental initiative reserve, \$315,000 committed for the insurance deductible reserve, and \$275,000 assigned for the contingency reserve. In addition \$1.78 million is nonspendable which consists of long-term loan to other funds \$1.75 million, \$9,657 for inventories and \$20,393 for prepaid expenses. Approximately \$8.222 million (34.8%) is available for spending at the government's discretion (unassigned fund balance).
- ❑ At the end of the current fiscal year, unassigned fund balance for the general fund was approximately \$8.222 million or 52.2% of the general fund's total expenditures (\$9.776 million) plus other financing uses (\$5.972 million).

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

This discussion and analysis is intended to serve as an introduction to the City'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 financial 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 focus is on "activities", rather than "fund types". All information is presented utilizing the economic resource measurement focus and the accrual basis of accounting. This method matches revenues and expenses to the period in which the revenue is earned and the expense attributed.

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* (the "unrestricted net assets") is designed to be similar to bottom line results for private sector companies. This statement combines and consolidates governmental fund current resources (short-term spendable resources) with capital assets and long-term obligations. (See page 22).

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, governmental and business-type, that are supported by the government's general tax and other revenues. This is intended to summarize and simplify the user's analysis of the cost of various governmental services and/or subsidy from various business-type activities. (See page 23).

Each of these government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, transportation, physical environment, economic environment, human services, and culture and recreation. The business-type activities of the City consist of the sewer system enterprise fund and the beach parking enterprise fund.

Component units are other governmental units over which the City (the City Council, acting as a group) can exercise influence and/or may be obligated to provide financial subsidy. Discretely-presented component units (Community Housing & Resources, Inc.) are presented as a separate column in the government-wide statements. Blended component units are presented as part of the primary government activities. The City has no blended component units to report. Community Housing & Resources, Inc., a legally separate organization, issued separate audited financial statements for the year ended September 30, 2010.

The government-wide financial statements can be found on pages 22-23 of this report.

## **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over the resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds. Traditional users of governmental financial statements will find the fund financial statement presentation more familiar.

**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.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar

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

The City maintains forty individual governmental funds. Information is presented separately in the governmental fund *Balance Sheet* and in the governmental fund *Statement of Revenues, Expenditures and Changes in Fund Balances*, for the general fund and transportation fund which are considered to be major funds. Data from the other thirty-eight nonmajor governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements and schedules immediately following the *required supplementary information* and can be found on pages 96-145 of this report.

The City adopts an annual appropriated budget for its general fund, as well as the other thirty-nine governmental funds. Budgetary comparison schedules are required only for the general fund and major special revenue funds. A budgetary comparison schedule has been provided for the general fund and for the transportation fund to demonstrate compliance with the budget, immediately following the *notes to the financial statements*. (See page 86-87).

The basic governmental fund financial statements can be found on pages 24-27 of this report.

**Proprietary funds.** The City maintains only one of the two proprietary fund types. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for its sewer system utility fund and beach parking fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among a government's various functions. The City does not utilize internal service funds.

Fees or charges are the primary revenue source for the proprietary funds. Sanibel's sewer system enterprise fund also receives tax revenue from a voter-approved tax levy to pay debt service related to the sewer capital expansion projects.

The proprietary fund statements provide the same type of information as the business-type activities in the government-wide financial statements, only in a different format.

The basic proprietary fund financial statements can be found on pages 28-33 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. Individual fund data for the fiduciary funds is provided in the form of combining statements and can be found on pages 146-147 of this report.

The basic fiduciary fund financial statements can be found on pages 34-35 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 37-83 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City's progress in funding its obligation to provide pension benefits and other post-employment benefits to its employees and schedules showing budget-to-actual data for the general fund and the transportation fund. *Required supplementary information* can be found on pages 86-90 of this report.

## GOVERNMENT-WIDE FINANCIAL STATEMENT ANALYSIS

### Statement of Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$94.324 million.

The City's combined net assets as of September 30, 2010 were \$94,323,549. The 2010 increase to city-wide net assets was \$3,094,452. The City's combined revenues, including contributions, grants, charges for services, taxes and other general revenues were \$29,140,757. Total expenses city-wide were \$26,046,305.

The following table reflects the condensed Statement of Net Assets found on page 22 of this report for the current year with comparative information for fiscal year 2009:

<b>Statement of Net Assets (Summary) as of September 30, 2010 and 2009</b>						
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 25,930,569	\$ 26,741,907	\$ 15,109,874	\$ 15,191,211	\$ 41,040,443	\$ 41,933,118
Capital assets, net of depreciation	<u>49,238,735</u>	<u>48,894,394</u>	<u>54,366,558</u>	<u>56,314,071</u>	<u>103,605,293</u>	<u>105,208,465</u>
Total assets	<u>75,169,304</u>	<u>75,636,301</u>	<u>69,476,432</u>	<u>71,505,282</u>	<u>144,645,736</u>	<u>147,141,583</u>
Current and other liabilities	1,906,919	1,312,465	543,696	620,457	2,450,615	1,932,922
Long-term liabilities	<u>11,400,540</u>	<u>14,614,626</u>	<u>36,471,032</u>	<u>39,364,938</u>	<u>47,871,572</u>	<u>53,979,564</u>
Total liabilities	<u>13,307,459</u>	<u>15,927,091</u>	<u>37,014,728</u>	<u>39,985,395</u>	<u>50,322,187</u>	<u>55,912,486</u>
Net assets:						
Invested in capital assets, net of related debt	38,368,735	35,796,393	17,991,148	17,037,477	56,359,883	52,833,870
Restricted	1,924,988	4,045,391	11,678,522	12,672,286	13,603,510	16,717,677
Unrestricted	<u>21,568,122</u>	<u>19,867,426</u>	<u>2,792,034</u>	<u>1,810,124</u>	<u>24,360,156</u>	<u>21,677,550</u>
Total net assets	<u>\$ 61,861,845</u>	<u>\$ 59,709,210</u>	<u>\$ 32,461,704</u>	<u>\$ 31,519,887</u>	<u>\$ 94,323,549</u>	<u>\$ 91,229,097</u>

By far, the largest portion of the City's net assets (59.8%) reflect its investment in capital assets (such as land, buildings, parks, roads, bridges, machinery and equipment) less any related outstanding debt used to acquire those assets. The 59.8% of the City's total net assets compares to 57.9% at September 30, 2009. The City uses these assets to provide services to citizens; consequently these assets are not available for future spending. Although the capital assets are shown net of 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 and pay for these liabilities.

Restricted net assets of \$13,603,510, representing 14.4% of total net assets, are subject to external restrictions on how they may be used. Unrestricted net assets of \$24,360,156 are 25.8% of total net assets and may be used for any purpose.

In governmental activities, \$21,568,122 or 34.9% of net assets are unrestricted, a \$1,700,696 increase from September 30, 2009. The increase in net assets was primarily as a result of operations.

In business-type activities, \$2,792,034 or 8.6% of net assets are unrestricted, a \$981,910 increase from September 30, 2009. The increase in net assets was primarily as a result of operations.

## Statement of Activities

The following is a summary of the information presented in the Statement of Activities found on page 23 of this report, with comparative information for 2009:

Changes in Net Assets (Summary)						
For the Year Ended September 30, 2010 and 2009						
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program revenues						
Charges for services	\$ 2,898,700	\$ 2,998,163	\$ 7,162,597	\$ 7,074,993	\$ 10,061,297	\$ 10,073,156
Operating grants and contributions	821,483	2,016,163	1,172,047	1,347,248	1,993,530	3,363,411
Capital grants and contributions	1,640,519	248,455	61,500	1,912,990	1,702,019	2,161,445
General revenues						
Property taxes	10,125,469	10,913,347	1,241,407	1,244,143	11,366,876	12,157,490
Other taxes	2,342,176	2,360,426	-	-	2,342,176	2,360,426
Intergovernmental revenues	526,046	676,646	-	-	526,046	676,646
Other	433,812	242,687	715,001	302,901	1,148,813	545,588
Total revenues	<u>18,788,205</u>	<u>19,455,887</u>	<u>10,352,552</u>	<u>11,882,275</u>	<u>29,140,757</u>	<u>31,338,162</u>
Expenses (including indirect expenses):						
General government	1,049,655	1,187,925	-	-	1,049,655	1,187,925
Public safety	5,236,888	5,475,170	-	-	5,236,888	5,475,170
Physical environment	919,446	1,280,829	-	-	919,446	1,280,829
Sewer	-	-	7,352,404	7,864,277	7,352,404	7,864,277
Transportation	4,290,481	3,956,588	-	-	4,290,481	3,956,588
Beach parking	-	-	2,058,331	2,079,582	2,058,331	2,079,582
Economic development	279,107	314,639	-	-	279,107	314,639
Human services	1,000	1,000	-	-	1,000	1,000
Culture/recreation	4,295,854	3,871,583	-	-	4,295,854	3,871,583
Interest on long-term debt	563,139	635,752	-	-	563,139	635,752
Total expenses	<u>16,635,570</u>	<u>16,723,486</u>	<u>9,410,735</u>	<u>9,943,859</u>	<u>26,046,305</u>	<u>26,667,345</u>
Change in Net Assets	2,152,635	2,732,401	941,817	1,938,416	3,094,452	4,670,817
Net assets-October 1	59,709,210	56,976,809	31,519,887	29,581,471	91,229,097	86,558,280
Net assets-September 30	<u>\$ 61,861,845</u>	<u>\$ 59,709,210</u>	<u>\$ 32,461,704</u>	<u>\$ 31,519,887</u>	<u>\$ 94,323,549</u>	<u>\$ 91,229,097</u>

Primary government total net assets increased by \$3,094,452 with governmental activities increasing by \$2,152,635 and business-type activities increasing by \$941,817.

Total primary government revenues were lower between years, with governmental activities revenues decreasing by \$667,682 and business-type revenues decreasing by \$1,529,723.

Total primary government expenses were lower between years, with governmental activities expense decreasing by \$87,916 and business-type expense decreasing by \$533,124.

### Governmental activities

Program revenues include \$2,898,700 in charges for services, of which \$1,452,266 was from various fees for general government services. The most significant of these were franchise fees of \$1,013,185, development fees of \$222,766 and indirect cost charges to other funds of \$227,738. Building-type permits of \$611,594 were the significant charges for services in public safety activity. Physical environment activity's solid waste surcharge fees accounted for \$199,299 and recreation center user fees were \$508,220.

Development fees and building permit fees were lower than in the prior year by \$15,132 and \$71,412 respectfully, due to a slow down in the economy and build out on the island.

Operating grants were \$1,194,680 less than in the prior year. In 2009 the City received additional reimbursements for 2004 and 2005 hurricane expenditures from FEMA and the State of Florida for Hurricanes Charley and Wilma in the amount of \$1,066,951.

Capital grants were \$1,392,064 higher in 2010 primarily due to the purchased of 44.77 acres, more or less, including the Sanibel lighthouse, cottages and other buildings for the special pricing schedule of \$10 per acre for a total amount of \$448 from the United States of America, Bureau of Land Management. The difference between the fair value (\$1,523,799) and the purchase price (\$448) is reported as capital contribution revenue (\$1,523,351).

Property tax collections were \$787,878 lower in 2010 with Council voting to levy the same mill rate on a lower property tax base.

Other revenues were up \$211,891 from the prior year as investment earnings increased and market values recovered in 2010. The City revised its investment policy to expand its portfolio to include investments in taxable municipal debt obligations and a limited 10% to 15% exposure in corporate bonds (no more than two (2%) percent of the portfolio may be invested with any one corporate bond issuer).

The following table presents the total cost of services for each of the City's five largest programs as well as each program's net cost; that is, total cost less program revenues (i.e. excluding taxes), generated by the activities. The net cost represents the portion of each program that is supported by various general revenues, including taxes.

The cost of all governmental activities this fiscal year was \$16,635,570. As shown in the statement of activities (see page 23), the net cost ultimately paid through taxes and other general revenues was \$11,274,868, \$185,837 less than in 2009. City staff continues its endeavor in identifying means to reduce operating expenses.

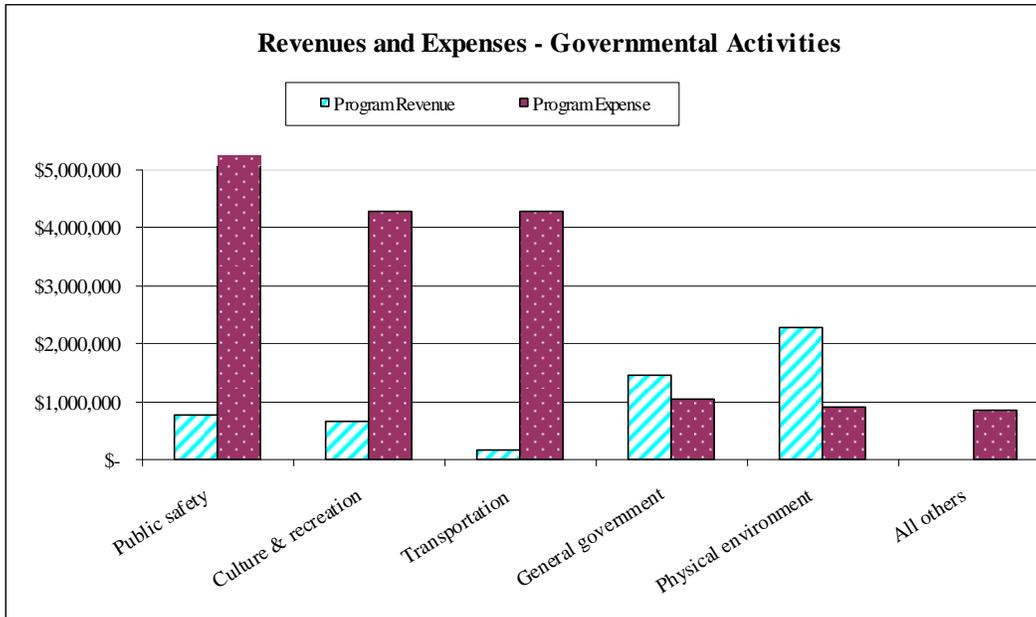
<b>Expenses and Program Revenues</b>				
<b>Governmental Activities</b>				
	Total Cost Of Services		Net Cost (Earnings) Of Services	
	2010	2009	2010	2009
Public safety	\$ 5,236,888	\$ 5,475,170	\$ 4,454,915	\$ 3,491,507
Culture/Recreation	4,295,854	3,871,583	3,625,167	3,255,867
Transportation	4,290,481	3,956,588	4,125,360	3,785,616
General government	1,049,655	1,187,925	(410,111)	(301,820)
Physical environment	919,446	1,280,829	(1,363,280)	321,822
All others	843,246	951,391	842,817	907,713
<b>Totals</b>	<b>\$ 16,635,570</b>	<b>\$ 16,723,486</b>	<b>\$ 11,274,868</b>	<b>\$ 11,460,705</b>

The primary factor for the increase in net cost of \$963,408 for public safety is attributable to \$1,066,951 in reimbursements received in 2009 from FEMA and the State of Florida for 2004 and 2005 hurricane expenditures for Hurricane Charley and Hurricane Wilma.

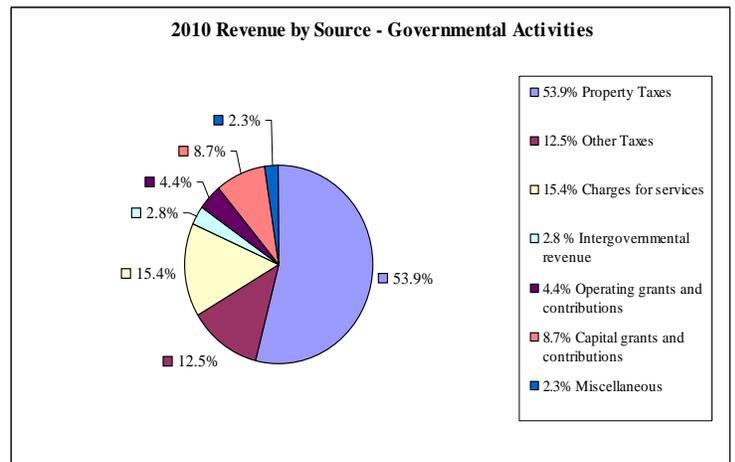
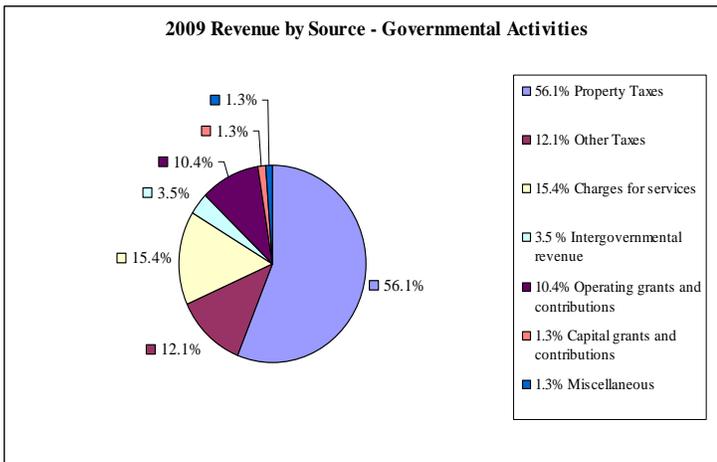
The decrease in net cost for physical environment of \$1,685,102 is primarily due to the recognition of capital contribution in the amount of \$1,523,351 for the Sanibel lighthouse property bargain purchase from the United States of America, Bureau of Land Management.

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As you can see from the chart below which compares program expenses with program revenues for the City's governmental activities, most of the funding for governmental activities is not from program revenues (physical environment revenues includes the one time \$1.5 million capital contribution):



The following graphs compare the composition of revenues for the City's governmental activities for fiscal years 2009 and 2010:

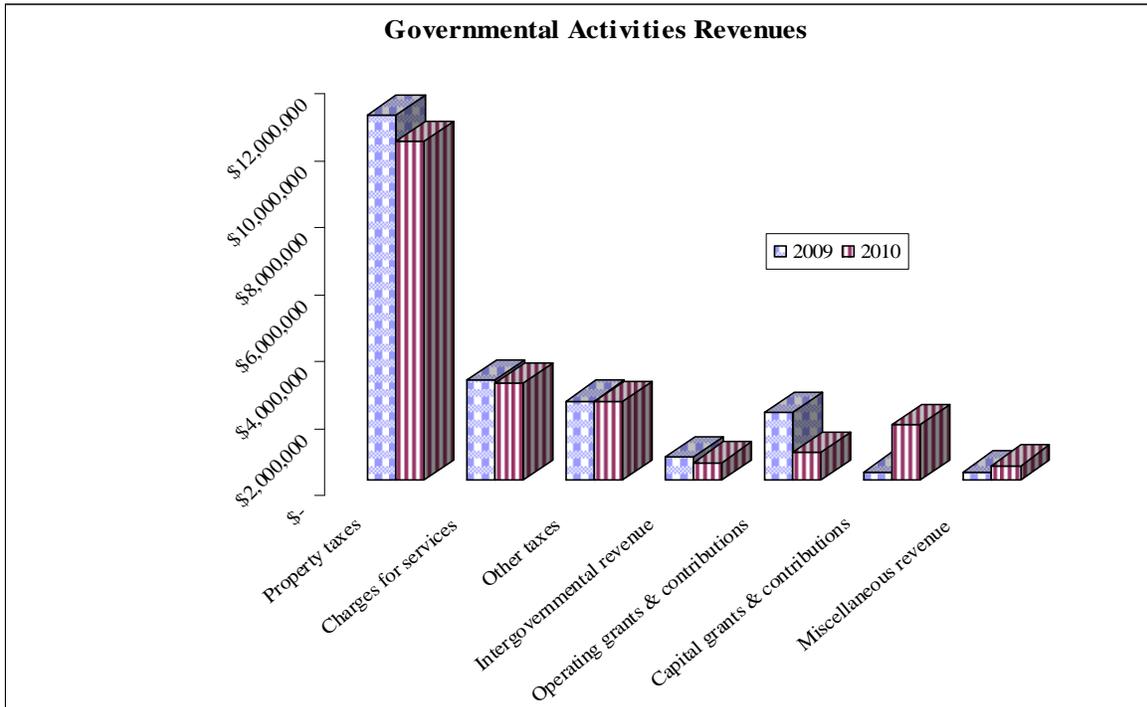


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**Governmental activities revenues**

The only significant increase over the prior year was capital grants by \$1,392,064 primarily due to the recognition of the fair value over purchase price of the Sanibel lighthouse property previously discussed. Ad valorem taxes decreased by \$787,878, or 7.2%, from the prior year due to a 6.8% drop in taxable property value combined with no increase to the prior year's millage rate of 2.1561 mills by City Council. Operating grants and contributions decreased by \$1,194,680 from the prior year mainly due to \$1,066,951 received in 2009 for hurricane expenditure reimbursements.

The chart below compares revenues by source for fiscal years 2009 and 2010.



**Business-type activities**

Revenues of the City's business-type activities totaled \$10,352,552. Expenses totaled \$9,410,735, which generated an increase in net assets of \$941,817. Net assets increased by \$514,526 in the sewer system fund and \$427,291 in the beach parking fund.

Charges for services program revenues were higher by 1.2% over the prior year. A 3% fee increase generated an additional \$155,042 in service charge revenues for the sewer fund. While beach parking rates remained at \$2.00 per hour collections decreased by \$67,438.

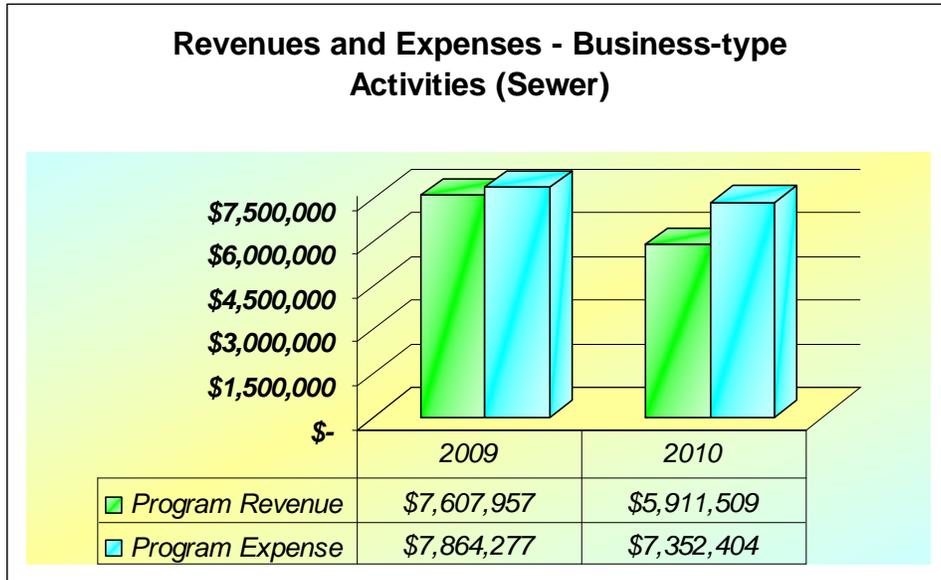
In the sewer fund capital grants and contributions decreased by \$1,851,490 in 2010 mainly due to a one-time \$1,752,211 in special assessments in FY 2009 to homeowners connected to the sewer system with the completion of the sewer system's Phase V expansion project.

In the beach parking fund, expense decreased by \$21,251. Grant revenue from the Lee County Tourist Development Council decreased by \$175,201 from \$1,347,248 in 2009 to \$1,172,047 in 2010.

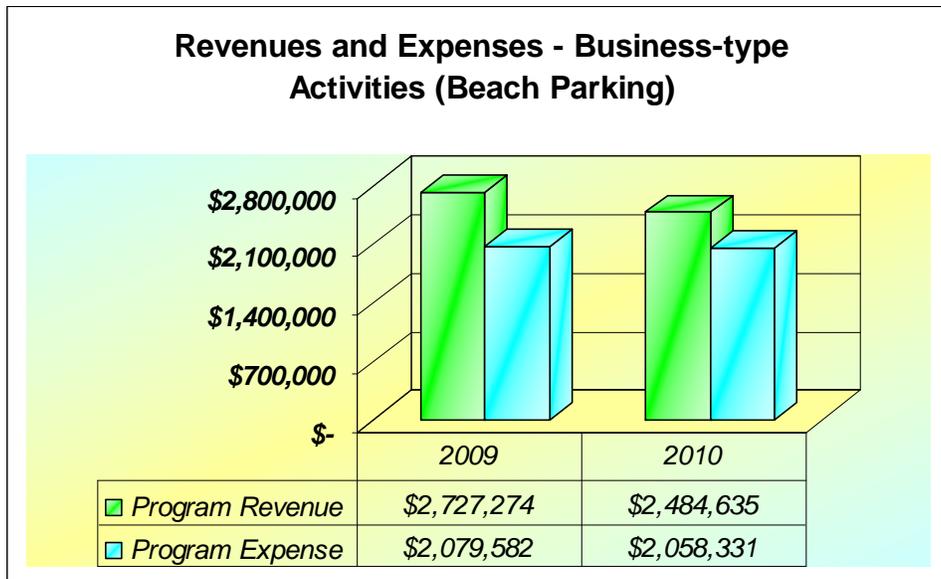
In the sewer fund, expense decreased by \$511,873. Interest expense was down \$221,121 as a result of prepaying \$5,905,636 in sewer debt in 2009. Repairs and maintenance was down by \$141,035 from \$863,717 in 2009 to \$722,682 in 2010. Contractual services and materials and supplies were down by \$177,814 from \$699,190 in 2009 to \$521,376 in 2010.

In addition to program revenues, the sewer fund receives tax revenue from a voter-approved tax levy to pay debt service related to the sewer capital expansion projects. Tax revenue received in 2010 was \$1,241,407 compared to \$1,244,143 in 2009.

The following charts compares program expenses with program revenues for the City's business-type activities for fiscal years 2009 and 2010:

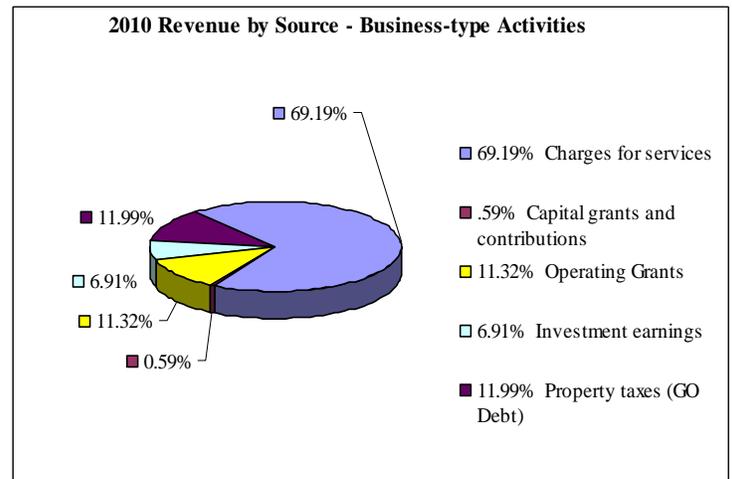
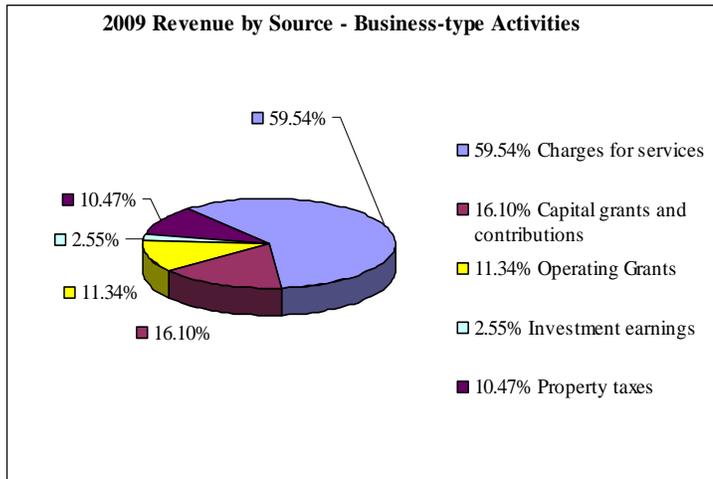


Note: In the sewer fund capital contributions were \$1.851 million less in 2010.



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The following graphs compare the composition of revenues for the City's business-type activities for fiscal years 2009 and 2010:



### FINANCIAL ANALYSIS OF THE CITY OF SANIBEL'S FUNDS

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

**Governmental funds.** Governmental funds are comprised of the general fund, special revenue funds, debt service funds and capital projects funds. Governmental funds use the current financial resources measurement focus that provides information on the near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The *General Fund* is the chief operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. At the end of the current fiscal year the unassigned fund balance of the general fund was \$8,222,172, while total fund balance was \$16,392,222. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures and other financing uses. Unassigned fund balance represents 52.2% of total general fund expenditures and other financing uses, while total fund balance represents 104.1% of that same amount.

The fund balance of the City's general fund decreased \$1,851,583 during 2010. Key factors in this decrease are the net effect of the following factors.

Revenues decreased by \$3,557,911 from \$16,187,649 in 2009 to \$12,629,738 in 2010:

- \$1,433,690 of gas tax revenue that was previously reported in the general fund was moved to the newly-created transportation fund in fiscal year 2010
- Ad-valorem revenue was lower by \$787,878 with the same millage rate levied on a lower property tax base
- Intergovernmental revenue was lower in fiscal year 2010 due to receiving a final payment in the amount \$1,066,951 from FEMA and the State of Florida for Hurricane Charley and Hurricane Wilma expenditures in fiscal year 2009

Operating expenditures decreased by \$1,203,522 from \$10,979,805 in 2009 to \$9,776,283 in 2010:

- \$1,301,802 in transportation expenditures was moved from the general fund to the new transportation fund

Other financing sources increased by \$864,162 from \$402,993 in 2009 to \$1,267,155 in 2010 and other financing uses increased by \$3,492,100 from \$2,480,093 in 2009 to \$5,972,193 in 2010:

- Six funds were closed in fiscal year 2010 resulting in transfers back (sources) to the general fund totaling \$1,215,346; in fiscal year 2009 \$402,993 was returned to the general fund
- \$1,292,991 was transferred out to the new transportation fund (uses)
- An additional \$2,225,256 was transferred out to the debt service funds (uses) in order to early retire \$2,559,779 in debt

The *Transportation Fund*, the City's only major special revenue fund, was established in 2010 to account for all activities necessary to provide repaving, maintenance and repairs to the City's streets, shared-use paths and drainage infrastructure. Revenues are received from the local option gas taxes, municipal fuel allocation portion of the State of Florida's municipal shared revenues and fuel tax rebates. Previously the revenues, expenditures (excluding repairs and maintenance) were reported in the general fund. The repairs and maintenance were reported in the transportation capital project fund.

In 2010 the transportation fund received \$1,513,768 in revenues. The major revenue source was gas taxes of \$1,433,690. In 2009 the general fund reported gas taxes of \$1,480,460.

The transportation fund expenditures totaled \$2,302,282. Of this total \$1,077,418 was for repairs and maintenance. \$656,061 was expended in the transportation capital project fund on repairs and maintenance in 2009. The expenditures excluding repairs and maintenance totaled \$1,224,864. This can be compared to the \$1,301,802 in expenditures previously reported in the general fund.

In addition to revenues, the transportation fund received other financing sources totaling \$1,627,991. \$1,292,991 was received from the general fund and \$335,000 was received from capital project funds. The transportation fund's fund balance at year end was \$839,477.

The transportation fund's revenues exceeded budget by \$112,405 primarily \$108,912 in additional gas taxes. Expenditures came in \$620,908 below budget. The major factor was the repair and maintenance expenditures were \$469,681 below budget. Repaving projects' actual costs were coming in under budget. The transportation fund's budgetary comparison schedule can be found in the *required supplementary information* on page 87.

All other governmental funds are accounted for in the column entitled *Other Governmental Funds*. Other governmental funds include nonmajor special revenue, debt service and capital project funds. Fund balances for this group were \$247,734 less than in fiscal year 2009.

In fiscal year 2010, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*". GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. Changes to the government fund type fund balance reporting is reflected in the financial statements and schedules and related disclosures are included in Note 1, Section Q - Fund Balance.

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As of October 1, 2009, beginning fund balances of the following nonmajor fund types were restated due to the implementation of GASB Statement No. 54.

	Nonmajor Special Revenue Funds	Nonmajor Capital Project Funds
Fund Balances - Beginning of Year	\$ 2,615,240	\$ 3,511,308
GASB 54 Implementation	74,055	(74,055)
Fund Balances - Beginning of Year Restated	<u>\$ 2,689,295</u>	<u>\$ 3,437,253</u>

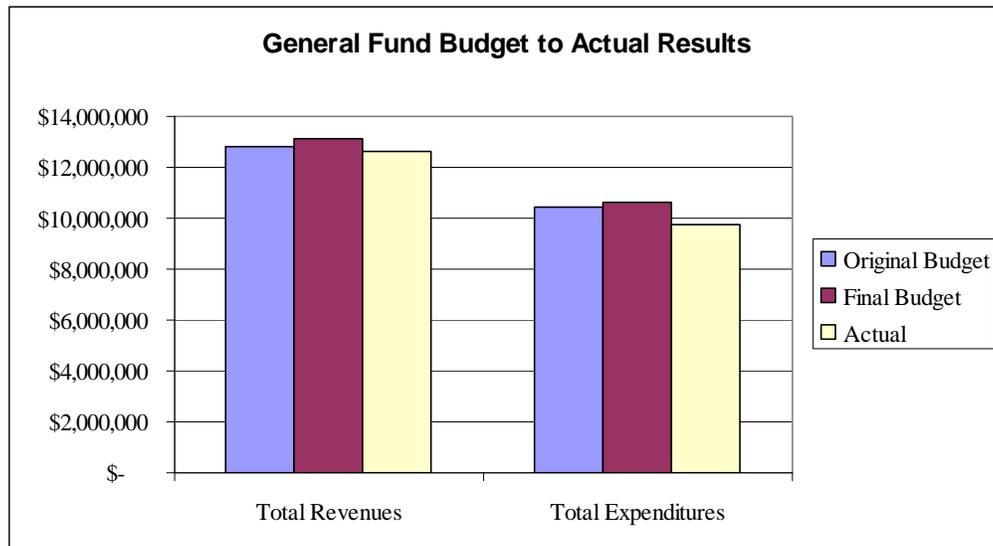
Special revenue fund balances were higher by \$88,908 with the \$74,055 reclassification of three funds from capital project funds.

Capital project fund balances were lower by \$96,738 with the \$74,055 reclassification of three funds to special revenue funds.

Debt service fund balances were lower by \$239,904 with the prepayment of debt allowing for several debt service funds to be closed at the end of 2010.

**Proprietary funds.** The City's proprietary funds are comprised of enterprise funds. An enterprise fund is used to account for activities for which a fee is charged to external users for goods and services. These funds provide the same type of information, but in more detail than that found in the government-wide financial statements. See pages 28-33.

### GENERAL FUND BUDGETARY HIGHLIGHTS



During the year, there was a \$304,767 (2.4%) increase in budgeted revenue between the original and final amended budget and a \$181,315 (1.7%) increase in budgeted expenditures between the original and final amended budget.

Following are the key factors for the budgeted revenue increase:

- \$ 44,269 – Communication service tax revenue projections were increased on the basis of actual receipts;
- \$103,310 – Charges for service revenue projections were increased on the basis of actual receipts;
- \$138,883 – Interest income and investment values were increased on the basis of actual receipts and September 30, 2010 market value adjustments.

Following are the key factors for the budgeted expenditure increase:

- \$87,199 – for the purchase and installation of a new emergency generator at City Hall which failed on January 10, 2010;
- \$13,000 – for rental of a portable emergency generator;
- \$22,000 – for an upgrade to the electrical capacity for the new emergency generator
- \$58,155 – for additional legal services relating to Lake Okeechobee releases (\$37,344) and union negotiations (\$20,811).

Revenue budget-to-actual in the general fund resulted in a \$503,513, or 3.8%, negative revenue variance due primarily to the \$379,171 allowance for the property tax early payment discount program that is budgeted as reserve for under-collection in the other financing sources (uses) portion of the budget and \$154,192 less of intergovernmental revenue than budgeted.

Budget-to-actual expenditures show an \$850,170 (8%) positive variance (actual less than budget). This decrease was uniform through most departments and reflects the successful continuation of cost containment begun in 2009. Police was \$374,840 under budget primarily due to a combination of full-time open positions not filled and the hiring of more part-time employees.

The general fund's fund balance was \$6,876,362 higher at year end than the amended budget projection. This variance is attributed to \$6,042,136 in contingency reserves (for disasters, environmental initiatives and other miscellaneous contingencies) that were not expended.

A more detailed analysis of the general fund budget comparison can be found in the budgetary comparison schedule found in the *required supplementary information* on page 86 of this report.

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## CAPITAL ASSET AND DEBT ADMINISTRATION

**Capital assets.** The City's capital assets as of September 30, 2010 reflect an investment of \$103,605,293 net of accumulated depreciation.

The following schedule provides a comparative summary of net capital assets by category for both governmental and business-type activities. Additional information on the City's capital assets can be found in Note 9 on pages 63-64 of this report.

<b>City of Sanibel's Capital Assets</b> <b>(net of depreciation)</b> <b>as of September 30</b>
--

	Governmental Activities		Business-type Activities		Totals	
	2010	2009	2010	2009	2010	2009
Land	\$ 24,963,925	\$ 24,836,462	\$ 1,849,477	\$ 1,848,477	\$ 26,813,402	\$ 26,684,939
Buildings	14,912,602	14,071,679	1,144,066	1,045,063	16,056,668	15,116,742
Improvements other than buildings	1,150,897	1,175,251	854,287	811,196	2,005,184	1,986,447
Vehicles and equipment	1,665,295	1,915,747	1,119,950	913,741	2,785,245	2,829,488
Infrastructure	6,462,583	6,895,255	49,398,778	51,672,064	55,861,361	58,567,319
Construction work in progress	83,433	-	-	23,530	83,433	23,530
<b>Total Capital Assets</b>	<b>\$ 49,238,735</b>	<b>\$ 48,894,394</b>	<b>\$ 54,366,558</b>	<b>\$ 56,314,071</b>	<b>\$ 103,605,293</b>	<b>\$ 105,208,465</b>

Significant changes in assets this fiscal year include:

Description	Cost
Sanibel lighthouse property	\$1,523,799
Dixie Beach Road improvements (work in progress)	83,443
Water truck	66,585

**Long-term debt.** As of September 30, 2010, the City had \$47,245,410 in bonds and notes. The following schedule provides a comparative summary of the City's outstanding debt:

<b>City of Sanibel's Long-term Debt</b> <b>as of September 30</b>
--

	Governmental Activities		Business-type Activities		Totals	
	2010	2009	2010	2009	2010	2009
Bonds:						
General Obligation Bonds	\$ 10,870,000	\$ 11,135,000	-	-	\$ 10,870,000	\$ 11,135,000
Revenue Bonds	-	1,555,151	3,520,045	3,784,120	3,520,045	5,339,271
Notes	-	1,306,432	32,855,365	35,492,474	32,855,365	36,798,906
Capital Leases	-	80,169	-	-	-	80,169
<b>Total</b>	<b>\$ 10,870,000</b>	<b>\$ 14,076,752</b>	<b>\$ 36,375,410</b>	<b>\$ 39,276,594</b>	<b>\$ 47,245,410</b>	<b>\$ 53,353,346</b>

In 2010 the City utilized \$2.225 million of unrestricted surplus cash in the general fund to pay in full one bond, three notes and one capital lease, thereby reducing governmental annual debt service payments by \$475,457 and future interest costs by \$568,488. The sewer fund utilized \$444,520 in available cash to prepay two notes, reducing business-type annual debt payments by \$131,984.

Additional information about the City's long-term debt can be found in Note 11 beginning on page 65 of this report.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

### **Property Values and Taxes**

Since 2007 Sanibel has experienced three years of declining property values. The average value for new home construction permits has decreased from \$927,561 in 2008 to \$690,676 in 2010. The average resale price of existing homes has decreased for single residential homes and condominiums by \$248,202 and \$172,834 respectively since 2007. In addition to the economy's impact on real estate, the City's decrease in housing starts is also attributable to availability of vacant property. Being an island, the City is approaching build out.

Property values remain uncertain in the current year. The City experienced a 5.6% taxable property value decline between the calendar year 2007 and 2008 valuation; a 7.9% decline between the calendar year 2008 and 2009 valuation and a 6.8% decline between the calendar year 2009 and 2010 valuation. Respectively for fiscal years 2008, 2009 and 2010, the City's adopted millage rates were 2.1966, 2.1561 and 2.1561.

### **Tourism**

Based on the Lee County Toll System's traffic reports, the Sanibel causeway's 2010 cumulative vehicle totals has decreased by 16.6% from the 2001 peak year. The annual cumulative count is down by 573,742 vehicles from 3,460,437 in 2001 to 2,886,605 in 2010. The last calendar year that cumulative count exceeded 3,000,000 was in 2004.

Sanibel is faced with limited and aging resort housing inventory. One of the Council's goals for fiscal year 2011 is to sustain a diverse housing stock through redevelopment regulations for resort housing while ensuring protection of the island's unique natural system. Special site and design criterion applicable to resort properties that will ensure the protection of the community's character and the Island's ecosystems and provide for the retention and restoration of resort hotel, motel and related accommodation properties is in development.

### **Other Economic Factors and Legislation**

According to the U.S. Department of Labor, the unemployment rate for the Cape Coral-Fort Myers Metropolitan Area for December 2010 was 12.5% compared to the December 2009 rate of 13.8%.

The Florida legislature is again considering various proposals relating to caps on the growth of state and local government revenues and expenditures and limits to property tax amounts. Potential legislation could have a significant impact on a local government's ability to maintain and or improve services to residents. The City is carefully monitoring these initiatives and their future impact on the City's ability to function at its present level.

### **Next Year's Budget and Rates**

The fiscal year 2011 budget was prepared based on the following assumptions:

- The current economic climate has not reached bottom; that no recovery or turnaround is imminent and thus none were included in the 2011 budget
- The City will continue to re-configure operations to work within reduced resources
- The City will continue to protect accumulated reserves and to match current revenues with current expenditures

The highlights of the fiscal year 2011 adopted budget are:

- Council voted to fund the fiscal year 2011 budget at the same 2.1561 mill tax rate as in fiscal year 2010, reducing the general fund's ad valorem revenue by \$676,778, or 6.9%.
- All City fees were held flat with the exception of an increase in the recreation center's member guest rates
- Salaries remain flat for the third consecutive year
- Through attrition full-time employees were decreased from 125 to 120; this is down from a high in 2006 of 142 full-time employees
- City-wide operating expenditures were decreased \$358,728 or 1.3%;
- \$3.39 million is budgeted for governmental capital improvements, this includes \$1.7 million rolled over from prior years and \$1.6 million for new projects
- By utilizing unrestricted surplus cash in fiscal year 2010 to prepay debt, governmental annual debt service payments decreased by \$475,457

### **Requests for Information**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City of Sanibel's finances and to demonstrate the City's accountability. Questions concerning any of the information provided in this report or requests for additional financial information may be addressed to the Finance Director, City of Sanibel, 800 Dunlop Road, Sanibel, Florida 33957. Information is also available on the City's website at [www.mysanibel.com](http://www.mysanibel.com).

# Basic Financial Statements

CITY OF SANIBEL, FLORIDA  
STATEMENT OF NET ASSETS  
September 30, 2010

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Community Housing & Resources, Inc.
<b>ASSETS</b>				
Cash and cash equivalents	\$ 14,991,007	\$ 4,519,561	\$ 19,510,568	\$ 7,817
Investments	7,442,828	283,687	7,726,515	-
Receivables (net of allowance for uncollectibles)				
Accounts	160,825	300,824	461,649	5,482
Interest	116,854	11,964	128,818	-
Due from other governments	323,437	307,619	631,056	5,112
Internal balances	2,100,000	(2,100,000)	-	-
Inventories	13,881	-	13,881	872,000
Prepays	20,393	-	20,393	48,041
Net pension asset	278,527	-	278,527	-
Restricted assets:				
Cash and cash equivalents	52,720	-	52,720	9,408
Investments	239,642	2,004,177	2,243,819	-
Interest & taxes receivable	1,817	-	1,817	-
Assessments receivable	-	9,674,345	9,674,345	-
Unamortized bond issue costs	188,638	107,697	296,335	-
Capital assets (net of accumulated depreciation):				
Land	24,963,925	1,849,477	26,813,402	823,913
Buildings	14,912,602	1,144,066	16,056,668	4,993,068
Improvements other than buildings	1,150,897	854,287	2,005,184	-
Vehicles and equipment	1,665,295	1,119,950	2,785,245	15,466
Infrastructure	6,462,583	49,398,778	55,861,361	-
Construction in progress	83,433	-	83,433	-
Total assets	<u>75,169,304</u>	<u>69,476,432</u>	<u>144,645,736</u>	<u>6,780,307</u>
<b>LIABILITIES</b>				
Accounts payable and other accrued liabilities	1,484,140	287,546	1,771,686	240,977
Accrued interest payable	121,301	256,150	377,451	-
Unearned revenue	301,478	-	301,478	4,280
Long-term liabilities:				
Due within one year	625,057	2,477,866	3,102,923	1,671,590
Due in more than one year	10,775,483	33,993,166	44,768,649	779,354
Total liabilities	<u>13,307,459</u>	<u>37,014,728</u>	<u>50,322,187</u>	<u>2,696,201</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	38,368,735	17,991,148	56,359,883	3,381,503
Restricted for:				
Public Safety	765,421	-	765,421	-
Capital projects	568,435	-	568,435	-
Debt service	294,179	11,478,522	11,772,701	-
Other purposes	296,953	200,000	496,953	(32,217)
Unrestricted	21,568,122	2,792,034	24,360,156	734,820
Total net assets	<u>\$ 61,861,845</u>	<u>\$ 32,461,704</u>	<u>\$ 94,323,549</u>	<u>\$ 4,084,106</u>

See Accompanying Notes.

CITY OF SANIBEL, FLORIDA  
STATEMENT OF ACTIVITIES  
For the Fiscal Year Ended September 30, 2010

Functions/Programs	Program Revenues					Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Indirect Expense Allocation	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Component Unit	
						Governmental Activities	Business-type Activities	Total	Community Housing & Resources, Inc.
<b>Primary government:</b>									
Governmental activities:									
General government	\$ 4,178,465	\$ (3,128,810)	\$ 1,452,266	\$ 7,500	\$ -	\$ 410,111		\$ 410,111	
Public safety	4,225,097	1,011,791	735,832	46,141	-	(4,454,915)		(4,454,915)	
Physical environment	913,953	5,493	204,103	555,272	1,523,351	1,363,280		1,363,280	
Transportation	3,886,255	404,226	(2,150)	50,103	117,168	(4,125,360)		(4,125,360)	
Economic environment	254,451	24,656	429	-	-	(278,678)		(278,678)	
Human services	1,000	-	-	-	-	(1,000)		(1,000)	
Culture/Recreation	3,619,266	676,588	508,220	162,467	-	(3,625,167)		(3,625,167)	
Interest on long-term debt	563,139	-	-	-	-	(563,139)		(563,139)	
Total governmental activities	<u>17,641,626</u>	<u>(1,006,056)</u>	<u>2,898,700</u>	<u>821,483</u>	<u>1,640,519</u>	<u>(11,274,868)</u>		<u>(11,274,868)</u>	
Business-type activities:									
Sewer	6,842,185	510,219	5,850,009	-	61,500	-	\$ (1,440,895)	(1,440,895)	
Beach Parking	<u>1,562,494</u>	<u>495,837</u>	<u>1,312,588</u>	<u>1,172,047</u>	<u>-</u>	<u>-</u>	<u>426,304</u>	<u>426,304</u>	
Total business-type activities	<u>8,404,679</u>	<u>1,006,056</u>	<u>7,162,597</u>	<u>1,172,047</u>	<u>61,500</u>	<u>-</u>	<u>(1,014,591)</u>	<u>(1,014,591)</u>	
Total primary government	<u>\$ 26,046,305</u>	<u>\$ -</u>	<u>\$ 10,061,297</u>	<u>\$ 1,993,530</u>	<u>\$ 1,702,019</u>	<u>(11,274,868)</u>	<u>(1,014,591)</u>	<u>(12,289,459)</u>	
<b>Component unit:</b>									
Community Housing & Resources, Inc.	<u>\$ 2,021,002</u>	<u>\$ -</u>	<u>\$ 566,286</u>	<u>\$ 268,575</u>	<u>\$ 638,469</u>			<u>\$ (547,672)</u>	
General revenues:									
Property taxes, levied for general purpose						9,372,184	-	9,372,184	-
Property taxes, levied for debt service						753,285	1,241,407	1,994,692	-
Gas taxes						1,433,690	-	1,433,690	-
Local business taxes						291,395	-	291,395	-
Communications taxes						558,375	-	558,375	-
Casualty insurance premium tax						58,716	-	58,716	-
Intergovernmental revenues, not restricted to specific programs						526,046	-	526,046	-
Investment earnings						196,471	715,001	911,472	1,132
Miscellaneous						237,341	-	237,341	8,012
Total general revenues						<u>13,427,503</u>	<u>1,956,408</u>	<u>15,383,911</u>	<u>9,144</u>
Change in net assets						<u>2,152,635</u>	<u>941,817</u>	<u>3,094,452</u>	<u>(538,528)</u>
Net assets - beginning of year						<u>59,709,210</u>	<u>31,519,887</u>	<u>91,229,097</u>	<u>4,622,634</u>
Net assets - end of year						<u>\$ 61,861,845</u>	<u>\$ 32,461,704</u>	<u>\$ 94,323,549</u>	<u>\$ 4,084,106</u>

See Accompanying Notes.

CITY OF SANIBEL, FLORIDA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
September 30, 2010

	General	Transportation	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 7,223,076	\$ 1,357,256	\$ 6,463,395	\$ 15,043,727
Investments	7,442,828	-	239,642	7,682,470
Receivables (net of allowance for uncollectibles)				
Accounts	125,285	4,300	8,561	138,146
Interest	116,854	-	1,815	118,669
Due from other funds	2,172,681	-	-	2,172,681
Due from other governments	107,817	112,303	103,317	323,437
Inventories	9,657	-	4,224	13,881
Prepays	20,393	-	-	20,393
Total assets	\$ 17,218,591	\$ 1,473,859	\$ 6,820,954	\$ 25,513,404
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 257,089	\$ 550,525	\$ 210,905	\$ 1,018,519
Retainages payable	-	59,064	39,651	98,715
Due to other funds	-	-	50,000	50,000
Deposits	12,833	-	600	13,433
Accrued liabilities	276,465	24,793	52,215	353,473
Deferred revenue	279,982	-	54,686	334,668
Total liabilities	826,369	634,382	408,057	1,868,808
Fund balances:				
Nonspendable:				
Inventories	9,657	-	4,224	13,881
Prepays	20,393	-	-	20,393
Long-term loans to other funds	1,750,000	-	-	1,750,000
Restricted for:				
Public safety	-	-	765,421	765,421
Capital projects	-	-	153,517	153,517
Debt service	-	-	294,179	294,179
Impact fees	-	-	414,918	414,918
Donations received	-	-	203,022	203,022
Other purposes	-	-	93,931	93,931
Committed to:				
Disaster reserve	4,500,000	-	-	4,500,000
Environmental initiative reserve	1,300,000	-	-	1,300,000
Insurance deductible reserve	315,000	-	-	315,000
Assigned to:				
Transportation	-	839,477	-	839,477
Parks and recreation	-	-	1,206,191	1,206,191
Other capital projects	-	-	3,186,998	3,186,998
Other purposes	275,000	-	90,496	365,496
Unassigned:	8,222,172	-	-	8,222,172
Total fund balances	16,392,222	839,477	6,412,897	23,644,596
Total liabilities and fund balances	\$ 17,218,591	\$ 1,473,859	\$ 6,820,954	\$ 25,513,404

See Accompanying Notes.

CITY OF SANIBEL, FLORIDA  
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS  
GOVERNMENTAL FUNDS  
September 30, 2010

Fund balance totals:		\$ 23,644,596
Amounts reported for governmental activities in the statement of net asset are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		49,238,735
Unamortized bond issue costs and underwriter's discounts are not current financial resources and, therefore, are not reported in the funds.		188,638
Net pension asset resulting from over-funding of the general and police pension plans is not reported in the funds.		278,527
Debt interest payable that will not be liquidated with current financial resources, is not reported in the funds.		(121,301)
Revenues that are not received by year-end, or within the "availability" period are deferred in the governmental funds balance sheets, but recognized in the statement of activities.		33,190
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds		
Bonds and notes payable	\$ (10,870,000)	
Compensated absences	<u>(530,540)</u>	<u>(11,400,540)</u>
Net assets of governmental activities		<u>\$ 61,861,845</u>

See Accompanying Notes.

CITY OF SANIBEL, FLORIDA  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For the Fiscal Year Ended September 30, 2010

	General	Transportation	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Taxes				
Property	\$ 9,372,184	\$ -	\$ 753,285	\$ 10,125,469
Gas	-	1,433,690	-	1,433,690
Casualty insurance premium	58,716	-	-	58,716
Local business	-	-	291,395	291,395
Communications services	558,375	-	-	558,375
Licenses and permits	14,354	-	1,632,410	1,646,764
Intergovernmental revenues	632,754	50,103	838,015	1,520,872
Charges for services	1,670,876	-	513,453	2,184,329
Fines and forfeitures	42,356	-	41,186	83,542
Other revenue	280,123	29,975	286,663	596,761
Total revenues	<u>12,629,738</u>	<u>1,513,768</u>	<u>4,356,407</u>	<u>18,499,913</u>
<b>EXPENDITURES</b>				
Current				
General government	4,022,026	-	6,716	4,028,742
Public safety	3,537,993	-	558,093	4,096,086
Physical environment	421,914	-	432,701	854,615
Transportation	798,050	2,297,492	259,267	3,354,809
Economic environment	254,451	-	-	254,451
Human services	-	-	1,000	1,000
Culture/Recreation	642,741	-	2,262,576	2,905,317
Debt service				
Principal retirement	-	-	3,206,752	3,206,752
Interest and fiscal charges	-	-	625,259	625,259
Capital outlay	99,108	4,790	328,824	432,722
Total expenditures	<u>9,776,283</u>	<u>2,302,282</u>	<u>7,681,188</u>	<u>19,759,753</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,853,455</u>	<u>(788,514)</u>	<u>(3,324,781)</u>	<u>(1,259,840)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	1,267,155	1,627,991	5,267,067	8,162,213
Transfers out	(5,972,193)	-	(2,190,020)	(8,162,213)
Total other financing sources (uses)	<u>(4,705,038)</u>	<u>1,627,991</u>	<u>3,077,047</u>	<u>-</u>
Net change in fund balances	(1,851,583)	839,477	(247,734)	(1,259,840)
Fund balances, beginning of year	<u>18,243,805</u>	<u>-</u>	<u>6,660,631</u>	<u>24,904,436</u>
Fund balances, end of year	<u>\$ 16,392,222</u>	<u>\$ 839,477</u>	<u>\$ 6,412,897</u>	<u>\$ 23,644,596</u>

See Accompanying Notes.

CITY OF SANIBEL, FLORIDA  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
For the Fiscal Year Ended September 30, 2010

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

Net change in fund balances - total governmental funds		\$ (1,259,840)
<p>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 and reported as depreciation expense. This is the amount by which capital outlay, including bargain purchased assets, exceeded depreciation in the current period.</p>		
Capital Outlay	\$ 432,722	
Bargain Purchase	1,523,351	
Depreciation	<u>(1,565,952)</u>	390,121
<p>Net effect of various miscellaneous transactions involving capital assets (i.e. disposals, transfers, donations) which decrease net assets.</p>		
		(45,780)
<p>Issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.</p>		
Principal debt payments		3,206,752
<p>Bond issuance costs are reported in the governmental funds as expenditures. However, in the Statement of Activities, these costs are allocated over the life of the debt as amortization expense.</p>		
		(8,332)
<p>In the statement of activities, certain operating expenses-compensated absences (sick pay and vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This amount represents the decrease in the accrual of compensated absences from 9/30/09 to 9/30/10.</p>		
		7,335
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, but are instead deferred. This item represents the change caused by the "available" revenue recognition criteria.</p>		
		(183,224)
<p>Pension contributions were less than annual pension cost and therefore decreased the net pension asset on the statement of net assets.</p>		
		(24,849)
<p>Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The decrease in interest reported in the statement of activities is the result of accruing less interest at 9/30/10 than at 9/30/09.</p>		
		<u>70,452</u>
Change in net assets of governmental activities		<u>\$ 2,152,635</u>

CITY OF SANIBEL, FLORIDA  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
September 30, 2010

	Business-type activities - Enterprise Funds		
	Sanibel Sewer System	Beach Parking	Total
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	\$ 4,107,019	\$ 412,542	\$ 4,519,561
Receivables (net of allowance for uncollectibles)			
Accounts	297,635	3,189	300,824
Interest	11,964	-	11,964
Restricted assessments receivable	875,155	-	875,155
Due from other governments	-	307,619	307,619
Total current assets	<u>5,291,773</u>	<u>723,350</u>	<u>6,015,123</u>
<b>Noncurrent assets</b>			
Investments	283,687	-	283,687
Restricted assets:			
Investments	2,004,177	-	2,004,177
Assessments receivable	8,799,190	-	8,799,190
Total noncurrent assets	<u>11,087,054</u>	<u>-</u>	<u>11,087,054</u>
Unamortized bond issue costs	<u>107,697</u>	<u>-</u>	<u>107,697</u>
Capital assets			
Land	1,460,259	389,218	1,849,477
Buildings	1,420,934	490,281	1,911,215
Improvements other than buildings	-	1,355,093	1,355,093
Vehicles and equipment	2,078,379	886,552	2,964,931
Infrastructure	68,609,363	-	68,609,363
Less accumulated depreciation	<u>(21,385,929)</u>	<u>(937,592)</u>	<u>(22,323,521)</u>
Total capital assets, net	<u>52,183,006</u>	<u>2,183,552</u>	<u>54,366,558</u>
Total noncurrent assets	<u>63,377,757</u>	<u>2,183,552</u>	<u>65,561,309</u>
Total assets	<u>\$ 68,669,530</u>	<u>\$ 2,906,902</u>	<u>\$ 71,576,432</u>

See Accompanying Notes.

CITY OF SANIBEL, FLORIDA  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
September 30, 2010

	Business-type activities - Enterprise Funds		
	Sanibel Sewer System	Beach Parking	Total
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Account payable and other current liabilities	\$ 169,052	\$ 37,329	\$ 206,381
Accrued liabilities	45,826	35,339	81,165
Due to other funds	350,000	-	350,000
Compensated absences	46,527	19,251	65,778
Accrued interest payable	256,150	-	256,150
Debt:			
Revenue bonds	269,075	-	269,075
Notes	2,143,013	-	2,143,013
Total debt	<u>2,412,088</u>	<u>-</u>	<u>2,412,088</u>
Total current liabilities	<u>3,279,643</u>	<u>91,919</u>	<u>3,371,562</u>
<b>Noncurrent liabilities</b>			
Compensated absences	21,196	8,648	29,844
Due to other funds	1,750,000	-	1,750,000
Revenue bonds	3,250,970	-	3,250,970
Notes	30,712,352	-	30,712,352
Total noncurrent liabilities	<u>35,734,518</u>	<u>8,648</u>	<u>35,743,166</u>
Total liabilities	<u>39,014,161</u>	<u>100,567</u>	<u>39,114,728</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	15,807,596	2,183,552	17,991,148
Restricted for:			
Debt service	11,478,522	-	11,478,522
Renewal and replacement	200,000	-	200,000
Unrestricted	2,169,251	622,783	2,792,034
Total net assets	<u>\$ 29,655,369</u>	<u>\$ 2,806,335</u>	<u>\$ 32,461,704</u>

See Accompanying Notes.

CITY OF SANIBEL, FLORIDA  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
For the Fiscal Year Ended September 30, 2010

	<u>Business-type activities - Enterprise Funds</u>		
	Sanibel Sewer System	Beach Parking	Total
<b>OPERATING REVENUE</b>			
Charges for services	\$ 5,761,971	\$ 1,135,532	\$ 6,897,503
Licenses and permits	-	92,910	92,910
Fines and forfeitures	24,057	84,146	108,203
Other revenue	63,981	-	63,981
Total operating revenue	<u>5,850,009</u>	<u>1,312,588</u>	<u>7,162,597</u>
<b>OPERATING EXPENSES</b>			
Personal services	1,421,226	1,019,467	2,440,693
Contractual services	312,425	180,960	493,385
Materials and supplies	208,951	97,873	306,824
Utilities	378,328	59,440	437,768
Depreciation	2,455,654	155,759	2,611,413
Insurance	16,362	19,125	35,487
Administrative charges	565,022	454,738	1,019,760
Repairs and maintenance	722,682	70,969	793,651
Total operating expenses	<u>6,080,650</u>	<u>2,058,331</u>	<u>8,138,981</u>
Operating loss	<u>(230,641)</u>	<u>(745,743)</u>	<u>(976,384)</u>
<b>NON-OPERATING REVENUE (EXPENSE)</b>			
Taxes	1,241,407	-	1,241,407
Investment earnings	407,100	987	408,087
Special assessment interest income	306,914	-	306,914
Intergovernmental	-	1,172,047	1,172,047
Interest expense and fiscal charges	(1,271,754)	-	(1,271,754)
Total non-operating revenue (expenses)	<u>683,667</u>	<u>1,173,034</u>	<u>1,856,701</u>
Increase in net assets before contributions and transfers	453,026	427,291	880,317
<b>CAPITAL CONTRIBUTIONS</b>	61,500	-	61,500
Change in net assets	<u>514,526</u>	<u>427,291</u>	<u>941,817</u>
Total net assets, beginning of year	29,140,843	2,379,044	31,519,887
Total net assets, end of year	<u>\$ 29,655,369</u>	<u>\$ 2,806,335</u>	<u>\$ 32,461,704</u>

See Accompanying Notes.

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CITY OF SANIBEL, FLORIDA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
For the Fiscal Year Ended September 30, 2010

	Sanibel Sewer System	Beach Parking	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from customers	\$ 5,810,740	\$ 1,312,588	\$ 7,123,328
Cash payments to suppliers for goods and services	(2,203,797)	(921,351)	(3,125,148)
Cash payments to employees for services	<u>(1,428,085)</u>	<u>(1,024,826)</u>	<u>(2,452,911)</u>
Net cash provided (used) by operating activities	<u>2,178,858</u>	<u>(633,589)</u>	<u>1,545,269</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers from/to other funds, net	(350,000)	(10,782)	(360,782)
Subsidy from intergovernmental grants	<u>-</u>	<u>1,570,011</u>	<u>1,570,011</u>
Net cash provided (used) by noncapital financing activities	<u>(350,000)</u>	<u>1,559,229</u>	<u>1,209,229</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Collection of taxes for bond debt service	1,241,407	-	1,241,407
Capital contributions	61,500	-	61,500
Collection of special assessments	945,184	-	945,184
Acquisition/construction of capital assets	(142,150)	(521,750)	(663,900)
Principal paid on capital debt	(2,922,109)	-	(2,922,109)
Interest paid on capital debt	<u>(1,259,803)</u>	<u>-</u>	<u>(1,259,803)</u>
Net cash used by capital and related financing activities	<u>(2,075,971)</u>	<u>(521,750)</u>	<u>(2,597,721)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Investments purchased	(1,557,266)	-	(1,557,266)
Proceeds from maturity of investments	255,772	-	255,772
Interest and investment earnings	<u>342,364</u>	<u>987</u>	<u>343,351</u>
Net cash provided (used) by investing activities	<u>(959,130)</u>	<u>987</u>	<u>(958,143)</u>
Net increase (decrease) in cash and cash equivalents	(1,206,243)	404,877	(801,366)
Cash and equivalents, beginning of year	<u>5,313,262</u>	<u>7,665</u>	<u>5,320,927</u>
Cash and equivalents, end of year	<u>\$ 4,107,019</u>	<u>\$ 412,542</u>	<u>\$ 4,519,561</u>

See Accompanying Notes.

CITY OF SANIBEL, FLORIDA  
STATEMENT OF CASH FLOWS *(Continued)*  
PROPRIETARY FUNDS  
For the Fiscal Year Ended September 30, 2010

	Sanibel Sewer System	Beach Parking	Total
<b>Reconciliation of operating loss to net cash provided (used) by operating activities</b>			
Operating loss	\$ (230,641)	\$ (745,743)	\$ (976,384)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities			
Depreciation	2,455,654	155,759	2,611,413
Net (increase) decrease in assets:			
Accounts receivables	(39,269)	-	(39,269)
Net increase (decrease) in liabilities:			
Accounts payable	(27)	(38,246)	(38,273)
Accrued payroll and compensated absences	(6,859)	(5,359)	(12,218)
	<u>\$ 2,178,858</u>	<u>\$ (633,589)</u>	<u>\$ 1,545,269</u>
Net cash provided (used) by operating activities			
Noncash investing, capital, and financing activities:			
Amortization of bond issuance costs, discount, and accounting loss	\$ 30,944		
Increase in fair value of investments	359,686		
Increase in interest receivable	11,964		

See Accompanying Notes.

CITY OF SANIBEL, FLORIDA  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
September 30, 2010

	Other Post- Employment Benefits Trust	Pension Trust Funds	Agency Funds
<b>ASSETS</b>			
Cash and cash equivalents	<u>\$ 148,066</u>	<u>\$ 899,454</u>	<u>\$ 19,095</u>
Investments, at market value			
Corporate stocks	-	3,225,682	-
Corporate bonds & government obligations	-	3,737,051	-
Mutual funds:			
Equity and equity index	-	5,743,728	-
Pooled/Common/Commingled Funds:			
Equity	-	2,584,501	-
Fixed Income	-	3,055,708	-
Real Estate	-	709,949	-
Total investments at fair value	<u>-</u>	<u>19,056,619</u>	<u>-</u>
Receivables - employer contributions	-	12,259	-
Receivables - interest and dividends	-	47,030	-
Prepays	-	467	-
Total assets	<u>148,066</u>	<u>20,015,829</u>	<u>19,095</u>
<b>LIABILITIES</b>			
Accrued benefits and other liabilities	-	568,591	-
Deferred Revenue	-	16,262	-
Due to other funds	19,054	3,627	-
Due to other governments	-	-	19,095
Total liabilities	<u>19,054</u>	<u>588,480</u>	<u>\$ 19,095</u>
<b>NET ASSETS</b>			
Held in trust for OPEB and pension benefits	<u>\$ 129,012</u>	<u>\$ 19,427,349</u>	

See Accompanying Notes.

CITY OF SANIBEL, FLORIDA  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
For the Fiscal Year Ended September 30, 2010

	Other Post- Employment Benefits Trust	Pension Trust Funds
<b>ADDITIONS</b>		
Contributions		
Employer	\$ 46,897	\$ 1,653,026
State of Florida	-	58,716
Plan members	-	351,768
	<u>46,897</u>	<u>2,063,510</u>
Investment income		
Net appreciation in fair value of investments	-	1,404,523
Miscellaneous	-	2,591
Interest and dividends	385	334,024
Total investment earnings	<u>385</u>	<u>1,741,138</u>
Less investment expense	<u>-</u>	<u>(136,446)</u>
Net investment earnings	<u>385</u>	<u>1,604,692</u>
Total additions	<u>47,282</u>	<u>3,668,202</u>
<b>DEDUCTIONS</b>		
Benefits paid	19,054	1,443,133
Refunds of contributions	-	16,565
Administrative expenses	8,295	63,672
	<u>27,349</u>	<u>1,523,370</u>
Total deductions	<u>27,349</u>	<u>1,523,370</u>
Change in net assets	19,933	2,144,832
Net assets held in trust for OPEB and pension benefits		
Net assets - beginning of year	<u>109,079</u>	<u>17,282,517</u>
Net assets - end of year	<u>\$ 129,012</u>	<u>\$ 19,427,349</u>

See Accompanying Notes.

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CITY OF SANIBEL, FLORIDA  
 NOTES TO THE FINANCIAL STATEMENTS  
 September 30, 2010

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CITY OF SANIBEL, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2010

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**Note 1. Summary of Significant Accounting Policies**

**A. Reporting Entity**

The City of Sanibel, Florida (the City) was incorporated November 5, 1974. The Charter of the City was adopted pursuant to the Laws of Florida, Chapter 74-606, as from time to time amended. The City operates under the Council-Manager form of government and provides municipal services such as police protection, public works, parks, recreation, natural resources, below market housing and all the necessary functions of general government. The City also has two enterprise operations consisting of wastewater utility services and beach parking services.

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) accepted in the United States of America, as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the City's more significant accounting policies.

The accompanying financial statements present the combined financial position, results of operations and cash flows of the applicable fund types governed by the City of Sanibel.

As outlined in GASB Statement No. 14, as amended, *The Reporting Entity*, the financial reporting entity consists of the primary government, organizations for which the primary government are financially accountable and other organizations whose exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Each potential component unit is individually evaluated using specific criteria outlined in GASB Statement No. 14 to determine whether the entity is: a) part of the primary government; b) a component unit which should be included in the reporting entity (blended or discretely presented); or c) an organization which should be excluded from the reporting entity entirely. The principal criteria for classifying a potential component unit include: a) the legal separateness of the organization; and b) the financial accountability to the primary government resulting from either the primary government's ability to impose its will on the potential component unit or the potential component unit's fiscal dependency on the primary government.

In determining the agencies, boards or authorities to be included in the comprehensive annual financial report, the City has considered all potential component units. Under criteria established by GASB Statement No. 14, component units are to be either blended with the primary government or presented discretely. For a component unit to be blended it must meet one or both of the following two situations: 1) the board of the component unit is substantively the same as that of the primary government; or 2) the component unit serves the primary government exclusively, or almost exclusively.

▪ **Discretely-Presented Component Unit**

Based upon the application of these criteria, the following entity was determined to be a discretely-presented component unit:

Community Housing and Resources, Inc. (CHR) is a legally separate organization with its own board that is not selected by the City Council. CHR provides services almost entirely to the citizens of the City of Sanibel. CHR is fiscally dependent upon the City in that there is a financial burden to the City and the nature and significance of the relationship between the City

CITY OF SANIBEL, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2010

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**Note 1. Summary of Significant Accounting Policies (Continued)**

**A. Reporting Entity (Concluded)**

▪ **Discretely-Presented Component Unit (Concluded)**

and CHR is such that excluding CHR from the City's financial statements would be misleading and incomplete. CHR has issued separate financial statements for the year ended September 30, 2010, which may be obtained at the entity's administrative offices located at 2401 Library Way, Sanibel, Florida, 33957.

**B. Government-Wide and Fund Financial Statements**

The City has adopted the provisions of GASB State No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments* and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*. The basic financial statements consist of the government-wide financial statements and fund financial statements. Both sets of statements distinguish between the governmental and business-type activities of the City.

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government and its component units. As part of the consolidation process, inter-fund activities are eliminated to avoid distorted financial results. The amounts reported as internal balances represent the residual amounts due between governmental and business-type activities. Fiduciary funds of the government are also excluded from this presentation since these resources are not available for general government funding purposes.

The Statement of Net Assets reports all financial and capital resources of the City's governmental and business-type activities. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The Statement of Activities demonstrates the degree to which the direct expenses and indirect expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment including depreciation. The City does not allocate the interest expense of governmental fund debt but the City does allocate certain indirect costs such as finance, personnel, legal, etc., from general government to other functions and/or segments. *Program revenues* include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

CITY OF SANIBEL, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2010

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**Note 1. Summary of Significant Accounting Policies (Continued)**

**B. Government-Wide and Fund Financial Statements (concluded)**

Since the governmental fund financial statements are presented on a different measurement focus and basis of accounting than the government-wide statements, a reconciliation is provided which briefly explains the adjustments necessary to reconcile the results of governmental fund accounting to the government-wide presentations.

The City's fiduciary funds are presented in the fund financial statements. Since by definition these assets are being held for the benefit of a third party (pension participants) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

All governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available to finance expenditures of the current period. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise fees, other local taxes, revenue sharing, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. All other revenue items are considered to be measurable and available only when cash is received by the City.

Agency funds are unlike all other types of funds, reporting only assets and liabilities. Therefore, they do not have a measurement focus, but do however use the accrual basis of accounting to recognize receivables and payables. They are merely clearing accounts for assets held by the City as an agent for individuals, private organizations and other governmental entities.

CITY OF SANIBEL, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2010

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**Note 1. Summary of Significant Accounting Policies (Continued)**

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Cont.)**

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for using a separate set of self-balancing accounts, which comprise its assets, liabilities, fund equity, revenues and expenditures or expenses. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

The emphasis in fund financial statements is on the major funds. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined), for the determination of major funds. In addition, the City can choose to report certain funds as major funds for qualitative reasons. The nonmajor funds are presented in one column in the fund financial statements.

The City reports the following major funds:

▪ **Governmental Funds**

- **General Fund** – the general fund is the City’s primary operating fund, and is used to account for all financial resources except those required to be accounted for in another fund. All tax revenues and other receipts that are not allocated by law or contractual agreement to another fund are accounted for in this fund. The majority of current operating expenditures of the City, other than proprietary fund activities, are financed through revenues received by the general fund.
- **Transportation Fund** – a special revenue fund used to account for the public works department’s street division. All activities necessary to provide repaving, maintenance and repairs to the City’s streets, shared-use paths and drainage system. Revenues are received from local option gas taxes, municipal fuel allocation portion of the State of Florida’s municipal shared revenues and fuel tax rebates.

▪ **Proprietary Funds**

- **Sewer System Fund** – an enterprise fund used to account for the provision of wastewater collection and disposal services and wastewater reuse services to the residents and businesses of the City. All activities necessary to provide such services are accounted for in this fund, including administration, operations, construction, maintenance, financing and related debt service costs, billing and collection.
- **Beach Parking Fund** – an enterprise fund used to account for the provision of parking and shared-use path access to the beaches, public safety services, beach facilities maintenance services and beach maintenance services. All activities necessary to provide such services are accounted for in this fund, including administration, operations, construction, maintenance, and collection of parking fees and parking violation fines. This fund receives operating grants from local agencies that augment beach maintenance.

CITY OF SANIBEL, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2010

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**Note 1. Summary of Significant Accounting Policies (Continued)**

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Cont.)**

Governmental and enterprise funds which do not meet the criteria for reporting as major funds are grouped together for financial reporting in one column. The City has no nonmajor enterprise funds, and reports certain nonmajor governmental funds of the following fund type:

- **Special Revenue Funds** – to account for and report the proceeds of certain specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.
- **Debt Service Funds** – to account for and report financial resources that are restricted to the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs for governmental fund types.
- **Capital Project Funds** – to account for and report financial resources that are received or appropriated for capital outlays, including the acquisition or construction of capital facilities and other capital assets, other than those accounted for in the proprietary funds.

In addition, the City reports the following fiduciary fund types:

- **Pension Trust Funds** – to account for resources used to finance the City's retirement programs. These funds are accounted for in the same manner as proprietary fund types. The City has two pension trust funds which accumulate resources to provide retirement benefits to City employees. The two pension trust funds are the Municipal Police Officers' Pension Trust Fund and the General Employees' Pension Trust Fund.
- **Other Post Employment Benefits Trust Fund** – to account for the future liability of implicit rate subsidy costs for medical/prescription/dental coverage available to retirees and their dependents.
- **Agency Funds** – to account for fees collected and held by the City as an agent for individuals, private organizations and other governmental agencies (state, county, school board, and other local agencies).

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to apply all Financial Accounting Standards Board (FASB) Statements and Interpretations issued after November 30, 1989, as permitted by GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Fund and Other Governmental Entities That Use Proprietary Fund Accounting*.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this rule include payments-in-lieu of taxes where the amount is

CITY OF SANIBEL, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
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**Note 1. Summary of Significant Accounting Policies (Continued)**

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Concluded)**

reasonably equivalent in value to the interfund services provided and charges between the City's sewer function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided; and 2) grants and contributions that are restricted to meeting operational or capital requirements, including special assessments. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the Sanibel Sewer System and of the Beach Parking enterprise funds are charges to customers for sales and services. Operating expenses for the Sanibel Sewer System and Beach Parking enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted, as they are needed.

**D. Cash and Cash Equivalents and Investments.**

The City maintains a cash and investment pool that is available for use by all funds. The City considers cash on hand, the cash and investment pool and non-pooled investments with original maturities of three months or less when purchased to be cash equivalents for purposes of the statement of cash flows. The City's cash and investment pool allows individual funds, at any time, to deposit additional cash or make withdrawals without prior notice or penalty. Interest earned on pooled cash and investments is allocated to funds based on their average daily balances.

Investments include non-pooled investments with original maturities of three months or more when purchased.

For all funds, except the OPEB and pension trust funds, investments consists of U.S. Government securities, U.S. Government Agency securities, bonds issued by corporations organized under the laws of the United States or District of Columbia with investment grade rating of "A" or better, investment grade obligations of state and local governments and public authorities and the Florida State Board Administration's (SBA) Fund B Surplus Funds Trust Fund with a maturity greater than three months and are carried at fair value. In addition, investments in the City's pension funds include U.S. Government securities, corporate bonds, equity securities, comingled real estate fund and mutual funds. All investments are reported at fair value using quoted market prices or the best estimate available. The difference between cost and fair value of investments held is recorded as net unrealized gains or losses and is included in net investment earnings.

CITY OF SANIBEL, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2010

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**Note 1. Summary of Significant Accounting Policies (Continued)**

**E. Interfund Receivables and Payables**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are reported as "due from other funds" or "due to other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

**F. Inventories**

Inventories consisting of materials and supplies held for consumption and inventories held for resale are stated at cost (first in, first-out method). The City utilizes the consumption method of accounting for inventories consisting of materials and supplies, which provides that expenditures/expenses are recognized when inventory is used. Perpetual inventory records are maintained and adjusted annually to physical inventory amounts as of September 30<sup>th</sup> of each year for inventories held for resale. Inventory held for resale is reported using the purchase method, whereby inventory items are recorded as expenditure when purchased.

**G. Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**H. Restricted Assets**

Certain proceeds of the City's bonds and notes (both governmental and proprietary funds), as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net assets because their use is limited by applicable bond covenants or other legal agreements. The debt service funds are used to segregate resources accumulated for debt service payments over the next twelve months. The reserve funds are used to report resources set aside to pay debt service if the sources of the pledged revenues do not generate sufficient funds to satisfy the debt service requirements. The renewal and replacement funds are used to report resources set aside to meet unexpected contingencies or to fund asset renewals and replacements. Additional, there are restricted assets in capital project funds and special revenue funds that are to be used only for specific purposes. The City would typically use restricted assets first, as appropriate opportunities arise, but reserves the right to selectively defer the use thereof to a future project or replacement equipment acquisition.

**I. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, shared-use paths, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City defines capital assets as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at an estimated fair market value at the date of donation. The difference between the fair value and the amount paid for bargain purchase assets transferred between governmental entities at nominal amounts is treated as if it

CITY OF SANIBEL, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2010

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**Note 1. Summary of Significant Accounting Policies (Continued)**

**I. Capital Assets (concluded)**

were a donated asset. In the governmental funds only the amount paid in cash is reported as a capital expenditure. The difference between fair value and the capital expenditure is reported as capital contribution revenue in the government-wide financial statement.

All capital assets, including those acquired prior to the implementation of GASB Statement No. 34 have been reported.

Depreciation is provided using the straight-line method over the estimated useful lives of the related assets. The ranges of useful lives are as follows:

<u>Assets</u>	<u>Years</u>
Buildings	15-50
Improvements other than buildings	15
Infrastructure	30
Vehicles and Equipment	5-10

The cost of assets retired or sold, together with the related accumulated depreciation, is removed from the accounts and any gain or loss on disposition is credited or charged to earnings.

Interest is capitalized on enterprise fund assets constructed with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project construction with interest earned on invested proceeds over the same period.

**J. Compensated Absences**

The City's regular full-time (40-hour-per-week) employees may accrue a maximum of 240 vacation hours. Regularly scheduled part-time employees who regularly work at least 16 hours per week accrue vacation leave in proportion to the amount of time worked. Sick leave accumulation is unlimited. Upon termination, employees can be paid for all accrued vacation time and 1/4 of all accrued sick time to a maximum of 390 hours. These benefits plus their related taxes are classified as compensated absences. The accumulated compensated absences are accrued when incurred in the government-wide financial statements and proprietary funds.

The expenditure and liability for compensated absences are recognized in the governmental funds only when they have matured. That is, the only portion of the liability reported in the governmental funds is that amount of reimbursable unused vacation leave and sick leave payable to employees who have terminated their employment as of the end of the fiscal year.

**K. 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 and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using

CITY OF SANIBEL, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2010

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**Note 1. Summary of Significant Accounting Policies (Continued)**

**K. Long-Term Obligations (concluded)**

the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances 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.

**L. Unamortized Losses**

Losses from debt refunding are reported in the accompanying financial statements as a deduction to bonds payable and will be charged to operations using the effective-interest method by amortizing the loss over the shorter of the life of the old bond or the life of the new bond, which is reported in the government-wide and proprietary fund financial statements.

**M. Utility Connection (Impact) Fees**

The City utilizes utility connection fees as a means for funding capital expansion required to meet sewer system demands resulting from growth. These fees are recorded as capital contribution revenue in the Sewer Fund when charged.

**N. Special Assessments**

The City levies special assessments against benefited property owners for construction of wastewater utility expansion in certain areas of the City. The special assessments are recorded as capital contributions, net of refunds, in the enterprise funds.

**O. Deferred Revenue**

Deferred revenues are recorded for governmental fund receivables that are not both measurable and available. In addition, inflows that do not meet the criteria for revenue recognition, such as business tax receipts collected in advance, are reported as deferred revenues for both the government-wide and the fund financial statements.

**P. Intragovernmental Allocation of Administrative Expenses**

The general fund incurs certain administrative expenses for other funds, including accounting, legal, data processing, personnel administration, and other services. The governmental activities that received these services were charged \$2,122,754 and the enterprise funds that received these services were charged \$1,006,056. Fiscal year 2010 administrative expenses not directly charged to a fund are allocated as indirect expenses on the Statement of Activities.

CITY OF SANIBEL, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2010

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**Note 1. Summary of Significant Accounting Policies (Continued)**

**Q. Fund Balance**

In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balance is reported in five components: nonspendable, restricted, committed, assigned and unassigned.

Nonspendable – This component includes amounts that are (a) not in spendable form or (b) legally or contractually required to be maintained intact. “Not in spendable form” includes items that are not expected to be converted to cash (such as inventories and prepaid amounts) and items such as long-term amount of loans and notes receivable, as well as property acquired for resale. The corpus (or principal) of a permanent fund is an example of an amount that is legally or contractually required to be maintained intact.

Restricted – This component consists of amounts that can be spent only for specific purposes stipulated by (a) external resource providers such as creditors (by debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed – This component consists of amounts that can be used only for the specific purposes determined by a formal action (resolution) of the City Council, the City’s highest level of decision making authority. Commitments may be changed or lifted only by the City Council taking the same formal action (resolution) that imposed the constraint originally.

Assigned – This component consists of amounts that are constrained by the City’s intent to be used for specific purposes, but are neither restricted nor committed. The authority for assigning fund balance is expressed by the City Council, City Manager or designee as established in the City’s fund balance policy.

Unassigned - Unassigned fund balance is the residual classification for the general fund. This classification represents spendable fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

The City uses restricted amounts to be spent first when both restricted and unrestricted fund balance is available. Additionally, the City would first use committed fund balance, followed by assigned fund balance and then unassigned fund balance when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**R. Minimum Fund Balance Policy**

The City’s policy is to maintain an adequate general fund unassigned fund balance to provide liquidity to meet seasonal shortfalls in cash flow, and reduce susceptibility to emergency or unanticipated expenditures and/or revenue shortfalls. Fund balance information is used to identify the available resources to repay long-term debt, reduce property taxes, add new governmental programs, expand existing ones, or enhance the financial position of the City, in accordance with policies established by the City Council. The City Council adopted a financial standard to maintain a general fund minimum unassigned fund balance of 17% of general fund operating expenditures.

CITY OF SANIBEL, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2010

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**Note 1. Summary of Significant Accounting Policies (Concluded)**

**S. Net Assets**

Net assets of the government-wide and proprietary funds are categorized as invested in capital assets, net of related debt, restricted or unrestricted. The first category represents net assets related to property, plant, equipment and infrastructure. The restricted category represents the balance of assets restricted by requirements of revenue bonds and other externally imposed constraints or by legislation in excess of the related liabilities payable from restricted assets. The unrestricted net assets category represents all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

**Note 2. Stewardship, Compliance and Accountability**

**A. Budgets - Legal Compliance**

Budgets are adopted on a basis consistent with U.S. Generally Accepted Accounting Principles, except for the following funds for the respective reasons:

<b><u>FUND TYPE and NAME</u></b>	<b><u>REASON</u></b>
<b><i>Special Revenue Fund</i></b>	
Federal Forfeiture Fund	No expenditures were planned for the year
<b><i>Capital Project Funds</i></b>	
Rabbit Road	No expenditures were planned for the year

Annual appropriated budgets are adopted for the general fund, special revenue funds, debt service funds, capital project funds, and enterprise funds. All annual appropriations lapse at fiscal year end and are not automatically re-appropriated the following fiscal year. On July 1st of each year, the Lee County Property Appraiser supplies the City with the assessed taxable valuation of the property located within the City on which the City's millage (property tax) rate for the next budget year will be based. Prior to July 31st, a public hearing is held at which a proposed budget is presented to City Council and, by resolution, City Council establishes a proposed millage (property tax) rate for the subsequent fiscal year, which begins on October 1<sup>st</sup>.

Based on the State of Florida "TRIM" (Truth in Millage) calendar, the City holds two public hearings on the tentative millage rate and tentative budget during the month of September. On or before September 30<sup>th</sup>, the budget is legally adopted by resolution. Five-year financial plans are also adopted for all capital project funds.

Budget amounts are presented as originally adopted and as amended by City Council. Budget amendments, adopted by resolution of City Council, are used to revise the budgeted amounts through the year. The City Manager may amend the budget within existing appropriations of individual funds.

The level of control whereby expenditures cannot exceed appropriations is at the fund level. During the fiscal year ended September 30, 2010, various supplemental appropriations were approved by City Council in accordance with this policy.

CITY OF SANIBEL, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2010

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**Note 2. Stewardship, Compliance and Accountability (Concluded)**

**B. Excess of Expenditures over Appropriations**

The City has no excess of expenditures over appropriations in individual governmental funds.

**C. Property Taxes**

All real and tangible personal property taxes are due and payable on November 1 of each year, or as soon thereafter as the tax roll is certified by the Lee County Property Appraiser, and become delinquent on April 1 of the following year. The Lee County Tax Collector does the billing and collection of all property taxes for the City.

The tax collector mails to each property owner on the tax roll a notice of taxes levied by the various governmental entities in the County. Discounts are allowed for payment of property taxes made between November 1 and March 1. Tax certificates for the full amount of any unpaid taxes or assessments must be sold no later than June 1st of each year.

The laws of Florida provide for procedures for collecting delinquent taxes, including applicable tax certificate sales, tax deed sales and tangible personal property seizure and sales. Enforceable lien date is approximately two years after taxes become delinquent and occurs only upon request of a holder of a delinquent tax certificate. Key dates in the property tax cycle (latest date, where appropriate) are as follows:

July 1	Assessment roll certified, unless extension granted by Florida Department of Revenue.
93 days later (normally October 1)	Millage resolution approved and taxes levied following certification of assessment roll.
November 1	Property taxes become due and payable (maximum discount, i.e., 4 percent).
April 1	Taxes become delinquent (lien date).
Prior to June 1	Tax certificates sold.

The City is, in general, permitted by the State to levy property taxes up to \$10 per \$1,000 of assessed valuation for general governmental services. The tax rates for the year ended September 30, 2010 for the general governmental operations and voted debt service for the sewer expansion project, the 2002 Series General Obligation Bond used to purchase environmentally sensitive land, and the 2006 Series General Obligation Bond used to construct a recreational facility were 2.1561, 0.2856, 0.0561, and .1172, respectively, per \$1,000 of assessed property valuation.

**Note 3. Deposits and Investments**

**A. Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. In accordance with its policy, all City depositories are banks designated by the Florida Chief Financial Officer as qualified public depositories. Chapter 280 of the Florida Statutes, "Florida Security for Public Deposits Act" provides procedures for public depositories to ensure public monies

CITY OF SANIBEL, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2010

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**Note 3. Deposits and Investments (Continued)**

**A. Deposits (concluded)**

in banks and saving and loans are collateralized with the Florida Chief Financial Officer as agent for the public entities. Chapter 280 defines deposits as demand deposit accounts, time deposit accounts, and non-negotiable certificates of deposit.

Financial institutions qualifying as public depositories shall deposit with the Florida Chief Financial Officer eligible collateral at the pledging level required pursuant to Chapter 280. The Florida Security for Public Deposits Act has a procedure for the payment of losses in the event of a default or insolvency. When public deposits are made in accordance with Chapter 280, no public depositor shall be liable for any loss thereof, and therefore, the City is not exposed to custodial credit risk for its deposits.

At September 30, 2010, the carrying amount of cash on hand and on deposit with banks, including interest-bearing deposits, was \$5,559,185.

**B. Investments**

By Florida Statutes 218.415 and by Resolution No. 10-002 the City is authorized to invest in the Florida Local Government Surplus Funds Trust Fund, intergovernmental investment pools authorized pursuant to the Florida Interlocal Cooperation Act of 1969, as provided in Section 163.01 Florida Statutes, Securities and Exchange Commission registered money market funds, interest-bearing savings accounts, certificates of deposit, direct obligations of the U.S. Treasury, Federal agencies and instrumentalities, repurchase agreements, and collateralized mortgage obligations when the purpose of the purchase is to hold such investment to maturity, prime commercial paper of a United States corporation, finance company or banking institution, regulated bond mutual funds, corporate bonds or other corporate debt securities and investment grade obligations of state and local governments and public authorities. Additionally, the pension trust funds are authorized to invest in equity securities.

The City seeks to optimize return on investments within the constraints of safety and liquidity. Securities are not sold prior to maturity with the following exceptions: a) a declining credit security could be sold early to minimize loss of principal; b) a security swap would improve the quality, yield or target duration in the portfolio; or c) liquidity needs of the portfolio require that the security be sold.

The City's investment policy defines suitable/authorized investment instruments and investment guidelines for each investment program: operating funds (pooled investments), reserve funds (non-pooled investments), surplus funds (pooled investments) and restricted funds (non-pooled investments). The City's investment programs' portfolios are under the direction and daily supervision of an investment adviser (Integrity Fixed Income Management, LLC). Investment compliance and performance is monitored by Burgess Chambers & Associates, Inc.

The City maintains an investment pool that is available for use by all funds, except the Pension Trust Funds. In addition, investments are separately held by several of the City's funds. The investments of the Pension Trust Funds are held separately from those of other City funds. Interest income earned as a result of pooling is allocated based upon the proportionate balance of each fund's equity in pooled cash and pooled investments. The pooled investments and non-pooled investments with original maturities of three months or less when purchased are considered cash equivalents.

CITY OF SANIBEL, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
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**Note 3. Deposits and Investments (Continued)**

**B. Investments (Continued)**

Following is a summary of the City's pooled investments at September 30, 2010 excluding investments in the City's pension funds:

<b>Pooled Investments</b>						
Investment Type	Percent of Portfolio	Fair Value	Investment Maturities			
			Less Than 3 Months	3-12 Months	1-3 Years	Over 3 Years
SBA Florida PRIME	19.68%	\$ 2,766,358	\$ 2,766,358	\$ -	\$ -	\$ -
Federated Prime MMF	7.12%	1,001,387	1,001,387	-	-	-
FDIC Insured MM Accounts	10.63%	1,494,000	1,494,000	-	-	-
US Gov Obligations	22.06%	3,101,250	-	749,578	1,263,827	1,087,845
Taxable Municipal Obligations	24.65%	3,466,514	-	1,906,904	507,790	1,051,820
<sup>(1)</sup> Corporate Bonds/FDIC	3.58%	502,862	-	502,862	-	-
<sup>(2)</sup> Corporate Bonds/USGG	3.08%	433,672	-	-	433,672	-
Corporate Bonds	9.20%	1,293,290	-	895,365	297,325	100,600
		<u>\$ 14,059,333</u>	<u>\$ 5,261,745</u>	<u>\$ 4,054,709</u>	<u>\$ 2,502,614</u>	<u>\$ 2,240,265</u>

<sup>(1)</sup> FDIC Insured Corporate Bonds, Triple A ratings from Standard & Poor's and Moody's

<sup>(2)</sup> USGG-US Government Guaranteed Corporate Bonds, Triple A ratings from Standard & Poor's and Moody's

Following is a summary of the City's non-pooled investments at September 30, 2010 excluding investments in the City's pension funds:

<b>Non-Pooled Investments</b>						
Investment Type	Percent of Portfolio	Fair Value	Investment Maturities			
			Less Than 3 Months	3-12 Months	1-3 Years	Over 3 Years
GNMA	0.04%	\$ 3,541	\$ -	\$ -	\$ -	\$ 3,541
<sup>(3)</sup> FHLMC	0.09%	9,330	-	-	-	9,330
SBA Florida PRIME	1.06%	107,048	107,048	-	-	-
SBA Fund B	6.07%	612,864	-	-	-	612,864
Federated Prime MMF	0.19%	18,874	18,874	-	-	-
US Gov Obligations	33.71%	3,403,480	-	364,360	1,837,560	1,201,560
Taxable Municipal Obligations	43.06%	4,347,594	-	1,041,514	2,666,834	639,246
<sup>(1)</sup> Corporate Bonds/FDIC	2.99%	302,166	-	302,166	-	-
<sup>(2)</sup> Corporate Bonds/USGG	4.99%	504,270	-	-	504,270	-
Corporate Bonds	7.80%	787,089	-	186,989	535,594	64,506
		<u>\$ 10,096,256</u>	<u>\$ 125,922</u>	<u>\$ 1,895,029</u>	<u>\$ 5,544,258</u>	<u>\$ 2,531,047</u>

<sup>(1)</sup> FDIC Insured Corporate Bonds, Triple A ratings from Standard & Poor's and Moody's

<sup>(2)</sup> USGG-US Government Guaranteed Corporate Bonds, Triple A ratings from Standard & Poor's and Moody's

<sup>(3)</sup>The FHLMC investment has a "no rating" (NR) by Standard's & Poor and Moody's. Original investment of \$595,000 was made in 1993. Balance remaining to be redeemed as of September 30, 2010 is \$9,330.

CITY OF SANIBEL, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2010

**Note 3. Deposits and Investments (Continued)**

**B. Investments (Continued)**

The Florida State Board of Administration's (SBA) Florida PRIME formerly known as the Local Government Surplus Funds Trust Fund Investment Pool (SBA LGIP) meets the criteria of a Rule 2a-7 like pool and the investments are valued using the account balance which is stated at amortized cost. Rule 2a-7 is the rule that permits money market funds to use amortized cost to maintain a constant net asset value (NAV) of \$1.00 per share. The weighted average days to maturity (WAM) of the Florida PRIME at September 30, 2010, was 52 days. The Florida PRIME is rated by Standard & Poor's. The current rating is AAAm.

The SBA Fund B is accounted for as a fluctuating net asset value (NAV) pool. The fair value factor for Fund B for September 30, 2010 was .707058094. The weighted average life (WAL) of Fund B at September 30, 2010 was 7.49 years. However, because Fund B consists of restructured or defaulted securities there is considerable uncertainty regarding the weighted average life. Fund B has not participated in a securities lending program in the fiscal year ending September 30, 2010. Fund B is not rated by any nationally recognized statistical rating agency.

The Local Government Surplus Funds Trust Fund Investment Pools are administered by the State Board of Administration under the regulatory oversight of the State of Florida, Chapter 19-7 of the Florida Administrative Code.

The Federated Prime Obligations Fund (Federated Prime MMF) is rated with Triple A ratings from three credit rating agencies: Standard & Poor's, Moody's and Fitch. The securities are valued at amortized cost to maintain a constant net asset value (NAV) of \$1.00 per share. The weighted average days to maturity (WAM) at September 30, 2010, was 38 days.

All the municipal bonds and notes are investment grade with Standard and Poor's credit ratings of A- to AAA. The corporate bonds' Standard and Poor's credit ratings are A- to AA+ (excludes Standard and Poor's AAA rated FDIC and US Government Guaranteed corporate bonds).

PORTFOLIO	Portfolio Characteristics at 9/30/2010			Investment Policy		
	% Invested in Corporate Bonds*	Average Credit Rating**	Average Maturity**	Maximum % in Corp. Bonds	Minimum Credit Rating	Average Maximum Maturity
<b>Pooled Investments</b>						
Operating Portfolio	9.68%	AAA	0.5	Short term	A	High Liquidity
Surplus Portfolio	13.50%	AA	2.8	15.00%	A	3.0
<b>Non-Pooled Investments</b>						
Reserves Portfolio	9.63%	AA	1.1	10.00%	A	1.0 Match cash/debt requirement
Restricted Portfolio	3.34%	AAA	11.8	15.00%	A	

\*Excludes FDIC Insured & US Government Guaranteed corporate bonds.

\*\*Prepared by City's investment adviser, Integrity Fixed Income Management, LLC

**Interest Rate Risk.** As a means of limiting its exposure to fair value losses arising from changes in interest rates, the City's investment policy limits the City's investment portfolio to maturities of five years. Investments held to meet bond reserve requirements may be invested in debt instruments

CITY OF SANIBEL, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2010

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**Note 3. Deposits and Investments (Continued)**

**B. Investments (Concluded)**

exceeding five years if the maturities of such investments are made to coincide as nearly as practicable with the expected use of funds. The pension plans may invest in longer-term debt instruments.

*Credit Risk.* The City's policy requires limiting investments to the safest types of securities and diversifying the investment portfolio so that potential losses on individual securities will be minimized. As previously noted the City's investment in the SBA Florida PRIME investment pool and the Federated Prime MMF is rated AAAM by Standard's and Poor as of September 30, 2010; SBA Fund B is not rated by any nationally recognized statistical rating agency; and the municipal and corporate bonds' Standard and Poor's' credit ratings range from A- to AAA as of September 30, 2010.

*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 issuer. The city's investment policy allows for investing in a variety of securities based on the issuer. The allowable concentration in corporate bonds is up to ten (10%) percent in the operating and reserve investment portfolios and up to fifteen (15%) percent in the surplus and restricted investment portfolios. In addition, no more than two (2%) percent of the portfolio may be invested with any one corporate bond issuer. The City's corporate bond investments meet the single issuer threshold for reportable concentration of credit risk.

*Custodial Credit Risk.* The City's investment policy requires securities be held with a third party custodian and all securities purchased by, and all collateral obtained by the City should be properly designated as an asset of the City. The securities must be held in an account separate and apart from the assets of the financial institution. A third party custodian is defined as any bank depository chartered by the federal government, the State of Florida, or any other state or territory of the United States which has a branch or principal place of business in the State of Florida, or by a national association organized and existing under the laws of the United States which is authorized to accept and execute trusts and which is doing business in the State of Florida. As of September 30, 2010, the City's investment portfolios were held with third-party custodians as required by the City's investment policy.

The City does not have a formal policy relating to *foreign currency risk*.

**C. Pension Trust Funds' Deposits and Investments**

The City has two defined benefit single-employer pension plans: the General Employees' (General) and the Municipal Police Officers' (Police), collectively, the Pension Funds.

*a. Cash and Cash Equivalents*

At September 30, 2010, the carrying amount of the Pension Funds' cash and cash equivalents was \$899,454. Cash consists of \$13,990 deposited in the City's pool cash account which is maintained in a qualified public depository in accordance with Chapter 280 of the Florida Statutes. Cash equivalents consist of \$631,223 placed with Federated Prime Value Obligations, a "AAA" rated money market fund; \$35,076 placed with Goldman Sachs Financial Square Treasury Obligations Fund, a "AAA" rated money market fund, and \$219,165 placed with a SunTrust Money Market Fund, an unrated fund.

CITY OF SANIBEL, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2010

**Note 3. Deposits and Investments (Continued)**

**C. Pension Trust Funds' Deposits and Investments (Continued)**

*b. Investment Portfolio*

Each Board of Trustees of the City's Pension Funds adopted a comprehensive investment policy, pursuant to Florida Statutes Section 112.661, that established permitted investments, asset allocation limits, issuer limits, credit rating requirements, and maturity limits to protect the Pension Funds' cash and investment assets. As of September 30, 2010, the City's Pension Funds had the following investment types:

General Employees' Pension Deposits and Investments			Maturities		
Type	Percent of Portfolio	Fair Value	Less Than 1 Year	1-5 Years	Over 5 Years
Cash Equivalents:					
Money Market Funds	5.92%	\$ 666,299	\$ 666,299	\$ -	\$ -
Investments:					
Equities	28.65%	3,225,682	3,225,682	-	-
Equity Mutual Funds	25.95%	2,921,903	2,921,903	-	-
Government Obligations	12.02%	1,353,997	-	948,213	405,784
Corporate Bonds	21.16%	2,383,054	138,834	1,214,544	1,029,676
Real Estate Core Fund	6.30%	709,949	-	-	709,949
		<u>\$ 11,260,884</u>	<u>\$ 6,952,718</u>	<u>\$ 2,162,757</u>	<u>\$ 2,145,409</u>

Municipal Police Officers' Pension Deposits and Investments			Maturities		
Type	Percent of Portfolio	Fair Value	Less Than 6 Months	6-12 Months	Over 3 Years
Cash Equivalents:					
Money Market Funds	2.52%	\$ 219,165	\$ 219,165	\$ -	\$ -
Investments:					
Equity and Equity Index Funds	32.51%	2,821,825	2,821,825	-	-
Equity Mutual Funds	29.77%	2,584,501	2,584,501	-	-
Fixed Income Funds	35.20%	3,055,708	3,055,708	-	-
		<u>\$ 8,681,199</u>	<u>\$ 8,681,199</u>	<u>\$ -</u>	<u>\$ -</u>

*c. Credit Risk*

The Pension Funds' investment policy permits the following investments, which are limited as described below.

Equity Securities

General: Equity securities must be listed on any one of the recognized national stock exchanges. Investment in foreign equity securities which are traded on a national exchange or American Depository Receipts is limited to 20% of the total fund portfolio.

Police: Investment in foreign equity securities is limited to 10% of total assets at cost.

CITY OF SANIBEL, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2010

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**Note 3. Deposits and Investments (Continued)**

**C. Pension Trust Funds' Deposits and Investments (Continued)**

Fixed Income Securities

General: The credit quality of fixed income securities shall hold a rating of Baa2/Mid BBB or above by Moody's and Standard & Poor's respectively. In the event of a split rating, the lower rating shall prevail. In the event of a downgrade, the active fixed income manager may hold up to 5% at market value of their total portfolio in bonds rated below Baa2/Mid BBB. The active fixed income manager must notify the pension fund's consultant in writing within ten (10) business days of any such downgrade. Permitted fixed income securities rated below A3/A- shall be limited to 15% of the total bond portfolio.

The General Employees' Pension Trust corporate bond holdings of \$2,383,054 in Richmond Capital were rated AAA to BAA by Barclay with an average quality rating of AA. Thirteen (13%) percent (\$493,422) of the total bond portfolio (\$3,737,051) was rated below A3/A-.

Police: The credit quality of fixed income securities shall be "A" or higher.

*d. Custodial Credit Risk*

The Pension Funds' investment policy pursuant to Section 112.661(10), Florida Statutes, states that securities should be held with a third party custodian and all securities purchased by, and all collateral obtained by the Pension Funds should be properly designated as an asset of the Pension Fund.

As of September 30, 2010, the General Employees' Pension Trust Fund equity investments were held with a third-party custodian as required by Florida Statutes. Its investments in the external investment pools and in mutual funds are not exposed to custodial credit risks because their existence is not evidenced by securities that exist in physical or book entry form.

As of September 30, 2010, the Municipal Police Officers' Pension Trust Fund investments in mutual funds are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form. Its investments in equity and equity index funds, equity mutual funds and fixed income funds securities are uninsured, are not registered in the name of the government, and are held by the counterparty.

*e. Concentration of Credit Risk*

The Pension Funds' investment policy has established asset allocation and issuer limits on the following investments, which are designed to reduce concentration of credit risk of the Pension Funds' investment portfolio.

Equity Securities

General: A target of 45% at fair value of its fund's total asset value may be invested in domestic equity securities and a target of 15% at fair value of its fund's total asset value may be invested in international equity securities. Investments in equities shall not exceed 70% of the Fund's assets at market value. Not more than 5% of the Fund assets, based on market value, shall be vested in the securities of any one issuing company. The aggregate investment in any one issuing company shall not exceed 5% of the outstanding capital stock of the company.

CITY OF SANIBEL, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2010

**Note 3. Deposits and Investments (Continued)**

**C. Pension Trust Funds' Deposits and Investments (Concluded)**

Police: A maximum of 60% at cost value of the fund's total asset value may be invested in equity securities (including convertible bonds); 5% at cost value may be invested in a single corporate issuer; 10% at cost value may be invested in foreign equity securities.

Fixed Income Securities

General: A target of 35% at fair value of the fund's total asset value may be invested in domestic fixed income securities. Non-government bond investments in any one issuing company shall be limited to 1.5% of the total bond portfolio. Foreign issued fixed-income securities may not exceed 5% of the market value of the total fund portfolio.

Police: The fund's total asset value may be invested in fixed income securities. A maximum of 5% at cost of the fund's total asset value may be invested in the securities of any single issuer.

See Note 14 for details of the Pension Funds concentration of investments at September 30, 2010.

*f. Foreign Currency Risk*

General: As of September 30, 2010, \$1,362,305 of the General Pension Fund's \$2,921,903 equity and equity index funds was invested in American Euro Pacific Growth Fund Class R6.

Police: As of September 30, 2010, \$1,102,938 of the Police Officers' Pension Fund's \$2,821,825 equity and equity index funds was invested in the American Euro Pacific Growth Fund Class R6.

**D. Additional Information**

As of September 30, 2010 the City had the following deposits and investments:

<b>CASH AND CASH EQUIVALENTS AND INVESTMENTS</b>	
Type	Fair Value
US Govt Agency Securities	\$ 12,871
Pension Investments	19,056,619
City Investments-Reserves Account	7,439,287
City Investments -Restricted Account	1,905,312
SBA Fund B	612,864
Total Investments	29,026,953
PLUS: Cash Equivalents	
Checking Accounts	5,557,900
SBA Florida PRIME	2,873,406
City Pool Investment-Operating Account	6,234,893
City Pool Investment-Surplus Account	5,058,082
City Money Market Funds	18,874
Pension Money Market Funds	885,464
Total Cash Equivalents	20,628,619
TOTAL Cash Equivalents and Investments	49,655,572
PLUS: Cash on Hand	1,285
TOTAL: Cash & Cash Equivalents and Investments	\$ 49,656,857

CITY OF SANIBEL, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2010

**Note 3. Deposits and Investments (Concluded)**

**D. Additional Information (Concluded)**

The following schedule reconciles the deposit and investment information to the government-wide Statement of Net Assets and Statement of Fiduciary Net Assets:

	Unrestricted		Restricted		TOTAL
	Cash & Equivalents	Investments	Cash & Equivalents	Investments	Cash & Investments
<b>GOVERNMENTAL ACTIVITIES</b>					
General	\$ 7,223,076	\$ 7,442,828	\$ -	\$ -	\$ 14,665,904
Transportation	1,357,256	-	-	-	1,357,256
Other Gov't Funds	<u>6,410,675</u>	<u>-</u>	<u>52,720</u>	<u>239,642</u>	<u>6,703,037</u>
<b>Total Governmental</b>	<u>14,991,007</u>	<u>7,442,828</u>	<u>52,720</u>	<u>239,642</u>	<u>22,726,197</u>
<b>BUSINESS-TYPE ACTIVITIES</b>					
Sewer System	4,107,019	283,687	-	2,004,177	6,394,883
Beach Parking	<u>412,542</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>412,542</u>
<b>Total Business-type</b>	<u>4,519,561</u>	<u>283,687</u>	<u>-</u>	<u>2,004,177</u>	<u>6,807,425</u>
<b>FIDUCIARY FUNDS</b>					
OPEB Trust Fund	-	-	148,066	-	148,066
Pension Trust Funds	-	-	899,455	19,056,619	19,956,074
Agency Funds	<u>-</u>	<u>-</u>	<u>19,095</u>	<u>-</u>	<u>19,095</u>
<b>Total Fiduciary</b>	<u>-</u>	<u>-</u>	<u>1,066,616</u>	<u>19,056,619</u>	<u>20,123,235</u>
<b>TOTAL</b>	<u>\$ 19,510,568</u>	<u>\$ 7,726,515</u>	<u>\$ 1,119,336</u>	<u>\$ 21,300,438</u>	<u>\$ 49,656,857</u>

**E. Restricted Cash and Investments**

Restricted cash and investments represent resources to be restricted for debt service (debt service, debt reserves and rate stabilization) and renewal and replacement as follows:

	Governmental Restricted		Business-Type Restricted	
	Cash & Equivalents	Investments	Cash & Equivalents	Investments
Debt service	\$ 52,720	\$ 239,642	\$ -	\$ 891,146
Debt reserves	-	-	-	833,031
Rate stabilization	-	-	-	80,000
Renewal and replacement	<u>-</u>	<u>-</u>	<u>-</u>	<u>200,000</u>
	<u>\$ 52,720</u>	<u>\$ 239,642</u>	<u>\$ -</u>	<u>\$ 2,004,177</u>

CITY OF SANIBEL, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2010

**Note 4. Accounts Receivable**

Accounts receivable reported in the general fund represent miscellaneous receivables for insurance, public works services, restitution, code enforcement violations, false alarm fees and special event services provided by the City. Accounts receivable in the Transportation Fund is for services provided. Accounts receivable in the other governmental funds represent uncollected franchise fees, rental income and other miscellaneous receivables. The general fund accounts receivables are net of a \$29,436 allowance for uncollectible accounts. No allowance for uncollectible accounts was needed in the other governmental funds. Receivables, net of allowance for uncollectibles, as of year-end for the City's governmental activities, individual major governmental fund and nonmajor funds in the aggregate are as follows:

	General	Transportation	Nonmajor Governmental	Total
	Fund	Fund	Funds	
Accounts receivable	\$ 125,285	\$ 4,300	\$ 8,561	\$ 138,146
Interest receivable	116,854	-	1,815	118,669
Due from other funds	2,172,681	-	-	2,172,681
Due from other governments	107,817	112,303	103,317	323,437
Total receivables	<u>\$ 2,522,637</u>	<u>\$ 116,603</u>	<u>\$ 113,693</u>	<u>\$ 2,752,933</u>

\$2,172,681 of the due from other funds receivable in the general fund was eliminated in the conversion from the governmental funds balance sheet to the government-wide statement of net assets. The receivable due from the OPEB Fiduciary Fund in the amount of \$19,054 and the receivable due from the Police Officers' Pension Fund in the amount of \$3,627 are part of the accounts receivable on the governmental activities statement of net assets. Fiduciary funds are not included in the government-wide statements.

Accounts receivable reported in the enterprise funds represent fees for sewer services provided by the City (billed and unbilled). The accounts receivable are net of a \$6,762 allowance for uncollectible accounts. Receivables, net of allowance for uncollectibles, as of year-end for the City's business-type activities are as follows:

	Sanibel Sewer	Beach Parking	Total
	System	Fund	
Unrestricted			
Accounts receivable	\$ 297,635	\$ 3,189	\$ 300,824
Interest receivable	11,964	-	11,964
Due from other governments	-	307,619	307,619
Total unrestricted	<u>309,599</u>	<u>310,808</u>	<u>620,407</u>
Restricted			
Assessments receivable	<u>9,674,345</u>	-	<u>9,674,345</u>
Total net receivables	<u>\$ 9,983,944</u>	<u>\$ 310,808</u>	<u>\$ 10,294,752</u>

CITY OF SANIBEL, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2010

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**Note 4. Accounts Receivable (Concluded)**

Special assessments were approved by the City Council to cover the cost of expanding the sewer system to service the entire City. The special assessment receivables are to be collected over a twenty-year period. Interest earnings are based on various rates depending on when each phase was assessed. The special assessment receivable is restricted for debt service. In accordance with full accrual accounting, the special assessments were recognized as revenue when assessed. The interest is recognized when earned.

**Note 5. Deferred Revenues**

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds and business-type funds also defer revenue recognition in connection with resources that have been received, but not yet earned (unearned). As of September 30, 2010, the business-type funds did not have any deferred revenues; the various components of deferred revenue reported in the governmental funds were as follows:

<u>Governmental Funds:</u>	<u>Unavailable</u>	<u>Unearned</u>
Receivables earned but not available:		
Grant reimbursement for Forestry expenditures	\$ 11,275	\$ -
Interlocal expense share reimbursement (Ding Darling)	17,873	-
Paving assessments	4,042	-
Unearned revenues:		
Prepaid tennis lessons	-	810
Prepaid weight permits	-	2,606
Prepaid business tax receipts	-	247,464
Prepaid contractor license renewals	-	23,080
Prepaid air potato grant	-	764
Prepaid Zonta grant	-	2,132
Recreation center gift cards	-	9
Donations for FY2011 after school financial assistance program	-	24,613
Total deferred revenue for governmental funds	<u>\$ 33,190</u>	<u>\$ 301,478</u>

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CITY OF SANIBEL, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2010

**Note 6. Accounts Payable and Other Accrued Liabilities**

	General	Transportation Fund	Other Governmental Funds	Total
<b>GOVERNMENTAL ACTIVITIES</b>				
Accounts and retainages payable	\$ 257,089	\$ 609,589	\$ 250,556	\$ 1,117,234
Accrued liabilities	276,465	24,793	52,215	353,473
Deposits	12,833	-	600	13,433
Due to other funds	-	-	50,000	50,000
<b>Total</b>	<u>\$ 546,387</u>	<u>\$ 634,382</u>	<u>\$ 353,371</u>	<u>\$ 1,534,140</u>
Sanibel Sewer				
	System	Beach Parking	Total	
<b>BUSINESS-TYPE ACTIVITIES</b>				
Accounts and retainages payable	\$ 169,052	\$ 37,329	\$ 206,381	
Accrued liabilities	45,826	35,339	81,165	
Accrued interest payable	256,150	-	256,150	
Due to other funds	2,100,000	-	2,100,000	
<b>Total</b>	<u>\$ 2,571,028</u>	<u>\$ 72,668</u>	<u>\$ 2,643,696</u>	

The due to other funds of \$50,000 in the Other Governmental Funds and \$2,100,000 in the Business-Type Activities were eliminated in the conversion from governmental funds balance sheet and proprietary funds statement of net assets to the government-wide statement of net assets.

**Note 7. Interfund Receivables, Payables and Transfers**

The following schedule as of September 30, 2010, represents interfund receivables and payables in the fund financial statements:

	Receivable Fund	Payable Fund	Purpose for Balance	Amount
	General	Sanibel Sewer System	City's support of the sewer system primarily related to effluent disposal/reuse as required by regulatory agencies. \$1,750,000 is not anticipated to be collected within the next fiscal year	\$ 2,100,000
	General	Algae Research Grant Fund	Awaiting collection of grant receivables	50,000
	General	OPEB Trust Fund	Amount due to City for FY 2010 implicit rate subsidy	19,054
	General	Police Pension Fund	Duplicate payment made into the pension fund	3,627
			<b>TOTAL</b>	<u>\$ 2,172,681</u>

CITY OF SANIBEL, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
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**Note 7. Interfund Receivables, Payables and Transfers (Concluded)**

Transfers are indicative of funding for capital projects or debt service and subsidies of various City operations. The following schedule briefly describes the City's transfer activity:

<u>Interfund Transfers</u>	<u>Governmental Funds</u>			
<u>Interfund Transfers</u>	<u>Transfers In</u>			<u>Total</u>
<u>Transfers Out</u>	<u>General</u>	<u>Transportation</u>	<u>Non-major Governmental</u>	<u>Governmental Funds</u>
General	\$ -	\$ 1,292,991	\$ 4,679,202	\$ 5,972,193
Non-major Governmental	1,267,155	335,000	587,865	2,190,020
<b>Total</b>	<b>\$ 1,267,155</b>	<b>\$ 1,627,991</b>	<b>\$ 5,267,067</b>	<b>\$ 8,162,213</b>
<u>Source</u>	<u>Transfer to</u>	<u>Amount</u>	<u>Purpose</u>	
General Fund	Transportation Fund	\$ 1,292,991	Budgeted for transportation maintenance	
General Fund	Special Revenue Fund	220,000	Budgeted for Brazilian Pepper Exotic Plant Eradication Program	
General Fund	Special Revenue Fund	3,000	City match for Sanibel Isles canal trimming	
General Fund	Special Revenue Fund	5,000	City match for Sanibel Isles/Water Shadows dredging	
General Fund	Special Revenue Fund	1,430,005	Budgeted for recreation center program	
General Fund	Debt Service Fund	155,217	Debt subsidy	
General Fund	Debt Service Fund	1,161,461	Debt subsidy	
General Fund	Debt Service Fund	88,203	Debt subsidy	
General Fund	Debt Service Fund	824,898	Debt subsidy	
General Fund	Capital Projects Fund	536,746	Budgeted for capital acquisition fund	
General Fund	Capital Projects Fund	254,672	Budgeted for transportation capital improvements	
Environmental Defense Fund	General Fund	3,810	Fund Closed	
Hurricane Wilma Fund	General Fund	95,697	Fund Closed	
Tropical Storm Fay Fund	General Fund	101,314	Fund Closed	
Franchise & Occupational Tax Fund	General Fund	1,008,672	Fund Closed	
Franchise & Occupational Tax Fund	Debt Service Fund	120,000	Debt subsidy	
Franchise & Occupational Tax Fund	Debt Service Fund	311,708	Debt subsidy	
Franchise & Occupational Tax Fund	Debt Service Fund	105,000	Debt subsidy	
Ballpark Maintenance Fund	General Fund	51,809	Return of excess funds budgeted for ball field maintenance	
Below Market Rate Housing Fund	General Fund	5,021	Fund Closed	
Capital Asset Acquisition Fund	Transportation Fund	25,000	Road repaving	
Capital Project Fund Transportation	Transportation Fund	310,000	Road repaving	
Capital Project Fund/San Cap Road	Capital Project Fund	1,157	Fund Closed	
Capital Project Fd/Intersections Impr	Road Impact Fee Fund	50,000	Fund Closed	
Capital Project Fd/Beach Road	General Fund	832	Fund Closed	
<b>TOTAL</b>		<b>\$ 8,162,213</b>		

CITY OF SANIBEL, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2010

**Note 8. Intergovernmental Revenues**

The following schedule as of September 30, 2010, represents intergovernmental revenues in the government-wide statement of activities:

	General	Transportation Fund	Other Governmental Funds	Total
<b><u>Governmental activities</u></b>				
<b>Operating Grants &amp; Contributions</b>				
General Government	\$ 7,500	\$ -	\$ -	\$ 7,500
Public Safety	46,141	-	-	46,141
Physical Environment	70,940	-	484,332	555,272
Transportation	-	50,103	-	50,103
Culture/Recreation	-	-	162,467	162,467
<b>Capital Grants &amp; Contributions</b>				
General Government	-	-	-	-
Physical Environment*	1,523,351	-	-	1,523,351
Economic Environment	-	-	-	-
Transportation	-	-	117,168	117,168
Culture/Recreation	-	-	-	-
<b>Other Interlocal Agreements</b>	<u>526,046</u>	<u>-</u>	<u>-</u>	<u>526,046</u>
Total	<u>\$ 2,173,978</u>	<u>\$ 50,103</u>	<u>\$ 763,967</u>	<u>\$ 2,988,048</u>

\*Bargain purchase - See Note 9 Capital Assets.

	Sanibel Sewer System	Beach Parking Fund	Total
<b><u>Business-type activities</u></b>			
<b>Operating Grants &amp; Shared Revenues</b>			
Transportation	\$ -	\$ 1,172,047	\$ 1,172,047
<b>Capital Grants &amp; Contributions</b>			
Physical Environment	<u>61,500</u>	<u>-</u>	<u>61,500</u>
Total	<u>\$ 61,500</u>	<u>\$ 1,172,047</u>	<u>\$ 1,233,547</u>

The intergovernmental revenues of \$838,015 in the Other Governmental Funds statement of revenues, expenditures and changes in fund balance were increased by \$117,168 for impact fees received from other governmental agencies which are reported as other revenues in the governmental fund financial statements and were decreased by \$191,216 for the net change in deferred revenues that did not meet the criteria for revenue availability under the *current financial resources measurement focus* for financial reporting in the governmental fund financial statements.

The general fund intergovernmental revenues of \$632,754 were increased by \$1,523,351 representing a real estate bargain purchase from the US Department of Interior-Land Management Agency and increased by \$17,873 for the net change in deferred revenues that did not meet the criteria for revenue availability under the *current financial resources measurement focus* for financial reporting in the governmental fund financial statements.

CITY OF SANIBEL, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2010

**Note 9. Capital Assets**

Capital asset activity for the year ended September 30, 2010 was as follows:

<u>Governmental activities</u>	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 24,836,462	\$ 127,463	\$ -	\$ 24,963,925
Construction in progress	-	83,433	-	83,433
Total capital assets, not being depreciated	<u>24,836,462</u>	<u>210,896</u>	<u>-</u>	<u>25,047,358</u>
Capital assets, being depreciated:				
Buildings	17,238,936	1,462,088	-	18,701,024
Improvements other than buildings	4,553,610	84,466	-	4,638,076
Infrastructure	11,742,925	-	-	11,742,925
Vehicles and equipment	4,605,041	198,623	(148,312)	4,655,352
Total capital assets, being depreciated	<u>38,140,512</u>	<u>1,745,177</u>	<u>(148,312)</u>	<u>39,737,377</u>
Less accumulated depreciation for:				
Buildings	(3,167,257)	(621,165)	-	(3,788,422)
Improvements other than buildings	(3,378,359)	(108,820)	-	(3,487,179)
Infrastructure	(4,847,670)	(432,672)	-	(5,280,342)
Vehicles and equipment	(2,689,294)	(403,295)	102,532	(2,990,057)
Total accumulated depreciation	<u>(14,082,580)</u>	<u>(1,565,952)</u>	<u>102,532</u>	<u>(15,546,000)</u>
Total capital assets, being depreciated, net	<u>24,057,932</u>	<u>179,225</u>	<u>(45,780)</u>	<u>24,191,377</u>
Governmental activities capital assets, net	<u>\$ 48,894,394</u>	<u>\$ 390,121</u>	<u>\$ (45,780)</u>	<u>\$ 49,238,735</u>

Bargain purchase: Bargain purchase assets transferred between governmental entities at nominal amounts are treated as if the assets were donated. In the governmental funds only the amount paid in cash is reported as capital expenditure; in the government-wide financial statement the difference between fair value and the capital expenditure is reported as capital contribution revenue.

In February 2010, the City purchased 44.77 acres, more or less, including the Sanibel Lighthouse, cottages and other buildings for the special pricing schedule of \$10 per acre for a total amount of \$447.70 from the United States of America, Bureau of Land Management. The fair value of the purchased assets is \$1,523,799. The difference between the fair value and purchase price reported as capital contribution revenue in the government-wide financial statement is \$1,523,351. The assets purchased are detailed in the following schedule:

<u>Lighthouse Property</u>	<u>Price Paid</u>	<u>Fair Value</u>	<u>Valuation Source</u>
Land - 44.77 acres, more or less	\$ 448	\$ 127,463	Lee County Property Appraiser's assessed value
Lighthouse	-	650,000	American Appraisal Associates, Inc.
Cottage #1	-	316,000	American Appraisal Associates, Inc.
Cottage #2	-	309,000	American Appraisal Associates, Inc.
Storage Shed	-	86,819	American Appraisal Associates, Inc.
Oil House	-	34,517	American Appraisal Associates, Inc.
TOTAL	<u>\$ 448</u>	<u>\$ 1,523,799</u>	

CITY OF SANIBEL, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2010

**Note 9. Capital Assets (Concluded)**

<u>Business-type activities</u>	Beginning Balances	Increases	Decreases & Adjustments	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 1,848,477	\$ 1,000	\$ -	\$ 1,849,477
Construction in progress	23,530	-	(23,530)	-
Total capital assets, not being depreciated	<u>1,872,007</u>	<u>1,000</u>	<u>(23,530)</u>	<u>1,849,477</u>
Capital assets, being depreciated:				
Buildings	1,722,859	188,356	-	1,911,215
Improvements other than buildings	1,242,669	112,424	-	1,355,093
Infrastructure	68,609,363	-	-	68,609,363
Vehicles and equipment	2,629,188	385,650	(49,907)	2,964,931
Total capital assets, being depreciated	<u>74,204,079</u>	<u>686,430</u>	<u>(49,907)</u>	<u>74,840,602</u>
Less accumulated depreciation for:				
Buildings	(677,796)	(89,353)	-	(767,149)
Improvements other than buildings	(431,473)	(69,333)	-	(500,806)
Infrastructure	(16,937,299)	(2,273,286)	-	(19,210,585)
Vehicles and equipment	(1,715,447)	(179,441)	49,907	(1,844,981)
Total accumulated depreciation	<u>(19,762,015)</u>	<u>(2,611,413)</u>	<u>49,907</u>	<u>(22,323,521)</u>
Total capital assets, being depreciated, net	<u>54,442,064</u>	<u>(1,924,983)</u>	<u>-</u>	<u>52,517,081</u>
Business-type activities capital assets, net	<u>\$ 56,314,071</u>	<u>\$ (1,923,983)</u>	<u>\$ (23,530)</u>	<u>\$ 54,366,558</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

<b><u>Governmental activities:</u></b>	
General government	\$ 135,769
Public safety	125,450
Physical environment	59,338
Transportation	531,446
Culture/recreation	713,949
Total depreciation expense-governmental activities	<u>\$ 1,565,952</u>
<b><u>Business-type activities:</u></b>	
Sanibel Sewer System	\$ 2,455,654
Beach Parking	155,759
Total depreciation expense-business-type activities	<u>\$ 2,611,413</u>

CITY OF SANIBEL, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2010

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**Note 10. Operating Leases**

In the governmental funds rental expenditures under operating leases for the year ended September 30, 2010 amounted to \$109,227. During the year the City replaced its emergency generators at City Hall. Included in the total rental expenditures is \$32,926 in rental expenditures for emergency generators that the City incurred during this period.

The future minimum lease payments for the Governmental Funds under non-cancellable long-term operating leases as of September 30 are as follows:

Fiscal Year Ending	Amount
September 30, 2011	\$ 27,182
September 30, 2012	19,662
September 30, 2013	18,894
September 30, 2014	17,796
September 30, 2015	14,646
TOTAL	\$ 98,180

**Note 11. Long-term Debt**

**Governmental activities long-term debt at September 30, 2010, is comprised of the following:**

General Obligation Bonds

\$3,825,000 General Obligation Bonds, Series 2002, issued to purchase environmentally sensitive land, have interest payable varying from 2.0% to 4.75% due semiannually on August 1 and February 1, principal payments are due annually on August 1, collateralized with Voted Debt Service Ad Valorem Taxes, final payment is due December 2031. \$ 3,165,000

\$8,350,000 General Obligation Bonds, Series 2006, issued to construct a recreation facility, have interest payable varying from 4.0% to 4.35% due semiannually on August 1 and February 1, principal payments are due annually on August 1, collateralized with Voted Debt Service Ad Valorem Taxes, final payment is due February 2036. 7,705,000

Compensated absences payable 530,540  
Total Governmental Activities \$ 11,400,540

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CITY OF SANIBEL, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2010

**Note 11. Long-term Debt (Continued)**

**Business-type activities long-term debt at September 30, 2010, is comprised of the following:**

Revenue Bonds Payable

\$5,620,000 Sanibel Sewer Utility Revenue Refunding Bonds, Series 2003, issued to realize interest savings and reduce coverage requirements from the 1993 bonds, collateralized by the net revenues of the sewer system, which are serial bonds with interest from 2.0% to 3.9% payable semi-annually, principal payable from 2004 through 2021. \$ 3,745,000

Less:

Unamortized issuance discounts (13,614)  
Deferred refunding loss (211,341)  
3,520,045

Notes Payable

Disbursements, service fees and capitalized interest for a \$5,886,759 State of Florida revolving loan #83504P, issued to finance the Phase 1 collection system expansion, collateralized by special assessments, ad valorem taxes and the net revenues of the sewer system, accrued interest payable at 3.18%; due February, 2020. 3,258,846

Disbursements, service fees and capitalized interest on the \$14,429,365 State of Florida revolving loan #835080, issued to finance the Phase 2 Plant capacity expansion, collateralized by the net revenues of the sewer system, accrued interest payable at 3.52%; due August, 2022. 10,129,173

Disbursements, service fees and capitalized interest for a \$5,424,184 State of Florida revolving loan #835090, issued to finance Phase 2B collection system expansion, collateralized by voted debt service ad valorem taxes, special assessments and net revenues of the sewer system, accrued interest payable at 3.08%; due December, 2022. 3,538,482

Disbursements, service fees and capitalized interest for a \$8,501,591 State of Florida revolving loans #WWG83510 A & L, issued to finance Phase 2C collection system expansion, collateralized by voted debt service ad valorem taxes, special assessments and net revenues of the sewer system, accrued interest payable at 3.11%; due June, 2023. 5,726,310

Disbursements, service fees and capitalized interest for a \$6,274,127 State of Florida revolving loans # WW83511 A & L, issued to finance Phase 3A collection system expansion, collateralized by voted debt service ad valorem taxes, special assessments and net revenues of the sewer system, accrued interest payable at 2.67%, due August, 2023. 4,160,542

Disbursements, service fees and capitalized interest for a \$5,353,820 State of Florida revolving loan # WW83512S, issued to finance Phase 3B collection system expansion, collateralized by voted debt service ad valorem taxes, special assessments and net revenues of the sewer system, accrued interest payable at 3.40% due December, 2026. 6,042,012

32,855,365

Compensated absences payable

95,622

Total Business-Type Activities \$ 36,471,032

CITY OF SANIBEL, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2010

**Note 11. Long-term Debt (Continued)**

**Changes in long-term debt and other long-term obligations for the year ended  
September 30, 2010, are as follows:**

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Ending Balance</b>	<b>Amounts Due Within One Year</b>
<b><u>Governmental Activities</u></b>					
General Obligation Bonds	\$ 11,135,000	\$ -	\$ (265,000)	\$ 10,870,000	\$ 275,000
Revenue Bonds	1,555,151	-	(1,555,151)	-	-
Net bonds payable	12,690,151	-	(1,820,151)	10,870,000	275,000
Notes Payable	1,306,432	-	(1,306,432)	-	-
Capital Leases Payable	80,169	-	(80,169)	-	-
Compensated absences	537,875	324,228	(331,563)	530,540	350,057
Governmental-Type Totals	<u>\$ 14,614,627</u>	<u>\$ 324,228</u>	<u>\$ (3,538,315)</u>	<u>\$ 11,400,540</u>	<u>\$ 625,057</u>
<b><u>Business-type Activities</u></b>					
Revenue Bonds	\$ 4,030,000	\$ -	\$ (285,000)	\$ 3,745,000	\$ 290,000
Less:					
Issuance discounts	(14,880)	-	1,266	(13,614)	(1,266)
Loss on refunding	(231,000)	-	19,659	(211,341)	(19,659)
Net bonds payable	3,784,120	-	(264,075)	3,520,045	269,075
Notes Payable	35,492,474	-	(2,637,109)	32,855,365	2,143,013
Compensated absences	88,344	64,656	(57,378)	95,622	65,778
Total Business-type activities	<u>\$ 39,364,938</u>	<u>\$ 64,656</u>	<u>\$ (2,958,562)</u>	<u>\$ 36,471,032</u>	<u>\$ 2,477,866</u>

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CITY OF SANIBEL, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2010

**Note 11. Long-term Debt (Concluded)**

**Annual debt service requirements for bonds and notes to maturity are as follows:**

Governmental Activities		
Year ending September 30,	General Obligation Bonds	
	Principal	Interest
2011	\$ 275,000	\$ 468,738
2012	285,000	458,308
2013	300,000	447,408
2014	310,000	435,287
2015	320,000	422,607
2016-2020	1,830,000	1,899,027
2021-2025	2,255,000	1,474,200
2026-2030	2,815,000	933,315
2031-2035	2,235,000	312,379
2036	245,000	5,329
Total	\$ 10,870,000	\$ 6,856,598

Business-type Activities						
Year ending September 30,	Revenue Bonds		Notes Payable		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 290,000	\$ 127,241	\$ 2,143,013	\$ 1,040,306	\$ 2,433,013	\$ 1,167,547
2012	300,000	119,266	2,212,520	970,799	2,512,520	1,090,065
2013	305,000	110,266	2,284,296	899,025	2,589,296	1,009,291
2014	315,000	101,116	2,358,418	824,903	2,673,418	926,019
2015	325,000	91,273	2,474,552	708,769	2,799,552	800,042
2016-2020	1,810,000	281,630	13,213,382	2,503,077	15,023,382	2,784,707
2021-2025	400,000	15,600	7,728,330	569,306	8,128,330	584,906
2026	-	-	440,854	12,286	440,854	12,286
Total	\$ 3,745,000	\$ 846,392	\$ 32,855,365	\$ 7,528,471	\$ 36,600,365	\$ 8,374,863

*Bond Resolution* - Resolutions for various debt obligations establish certain funds and accounts and determine the order in which certain revenue is to be deposited into the funds and accounts. The City has also covenanted to budget and appropriate sufficient non-ad valorem revenue sources to pay the various debt obligations when due. All required balances at year-end were maintained.

*Compensated Absences* – In the governmental funds, the liability for compensated absences has typically been liquidated from the general fund. In the proprietary funds, the liability for compensated absences has typically been liquidated from the Sanibel Sewer System fund and Beach Parking fund.

CITY OF SANIBEL, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2010

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**Note 12. Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City participates in a public entity risk pool administered by Florida League of Cities, Inc. with insurance programs for general/professional liability, automobile, property and workers compensation. The City pays an annual premium to Florida League of Cities, Inc. for these insurance programs. Participation in this risk pool is non-assessable. There were no significant reductions in insurance coverage as compared to the prior year. Settled claims have not exceeded insurance coverage in any of the past three fiscal years.

The City retains the risk of loss up to a deductible amount (normally \$50,000) with the risk of loss in excess of this amount transferred to the pool with limits of liability of \$5,000,000 per occurrence for general and professional liability and \$5,000,000 for automobile liability.

The Florida League of Cities, Inc. published financial report for the year ended September 30, 2010, can be obtained from Florida League of Cities, Inc., Public Risk Service, 135 East Colonial Drive, Orlando, Florida 32853-0065.

**Note 13. Restricted Assets**

The balances of the restricted asset accounts in the government-wide Statement of Net Assets for governmental activities and business-type activities are as follows:

	<u>Governmental</u>	<u>Business-Type</u>
Debt service	\$ 294,179	\$ 10,565,491
Debt reserves	-	833,031
Rate stabilization	-	80,000
Renewal and replacement	-	200,000
Totals	<u>\$ 294,179</u>	<u>\$ 11,678,522</u>

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CITY OF SANIBEL, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2010

**Note 14. Defined Benefit Pension Plans and Other Post Employment Benefits**

The City has two (2) defined benefit single-employer pension plans:

- General Employees' Pension Plan
- Municipal Police Officers' Pension Plan

The plans do not issue stand-alone financial reports and are not included in any other retirement system's or entity's financial report. The City accounts for both plans as pension trust funds; therefore, they are accounted for in substantially the same manner as proprietary funds with a capital maintenance measurement focus and employment of the accrual basis of accounting. Plan member contributions, employer contributions and contributions from other entities are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plans. For financial statement purposes, plan assets are valued at market value for the General Employees' and Municipal Police Officers' plans, as reported within the annual trustee statements. Because the plans do not issue stand-alone GAAP financial reports, the following individual financial reports are presented for each of the plans:

**STATEMENT OF FIDUCIARY NET ASSETS**

	Pension Trust Funds		Total
	General	Municipal	Pension
	Employees'	Police Officers'	Trust Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 680,289	\$ 219,165	\$ 899,454
Investments, at market value			
Corporate stocks	3,225,682	-	3,225,682
Corporate bonds & government obligations	3,737,051	-	3,737,051
Mutual funds:			
Equity and equity index	2,921,903	2,821,825	5,743,728
Pooled/Common/Commingled Funds:			
Equity	-	2,584,501	2,584,501
Fixed Income	-	3,055,708	3,055,708
Real Estate	709,949	-	709,949
Total investments at fair value	10,594,585	8,462,034	19,056,619
Receivables - employer contributions	12,259	-	12,259
Receivables - interest & dividends	47,021	9	47,030
Prepays	467	-	467
Total assets	11,334,621	8,681,208	20,015,829
<b>LIABILITIES</b>			
Accrued benefits and other liabilities	284,932	283,659	568,591
Deferred revenue	-	16,262	16,262
Due to other funds	-	3,627	3,627
Total liabilities	284,932	303,548	588,480
<b>NET ASSETS</b>			
Held in trust for pension benefits	\$ 11,049,689	\$ 8,377,660	\$ 19,427,349

CITY OF SANIBEL, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2010

**Note 14. Defined Benefit Pension Plans and Other Post Employment Benefits (Continued)**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**

	Pension Trust Funds		Total Trust Funds
	General Employees'	Municipal Police Officers'	
<b>ADDITIONS</b>			
Contributions			
Employer	\$ 1,173,397	\$ 479,629	\$ 1,653,026
State of Florida	-	58,716	58,716
Plan members	220,887	130,881	351,768
Total contributions	1,394,284	669,226	2,063,510
Investment income			
Net appreciation in fair value of investments	601,233	803,290	1,404,523
Miscellaneous	2,591	-	2,591
Interest and dividends	286,452	47,572	334,024
Total investment earnings	890,276	850,862	1,741,138
Less investment expense	(70,533)	(65,913)	(136,446)
Net investment earnings	819,743	784,949	1,604,692
Total additions	2,214,027	1,454,175	3,668,202
<b>DEDUCTIONS</b>			
Benefits paid	929,943	513,190	1,443,133
Refunds of contributions	16,565	-	16,565
Administrative expenses	33,658	30,014	63,672
Total deductions	980,166	543,204	1,523,370
Change in net assets	1,233,861	910,971	2,144,832
Net assets held in trust for pension benefits			
Net assets - beginning of year	9,815,828	7,466,689	17,282,517
Net assets - end of year	\$ 11,049,689	\$ 8,377,660	\$ 19,427,349

In addition to other disclosures, the GASB requires for the current year and each of the two precedent years, annual pension cost, percentage of annual pension cost contributed and the net pension obligation at the end of the year. This information is presented later in this note. A schedule of funding progress and a schedule of employer contributions that include historical trend information about the annual required contributions of the employer are included as required supplementary information to the financial statements. The schedule of funding progress presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

CITY OF SANIBEL, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2010

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**Note 14. Defined Benefit Pension Plans and Other Post Employment Benefits (Continued)**

**A. General Employees' Pension Plan**

Current membership is comprised of the following:

Active employees	84
Retirees and beneficiaries of deceased retirees currently receiving benefits:	46
Deferred Retirement Option Plan (DROP) retirees	10
Terminated employees entitled to benefits but not yet receiving them	<u>31</u>
Total	<u>171</u>

Plan Description

All full-time employees who are non-sworn police officers, and who have attained age 18 but not attained age 65, are required to participate in one of the City's two (2) General Employees' Pension Plans. The General Employees' Pension Plan is broken down into two sub-plans, Plan A and Plan B. Both defined benefit plans provide retirement and pre-retirement death benefits to plan members and beneficiaries and provide 5-year cliff vesting. Both plans calculate the normal retirement benefit by multiplying a factor of 3% of Average Compensation by the number of years of service (maximum 30 years). However, Average Compensation is calculated differently for each Plan. Plan A, which is mandatory for all new hires beginning January 1, 2005 calculates Average Compensation as the highest five (5) years of compensation. Plan B, which was closed on January 1, 2005 to new participants, calculates Average Compensation over all years of service. Cost-of-living adjustments were provided to all normal and early retirees after October 17, 2006 at the rate of 2.75% per year beginning the 3<sup>rd</sup> year after retirement and for twenty-five (25) years thereafter.

During fiscal year 2007, the Plan was amended to provide a Deferred Retirement Option Plan (DROP) for participants having attained age 60 and having been a plan participant for a minimum of five (5) years. DROP is a program that provides an alternative method for payment of retirement benefits wherein an employee may retire and have their benefits accumulate, at 6% interest, while continuing to work for the City. Participation in the DROP does not change conditions of employment. When the DROP period ends, maximum of 60 months, employment must be terminated. At the time of termination of employment, the employee will receive payment of the accumulated DROP benefits and begin receiving their monthly retirement benefit in the same amount determined at retirement, plus annual cost-of-living increases.

The Plans and any amendments thereto were adopted by Ordinance of the City Council of the City of Sanibel. The City which is responsible for the management of plan assets has delegated the authority to manage plan assets to the General Employees' Pension Board of Trustees. All costs of administering the plans are paid from plan assets.

Funding Policy

Active members of Plan A are required to contribute 5% of base wages to the Plan. Active members of Plan B are not required to contribute to the Plan. The City contributes the balance of the actuarially determined amount designated to accumulate sufficient assets to pay benefits when due. The City contribution rate as of September 30, 2010 was 23.5% of annual covered payroll.

CITY OF SANIBEL, FLORIDA  
 NOTES TO THE FINANCIAL STATEMENTS  
 September 30, 2010

**Note 14. Defined Benefit Pension Plans and Other Post Employment Benefits (Continued)**

**A. General Employees' Pension Plan (Continued)**

Annual Pension Cost and Net Pension Obligation

The City has no net pension obligation (calculated in accordance with GASB No. 27, *Accounting for Pensions by State and Local Governmental Employers*) as all actuarially determined amounts are contributed each year. The annual required contribution for the current year was determined as part of the October 1, 2008 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included: (a) 7.5% investment rate of return and (b) projected salary increases per the following schedule:

<u>Age</u>	<u>Average Salary Increase</u>
20	7.8%
30	6.3%
40	5.4%
50	4.8%

The projected salary increases also include an inflationary factor of 3.0%. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments. The Plan is valued under the entry age normal actuarial cost method. The amortization method is the level percentage of pay, closed and the remaining amortization period is 26 years. The City's Annual Required Contribution (ARC) for the fiscal year ended September 30, 2010 was \$1,173,397. The City contributed \$1,173,397. The three year trend information Annual Pension Cost (APC) follows:

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
September 30, 2010	\$ 1,194,685	98.2%	\$ (200,639)
September 30, 2009	868,207	112.4%	(221,927)
September 30, 2008	826,720	99.8%	(114,318)

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CITY OF SANIBEL, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2010

**Note 14. Defined Benefit Pension Plans and Other Post Employment Benefits (Continued)**

**A. General Employees' Pension Plan (Continued)**

Development of Net Pension Obligation (NPO)

This municipal Defined Benefit Plan has been subject to the minimum funding standards since the adoption of the "Florida Protection of Public Employee Retirement Benefits Act" (Part VII of Chapter 112, Florida Statutes) in 1980.

The Net Pension Obligation (NPO) to date is as follows:

General Pension Plan Annual Pension Cost and Net Pension Obligation			
	9/30/08	9/30/09	9/30/10
Actuarially Required Contribution (ARC)	\$ 824,863	\$ 858,029	\$ 1,173,397
Interest on Net Pension Obligation (NPO)	(8,713)	(8,574)	(16,645)
Adjustment to ARC	10,570	18,752	37,933
Annual Pension Cost (APC)	826,720	868,207	1,194,685
Contributions Made	824,863	975,816	1,173,397
Increase (decrease) in NPO	1,857	(107,609)	21,288
NPO-Beginning of Year	(116,175)	(114,318)	(221,927)
NPO-Ending of Year	<u>\$ (114,318)</u>	<u>\$ (221,927)</u>	<u>\$ (200,639)</u>

General Employees' Pension Plan's Funded Status and Funding Progress

The funded status of the Plan as of September 30, 2010 was as follows:

Year Ended September 30	Annual Required Contribution	City Contribution	Percentage Contributed
2010	\$ 1,173,397	\$ 1,173,397	100.00%
2009	858,029	975,816	113.73%
2008	824,863	824,863	100.00%

The funding progress of the Plan as of September 30, 2010 was a follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of covered Payroll ((b-a)/c)
10/1/2010	\$ 11,943,146	\$ 24,759,926	\$ 12,816,780	48.24%	\$ 4,706,046	272.35%
10/1/2009	11,708,363	23,478,995	11,770,632	49.87%	4,927,259	238.89%
10/1/2008	11,596,243	21,420,310	9,824,067	54.14%	5,448,952	180.29%

(A schedule of funding progress is presented in the Required Supplemental Information)

CITY OF SANIBEL, FLORIDA  
 NOTES TO THE FINANCIAL STATEMENTS  
 September 30, 2010

**Note 14. Defined Benefit Pension Plans and Other Post Employment Benefits (Continued)**

**A. General Employees' Pension Plan (Concluded)**

Concentration of Investments

At September 30, 2010, the following are investments (other than U.S. Government and U.S. Government guaranteed obligations), in any one organization that represents five percent or more of net assets available for benefits:

American Euro Pacific Growth Fund Class R6	\$ 1,362,305	12.33%
FMI Common Stock Fund	755,921	6.84%
Frontier Mid Cap Growth Fund, L.P.	803,677	7.27%
American Core Realty Fund LLC	709,949	6.43%

**B. Municipal Police Officers' Pension Plan**

Current membership is comprised of the following:

Active employees	22
Retirees and beneficiaries of deceased retirees currently receiving benefits:	15
Deferred Retirement Option Plan (DROP) retirees	2
Terminated employees entitled to benefits but not yet receiving them	<u>7</u>
Total	<u>46</u>

Plan Description

All full-time sworn police officers who have attained age 18 are required to participate in the City's Municipal Police Officers' Pension Plan. The Plan provides retirement, disability and pre-retirement benefits to plan members and beneficiaries. There is a 5-year cliff vesting in the Plan. The Normal Retirement Benefit of the Plan is 3% of Average Final Compensation multiplied by the number of years of service (maximum 30 years). Average compensation is calculated by taking the average of the total compensation paid during the 5 highest years of service. Annual cost-of-living adjustments are provided at the rate of three (3.0%) percent per year beginning October 1<sup>st</sup> following retirement.

During fiscal year 2007, the Plan was amended to provide a Deferred Retirement Option Plan (DROP) for participants having attained normal retirement requirements. DROP is a program that provides an alternative method for payment of retirement benefits wherein an employee may retire and have their benefits accumulate, at 4% interest credited quarterly, while continuing to work for the City. Participation in the DROP does not change conditions of employment. When the DROP period ends, maximum of 60 months, employment must be terminated. At the time of termination of employment, the employee will receive payment of the accumulated DROP benefits and begin receiving their monthly retirement benefit in the same amount determined at retirement, plus annual cost-of-living increases.

This plan and any amendments were adopted by Ordinance of the City Council of the City of Sanibel. This plan is self-trusted and is administered by the Municipal Police Officers' Pension Board comprised of members elected pursuant to Section 185, Florida Statutes for local law plans. All costs of administering the plan are paid from plan assets.

CITY OF SANIBEL, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2010

**Note 14. Defined Benefit Pension Plans and Other Post Employment Benefits (Continued)**

**B. Municipal Police Officers' Pension Plan (Continued)**

Funding Policy

Active members are required to contribute 8% of their compensation to this Plan until Normal Retirement Age and 4% thereafter. The State of Florida makes contributions from taxes on casualty insurance premiums. The State of Florida's contribution to the Municipal Police Officer's Plan for the year ended September 30, 2010, was \$58,716. The City recognized these on-behalf payments from the State as revenues and expenditures in the governmental fund financial statements.

The City contributes the remaining actuarially determined amount designated to accumulate sufficient assets to pay benefits when due. The City contribution rate as of September 30, 2010 was 29.7% of annual covered payroll.

Annual Pension Cost and Net Pension Obligation

The City has no net pension obligation (calculated in accordance with GASB No. 27, *Accounting for Pensions by State and Local Governmental Employers*) as all actuarially determined amounts are contributed each year. The annual required contribution for the current year was determined as part of the October 1, 2008 actuarial valuation using the entry age normal actuarial cost method.

The actuarial assumptions included: (a) 8% investment rate of return, and (b) projected salary increases of 7%, which include an inflation component of 3.0%. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments. The unfunded actuarial accrued liability (UAAL) is being amortized as a level percentage of payroll on a closed basis. The remaining period as of September 30, 2010 was 25 years. The City's Annual Required Contribution (ARC) for the fiscal year ended September 30, 2010 was \$479,629. The City contributed \$479,629. The three year trend information follows:

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC to Actuarially Determined Contribution</u>	<u>Net Pension Obligation</u>
September 30, 2010	\$ 483,190	99%	\$ (77,888)
September 30, 2009	499,816	101%	(81,449)
September 30, 2008	383,001	101%	(77,833)

Development of Net Pension Obligation (NPO)

This municipal Defined Benefit Plan has been subject to the minimum funding standards since the adoption of the "Florida Protection of Public Employee Retirement Benefits Act" (Part VII of Chapter 112, Florida Statutes) in 1980.

CITY OF SANIBEL, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2010

**Note 14. Defined Benefit Pension Plans and Other Post Employment Benefits (Continued)**

**B. Municipal Police Officers' Pension Plan (Continued)**

The Net Pension Obligation (NPO) to date is as follows:

Municipal Police Officers' Pension Plan Annual Pension Cost and Net Pension Obligation			
	9/30/08	9/30/09	9/30/10
Actuarially Required Contribution (ARC)	\$ 385,273	\$ 496,699	\$ 479,629
Interest on Net Pension Obligation (NPO)	(5,806)	(6,227)	(6,516)
Adjustment to ARC	3,534	9,344	10,077
Annual Pension Cost (APC)	383,001	499,816	483,190
Contributions Made	388,259	503,432	479,629
Increase (decrease) in NPO	(5,259)	(3,616)	3,561
NPO-beginning of year	(72,574)	(77,833)	(81,449)
NPO-end of year	\$ (77,833)	\$ (81,449)	\$ (77,888)

**Municipal Police Officers' Pension Plan's Funded Status and Funding Progress**

The funded status of the Plan as of September 30, 2010 was as follows:

Year Ended September 30	Annual Required Contribution	City Contribution	State Contribution	Percentage Contributed
2010	\$ 538,345	\$ 479,629	\$ 58,716	100.00%
2009	554,158	503,432	57,459	101.21%
2008	438,927	388,259	53,654	100.68%

The funding progress of the Plan as of September 30, 2010 was as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of covered Payroll ((b-a)/c)
10/1/2010	\$ 8,863,410	\$ 14,990,803	\$ 6,127,393	59.13%	\$ 1,582,903	387.10%
10/1/2009	8,488,652	13,588,596	5,099,944	62.47%	1,727,615	295.20%
10/1/2008	8,049,862	13,735,278	5,685,416	58.61%	2,089,004	272.16%

(A schedule of funding progress is presented in the Required Supplemental Information)

CITY OF SANIBEL, FLORIDA  
 NOTES TO THE FINANCIAL STATEMENTS  
 September 30, 2010

**Note 14. Defined Benefit Pension Plans and Other Post Employment Benefits (Continued)**

**B. Municipal Police Officers' Pension Plan (Concluded)**

Concentration of Investments

At September 30, 2010, the following are investments at market value (other than U.S. Government and U.S. Government guaranteed obligations), in any one organization, that represents five percent or more of net assets available for benefits:

SunTrust Retirement Investment Grade Bond Fund	\$ 3,055,708	36.47%
SunTrust Retirement Large Cap Value Equity Fund	1,304,358	15.57%
SunTrust Retirement Select Large Cap Growth Fund	1,280,143	15.28%
Ridgeworth Small Cap Value Equity I Shares Fund	693,627	8.28%
Vanguard Mid-Cap Index Fund	712,103	8.50%
American Euro Pacific Growth Fund Class R6	1,102,938	13.17%

**C. Other Post Employment Benefits**

In fiscal year 2007, the City implemented Governmental Accounting Standards Board (GASB) Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. GASB Statement No. 45 provides for reporting annual Other Post Employment Benefits (OPEB) costs and the associated unfunded actuarial accrued liability (UAAL) for past service costs. GASB Statement No. 43 provides a financial reporting framework for defined benefit OPEB plans that are administered as trusts.

In 2007, by Ordinance, the City established a single employer OPEB Plan and Trust Fund to account for assets, liabilities, contributions, benefits and expenses of the Plan. The OPEB Trust Fund is accounted for in substantially the same manner as proprietary funds with a capital maintenance measurement focus and employment of the accrual basis of accounting. Employer contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plans. For financial statement purposes, plan assets are valued at market value. Because the plan does not issue stand-alone GAAP financial reports, the following individual financial report is presented:

**STATEMENT OF FIDUCIARY NET ASSETS**

	<u>OPEB</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 148,066
<b>LIABILITIES</b>	
Accrued benefits and other liabilities	<u>19,054</u>
<b>NET ASSETS</b>	
Held in trust for pension and OPEB benefits	<u>\$ 129,012</u>

CITY OF SANIBEL, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2010

**Note 14. Defined Benefit Pension Plans and Other Post Employment Benefits (Continued)**

**C. Other Post Employment Benefits (Continued)**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**

	<b>OPEB</b>
<b>ADDITIONS</b>	
Contributions	
Employer	\$ 46,897
Investment income	
Interest and dividends	385
Total additions	47,282
<b>DEDUCTIONS</b>	
Benefits paid	19,054
Administrative expenses	8,295
Total deductions	27,349
Change in net assets	19,933
Net assets held in trust for OPEB benefits	
Net assets - beginning of year	109,079
Net assets - end of year	\$ 129,012

Current membership is comprised of the following:

Active employees	118
Retirees and covered spouses currently receiving benefits:	
Pre-Medicare	4
Post-Medicare	0
Total Retirees and covered spouses currently receiving benefits	4

Plan Description

In accordance with Chapter 112.0801, Florida Statutes, the City allows retirees the option of continuing to participate in the City's group health insurance coverage at a premium cost of no more than the premium cost applicable to active employees. Therefore, the City offers retirees the option of purchasing the City's group health, dental and/or vision insurance coverage at the cost applicable to active employees. Retirees participating in the group insurance plans offered by the City are required to contribute 100% of the active premiums. In future years, contributions are assumed to increase at the same rate as premiums. The projected employee contributions for the dental benefit are assumed to cover the entire cost of the program.

CITY OF SANIBEL, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2010

**Note 14. Defined Benefit Pension Plans and Other Post Employment Benefits (Continued)**

**C. Other Post Employment Benefits (Continued)**

Funding Policy

The City annually contributes the actuarially determined amount designated to accumulate sufficient assets to pay the implicit rate subsidy to the City when due. For the fiscal year ended September 30, 2010, the City contributed \$46,897.

Annual Cost and Net OPEB Obligation

The City has no net OPEB obligation since all actuarially determined amounts are contributed each year. The annual required contribution for the current year was determined as part of the October 1, 2009 actuarial valuation using the entry age normal actuarial cost method. Select actuarial assumptions are listed in the table below:

Valuation date	October 1, 2009
Actuarial cost method	Entry Age Normal
Amortization method (funding method)	Level percentage of payroll, closed
Remaining amortization period	30 Years
Asset valuation method	Market value
Actuarial assumptions:	
Interest rate	8.0% per year, compounded annually
Health care inflation	Pre-Medicare: 8.0% (grading down to 5.0% in 2013); Post-Medicare: 8.0% (grading down to 5.0% in 2013)
Vision care inflation	3.0%
Payroll growth/inflation	4.0%

The 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 City are subject to constant revision as actual experience is 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 substantive plan at the time of the valuation and on the pattern of sharing of costs between the City 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.

CITY OF SANIBEL, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2010

**Note 14. Defined Benefit Pension Plans and Other Post Employment Benefits (Concluded)**

**C. Other Post Employment Benefits (Concluded)**

The three year funding trend follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Employer Contributions</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
September 30, 2010	\$ 46,897	\$ 46,897	100.0%	\$ -
September 30, 2009	70,235	70,235	100.0%	-
September 30, 2008	86,071	86,071	100.0%	-

**Funded Status and Funding Progress**

The funded status of the Plan as of September 30, 2010 was as follows:

<u>Funded Status as of</u>	<u>10/1/2008</u>	<u>10/1/2009</u>	<u>10/1/2010</u>
Actuarial Accrued Liability (AAL)	\$ 426,115	\$ 326,631	\$ 377,652
Actuarial Value of Assets (AVA)	( 80,460)	( 109,079)	( 129,012)
Unfunded Actuarial Accrued Liability (UAAL)	\$ 345,655	\$ 217,552	\$ 248,640
Funded Ratio (actuarial value of plan assets/AAL)	18.9%	33.4%	34.2%
Covered Payroll	\$6,443,331	\$6,778,234	\$6,672,366
Ratio of UAAL to Covered Payroll	5.4%	3.2%	3.7%

The following table shows the components of the City's OPEB cost for the year, the amount contributed to the plan, and changes in the City's net OPEB obligation:

<u>Valuation date</u>	<u>10/01/07</u>	<u>10/01/08</u>	<u>10/01/09</u>
Applicable for Fiscal Year Ending	<u>9/30/08</u>	<u>9/30/09</u>	<u>9/30/10</u>
Actuarially Required Contribution (ARC)	\$ 86,071	\$ 70,235	\$ 46,897
Interest on Net OPEB Obligation	-	-	-
Adjustment to ARC	-	-	-
Annual OPEB Cost	86,071	70,235	46,897
Contributions Made	86,071	70,235	46,897
Increase (decrease) in Net OPEB	-	-	-
Net OPEB Obligation - begin of year	-	-	-
Net OPEB Obligation - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF SANIBEL, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2010

**Note 15. Other Revenues**

Other revenue in the government fund types at September 30, 2010 is as follows:

	General Fund	Transportation Fund	Other Governmental Funds	Total
Investment earnings	\$ 142,635	\$ 3,492	\$ 50,344	\$ 196,471
Rents	16,659	-	50,681	67,340
Impact fees	-	-	117,168	117,168
Sale of surplus equipment	28,582	-	-	28,582
Contributions and donations	27,005	-	48,744	75,749
OPEB implicit rate subsidy payment	19,054	-	-	19,054
Refund of prior year expenditures	41,697	-	-	41,697
Other	4,491	26,483	19,726	50,700
Total Other Revenues	<u>\$ 280,123</u>	<u>\$ 29,975</u>	<u>\$ 286,663</u>	<u>\$ 596,761</u>

**Note 16. Accounting Change**

In fiscal year 2010, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*". GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. Changes to the government fund type fund balance reporting is reflected in the financial statements and schedules and related disclosures are included in Note 1, Section Q - Fund Balance.

**Note 17. Restatement of Prior Year Balances**

As of October 1, 2009, beginning Fund Balances of the following nonmajor fund types were restated due to the implementation of GASB Statement No. 54.

	Nonmajor Special Revenue Funds	Nonmajor Capital Project Funds
Fund Balances - Beginning of Year	\$ 2,615,240	\$ 3,511,308
GASB 54 Implementation	74,055	(74,055)
Fund Balances - Beginning of Year Restated	<u>\$ 2,689,295</u>	<u>\$ 3,437,253</u>

**Note 18. Contingencies**

Amounts received or receivable from grantor agencies are subject to compliance audit by grantor agencies, principally federal and state governments. Any disallowed expenses, including amounts already collected, might constitute a liability of the applicable funds. The City does not believe any contingent liabilities are material.

CITY OF SANIBEL, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2010

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**Note 19. Commitments**

The City has one active construction project as of September 30, 2010. The City's commitment with contractors is as follows:

<b><u>GOVERNMENTAL ACTIVITIES</u></b>	<u>Total Contract</u>	<u>Spent to Date</u>	<u>Remaining Contract</u>
Capital Project Funds			
Dixie Beach Blvd. Phase I	\$ 146,685	\$ (83,433)	\$ 63,252
Total governmental activities	<u>\$ 146,685</u>	<u>\$ (83,433)</u>	<u>\$ 63,252</u>

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Required Supplementary Information Other  
Than Management's Discussion & Analysis

CITY OF SANIBEL, FLORIDA  
 BUDGETARY COMPARISON SCHEDULE  
 GENERAL FUND  
 For the Fiscal Year Ended September 30, 2010

	Budgets		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes				
Property taxes	\$ 9,751,355	\$ 9,751,355	\$ 9,372,184	\$ (379,171)
Casualty insurance premium tax	53,654	58,717	58,716	(1)
Communications services tax	514,106	558,375	558,375	-
Licenses and permits	7,600	14,010	14,354	344
Intergovernmental revenues	785,626	786,946	632,754	(154,192)
Charges for services	1,561,029	1,664,339	1,670,876	6,537
Fines and forfeitures	51,500	57,012	42,356	(14,656)
Other revenue	103,614	242,497	280,123	37,626
Total revenues	<u>12,828,484</u>	<u>13,133,251</u>	<u>12,629,738</u>	<u>(503,513)</u>
<b>Expenditures</b>				
Current				
General government				
Legislative	248,591	263,406	187,758	75,648
Administrative	726,992	725,821	719,161	6,660
Management information systems	700,858	676,262	673,125	3,137
Finance	851,474	850,196	828,409	21,787
Legal	551,903	610,683	599,480	11,203
Planning	656,918	635,182	525,319	109,863
Insurance/Gen'l Government	568,786	537,899	488,774	49,125
General government	<u>4,305,522</u>	<u>4,299,449</u>	<u>4,022,026</u>	<u>277,423</u>
Public safety				
Police	3,916,749	3,903,043	3,528,203	374,840
SEMP	24,030	24,030	9,790	14,240
Public safety	<u>3,940,779</u>	<u>3,927,073</u>	<u>3,537,993</u>	<u>389,080</u>
Physical Environment				
Garbage recycling	51,480	51,480	35,247	16,233
Natural resources management	414,988	423,459	386,667	36,792
Physical Environment	<u>466,468</u>	<u>474,939</u>	<u>421,914</u>	<u>53,025</u>
Transportation-Public works	853,143	842,016	798,050	43,966
Economic Environment	<u>252,116</u>	<u>253,816</u>	<u>254,451</u>	<u>(635)</u>
Culture/Recreation				
Museum	138,251	157,282	157,002	280
Public facilities	479,009	502,803	474,201	28,602
Lighthouse property	-	448	448	-
Performing arts facility	9,850	12,023	11,090	933
Culture/Recreation	<u>627,110</u>	<u>672,556</u>	<u>642,741</u>	<u>29,815</u>
<b>Capital Outlay</b>	<u>-</u>	<u>156,604</u>	<u>99,108</u>	<u>57,496</u>
Total expenditures	<u>10,445,138</u>	<u>10,626,453</u>	<u>9,776,283</u>	<u>850,170</u>
Excess revenues over expenditures	<u>2,383,346</u>	<u>2,506,798</u>	<u>2,853,455</u>	<u>346,657</u>
Other financing sources (uses)				
Transfers in	835,000	1,267,155	1,267,155	-
Reserve for contingencies	(6,290,000)	(6,042,136)	-	6,042,136
Transfers out	(3,965,681)	(5,972,194)	(5,972,193)	1
Reserve for undercollection	(487,568)	(487,568)	-	487,568
Total other financing uses	<u>(9,908,249)</u>	<u>(11,234,743)</u>	<u>(4,705,038)</u>	<u>6,529,705</u>
Net change in fund balances	(7,524,903)	(8,727,945)	(1,851,583)	6,876,362
Fund balances, October 1, 2009	<u>16,632,606</u>	<u>18,243,805</u>	<u>18,243,805</u>	<u>-</u>
Fund balances, September 30, 2010	<u>\$ 9,107,703</u>	<u>\$ 9,515,860</u>	<u>\$ 16,392,222</u>	<u>\$ 6,876,362</u>

There are no differences between the budgetary basis and Generally Accepted Accounting Principles.

CITY OF SANIBEL, FLORIDA  
 BUDGETARY COMPARISON SCHEDULE  
 TRANSPORTATION FUND  
 For the Fiscal Year Ended September 30, 2010

	Budgets		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Taxes				
Gas taxes	\$ 1,250,000	\$ 1,324,778	\$ 1,433,690	\$ 108,912
Intergovernmental revenues	-	50,102	50,103	1
Other revenue	-	26,483	29,975	3,492
Total revenues	<u>1,250,000</u>	<u>1,401,363</u>	<u>1,513,768</u>	<u>112,405</u>
Expenditures				
Current				
Transportation	2,591,302	2,827,190	2,297,492	529,698
Capital Outlay	<u>11,000</u>	<u>96,000</u>	<u>4,790</u>	<u>91,210</u>
Total expenditures	<u>2,602,302</u>	<u>2,923,190</u>	<u>2,302,282</u>	<u>620,908</u>
Excess revenues (under) expenditures	<u>(1,352,302)</u>	<u>(1,521,827)</u>	<u>(788,514)</u>	<u>733,313</u>
Other financing sources				
Transfers in	<u>1,352,302</u>	<u>1,627,992</u>	<u>1,627,991</u>	<u>(1)</u>
Total other financing sources	<u>1,352,302</u>	<u>1,627,992</u>	<u>1,627,991</u>	<u>(1)</u>
Net change in fund balances	-	106,165	839,477	733,312
Fund balances, October 1, 2009	-	-	-	-
Fund balances, September 30, 2010	<u>\$ -</u>	<u>\$ 106,165</u>	<u>\$ 839,477</u>	<u>\$ 733,312</u>

There are no differences between the budgetary basis and Generally Accepted Accounting Principles.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF SANIBEL, FLORIDA  
GENERAL EMPLOYEES' PENSION PLAN**

**SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (*) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of covered Payroll ((b-a)/c)
10/1/2010	\$ 11,943,146	\$ 24,759,926	\$ 12,816,780	48.24%	\$ 4,706,046	272.35%
10/1/2009	11,708,363	23,478,995	11,770,632	49.87%	4,927,259	238.89%
10/1/2008	11,596,243	21,420,310	9,824,067	54.14%	5,448,952	180.29%
10/1/2007	11,333,284	18,698,244	7,364,960	60.61%	5,190,903	141.88%
10/1/2006	9,777,203	16,121,010	6,343,807	60.65%	4,732,869	134.04%
10/1/2005	8,572,255	13,197,991	4,625,736	64.95%	4,060,239	113.93%

**SCHEDULE OF CONTRIBUTIONS FROM THE EMPLOYER**

Year Ended September 30	Annual Required Contribution	City Contribution	Percentage Contributed
2010	\$ 1,173,397	\$ 1,173,397	100.00%
2009	858,029	975,816	113.73%
2008	824,863	824,863	100.00%
2007	635,605	635,605	100.00%
2006	629,330	629,330	100.00%
2005	802,887	802,887	100.00%

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF SANIBEL, FLORIDA  
MUNICIPAL POLICE OFFICERS' PENSION PLAN**

**SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of covered Payroll ((b-a)/c)
10/1/2010	\$ 8,863,410	\$ 14,990,803	\$ 6,127,393	59.13%	\$ 1,582,903	387.10%
10/1/2009	8,488,652	13,588,596	5,099,944	62.47%	1,727,615	295.20%
10/1/2008	8,049,862	13,735,278	5,685,416	58.61%	2,089,004	272.16%
10/1/2007	7,812,757	12,596,035	4,783,278	62.03%	2,047,406	233.63%
10/1/2006	6,838,598	10,482,647	3,644,049	65.24%	1,683,737	216.43%
10/1/2005	5,999,240	8,630,348	2,631,108	69.51%	1,480,349	177.74%

**SCHEDULE OF CONTRIBUTIONS FROM THE EMPLOYER AND OTHER CONTRIBUTING ENTITIES**

Year Ended September 30	Annual Required Contribution	City Contribution	State Contribution	Percentage Contributed
2010	\$ 538,345	\$ 479,629	\$ 58,716	100.00%
2009	554,158	503,432	57,459	101.21%
2008	438,927	388,259	53,654	100.68%
2007	401,295	352,088	50,726	100.38%
2006	378,471	308,874	70,710 (*)	100.29%
2005	451,335	451,335	- (*)	100.00%

(\*) "Frozen" per Chapter 185, Florida Statutes, as amended.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF SANIBEL, FLORIDA  
OTHER POST EMPLOYMENT BENEFITS PLAN**

**SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date (*)	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of covered Payroll ((b-a)/c)
10/1/2010	\$ 129,012	\$ 377,652	\$ 248,640	34.16%	\$ 6,672,366	3.73%
10/1/2009	109,079	326,631	217,552	33.40%	6,778,234	3.21%
10/1/2008	80,460	426,115	345,655	18.88%	6,443,331	5.36%
10/1/2007	26,579	479,981	453,402	5.54%	6,479,008	7.00%
10/1/2006	-	374,052	374,052	0.00%	5,692,947	6.57%

**SCHEDULE OF CONTRIBUTIONS FROM THE EMPLOYER**

Year Ended September 30	Annual Required Contribution	City Contribution	Percentage Contributed
2010	\$ 46,897	\$ 46,897	100.00%
2009	70,235	70,235	100.00%
2008	86,071	86,071	100.00%
2007 (*)	54,339	54,339	100.00%

(\*) The first valuation was performed as of October 1, 2006 for initial funding commencing in fiscal year 2007.

## Combining Financial Statements and Schedules

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## NONMAJOR GOVERNMENTAL FUNDS

### SPECIAL REVENUE FUNDS

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

- **Southwest Florida Community Foundation Grant** – to account for the receipt and disbursement of donations specifically designated for providing hurricane recovery assistance and dependent educational assistance for City employees.
- **Environmental Defense Fund** – to account for the receipt and disbursement of donations specifically designated for defending water quality and other environmental concerns.
- **Historical Committee** - to account for receipts and disbursements of donations specifically designated to the use and under the direction of the Historical Committee with City Council approval.
- **Hurricane Wilma** – to account for the receipts and disbursements of FEMA, State and City-match funds for the recovery and clean-up from Hurricane Wilma.
- **Tropical Storm Fay** – to account for the receipts and disbursements of FEMA, State and City-match funds for the recovery and clean-up from Tropical Storm Fay.
- **Brazilian Pepper** – to account for financial resources to be used to eradicate the exotic (non-native) and invasive plant called Brazilian pepper from the island.
- **Road Impact Fees** - to account for revenue collected by the City at the time of building permit issuance based on a county-wide ordinance assessing road impact fees which funds are used to improve roads on Sanibel.
- **Community Park Impact Fees** - to account for revenue collected by the City at the time of building permit issuance based on a county-wide ordinance assessing community park impact fees which funds are used to improve community parks on Sanibel.
- **Federal Forfeiture Fund** – to account for confiscated funds received by the City on a pro-rata basis pursuant to Federal law enforcement.
- **Father Madden Estate** - to account for funds bequeathed to the City for the humane care of stray dogs and feral cats.
- **Algae Research Grant** – to account for the grant from Lee County TDC for a comprehensive study to understand the dynamics of harmful macroalgae blooms in Lee County.
- **Franchise Fees and Business Tax Revenue** - to account for revenues received from franchise fees, business tax receipts and business registration fees which revenues are partially pledged to fund debt service on the City's 1979 \$3.19M bond issue and subordinately to other notes to which is pledged any other legally available non-ad valorem revenue.
- **Building Department** – to account for the receipts and disbursements of building-type permit revenues and the associated inspection and operations expenditures related thereto.
- **Recreation Center Operations** – to account for the receipts and disbursements of recreation revenues and the associated operations expenditures related thereof.
- **Elementary School Ball Park Maintenance** - to account for the operation and maintenance of the ball fields, formerly Lee County School Board facilities, pursuant to interlocal operation and reimbursement agreements with Lee County and with the Lee County School Board.
- **Below Market Rate Housing** - to account for funds provided under contract to Community Housing and Resources, Inc. to administer the City's Below Market Rate Housing Program.
- **Shell Harbor Dredging** – to account for financial resources for dredging the main channel and canals in the Shell Harbor subdivision.
- **Sanibel Estates Canal Trimming** – to account for financial resources including special assessments from benefiting property owners used to retain navigability and roadway drainage in canals.
- **Sanibel Isles/Water Shadows Dredging** – to account for financial resources including special assessments from benefiting property owners used to retain navigability for both property owners and public access.

## NONMAJOR GOVERNMENTAL FUNDS *(Concluded)*

### DEBT SERVICE FUNDS

Debt Service Funds are used to account for the accumulation of resources for and the payment of principal and interest on general long-term debt.

- **1997 \$1.25M Paulsen Land Purchase** - to account for the payment of principal and interest on a \$1,250,000, 15-year note which bears interest at 4.98%. Repayment source is from any legally available non-ad valorem revenue.
- **2002 \$3.825M General Obligation Bond** – (Pond Apple Park purchase) - to account for the payment of principal and interest of \$3.825 million General Obligation Bonds, Series 2002 which bear interest from 2.0% to 4.75% to be fully repaid in December 2031.
- **1979 FMHA Revenue Bond Issue** - to account for payment of principal and interest of \$3,190,000 Revenue Bonds, Series 1979, which bears interest at 5%. Funding is from franchise fees and business tax receipts revenue.
- **Capital Lease** – to account for the payment of principal and interest of \$88,817 capital lease which bears interest at 5.17%, due November 2017 secured by the related equipment.
- **2006 \$8.35M General Obligation Bond** – (Construction of New Recreation Center) – to account for the payment of principal and interest of the \$8.35 million General Obligation Bonds, Series 2006 which bear interest from 4.0% to 4.35% to be fully repaid in February 2036.
- **SunTrust Notes for BMRH** - to account for payment of principal and interest on two notes, (1) \$650,000 at 4.21%, due July 2014 secured by any legally available non-ad Valorem revenue; and (2) \$1,082,000 at 3.348%, due February 2019 secured by any legally available non-ad Valorem revenue.

### CAPITAL PROJECTS FUNDS

Capital Project Funds account for all resources used for the acquisition and/or construction of major capital facilities.

- **Capital Asset Acquisition** - to account for financial resources to be used for on-going and/or routine capital acquisitions such as vehicle replacement and environmentally sensitive land.
- **Transportation Capital Projects** - to account for financial resources to be used for the maintenance and upgrading of roads and streets, including drainage, resurfacing, reselling, shared-use paths and the professional engineering cost associated therewith.
- **Dixie Beach Road Project** – to account for financial resources to be used to reduce flooding, improve roadside swales and widen the shared-use path.
- **Rabbit Road Capital Projects** – to account for financial resources to design and improve the shared-use path and roadway on Rabbit Road.
- **Periwinkle Bike Path & Road Maintenance** - to account for financial resources to be used for maintenance and improvements to the road and shared-use path on Periwinkle Way.
- **San-Cap Road Project** - to account for financial resources to be used for resurfacing Sanibel-Captiva Road.
- **Tarpon Bay Road Repaving** - to account for financial resources to be used for repaving Tarpon Bay Road.
- **Intersection Improvements** – to account for financial resources to improve major intersections.
- **Shell Harbor Canal Dredging** – fund did not meet the definition for a capital project fund as defined by GASB Statement No. 54, restated as special revenue fund.
- **Periwinkle Landscaping** – to account for financial resources to be used for replanting Periwinkle Way.
- **Sanibel Estates Canal Trimming** - fund did not meet the definition for a capital project fund as defined by GASB Statement No. 54, restated as special revenue fund.
- **Sanibel Isles/Water Shadows Dredging** - fund did not meet the definition for a capital project fund as defined by GASB Statement No. 54, restated as special revenue fund.
- **Beach Road Paving Special Assessments** – to account for financial resources from special assessments for paving the formerly shell rock road.

## FIDUCIARY FUNDS

### TRUST FUNDS

Trust funds are used to account for the assets of the public employee retirement systems and Other Post Employment Benefits (OPEB)

Combining Statement of Fiduciary Net Assets.....	146
Combining Statement of Changes in Fiduciary Net Assets.....	147

### AGENCY FUNDS

Agency funds are used to account for assets held by the City in the capacity of an agent for other governments, private organizations or individuals.

Combining Statement of Changes in Assets and Liabilities .....	148
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CITY OF SANIBEL, FLORIDA  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 September 30, 2010

	Special Revenue									
	Southwest Florida									
	Community Foundation Grant	Environmental Defense Fund	Historical Committee	Hurricane Wilma	Tropical Storm Fay	Brazilian Pepper	Road Impact Fees	Community Park Impact Fees	Federal Forfeiture Fund	Father Madden Estate
<b>ASSETS</b>										
Cash and cash equivalents	\$ 254	\$ -	\$ 136,126	\$ -	\$ -	\$ 89,186	\$ 378,760	\$ 36,158	\$ 49,384	\$ 28,470
Investments	-	-	-	-	-	-	-	-	-	-
Accounts receivable	-	-	-	-	-	-	-	-	-	-
Interest receivable	-	-	-	-	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-	-	-	-	-
Inventories	-	-	-	-	-	-	-	-	-	-
Total assets	<u>\$ 254</u>	<u>\$ -</u>	<u>\$ 136,126</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 89,186</u>	<u>\$ 378,760</u>	<u>\$ 36,158</u>	<u>\$ 49,384</u>	<u>\$ 28,470</u>
<b>LIABILITIES</b>										
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 30	\$ -	\$ -	\$ -	\$ 1,000
Retainages payable	-	-	-	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-	-	-	-
Deposits	-	-	-	-	-	-	-	-	-	-
Accrued liabilities	-	-	-	-	-	-	-	-	\$ -	-
Deferred revenue	-	-	-	-	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,000</u>
<b>FUND BALANCES</b>										
Nonspendable										
Inventories	-	-	-	-	-	-	-	-	-	-
Restricted for:										
Public safety	-	-	-	-	-	-	-	-	49,384	-
Capital projects	-	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-
Impact Fees	-	-	-	-	-	-	378,760	36,158	-	-
Donations received	-	-	136,126	-	-	-	-	-	-	27,470
Other purposes	-	-	-	-	-	-	-	-	-	-
Assigned to:										
Parks and recreation	-	-	-	-	-	-	-	-	-	-
Other capital projects	-	-	-	-	-	-	-	-	-	-
Other purposes	254	-	-	-	-	89,156	-	-	-	-
Total fund balances	<u>254</u>	<u>-</u>	<u>136,126</u>	<u>-</u>	<u>-</u>	<u>89,156</u>	<u>378,760</u>	<u>36,158</u>	<u>49,384</u>	<u>27,470</u>
Total liabilities and fund balances	<u>\$ 254</u>	<u>\$ -</u>	<u>\$ 136,126</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 89,186</u>	<u>\$ 378,760</u>	<u>\$ 36,158</u>	<u>\$ 49,384</u>	<u>\$ 28,470</u>

CITY OF SANIBEL, FL  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 September 30, 2010

Special Revenue (Concluded)

	Algae Research Grant	Franchise Fee and Business Tax Revenue	Building Department	Recreation Center Operations	Elementary School Ball Park Maintenance	Below Market Rate Housing	Shell Harbor Dredging	Sanibel Estates Canal Trimming	Sanibel Isles/ Water Shadows Dredging	Total
<b>ASSETS</b>										
Cash and cash equivalents	\$ 2,336	\$ -	\$ 755,317	\$ 1,267,040	\$ 26,701	\$ -	\$ 37,523	\$ 19,188	\$ 18,199	\$ 2,844,642
Investments	-	-	-	-	-	-	-	-	-	-
Accounts receivable	-	-	58	2,150	-	-	-	87	184	2,479
Interest receivable	-	-	-	-	-	-	-	-	-	-
Due from other governments	67,500	-	-	6,550	29,267	-	-	-	-	103,317
Inventories	-	-	-	4,224	-	-	-	-	-	4,224
Total assets	<u>\$ 69,836</u>	<u>\$ -</u>	<u>\$ 755,375</u>	<u>\$ 1,279,964</u>	<u>\$ 55,968</u>	<u>\$ -</u>	<u>\$ 37,523</u>	<u>\$ 19,275</u>	<u>\$ 18,383</u>	<u>\$ 2,954,662</u>
<b>LIABILITIES</b>										
Accounts payable	\$ -	\$ -	\$ 1,419	\$ 17,371	\$ 3,180	\$ -	\$ -	\$ -	\$ -	\$ 23,000
Retainages payable	-	-	-	-	-	-	-	-	-	-
Due to other funds	50,000	-	-	-	-	-	-	-	-	50,000
Deposits	-	-	-	600	-	-	-	-	-	600
Accrued liabilities	-	-	14,839	37,376	-	-	-	-	-	52,215
Deferred revenue	-	-	23,080	27,564	-	-	-	-	-	50,644
Total liabilities	<u>50,000</u>	<u>-</u>	<u>39,338</u>	<u>82,911</u>	<u>3,180</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>176,459</u>
<b>FUND BALANCES</b>										
Nonspendable										
Inventories	-	-	-	4,224	-	-	-	-	-	4,224
Restricted for:										
Public safety	-	-	716,037	-	-	-	-	-	-	765,421
Capital projects	-	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-
Impact Fees	-	-	-	-	-	-	-	-	-	414,918
Donations received	-	-	-	39,426	-	-	-	-	-	203,022
Other purposes	18,750	-	-	-	-	-	37,523	19,275	18,383	93,931
Assigned to:										
Parks and recreation	-	-	-	1,153,403	52,788	-	-	-	-	1,206,191
Other capital projects	-	-	-	-	-	-	-	-	-	-
Other purposes	1,086	-	-	-	-	-	-	-	-	90,496
Total fund balances	<u>19,836</u>	<u>-</u>	<u>716,037</u>	<u>1,197,053</u>	<u>52,788</u>	<u>-</u>	<u>37,523</u>	<u>19,275</u>	<u>18,383</u>	<u>2,778,203</u>
Total liabilities and fund balances	<u>\$ 69,836</u>	<u>\$ -</u>	<u>\$ 755,375</u>	<u>\$ 1,279,964</u>	<u>\$ 55,968</u>	<u>\$ -</u>	<u>\$ 37,523</u>	<u>\$ 19,275</u>	<u>\$ 18,383</u>	<u>\$ 2,954,662</u>

CITY OF SANIBEL, FL  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 September 30, 2010

	Debt Service						
	1997 \$1.25M		1979 FMHA		2006 \$8.35M		SunTrust
	Paulsen Land	2002 \$3.825M General Obligation Bond	Revenue Bond Issue	Capital Lease	General Obligation Bond	Notes for BMRH	Total
	Purchase	Obligation Bond	Issue	Lease	Bond	BMRH	Total
<b>ASSETS</b>							
Cash and cash equivalents	\$ -	\$ 20,547	\$ -	\$ -	\$ 32,173	\$ -	\$ 52,720
Investments	-	239,642	-	-	-	-	239,642
Accounts receivable	-	-	-	-	2	-	2
Interest receivable	-	1,815	-	-	-	-	1,815
Due from other governments	-	-	-	-	-	-	-
Inventories	-	-	-	-	-	-	-
Total assets	<u>\$ -</u>	<u>\$ 262,004</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,175</u>	<u>\$ -</u>	<u>\$ 294,179</u>
<b>LIABILITIES</b>							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Retainages payable	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-
Deposits	-	-	-	-	-	-	-
Accrued liabilities	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>							
Nonspendable							
Inventories	-	-	-	-	-	-	-
Restricted for:							
Public safety	-	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-	-
Debt service	-	262,004	-	-	32,175	-	294,179
Impact Fees	-	-	-	-	-	-	-
Donations received	-	-	-	-	-	-	-
Other purposes	-	-	-	-	-	-	-
Assigned to:							
Parks and recreation	-	-	-	-	-	-	-
Other capital projects	-	-	-	-	-	-	-
Other purposes	-	-	-	-	-	-	-
Total fund balances	<u>-</u>	<u>262,004</u>	<u>-</u>	<u>-</u>	<u>32,175</u>	<u>-</u>	<u>294,179</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 262,004</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,175</u>	<u>\$ -</u>	<u>\$ 294,179</u>

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CITY OF SANIBEL, FLORIDA  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 September 30, 2010

	Capital Projects							
	Capital Asset	Transportation Capital	Dixie Beach Road	Rabbit Road Capital	Periwinkle Bike Path & Road	San-Cap Road	Tarpon Bay Road	Intersection
	Acquisition	Projects	Project	Projects	Maintenance	Project	Repaving	Improvements
<b>ASSETS</b>								
Cash and cash equivalents	\$ 1,371,530	\$ 745,512	\$ 236,949	\$ 347,891	\$ 230,661	\$ -	\$ 568,870	\$ -
Investments	-	-	-	-	-	-	-	-
Accounts receivable	-	6,080	-	-	-	-	-	-
Interest receivable	-	-	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-	-	-
Inventories	-	-	-	-	-	-	-	-
Total assets	<u>\$ 1,371,530</u>	<u>\$ 751,592</u>	<u>\$ 236,949</u>	<u>\$ 347,891</u>	<u>\$ 230,661</u>	<u>\$ -</u>	<u>\$ 568,870</u>	<u>\$ -</u>
<b>LIABILITIES</b>								
Accounts payable	\$ 37,278	\$ 26,969	\$ 75,090	\$ -	\$ 47,975	\$ -	\$ -	\$ -
Retainages payable	31,309	-	8,342	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-	-
Deposits	-	-	-	-	-	-	-	-
Accrued liabilities	-	-	-	-	-	-	-	-
Deferred revenue	-	4,042	-	-	-	-	-	-
Total liabilities	<u>68,587</u>	<u>31,011</u>	<u>83,432</u>	<u>-</u>	<u>47,975</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>								
Nonspendable								
Inventories	-	-	-	-	-	-	-	-
Restricted for:								
Public safety	-	-	-	-	-	-	-	-
Capital projects	-	-	153,517	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Impact Fees	-	-	-	-	-	-	-	-
Donations received	-	-	-	-	-	-	-	-
Other purposes	-	-	-	-	-	-	-	-
Assigned to:								
Parks and recreation	-	-	-	-	-	-	-	-
Other capital projects	1,302,943	720,581	-	347,891	182,686	-	568,870	-
Other purposes	-	-	-	-	-	-	-	-
Total fund balances	<u>1,302,943</u>	<u>720,581</u>	<u>153,517</u>	<u>347,891</u>	<u>182,686</u>	<u>-</u>	<u>568,870</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 1,371,530</u>	<u>\$ 751,592</u>	<u>\$ 236,949</u>	<u>\$ 347,891</u>	<u>\$ 230,661</u>	<u>\$ -</u>	<u>\$ 568,870</u>	<u>\$ -</u>

CITY OF SANIBEL, FLORIDA  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 September 30, 2010

	Capital Projects (Concluded)						TOTAL
	Shell Harbor Canal Dredging	Periwinkle Landscaping	Sanibel Estates Canal Trimming	Sanibel Isles/ Water Shadows Dredging	Beach Road Paving Special Assessments	Total	Nonmajor Governmental Funds
<b>ASSETS</b>							
Cash and cash equivalents	\$ -	\$ 64,620	\$ -	\$ -	\$ -	\$ 3,566,033	\$ 6,463,395
Investments	-	-	-	-	-	-	239,642
Accounts receivable	-	-	-	-	-	6,080	8,561
Interest receivable	-	-	-	-	-	-	1,815
Due from other governments	-	-	-	-	-	-	103,317
Inventories	-	-	-	-	-	-	4,224
Total assets	<u>\$ -</u>	<u>\$ 64,620</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,572,113</u>	<u>\$ 6,820,954</u>
<b>LIABILITIES</b>							
Accounts payable	\$ -	\$ 593	\$ -	\$ -	\$ -	\$ 187,905	\$ 210,905
Retainages payable	-	-	-	-	-	39,651	39,651
Due to other funds	-	-	-	-	-	-	50,000
Deposits	-	-	-	-	-	-	600
Accrued liabilities	-	-	-	-	-	-	52,215
Deferred revenue	-	-	-	-	-	4,042	54,686
Total liabilities	<u>-</u>	<u>593</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>231,598</u>	<u>408,057</u>
<b>FUND BALANCES</b>							
Nonspendable							
Inventories	-	-	-	-	-	-	4,224
Restricted for:							
Public safety	-	-	-	-	-	-	765,421
Capital projects	-	-	-	-	-	153,517	153,517
Debt service	-	-	-	-	-	-	294,179
Impact Fees	-	-	-	-	-	-	414,918
Donations received	-	-	-	-	-	-	203,022
Other purposes	-	-	-	-	-	-	93,931
Assigned to:							
Parks and recreation	-	-	-	-	-	-	1,206,191
Other capital projects	-	64,027	-	-	-	3,186,998	3,186,998
Other purposes	-	-	-	-	-	-	90,496
Total fund balances	<u>-</u>	<u>64,027</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,340,515</u>	<u>6,412,897</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 64,620</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,572,113</u>	<u>\$ 6,820,954</u>

CITY OF SANIBEL, FLORIDA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 For the Year Ended September 30, 2010

Special Revenue

	Southwest Florida Community Foundation Grant	Environmental Defense Fund	Historical Committee	Hurricane Wilma	Tropical Storm Fay	Brazilian Pepper	Road Impact Fees	Community Park Impact Fees	Federal Forfeiture Fund	Father Madden Estate
<b>REVENUES</b>										
Taxes										
Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Local business	-	-	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-	-	-
Intergovernmental revenues	-	-	-	238,978	-	31,580	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-	-	-
Other revenue	681	-	1,097	-	-	277	108,915	9,594	217	178
Total revenues	681	-	1,097	238,978	-	31,857	108,915	9,594	217	178
<b>EXPENDITURES</b>										
<b>Current</b>										
General government	680	-	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-	-	-
Physical environment	-	-	-	-	-	162,701	-	-	-	-
Transportation	-	-	-	-	-	-	-	-	-	-
Economic environment	-	-	-	-	-	-	-	-	-	-
Human services	-	-	-	-	-	-	-	-	-	1,000
Culture/Recreation	-	-	-	238,978	-	-	-	-	-	-
<b>Debt Service</b>										
Principal retirement	-	-	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-	-	-
<b>Capital outlay</b>										
Total expenditures	680	-	-	238,978	-	162,701	-	-	-	1,000
Excess (deficiency) of revenue over (under) expenditures	1	-	1,097	-	-	(130,844)	108,915	9,594	217	(822)
<b>OTHER FINANCING SOURCES (USES)</b>										
Transfers in	-	-	-	-	-	220,000	50,000	-	-	-
Transfers out	-	(3,810)	-	(95,697)	(101,314)	-	-	-	-	-
Total other financing sources (uses)	-	(3,810)	-	(95,697)	(101,314)	220,000	50,000	-	-	-
Net change in fund balances	1	(3,810)	1,097	(95,697)	(101,314)	89,156	158,915	9,594	217	(822)
Fund balances, beginning of year	253	3,810	135,029	95,697	101,314	-	219,845	26,564	49,167	28,292
Restatement of fund balances due to the implementation of GASB 54	-	-	-	-	-	-	-	-	-	-
Fund balances-beginning of year restated	253	3,810	135,029	95,697	101,314	-	219,845	26,564	49,167	28,292
Fund balances, end of year	\$ 254	\$ -	\$ 136,126	\$ -	\$ -	\$ 89,156	\$ 378,760	\$ 36,158	\$ 49,384	\$ 27,470

CITY OF SANIBEL, FLORIDA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 For the Year Ended September 30, 2010

Special Revenue (Concluded)

	Algae Research Grant	Franchise Fees & Business Tax Revenue	Building Department	Recreation Center Operations	Elementary School Ball Park Maintenance	Below Market Rate Housing	Shell Harbor Dredging	Sanibel Estates Canal Trimming	Sanibel Isles/ Water Shadows Dredging	Total
<b>REVENUES</b>										
Taxes										
Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Local business	-	291,395	-	-	-	-	-	-	-	291,395
Licenses and permits	-	1,020,816	611,594	-	-	-	-	-	-	1,632,410
Intergovernmental revenues	262,878	-	-	28,558	259,574	-	-	-	-	821,568
Charges for services	-	-	5,233	508,220	-	-	-	-	-	513,453
Fines and forfeitures	-	3,792	37,526	(132)	-	-	-	-	-	41,186
Other revenue	147	1	2,921	48,601	512	-	165	6,928	9,923	190,157
Total revenues	<u>263,025</u>	<u>1,316,004</u>	<u>657,274</u>	<u>585,247</u>	<u>260,086</u>	<u>-</u>	<u>165</u>	<u>6,928</u>	<u>9,923</u>	<u>3,490,169</u>
<b>EXPENDITURES</b>										
<b>Current</b>										
General government	-	-	-	-	-	-	-	-	-	680
Public safety	-	-	558,093	-	-	-	-	-	-	558,093
Physical environment	270,000	-	-	-	-	-	-	-	-	432,701
Transportation	-	-	-	-	-	-	-	9,341	14,549	23,890
Economic environment	-	-	-	-	-	-	-	-	-	-
Human services	-	-	-	-	-	-	-	-	-	1,000
Culture/Recreation	-	-	-	1,808,992	211,157	-	-	-	-	2,259,127
<b>Debt Service</b>										
Principal retirement	-	-	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-	-	-
<b>Capital outlay</b>	-	-	-	30,744	-	-	-	-	-	30,744
Total expenditures	<u>270,000</u>	<u>-</u>	<u>558,093</u>	<u>1,839,736</u>	<u>211,157</u>	<u>-</u>	<u>-</u>	<u>9,341</u>	<u>14,549</u>	<u>3,306,235</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(6,975)</u>	<u>1,316,004</u>	<u>99,181</u>	<u>(1,254,489)</u>	<u>48,929</u>	<u>-</u>	<u>165</u>	<u>(2,413)</u>	<u>(4,626)</u>	<u>183,934</u>
<b>OTHER FINANCING SOURCES (USES)</b>										
Transfers in	-	-	-	1,430,005	-	-	-	3,000	5,000	1,708,005
Transfers out	-	(1,545,380)	-	-	(51,809)	(5,021)	-	-	-	(1,803,031)
Total other financing sources (uses)	<u>-</u>	<u>(1,545,380)</u>	<u>-</u>	<u>1,430,005</u>	<u>(51,809)</u>	<u>(5,021)</u>	<u>-</u>	<u>3,000</u>	<u>5,000</u>	<u>(95,026)</u>
Net change in fund balances	(6,975)	(229,376)	99,181	175,516	(2,880)	(5,021)	165	587	374	88,908
Fund balances, beginning of year	<u>26,811</u>	<u>229,376</u>	<u>616,856</u>	<u>1,021,537</u>	<u>55,668</u>	<u>5,021</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,615,240</u>
Restatement of fund balances due to the implementation of GASB 54	-	-	-	-	-	-	37,358	18,688	18,009	74,055
Fund balances-beginning of year restated	<u>26,811</u>	<u>229,376</u>	<u>616,856</u>	<u>1,021,537</u>	<u>55,668</u>	<u>5,021</u>	<u>37,358</u>	<u>18,688</u>	<u>18,009</u>	<u>2,689,295</u>
Fund balances, end of year	<u>\$ 19,836</u>	<u>\$ -</u>	<u>\$ 716,037</u>	<u>\$ 1,197,053</u>	<u>\$ 52,788</u>	<u>\$ -</u>	<u>\$ 37,523</u>	<u>\$ 19,275</u>	<u>\$ 18,383</u>	<u>\$ 2,778,203</u>

CITY OF SANIBEL, FLORIDA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 For the Year Ended September 30, 2010

	Debt Service						
	1997 \$1.25M Paulsen Land Purchase	2002 \$3.825M General Obligation Bond	1979 FMHA Revenue Bond Issue	Capital Lease	2006 \$8.35M General Obligation Bond	SunTrust Notes for BMRH	Total
<b>REVENUES</b>							
Taxes							
Property	\$ -	\$ 243,850	\$ -	\$ -	\$ 509,435	\$ -	\$ 753,285
Local business	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental revenues	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-
Other revenue	-	20,782	-	-	1,552	50,001	72,335
Total revenues	<u>-</u>	<u>264,632</u>	<u>-</u>	<u>-</u>	<u>510,987</u>	<u>50,001</u>	<u>825,620</u>
<b>EXPENDITURES</b>							
<b>Current</b>							
General government	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-
Physical environment	-	-	-	-	-	-	-
Transportation	-	-	-	-	-	-	-
Economic environment	-	-	-	-	-	-	-
Human services	-	-	-	-	-	-	-
Culture/Recreation	-	-	-	-	-	-	-
<b>Debt Service</b>							
Principal retirement	327,680	95,000	1,555,151	80,169	170,000	978,752	3,206,752
Interest and fiscal charges	10,103	145,775	104,092	8,081	333,550	23,658	625,259
<b>Capital outlay</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>337,783</u>	<u>240,775</u>	<u>1,659,243</u>	<u>88,250</u>	<u>503,550</u>	<u>1,002,410</u>	<u>3,832,011</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(337,783)</u>	<u>23,857</u>	<u>(1,659,243)</u>	<u>(88,250)</u>	<u>7,437</u>	<u>(952,409)</u>	<u>(3,006,391)</u>
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers in	275,216	-	1,473,170	88,203	-	929,898	2,766,487
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>275,216</u>	<u>-</u>	<u>1,473,170</u>	<u>88,203</u>	<u>-</u>	<u>929,898</u>	<u>2,766,487</u>
Net change in fund balances	(62,567)	23,857	(186,073)	(47)	7,437	(22,511)	(239,904)
Fund balances, beginning of year	<u>62,567</u>	<u>238,147</u>	<u>186,073</u>	<u>47</u>	<u>24,738</u>	<u>22,511</u>	<u>534,083</u>
Restatement of fund balances due to the implementation of GASB 54	-	-	-	-	-	-	-
Fund balances-beginning of year restated	<u>62,567</u>	<u>238,147</u>	<u>186,073</u>	<u>47</u>	<u>24,738</u>	<u>22,511</u>	<u>534,083</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ 262,004</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,175</u>	<u>\$ -</u>	<u>\$ 294,179</u>

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CITY OF SANIBEL, FLORIDA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 For the Year Ended September 30, 2010

	Capital Projects							
	Capital Asset Acquisition	Transportation Capital Projects	Dixie Beach Road Project	Rabbit Road Capital Projects	Periwinkle Bike Path & Road Maintenance	San-Cap Road Project	Tarpon Bay Road Repaving	
<b>REVENUES</b>								
Taxes								
Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Local business	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental revenues	16,447	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-
Other revenue	6,688	5,835	1,048	1,530	1,014	-	2,589	-
Total revenues	<u>23,135</u>	<u>5,835</u>	<u>1,048</u>	<u>1,530</u>	<u>1,014</u>	<u>-</u>	<u>2,589</u>	<u>-</u>
<b>EXPENDITURES</b>								
<b>Current</b>								
General government	6,036	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-
Physical environment	-	-	-	-	-	-	-	-
Transportation	5,320	105,493	1,558	-	47,975	-	56,480	-
Economic environment	-	-	-	-	-	-	-	-
Human services	-	-	-	-	-	-	-	-
Culture/Recreation	3,449	-	-	-	-	-	-	-
<b>Debt Service</b>								
Principal retirement	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-
<b>Capital outlay</b>	<u>209,503</u>	<u>-</u>	<u>83,432</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>224,308</u>	<u>105,493</u>	<u>84,990</u>	<u>-</u>	<u>47,975</u>	<u>-</u>	<u>56,480</u>	<u>-</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(201,173)</u>	<u>(99,658)</u>	<u>(83,942)</u>	<u>1,530</u>	<u>(46,961)</u>	<u>-</u>	<u>(53,891)</u>	<u>-</u>
<b>OTHER FINANCING SOURCES (USES)</b>								
Transfers in	536,746	255,829	-	-	-	-	-	-
Transfers out	(25,000)	(310,000)	-	-	-	(1,157)	-	(50,000)
Total other financing sources (uses)	<u>511,746</u>	<u>(54,171)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,157)</u>	<u>-</u>	<u>(50,000)</u>
Net change in fund balances	310,573	(153,829)	(83,942)	1,530	(46,961)	(1,157)	(53,891)	(50,000)
Fund balances, beginning of year	<u>992,370</u>	<u>874,410</u>	<u>237,459</u>	<u>346,361</u>	<u>229,647</u>	<u>1,157</u>	<u>622,761</u>	<u>50,000</u>
Restatement of fund balances due to the implementation of GASB 54	-	-	-	-	-	-	-	-
Fund balances-beginning of year restated	<u>992,370</u>	<u>874,410</u>	<u>237,459</u>	<u>346,361</u>	<u>229,647</u>	<u>1,157</u>	<u>622,761</u>	<u>50,000</u>
Fund balances, end of year	<u>\$ 1,302,943</u>	<u>\$ 720,581</u>	<u>\$ 153,517</u>	<u>\$ 347,891</u>	<u>\$ 182,686</u>	<u>\$ -</u>	<u>\$ 568,870</u>	<u>\$ -</u>

CITY OF SANIBEL, FLORIDA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 For the Year Ended September 30, 2010

	Capital Projects (Concluded)						TOTAL
	Shell Harbor Canal Dredging	Periwinkle Landscaping	Sanibel Estates Canal Trimming	Sanibel Isles/ Water Shadows Dredging	Beach Road Paving Special Assessments	Total	Nonmajor Governmental Funds
<b>REVENUES</b>							
Taxes							
Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 753,285
Local business	-	-	-	-	-	-	291,395
Licenses and permits	-	-	-	-	-	-	1,632,410
Intergovernmental revenues	-	-	-	-	-	16,447	838,015
Charges for services	-	-	-	-	-	-	513,453
Fines and forfeitures	-	-	-	-	-	-	41,186
Other revenue	-	5,467	-	-	-	24,171	286,663
Total revenues	<u>-</u>	<u>5,467</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>40,618</u>	<u>4,356,407</u>
<b>EXPENDITURES</b>							
<b>Current</b>							
General government	-	-	-	-	-	6,036	6,716
Public safety	-	-	-	-	-	-	558,093
Physical environment	-	-	-	-	-	-	432,701
Transportation	-	18,551	-	-	-	235,377	259,267
Economic environment	-	-	-	-	-	-	-
Human services	-	-	-	-	-	-	1,000
Culture/Recreation	-	-	-	-	-	3,449	2,262,576
<b>Debt Service</b>							
Principal retirement	-	-	-	-	-	-	3,206,752
Interest and fiscal charges	-	-	-	-	-	-	625,259
<b>Capital outlay</b>	<u>-</u>	<u>5,145</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>298,080</u>	<u>328,824</u>
Total expenditures	<u>-</u>	<u>23,696</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>542,942</u>	<u>7,681,188</u>
Excess (deficiency) of revenue over (under) expenditures	<u>-</u>	<u>(18,229)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(502,324)</u>	<u>(3,324,781)</u>
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers in	-	-	-	-	-	792,575	5,267,067
Transfers out	-	-	-	-	(832)	(386,989)	(2,190,020)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(832)</u>	<u>405,586</u>	<u>3,077,047</u>
Net change in fund balances	-	(18,229)	-	-	(832)	(96,738)	(247,734)
Fund balances, beginning of year	<u>37,358</u>	<u>82,256</u>	<u>18,688</u>	<u>18,009</u>	<u>832</u>	<u>3,511,308</u>	<u>6,660,631</u>
Restatement of fund balances due to the implementation of GASB 54	<u>(37,358)</u>	<u>-</u>	<u>(18,688)</u>	<u>(18,009)</u>	<u>-</u>	<u>(74,055)</u>	<u>-</u>
Fund balances-beginning of year restated	<u>-</u>	<u>82,256</u>	<u>-</u>	<u>-</u>	<u>832</u>	<u>3,437,253</u>	<u>6,660,631</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ 64,027</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,340,515</u>	<u>\$ 6,412,897</u>

CITY OF SANIBEL FLORIDA  
SOUTHWEST FLORIDA COMMUNITY FOUNDATION GRANT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
For the Year Ended September 30, 2010

	Budgets		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Other revenue	\$ 1,000	\$ 1,000	\$ 681	\$ (319)
Total revenues	<u>1,000</u>	<u>1,000</u>	<u>681</u>	<u>(319)</u>
<b>EXPENDITURES</b>				
General government	<u>1,000</u>	<u>1,000</u>	<u>680</u>	<u>320</u>
Total expenditures	<u>1,000</u>	<u>1,000</u>	<u>680</u>	<u>320</u>
Excess (deficiency) of revenue over (under) expenditures	<u>-</u>	<u>-</u>	<u>1</u>	<u>1</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>1</u>	<u>1</u>
Fund balances, beginning of year	<u>253</u>	<u>253</u>	<u>253</u>	<u>-</u>
Fund balances, end of year	<u>\$ 253</u>	<u>\$ 253</u>	<u>\$ 254</u>	<u>\$ 1</u>

CITY OF SANIBEL FLORIDA  
ENVIRONMENTAL DEFENSE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
For the Year Ended September 30, 2010

	Budgets		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Total revenues	\$ -	\$ -	\$ -	\$ -
<b>EXPENDITURES</b>				
Total expenditures	-	-	-	-
Excess (deficiency) of revenue over (under) expenditures	-	-	-	-
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	-	(3,810)	(3,810)	-
Total other financing sources (uses)	-	(3,810)	(3,810)	-
Net change in fund balances	-	(3,810)	(3,810)	-
Fund balances, beginning of year	3,020	3,810	3,810	-
Fund balances, end of year	<u>\$ 3,020</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF SANIBEL FLORIDA  
HISTORICAL COMMITTEE  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
For the Year Ended September 30, 2010

	Budgets		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Other revenue	\$ 15	\$ 515	\$ 1,097	\$ 582
Total revenues	<u>15</u>	<u>515</u>	<u>1,097</u>	<u>582</u>
<b>EXPENDITURES</b>				
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenue over (under) expenditures	<u>15</u>	<u>515</u>	<u>1,097</u>	<u>582</u>
Net change in fund balances	<u>15</u>	<u>515</u>	<u>1,097</u>	<u>582</u>
Fund balances, beginning of year	<u>135,038</u>	<u>135,029</u>	<u>135,029</u>	<u>-</u>
Fund balances, end of year	<u>\$ 135,053</u>	<u>\$ 135,544</u>	<u>\$ 136,126</u>	<u>\$ 582</u>

CITY OF SANIBEL FLORIDA  
HURRICANE WILMA  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
For the Year Ended September 30, 2010

	Budgets		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 251,896	\$ 251,896	\$ 238,978	\$ (12,918)
Total revenues	<u>251,896</u>	<u>251,896</u>	<u>238,978</u>	<u>(12,918)</u>
<b>EXPENDITURES</b>				
Culture/Recreation	251,896	251,896	238,978	12,918
Total expenditures	<u>251,896</u>	<u>251,896</u>	<u>238,978</u>	<u>12,918</u>
Excess (deficiency) of revenue over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	-	(95,697)	(95,697)	-
Total other financing sources (uses)	<u>-</u>	<u>(95,697)</u>	<u>(95,697)</u>	<u>-</u>
Net change in fund balances	<u>-</u>	<u>(95,697)</u>	<u>(95,697)</u>	<u>-</u>
Fund balances, beginning of year	<u>80,237</u>	<u>95,697</u>	<u>95,697</u>	<u>-</u>
Fund balances, end of year	<u>\$ 80,237</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF SANIBEL FLORIDA  
TROPICAL STORM FAY  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
For the Year Ended September 30, 2010

	Budgets		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Total revenues	\$ -	\$ -	\$ -	\$ -
<b>EXPENDITURES</b>				
Total expenditures	-	-	-	-
Excess (deficiency) of revenue over (under) expenditures	-	-	-	-
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	-	(101,314)	(101,314)	-
Total other financing sources (uses)	-	(101,314)	(101,314)	-
Net change in fund balances	-	(101,314)	(101,314)	-
Fund balances, beginning of year	-	101,314	101,314	-
Fund balances, end of year	\$ -	\$ -	\$ -	-

CITY OF SANIBEL FLORIDA  
 BRAZILIAN PEPPER  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 For the Year Ended September 30, 2010

	Budgets		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ -	\$ 56,580	\$ 31,580	\$ (25,000)
Other revenue	-	-	277	277
Total revenues	<u>-</u>	<u>56,580</u>	<u>31,857</u>	<u>(24,723)</u>
<b>EXPENDITURES</b>				
Physical environment	<u>220,000</u>	<u>252,080</u>	<u>162,701</u>	<u>89,379</u>
Total expenditures	<u>220,000</u>	<u>252,080</u>	<u>162,701</u>	<u>89,379</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(220,000)</u>	<u>(195,500)</u>	<u>(130,844)</u>	<u>64,656</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer in	<u>220,000</u>	<u>220,000</u>	<u>220,000</u>	<u>-</u>
Total other financing sources (uses)	<u>220,000</u>	<u>220,000</u>	<u>220,000</u>	<u>-</u>
Net change in fund balances	<u>-</u>	<u>24,500</u>	<u>89,156</u>	<u>64,656</u>
Fund balances, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ 24,500</u>	<u>\$ 89,156</u>	<u>64,656</u>

CITY OF SANIBEL FLORIDA  
ROAD IMPACT FEES  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
For the Year Ended September 30, 2010

	Budgets		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Other revenue	\$ 20,050	\$ 107,762	\$ 108,915	\$ 1,153
Total revenues	<u>20,050</u>	<u>107,762</u>	<u>108,915</u>	<u>1,153</u>
<b>EXPENDITURES</b>				
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenue over (under) expenditures	<u>20,050</u>	<u>107,762</u>	<u>108,915</u>	<u>1,153</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer in	<u>-</u>	<u>50,000</u>	<u>50,000</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>50,000</u>	<u>50,000</u>	<u>-</u>
Net change in fund balances	<u>20,050</u>	<u>157,762</u>	<u>158,915</u>	<u>1,153</u>
Fund balances, beginning of year	<u>88,872</u>	<u>219,845</u>	<u>219,845</u>	<u>-</u>
Fund balances, end of year	<u>\$ 108,922</u>	<u>\$ 377,607</u>	<u>\$ 378,760</u>	<u>\$ 1,153</u>

CITY OF SANIBEL FLORIDA  
COMMUNITY PARK IMPACT FEES  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
For the Year Ended September 30, 2010

	Budgets		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Other revenue	\$ 50	\$ 9,506	\$ 9,594	\$ 88
Total revenues	<u>50</u>	<u>9,506</u>	<u>9,594</u>	<u>88</u>
<b>EXPENDITURES</b>				
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenue over (under) expenditures	<u>50</u>	<u>9,506</u>	<u>9,594</u>	<u>88</u>
Net change in fund balances	<u>50</u>	<u>9,506</u>	<u>9,594</u>	<u>88</u>
Fund balances, beginning of year	<u>15,141</u>	<u>26,564</u>	<u>26,564</u>	<u>-</u>
Fund balances, end of year	<u>\$ 15,191</u>	<u>\$ 36,070</u>	<u>\$ 36,158</u>	<u>\$ 88</u>

CITY OF SANIBEL FLORIDA  
 FEDERAL FORFEITURE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 For the Year Ended September 30, 2010

	Budgets		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Other revenue	\$ -	\$ -	\$ 217	\$ 217
Total revenues	<u>-</u>	<u>-</u>	<u>217</u>	<u>217</u>
<b>EXPENDITURES</b>				
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenue over (under) expenditures	<u>-</u>	<u>-</u>	<u>217</u>	<u>217</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>217</u>	<u>217</u>
Fund balances, beginning of year	<u>49,170</u>	<u>49,167</u>	<u>49,167</u>	<u>-</u>
Fund balances, end of year	<u>\$ 49,170</u>	<u>\$ 49,167</u>	<u>\$ 49,384</u>	<u>\$ 217</u>

CITY OF SANIBEL FLORIDA  
 FATHER MADDEN ESTATE  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 For the Year Ended September 30, 2010

	Budgets		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Other revenue	\$ 50	\$ 50	\$ 178	\$ 128
Total revenues	<u>50</u>	<u>50</u>	<u>178</u>	<u>128</u>
<b>EXPENDITURES</b>				
Human Services	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>-</u>
Total expenditures	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>-</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(950)</u>	<u>(950)</u>	<u>(822)</u>	<u>128</u>
Net change in fund balances	<u>(950)</u>	<u>(950)</u>	<u>(822)</u>	<u>128</u>
Fund balances, beginning of year	<u>28,293</u>	<u>28,292</u>	<u>28,292</u>	<u>-</u>
Fund balances, end of year	<u>\$ 27,343</u>	<u>\$ 27,342</u>	<u>\$ 27,470</u>	<u>\$ 128</u>

CITY OF SANIBEL FLORIDA  
 ALGAE RESEARCH GRANT  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 For the Year Ended September 30, 2010

	Budgets		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 382,941	\$ 382,941	\$ 262,878	\$ (120,063)
Other revenue	-	-	147	147
Total revenues	<u>382,941</u>	<u>382,941</u>	<u>263,025</u>	<u>(119,916)</u>
<b>EXPENDITURES</b>				
Physical environment	<u>418,000</u>	<u>418,000</u>	<u>270,000</u>	<u>148,000</u>
Total expenditures	<u>418,000</u>	<u>418,000</u>	<u>270,000</u>	<u>148,000</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(35,059)</u>	<u>(35,059)</u>	<u>(6,975)</u>	<u>28,084</u>
Net change in fund balances	<u>(35,059)</u>	<u>(35,059)</u>	<u>(6,975)</u>	<u>28,084</u>
Fund balances, beginning of year	<u>35,059</u>	<u>26,811</u>	<u>26,811</u>	<u>-</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ (8,248)</u>	<u>\$ 19,836</u>	<u>\$ 28,084</u>

CITY OF SANIBEL FLORIDA  
FRANCHISE FEE AND BUSINESS TAX REVENUE  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
For the Year Ended September 30, 2010

	Budgets		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 285,000	\$ 291,395	\$ 291,395	\$ -
Licenses & Permits	854,183	1,020,816	1,020,816	-
Fines and forfeitures	2,750	3,793	3,792	(1)
Other revenue	400	1	1	-
Total revenues	<u>1,142,333</u>	<u>1,316,005</u>	<u>1,316,004</u>	<u>(1)</u>
<b>EXPENDITURES</b>				
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenue over (under) expenditures	<u>1,142,333</u>	<u>1,316,005</u>	<u>1,316,004</u>	<u>(1)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	<u>(1,250,000)</u>	<u>(1,545,381)</u>	<u>(1,545,380)</u>	<u>(1)</u>
Total other financing sources (uses)	<u>(1,250,000)</u>	<u>(1,545,381)</u>	<u>(1,545,380)</u>	<u>(1)</u>
Net change in fund balances	<u>(107,667)</u>	<u>(229,376)</u>	<u>(229,376)</u>	<u>(2)</u>
Fund balances, beginning of year	<u>165,419</u>	<u>229,376</u>	<u>229,376</u>	<u>-</u>
Fund balances, end of year	<u>\$ 57,752</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2)</u>

CITY OF SANIBEL FLORIDA  
BUILDING DEPARTMENT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
For the Year Ended September 30, 2010

	Budgets		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Licenses & Permits	\$ 507,602	\$ 607,030	\$ 611,594	\$ 4,564
Charges for services	6,095	6,095	5,233	(862)
Fines and forfeitures	14,850	37,950	37,526	(424)
Other revenue	400	400	2,921	2,521
Total revenues	<u>528,947</u>	<u>651,475</u>	<u>657,274</u>	<u>5,799</u>
<b>EXPENDITURES</b>				
Public safety	<u>587,728</u>	<u>581,326</u>	<u>558,093</u>	<u>23,233</u>
Total expenditures	<u>587,728</u>	<u>581,326</u>	<u>558,093</u>	<u>23,233</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(58,781)</u>	<u>70,149</u>	<u>99,181</u>	<u>29,032</u>
Net change in fund balances	<u>(58,781)</u>	<u>70,149</u>	<u>99,181</u>	<u>29,032</u>
Fund balances, beginning of year	<u>426,523</u>	<u>616,856</u>	<u>616,856</u>	<u>-</u>
Fund balances, end of year	<u>\$ 367,742</u>	<u>\$ 687,005</u>	<u>\$ 716,037</u>	<u>\$ 29,032</u>

CITY OF SANIBEL FLORIDA  
RECREATION CENTER OPERATIONS  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
For the Year Ended September 30, 2010

	Budgets		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 30,912	\$ 30,912	\$ 28,558	\$ (2,354)
Charges for services	277,000	492,049	508,220	16,171
Fines and forfeitures	-	-	(132)	(132)
Other revenue	2,500	46,752	48,601	1,849
Total revenues	<u>310,412</u>	<u>569,713</u>	<u>585,247</u>	<u>15,534</u>
<b>EXPENDITURES</b>				
Culture/recreation	1,952,637	2,011,145	1,808,992	202,153
<b>Capital Outlay</b>	-	40,659	30,744	9,915
Total expenditures	<u>1,952,637</u>	<u>2,051,804</u>	<u>1,839,736</u>	<u>212,068</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(1,642,225)</u>	<u>(1,482,091)</u>	<u>(1,254,489)</u>	<u>227,602</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer in	1,448,627	1,430,005	1,430,005	-
Total other financing sources (uses)	<u>1,448,627</u>	<u>1,430,005</u>	<u>1,430,005</u>	<u>-</u>
Net change in fund balances	<u>(193,598)</u>	<u>(52,086)</u>	<u>175,516</u>	<u>227,602</u>
Fund balances, beginning of year	<u>779,903</u>	<u>1,021,537</u>	<u>1,021,537</u>	<u>-</u>
Fund balances, end of year	<u>\$ 586,305</u>	<u>\$ 969,451</u>	<u>\$ 1,197,053</u>	<u>\$ 227,602</u>

CITY OF SANIBEL FLORIDA  
ELEMENTARY SCHOOL BALL PARK MAINTENANCE  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
For the Year Ended September 30, 2010

	Budgets		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 122,646	\$ 238,871	\$ 259,574	\$ 20,703
Other revenue	-	-	512	512
Total revenues	<u>122,646</u>	<u>238,871</u>	<u>260,086</u>	<u>21,215</u>
<b>EXPENDITURES</b>				
Culture/recreation	<u>279,619</u>	<u>242,730</u>	<u>211,157</u>	<u>31,573</u>
Total expenditures	<u>279,619</u>	<u>242,730</u>	<u>211,157</u>	<u>31,573</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(156,973)</u>	<u>(3,859)</u>	<u>48,929</u>	<u>52,788</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer in	134,017	-	-	-
Transfers out	-	(51,809)	(51,809)	-
Total other financing sources (uses)	<u>134,017</u>	<u>(51,809)</u>	<u>(51,809)</u>	<u>-</u>
Net change in fund balances	<u>(22,956)</u>	<u>(55,668)</u>	<u>(2,880)</u>	<u>52,788</u>
Fund balances, beginning of year	<u>22,956</u>	<u>55,668</u>	<u>55,668</u>	<u>-</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 52,788</u>	<u>\$ 52,788</u>

CITY OF SANIBEL FLORIDA  
 BELOW MARKET RATE HOUSING  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 For the Year Ended September 30, 2010

	Budgets		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Total revenues	\$ -	\$ -	\$ -	\$ -
<b>EXPENDITURES</b>				
Total expenditures	-	-	-	-
Excess (deficiency) of revenue over (under) expenditures	-	-	-	-
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	-	(5,021)	(5,021)	-
Total other financing sources (uses)	-	(5,021)	(5,021)	-
Net change in fund balances	-	(5,021)	(5,021)	-
Fund balances, beginning of year	-	5,021	5,021	-
Fund balances, end of year	\$ -	\$ -	\$ -	\$ -

CITY OF SANIBEL FLORIDA  
SHELL HARBOR DREDGING  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
For the Year Ended September 30, 2010

	Budgets		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Other revenue	\$ 25	\$ 25	\$ 165	\$ 140
Total revenues	<u>25</u>	<u>25</u>	<u>165</u>	<u>140</u>
<b>EXPENDITURES</b>				
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenue over (under) expenditures	<u>25</u>	<u>25</u>	<u>165</u>	<u>140</u>
Net change in fund balances	<u>25</u>	<u>25</u>	<u>165</u>	<u>140</u>
Fund balances, beginning of year	<u>25,627</u>	<u>-</u>	<u>-</u>	<u>-</u>
Restatement of fund balances due to the implementation of GASB 54	<u>-</u>	<u>-</u>	<u>37,358</u>	<u>37,358</u>
Fund balances-beginning of year restated	<u>25,627</u>	<u>-</u>	<u>37,358</u>	<u>37,358</u>
Fund balances, end of year	<u>\$ 25,652</u>	<u>\$ 25</u>	<u>\$ 37,523</u>	<u>\$ 37,498</u>

CITY OF SANIBEL FLORIDA  
SANIBEL ESTATES CANAL TRIMMING  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
For the Year Ended September 30, 2010

	Budgets		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Other revenue	\$ 6,790	\$ 6,790	\$ 6,928	\$ 138
Total revenues	<u>6,790</u>	<u>6,790</u>	<u>6,928</u>	<u>138</u>
<b>EXPENDITURES</b>				
Transportation	<u>10,000</u>	<u>10,000</u>	<u>9,341</u>	<u>659</u>
Total expenditures	<u>10,000</u>	<u>10,000</u>	<u>9,341</u>	<u>659</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(3,210)</u>	<u>(3,210)</u>	<u>(2,413)</u>	<u>797</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	3,000	3,000	3,000	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(210)	(210)	587	797
Fund balances, beginning of year	<u>12,519</u>	<u>-</u>	<u>-</u>	<u>-</u>
Restatement of fund balances due to the implementation of GASB 54	<u>-</u>	<u>-</u>	<u>18,688</u>	<u>18,688</u>
Fund balances-beginning of year restated	<u>12,519</u>	<u>-</u>	<u>18,688</u>	<u>18,688</u>
Fund balances, end of year	<u>\$ 12,309</u>	<u>\$ (210)</u>	<u>\$ 19,275</u>	<u>\$ 19,485</u>

CITY OF SANIBEL FLORIDA  
SANIBEL ISLES/WATER SHADOWS DREDGING  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
For the Year Ended September 30, 2010

	Budgets		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Other revenue	\$ 9,696	\$ 9,696	\$ 9,923	\$ 227
Total revenues	<u>9,696</u>	<u>9,696</u>	<u>9,923</u>	<u>227</u>
<b>EXPENDITURES</b>				
Transportation	<u>-</u>	<u>14,549</u>	<u>14,549</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>14,549</u>	<u>14,549</u>	<u>-</u>
Excess (deficiency) of revenue over (under) expenditures	<u>9,696</u>	<u>(4,853)</u>	<u>(4,626)</u>	<u>227</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>	<u>-</u>
Total other financing sources (uses)	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>	<u>-</u>
Net change in fund balances	14,696	147	374	227
Fund balances, beginning of year	<u>7,432</u>	<u>-</u>	<u>-</u>	<u>-</u>
Restatement of fund balances due to the implementation of GASB 54	<u>-</u>	<u>-</u>	<u>18,009</u>	<u>18,009</u>
Fund balances-beginning of year restated	<u>7,432</u>	<u>-</u>	<u>18,009</u>	<u>18,009</u>
Fund balances, end of year	<u>\$ 22,128</u>	<u>\$ 147</u>	<u>\$ 18,383</u>	<u>\$ 18,236</u>

CITY OF SANIBEL FLORIDA  
1997 \$1.25M PAULSEN LAND PURCHASE  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
For the Year Ended September 30, 2010

	Budgets		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Other revenue	\$ 50	\$ -	\$ -	\$ -
Total revenues	<u>50</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXPENDITURES</b>				
<b>Debt Service</b>				
Principal retirement	103,946	327,681	327,680	1
Interest charges	16,314	10,103	10,103	-
Other charges	400	-	-	-
Total expenditures	<u>120,660</u>	<u>337,784</u>	<u>337,783</u>	<u>1</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(120,610)</u>	<u>(337,784)</u>	<u>(337,783)</u>	<u>1</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer in	120,000	275,217	275,216	(1)
Total other financing sources (uses)	<u>120,000</u>	<u>275,217</u>	<u>275,216</u>	<u>1</u>
Net change in fund balances	<u>(610)</u>	<u>(62,567)</u>	<u>(62,567)</u>	<u>2</u>
Fund balances, beginning of year	<u>62,188</u>	<u>62,567</u>	<u>62,567</u>	<u>-</u>
Fund balances, end of year	<u>\$ 61,578</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2</u>

CITY OF SANIBEL FLORIDA  
2002 \$3.825M GENERAL OBLIGATION BOND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
For the Year Ended September 30, 2010

	Budgets		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 240,825	\$ 240,825	\$ 243,850	\$ 3,025
Other revenue	400	400	20,782	20,382
Total revenues	<u>241,225</u>	<u>241,225</u>	<u>264,632</u>	<u>23,407</u>
<b>EXPENDITURES</b>				
<b>Debt Service</b>				
Principal retirement	95,000	95,000	95,000	-
Interest charges	145,425	145,425	145,775	(350)
Other charges	400	400	-	400
Total expenditures	<u>240,825</u>	<u>240,825</u>	<u>240,775</u>	<u>50</u>
Excess (deficiency) of revenue over (under) expenditures	<u>400</u>	<u>400</u>	<u>23,857</u>	<u>23,457</u>
Net change in fund balances	<u>400</u>	<u>400</u>	<u>23,857</u>	<u>23,457</u>
Fund balances, beginning of year	<u>238,223</u>	<u>238,147</u>	<u>238,147</u>	<u>-</u>
Fund balances, end of year	<u>\$ 238,623</u>	<u>\$ 238,547</u>	<u>\$ 262,004</u>	<u>\$ 23,457</u>

CITY OF SANIBEL FLORIDA  
1979 FMHA REVENUE BOND ISSUE  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
For the Year Ended September 30, 2010

	Budgets		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Other revenue	\$ 150	\$ -	\$ -	\$ -
Total revenues	<u>150</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXPENDITURES</b>				
<b>Debt Service</b>				
Principal retirement	109,673	1,555,151	1,555,151	-
Interest charges	77,804	104,092	104,092	-
Other charges	400	-	-	-
Total expenditures	<u>187,877</u>	<u>1,659,243</u>	<u>1,659,243</u>	<u>-</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(187,727)</u>	<u>(1,659,243)</u>	<u>(1,659,243)</u>	<u>-</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer in	<u>190,000</u>	<u>1,473,170</u>	<u>1,473,170</u>	<u>-</u>
Total other financing sources (uses)	<u>190,000</u>	<u>1,473,170</u>	<u>1,473,170</u>	<u>-</u>
Net change in fund balances	<u>2,273</u>	<u>(186,073)</u>	<u>(186,073)</u>	<u>-</u>
Fund balances, beginning of year	<u>185,714</u>	<u>186,073</u>	<u>186,073</u>	<u>-</u>
Fund balances, end of year	<u>\$ 187,987</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF SANIBEL FLORIDA  
 CAPITAL LEASE  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 For the Year Ended September 30, 2010

	Budgets		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Total revenues	\$ -	\$ -	\$ -	\$ -
<b>EXPENDITURES</b>				
<b>Debt Service</b>				
Principal retirement	7,220	80,169	80,169	-
Interest charges	4,145	8,081	8,081	-
Total expenditures	11,365	88,250	88,250	-
Excess (deficiency) of revenue over (under) expenditures	(11,365)	(88,250)	(88,250)	-
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer in	11,318	88,203	88,203	-
Total other financing sources (uses)	11,318	88,203	88,203	-
Net change in fund balances	(47)	(47)	(47)	-
Fund balances, beginning of year	47	47	47	-
Fund balances, end of year	\$ -	\$ -	\$ -	\$ -

CITY OF SANIBEL FLORIDA  
2006 \$8.35M GENERAL OBLIGATION BOND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
For the Year Ended September 30, 2010

	Budgets		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 503,600	\$ 503,600	\$ 509,435	\$ 5,835
Other revenue	750	750	1,552	802
Total revenues	<u>504,350</u>	<u>504,350</u>	<u>510,987</u>	<u>6,637</u>
<b>EXPENDITURES</b>				
<b>Debt Service</b>				
Principal retirement	170,000	170,000	170,000	-
Interest charges	333,600	333,600	333,550	50
Total expenditures	<u>503,600</u>	<u>503,600</u>	<u>503,550</u>	<u>50</u>
Excess (deficiency) of revenue over (under) expenditures	<u>750</u>	<u>750</u>	<u>7,437</u>	<u>6,687</u>
Net change in fund balances	<u>750</u>	<u>750</u>	<u>7,437</u>	<u>6,687</u>
Fund balances, beginning of year	<u>45,447</u>	<u>24,738</u>	<u>24,738</u>	<u>-</u>
Fund balances, end of year	<u>\$ 46,197</u>	<u>\$ 25,488</u>	<u>\$ 32,175</u>	<u>\$ 6,687</u>

CITY OF SANIBEL FLORIDA  
SUNTRUST NOTES FOR BMRH  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
For the Year Ended September 30, 2010

	Budgets		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Other revenue	\$ 50,001	\$ 50,001	\$ 50,001	\$ -
Total revenues	<u>50,001</u>	<u>50,001</u>	<u>50,001</u>	<u>-</u>
<b>EXPENDITURES</b>				
<b>Debt Service</b>				
Principal retirement	121,134	978,751	978,752	(1)
Interest charges	34,583	23,659	23,658	1
Total expenditures	<u>155,717</u>	<u>1,002,410</u>	<u>1,002,410</u>	<u>-</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(105,716)</u>	<u>(952,409)</u>	<u>(952,409)</u>	<u>-</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer in	105,000	929,898	929,898	-
Total other financing sources (uses)	<u>105,000</u>	<u>929,898</u>	<u>929,898</u>	<u>-</u>
Net change in fund balances	<u>(716)</u>	<u>(22,511)</u>	<u>(22,511)</u>	<u>-</u>
Fund balances, beginning of year	<u>21,390</u>	<u>22,511</u>	<u>22,511</u>	<u>-</u>
Fund balances, end of year	<u>\$ 20,674</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF SANIBEL FLORIDA  
CAPITAL ASSET ACQUISITION  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
For the Year Ended September 30, 2010

	Budgets		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ -	\$ -	\$ 16,447	\$ 16,447
Other revenue	250	250	6,688	6,438
Total revenues	<u>250</u>	<u>250</u>	<u>23,135</u>	<u>22,885</u>
<b>EXPENDITURES</b>				
General government	540,109	557,452	6,036	551,416
Public safety	372,500	372,500	-	372,500
Transportation	554,000	578,255	5,320	572,935
Culture/recreation	-	-	3,449	(3,449)
<b>Capital Outlay</b>	-	-	209,503	(209,503)
Total expenditures	<u>1,466,609</u>	<u>1,508,207</u>	<u>224,308</u>	<u>1,283,899</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(1,466,359)</u>	<u>(1,507,957)</u>	<u>(201,173)</u>	<u>1,306,784</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	536,746	536,746	536,746	-
Transfers out	-	(25,000)	(25,000)	-
Total other financing sources	<u>536,746</u>	<u>511,746</u>	<u>511,746</u>	<u>-</u>
Net change in fund balances	(929,613)	(996,211)	310,573	1,306,784
Fund balances, beginning of year	<u>929,613</u>	<u>992,370</u>	<u>992,370</u>	<u>-</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ (3,841)</u>	<u>\$ 1,302,943</u>	<u>\$ 1,306,784</u>

CITY OF SANIBEL FLORIDA  
TRANSPORTATION CAPITAL PROJECTS  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
For the Year Ended September 30, 2010

	Budgets		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Other revenue	\$ 250	\$ 250	\$ 5,835	\$ 5,585
Total revenues	<u>250</u>	<u>250</u>	<u>5,835</u>	<u>5,585</u>
<b>EXPENDITURES</b>				
Transportation	-	-	105,493	(105,493)
<b>Capital Outlay</b>	<u>550,000</u>	<u>550,000</u>	<u>-</u>	<u>550,000</u>
Total expenditures	<u>550,000</u>	<u>550,000</u>	<u>105,493</u>	<u>444,507</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(549,750)</u>	<u>(549,750)</u>	<u>(99,658)</u>	<u>450,092</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer in	254,672	255,829	255,829	-
Transfers out	<u>-</u>	<u>(310,000)</u>	<u>(310,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>254,672</u>	<u>(54,171)</u>	<u>(54,171)</u>	<u>-</u>
Net change in fund balances	<u>(295,078)</u>	<u>(603,921)</u>	<u>(153,829)</u>	<u>450,092</u>
Fund balances, beginning of year	<u>295,078</u>	<u>874,410</u>	<u>874,410</u>	<u>-</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ 270,489</u>	<u>\$ 720,581</u>	<u>\$ 450,092</u>

CITY OF SANIBEL FLORIDA  
DIXIE BEACH ROAD PROJECT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
For the Year Ended September 30, 2010

	Budgets		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Other revenue	\$ -	\$ -	\$ 1,048	\$ 1,048
Total revenues	<u>-</u>	<u>-</u>	<u>1,048</u>	<u>1,048</u>
<b>EXPENDITURES</b>				
Transportation	-	13,315	1,558	11,757
<b>Capital Outlay</b>	<u>-</u>	<u>146,685</u>	<u>83,432</u>	<u>63,253</u>
Total expenditures	<u>-</u>	<u>160,000</u>	<u>84,990</u>	<u>75,010</u>
Excess (deficiency) of revenue over (under) expenditures	<u>-</u>	<u>(160,000)</u>	<u>(83,942)</u>	<u>76,058</u>
Net change in fund balances	<u>-</u>	<u>(160,000)</u>	<u>(83,942)</u>	<u>76,058</u>
Fund balances, beginning of year	<u>236,577</u>	<u>237,459</u>	<u>237,459</u>	<u>-</u>
Fund balances, end of year	<u>\$ 236,577</u>	<u>\$ 77,459</u>	<u>\$ 153,517</u>	<u>\$ 76,058</u>

CITY OF SANIBEL FLORIDA  
RABBIT ROAD CAPITAL PROJECTS  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
For the Year Ended September 30, 2010

	Budgets		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Other revenue	\$ -	\$ -	\$ 1,530	\$ 1,530
Total revenues	<u>-</u>	<u>-</u>	<u>1,530</u>	<u>1,530</u>
<b>EXPENDITURES</b>				
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenue over (under) expenditures	<u>-</u>	<u>-</u>	<u>1,530</u>	<u>1,530</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>1,530</u>	<u>1,530</u>
Fund balances, beginning of year	<u>346,344</u>	<u>346,361</u>	<u>346,361</u>	<u>-</u>
Fund balances, end of year	<u>\$ 346,344</u>	<u>\$ 346,361</u>	<u>\$ 347,891</u>	<u>\$ 1,530</u>

CITY OF SANIBEL FLORIDA  
 PERIWINKLE BIKE PATH & ROAD MAINTENANCE  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 For the Year Ended September 30, 2010

	Budgets		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Other revenue	\$ -	\$ -	\$ 1,014	\$ 1,014
Total revenues	<u>-</u>	<u>-</u>	<u>1,014</u>	<u>1,014</u>
<b>EXPENDITURES</b>				
Transportation	-	-	47,975	(47,975)
<b>Capital Outlay</b>	<u>50,000</u>	<u>50,000</u>	<u>-</u>	<u>50,000</u>
Total expenditures	<u>50,000</u>	<u>50,000</u>	<u>47,975</u>	<u>2,025</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(50,000)</u>	<u>(50,000)</u>	<u>(46,961)</u>	<u>3,039</u>
Net change in fund balances	<u>(50,000)</u>	<u>(50,000)</u>	<u>(46,961)</u>	<u>3,039</u>
Fund balances, beginning of year	<u>226,871</u>	<u>229,647</u>	<u>229,647</u>	<u>-</u>
Fund balances, end of year	<u>\$ 176,871</u>	<u>\$ 179,647</u>	<u>\$ 182,686</u>	<u>\$ 3,039</u>

CITY OF SANIBEL FLORIDA  
SAN-CAP ROAD PROJECT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
For the Year Ended September 30, 2010

	Budgets		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Total revenues	\$ -	\$ -	\$ -	\$ -
<b>EXPENDITURES</b>				
Total expenditures	-	-	-	-
Excess (deficiency) of revenue over (under) expenditures	-	-	-	-
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	-	(1,157)	(1,157)	-
Total other financing sources (uses)	-	(1,157)	(1,157)	-
Net change in fund balances	-	(1,157)	(1,157)	-
Fund balances, beginning of year	1,166	1,157	1,157	-
Fund balances, end of year	<u>\$ 1,166</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF SANIBEL FLORIDA  
TARPON BAY ROAD REPAVING  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
For the Year Ended September 30, 2010

	Budgets		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Other revenue	\$ -	\$ -	\$ 2,589	\$ 2,589
Total revenues	<u>-</u>	<u>-</u>	<u>2,589</u>	<u>2,589</u>
<b>EXPENDITURES</b>				
Transportation	-	70,000	56,480	13,520
<b>Capital Outlay</b>	<u>50,000</u>	<u>50,000</u>	<u>-</u>	<u>50,000</u>
Total expenditures	<u>50,000</u>	<u>120,000</u>	<u>56,480</u>	<u>63,520</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(50,000)</u>	<u>(120,000)</u>	<u>(53,891)</u>	<u>66,109</u>
Net change in fund balances	<u>(50,000)</u>	<u>(120,000)</u>	<u>(53,891)</u>	<u>66,109</u>
Fund balances, beginning of year	<u>547,451</u>	<u>622,761</u>	<u>622,761</u>	<u>-</u>
Fund balances, end of year	<u>\$ 497,451</u>	<u>\$ 502,761</u>	<u>\$ 568,870</u>	<u>\$ 66,109</u>

CITY OF SANIBEL FLORIDA  
INTERSECTION IMPROVEMENTS  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
For the Year Ended September 30, 2010

	Budgets		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Total revenues	\$ -	\$ -	\$ -	\$ -
<b>EXPENDITURES</b>				
Total expenditures	-	-	-	-
Excess (deficiency) of revenue over (under) expenditures	-	-	-	-
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	-	(50,000)	(50,000)	-
Total other financing sources (uses)	-	(50,000)	(50,000)	-
Net change in fund balances	-	(50,000)	(50,000)	-
Fund balances, beginning of year	50,000	50,000	50,000	-
Fund balances, end of year	<u>\$ 50,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF SANIBEL FLORIDA  
SHELL HARBOR CANAL DREDGING  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
For the Year Ended September 30, 2010

	Budgets		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Total revenues	\$ -	\$ -	\$ -	\$ -
<b>EXPENDITURES</b>				
Total expenditures	-	-	-	-
Excess (deficiency) of revenue over (under) expenditures	-	-	-	-
Net change in fund balances	-	-	-	-
Fund balances, beginning of year	-	37,358	37,358	-
Restatement of fund balances due to the implementation of GASB 54	-	-	(37,358)	(37,358)
Fund balances-beginning of year restated	-	37,358	-	(37,358)
Fund balances, end of year	<u>\$ -</u>	<u>\$ 37,358</u>	<u>\$ -</u>	<u>\$ (37,358)</u>

CITY OF SANIBEL FLORIDA  
 PERIWINKLE LANDSCAPING  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 For the Year Ended September 30, 2010

	Budgets		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Other revenue	\$ -	\$ -	\$ 5,467	\$ 5,467
Total revenues	<u>-</u>	<u>-</u>	<u>5,467</u>	<u>5,467</u>
<b>EXPENDITURES</b>				
Transportation	-	30,000	18,551	11,449
<b>Capital Outlay</b>	<u>30,000</u>	<u>-</u>	<u>5,145</u>	<u>(5,145)</u>
Total expenditures	<u>30,000</u>	<u>30,000</u>	<u>23,696</u>	<u>6,304</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(30,000)</u>	<u>(30,000)</u>	<u>(18,229)</u>	<u>11,771</u>
Net change in fund balances	<u>(30,000)</u>	<u>(30,000)</u>	<u>(18,229)</u>	<u>11,771</u>
Fund balances, beginning of year	<u>51,527</u>	<u>82,256</u>	<u>82,256</u>	<u>-</u>
Fund balances, end of year	<u>\$ 21,527</u>	<u>\$ 52,256</u>	<u>\$ 64,027</u>	<u>\$ 11,771</u>

CITY OF SANIBEL FLORIDA  
SANIBEL ESTATES CANAL TRIMMING  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
For the Year Ended September 30, 2010

	Budgets		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Total revenues	\$ -	\$ -	\$ -	\$ -
<b>EXPENDITURES</b>				
Total expenditures	-	-	-	-
Excess (deficiency) of revenue over (under) expenditures	-	-	-	-
Net change in fund balances	-	-	-	-
Fund balances, beginning of year	-	18,688	18,688	-
Restatement of fund balances due to the implementation of GASB 54	-	-	(18,688)	(18,688)
Fund balances-beginning of year restated	-	18,688	-	(18,688)
Fund balances, end of year	<u>\$ -</u>	<u>\$ 18,688</u>	<u>\$ -</u>	<u>\$ (18,688)</u>

CITY OF SANIBEL FLORIDA  
SANIBEL ISLES/WATER SHADOWS DREDGING  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
For the Year Ended September 30, 2010

	Budgets		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Total revenues	\$ -	\$ -	\$ -	\$ -
<b>EXPENDITURES</b>				
Total expenditures	-	-	-	-
Excess (deficiency) of revenue over (under) expenditures	-	-	-	-
Net change in fund balances	-	-	-	-
Fund balances, beginning of year	-	18,009	18,009	-
Restatement of fund balances due to the implementation of GASB 54	-	-	(18,009)	(18,009)
Fund balances-beginning of year restated	-	18,009	-	(18,009)
Fund balances, end of year	\$ -	\$ 18,009	\$ -	\$ (18,009)

CITY OF SANIBEL FLORIDA  
 BEACH ROAD PAVING SPECIAL ASSESSMENTS  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 For the Year Ended September 30, 2010

	Budgets		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Total revenues	\$ -	\$ -	\$ -	\$ -
<b>EXPENDITURES</b>				
Total expenditures	-	-	-	-
Excess (deficiency) of revenue over (under) expenditures	-	-	-	-
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	-	(832)	(832)	-
Total other financing sources (uses)	-	(832)	(832)	-
Net change in fund balances	-	(832)	(832)	-
Fund balances, beginning of year	832	832	832	-
Fund balances, end of year	<u>\$ 832</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF SANIBEL, FLORIDA  
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS  
 September 30, 2010

	Pension and OPEB Trust Funds			Total Trust Funds
	OPEB	General Employees'	Municipal Police Officers'	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 148,066	\$ 680,289	\$ 219,165	\$ 1,047,520
Investments, at market value				
Corporate stocks	-	3,225,682	-	3,225,682
Corporate bonds & government obligations	-	3,737,051	-	3,737,051
Mutual funds:				
Equity and equity index	-	2,921,903	2,821,825	5,743,728
Pooled/Common/Commingled Funds:				
Equity	-	-	2,584,501	2,584,501
Fixed Income	-	-	3,055,708	3,055,708
Real Estate	-	709,949	-	709,949
Total investments at fair value	-	10,594,585	8,462,034	19,056,619
Receivables - employer contributions	-	12,259	-	12,259
Receivables - interest & dividends	-	47,021	9	47,030
Prepays	-	467	-	467
 Total assets	 148,066	 11,334,621	 8,681,208	 20,163,895
<b>LIABILITIES</b>				
Accrued benefits and other liabilities	-	284,932	283,659	568,591
Deferred revenue	-	-	16,262	16,262
Due to other funds	19,054	-	3,627	22,681
 Total liabilities	 19,054	 284,932	 303,548	 607,534
<b>NET ASSETS</b>				
Held in trust for pension and OPEB benefits	\$ 129,012	\$ 11,049,689	\$ 8,377,660	\$ 19,556,361

CITY OF SANIBEL, FLORIDA  
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS  
 For the Fiscal Year Ended September 30, 2010

	Pension and OPEB Trust Funds			Total Trust Funds
	OPEB	General Employees'	Municipal Police Officers'	
<b>ADDITIONS</b>				
Contributions				
Employer	\$ 46,897	\$ 1,173,397	\$ 479,629	\$ 1,699,923
State of Florida	-	-	58,716	58,716
Plan members	-	220,887	130,881	351,768
	46,897	1,394,284	669,226	2,110,407
Total contributions				
	46,897	1,394,284	669,226	2,110,407
Investment income				
Net appreciation in fair value of investments	-	601,233	803,290	1,404,523
Miscellaneous	-	2,591	-	2,591
Interest, dividends and other	385	286,452	47,572	334,409
Total investment earnings	385	890,276	850,862	1,741,523
Less investment expense	-	(70,533)	(65,913)	(136,446)
Net investment earnings	385	819,743	784,949	1,605,077
Total additions	47,282	2,214,027	1,454,175	3,715,484
<b>DEDUCTIONS</b>				
Benefits paid	19,054	929,943	513,190	1,462,187
Refunds of contributions	-	16,565	-	16,565
Administrative expenses	8,295	33,658	30,014	71,967
	27,349	980,166	543,204	1,550,719
Total deductions				
	27,349	980,166	543,204	1,550,719
Change in net assets	19,933	1,233,861	910,971	2,164,765
Net assets held in trust for pension and OPEB benefits				
Net assets - beginning of year	109,079	9,815,828	7,466,689	17,391,596
Net assets - end of year	\$ 129,012	\$ 11,049,689	\$ 8,377,660	\$ 19,556,361

CITY OF SANIBEL, FLORIDA  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 AGENCY FUNDS  
 For the Fiscal Year Ended September 30, 2010

	Agency Funds							Total Agency Funds
	Radon	Regional Park Impact Fees	EMS Impact Fees	Fire Control District Fees	Fire Impact Fees	Lee County Septic Abandonment	Lee County School Board	
<b>ASSETS</b>								
<b>Cash and cash equivalents - October 1, 2009</b>	\$ 2,372	\$ 8,980	\$ 1,228	\$ 3,545	\$ 9,084	\$ 150	\$ 887	\$ 26,246
Additions								
Collections	430	8,292	1,128	7,182	8,136	600	50,880	76,648
Deductions								
Remittances to other governmental agencies	-	(9,671)	(1,322)	(8,665)	(15,864)	(750)	(47,527)	(83,799)
<b>Cash and cash equivalents - September 30, 2010</b>	\$ 2,802	\$ 7,601	\$ 1,034	\$ 2,062	\$ 1,356	\$ -	\$ 4,240	\$ 19,095
<b>LIABILITIES</b>								
<b>Due to other governments - October 1, 2009</b>	\$ 2,372	\$ 8,980	\$ 1,228	\$ 3,545	\$ 9,084	\$ 150	\$ 887	\$ 26,246
Additions								
Collections	430	8,292	1,128	7,182	8,136	600	50,880	76,648
Deductions								
Remittances to other governmental agencies	-	(9,671)	(1,322)	(8,665)	(15,864)	(750)	(47,527)	(83,799)
<b>Total due to other governments - September 30, 2010</b>	\$ 2,802	\$ 7,601	\$ 1,034	\$ 2,062	\$ 1,356	\$ -	\$ 4,240	\$ 19,095

***STATISTICAL SECTION***

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# STATISTICAL SECTION

(Unaudited)

This part of the City of Sanibel's Comprehensive Annual Financial Report presents historical and comparative information to provide a context for understanding the information in the financial statements, note disclosures and required supplementary information as well as the City's overall financial health.

## Financial Trends

Page(s)

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

Net Assets by Component.....	153
Changes in Net Assets.....	154
Fund Balances of Governmental Funds.....	156
Changes in Fund Balances of Governmental Funds.....	157
Tax Revenue by Source – Governmental Funds.....	158

## Revenue Capacity

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

Assessed and Estimated Actual Value of Taxable Property.....	159
Direct and Overlapping Property Tax Rates.....	160
Principal Property Taxpayers.....	161
Property Tax Levies and Collections.....	162
Sewer Rates.....	163

## 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

NOTE: The Table of Computation of Legal Debt Margin is omitted because the Constitution of the State of Florida (Section 200.181, Florida Statutes), and the City of Sanibel set no legal debt limit

Ratios of Outstanding Debt by Type.....	164
Ratios of General Bonded Debt Outstanding.....	165
Direct and Overlapping Governmental Activities Debt.....	166
Wastewater Revenue Bond Coverage.....	167
Wastewater Revenue Note Coverage.....	168

## Demographic and Economic Information

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

NOTE: The Table of Principal Employers is omitted because neither current nor historic information is available.

Demographic and Economic Statistics.....	169
Principal Employers.....	170

## Operating Information

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

Full-time Equivalent City Government Employees by Function/Program.....	171
Operating Indicators by Function/Program.....	172
Capital Assets Statistics by Function/Program.....	173
Schedule of Insurance in Force.....	174

**Sources:** Unless otherwise noted, the information in these schedules is derived from the City's Comprehensive Annual Financial Reports for the relevant year. The City implemented GASB Statement 34 in Fiscal Year 2003; schedules presenting government-wide information include information beginning that year. The City implemented GASB Statement 54 in Fiscal Year 2010, Fiscal Year 2009 data was restated for GASB 54 comparable presentation on the Fund Balances of Governmental Funds schedule.

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CITY OF SANIBEL, FLORIDA  
NET ASSETS BY COMPONENT  
LAST EIGHT FISCAL YEARS  
(accrual basis of accounting)

	FISCAL YEAR							
	2010	2009	2008	2007	2006	2005	2004	2003
<b>Governmental activities</b>								
Invested in capital assets, net of related debt	\$ 38,368,735	\$ 35,796,393	\$ 36,345,476	\$ 34,442,658	\$ 22,258,204	\$ 28,657,933	\$ 28,706,225	\$ 24,424,842
Restricted	1,924,988	4,045,391	4,544,823	6,406,164	11,904,294	5,887,726	3,195,021	3,141,031
Unrestricted	<u>21,568,122</u>	<u>19,867,426</u>	<u>16,086,510</u>	<u>14,871,818</u>	<u>11,072,686</u>	<u>7,490,429</u>	<u>7,577,186</u>	<u>9,640,866</u>
Total governmental activities net assets	<u>61,861,845</u>	<u>59,709,210</u>	<u>56,976,809</u>	<u>55,720,640</u>	<u>45,235,184</u>	<u>42,036,088</u>	<u>39,478,432</u>	<u>37,206,739</u>
<b>Business-type activities</b>								
Invested in capital assets, net of related debt	17,991,148	17,037,477	10,783,538	8,052,663	7,616,345	8,262,922	8,397,260	7,309,318
Restricted	11,478,522	12,672,286	16,000,958	20,479,404	21,177,136	23,593,619	20,264,636	20,418,017
Unrestricted	<u>200,000</u>	<u>1,810,124</u>	<u>2,796,975</u>	<u>360,675</u>	<u>(1,224,515)</u>	<u>(3,497,749)</u>	<u>(4,020,796)</u>	<u>(1,741,650)</u>
Total business-type activities net assets	<u>29,669,670</u>	<u>31,519,887</u>	<u>29,581,471</u>	<u>28,892,742</u>	<u>27,568,966</u>	<u>28,358,792</u>	<u>24,641,100</u>	<u>25,985,685</u>
<b>Primary government</b>								
Invested in capital assets, net of related debt	56,359,883	52,833,870	47,129,014	42,495,321	29,874,549	36,920,855	37,103,485	31,734,160
Restricted	13,403,510	16,717,677	20,545,781	26,885,568	33,081,430	29,481,345	23,459,657	23,559,048
Unrestricted	<u>21,768,122</u>	<u>21,677,550</u>	<u>18,883,485</u>	<u>15,232,493</u>	<u>9,848,171</u>	<u>3,992,680</u>	<u>3,556,390</u>	<u>7,899,216</u>
Total primary government	<u>\$ 91,531,515</u>	<u>\$ 91,229,097</u>	<u>\$ 86,558,280</u>	<u>\$ 84,613,382</u>	<u>\$ 72,804,150</u>	<u>\$ 70,394,880</u>	<u>\$ 64,119,532</u>	<u>\$ 63,192,424</u>

CITY OF SANIBEL, FLORIDA  
CHANGES IN NET ASSETS  
LAST EIGHT FISCAL YEARS  
(accrual basis of accounting)

	FISCAL YEAR							
	2010	2009	2008	2007	2006	2005	2004	2003
<b>Expenses</b>								
<b>Governmental activities</b>								
General government	\$ 1,049,655	\$ 1,187,925	\$ 2,485,498	\$ 2,894,264	\$ 1,035,168	\$ (572,367)	\$ 1,444,933	\$ 2,328,532
Public safety	5,236,888	5,475,170	5,509,270	5,392,051	7,852,510	7,518,900	4,821,904	3,617,809
Physical environment	919,446	1,280,829	1,020,976	1,160,444	1,918,079	3,664,027	3,601,032	358,821
Transportation	4,290,481	3,956,588	4,598,819	2,935,517	4,520,624	4,612,148	2,600,998	996,553
Economic development	279,107	314,639	272,751	274,498	263,794	753,531	805,318	295,924
Human services	1,000	1,000	1,000	974	976	580	-	1,083
Culture/recreation	4,295,854	3,871,583	4,406,463	2,785,049	4,167,383	5,109,649	5,028,692	4,044,387
Interest on long-term debt	563,139	635,752	672,858	782,008	632,718	611,077	410,016	373,017
<b>Total governmental activities expenses</b>	<u>16,635,570</u>	<u>16,723,486</u>	<u>18,967,635</u>	<u>16,224,805</u>	<u>20,391,252</u>	<u>21,697,545</u>	<u>18,712,893</u>	<u>12,016,126</u>
<b>Business-type activities</b>								
Sewer	7,352,404	7,864,277	8,110,872	6,967,022	6,710,986	6,309,686	6,232,816	4,194,016
Beach parking	2,058,331	2,079,582	2,169,757	1,966,248	1,929,278	1,405,652	1,195,117	908,928
<b>Total business-type activities expenses</b>	<u>9,410,735</u>	<u>9,943,859</u>	<u>10,280,629</u>	<u>8,933,270</u>	<u>8,640,264</u>	<u>7,715,338</u>	<u>7,427,933</u>	<u>5,102,944</u>
<b>Total primary government expenses</b>	<u>26,046,305</u>	<u>26,667,345</u>	<u>29,248,264</u>	<u>25,158,075</u>	<u>29,031,516</u>	<u>29,412,883</u>	<u>26,140,826</u>	<u>17,119,070</u>
<b>Program Revenues</b>								
<b>Governmental activities</b>								
Charges for services								
General government	1,452,266	1,482,245	1,635,314	999,764	1,267,079	797,778	648,644	1,199,521
Public safety	735,832	810,180	903,086	921,349	991,618	1,455,164	649,979	503,239
Other activities	710,602	705,738	688,248	593,704	909,978	864,783	711,551	1,170,964
Operating grants and contributions	821,483	2,016,163	905,018	620,099	3,834,920	4,074,297	6,908,629	2,439,931
Capital grants and contributions	1,640,519	248,455	577,958	5,530,390	1,399,228	1,818,965	1,038,591	2,468,263
<b>Total governmental activities program revenues</b>	<u>5,360,702</u>	<u>5,262,781</u>	<u>4,709,624</u>	<u>8,665,306</u>	<u>8,402,823</u>	<u>9,010,987</u>	<u>9,957,394</u>	<u>7,781,918</u>
<b>Business-type activities</b>								
Charges for services								
Sewer	5,850,009	5,694,967	5,445,307	5,051,569	4,096,335	3,713,482	3,068,264	2,658,452
Beach Parking	1,312,588	1,380,026	1,279,665	1,046,651	907,121	846,969	977,516	880,671
Operating grants and contributions	1,172,047	1,347,248	1,619,340	1,621,097	478,983	673,888	158,257	149,960
Capital grants and contributions	61,500	1,912,990	686,775	100,952	134,637	4,801,626	200,578	4,290,064
<b>Total business-type activities program revenues</b>	<u>8,396,144</u>	<u>10,335,232</u>	<u>9,031,087</u>	<u>7,820,269</u>	<u>5,617,076</u>	<u>10,035,965</u>	<u>4,404,615</u>	<u>7,979,147</u>
<b>Total primary government program revenues</b>	<u>13,756,846</u>	<u>15,598,013</u>	<u>13,740,711</u>	<u>16,485,575</u>	<u>14,019,899</u>	<u>19,046,952</u>	<u>14,362,009</u>	<u>15,761,065</u>
<b>Net (Expense) Revenue</b>								
Governmental activities	(11,274,868)	(11,460,705)	(14,258,011)	(7,559,499)	(11,988,429)	(12,686,558)	(8,755,499)	(4,234,208)
Business-type activities	(1,014,591)	391,372	(1,249,542)	(1,113,001)	(3,023,188)	2,320,627	(3,023,318)	2,876,203
<b>Total primary government net expense</b>	<u>\$ (12,289,459)</u>	<u>\$ (11,069,333)</u>	<u>\$ (15,507,553)</u>	<u>\$ (8,672,500)</u>	<u>\$ (15,011,617)</u>	<u>\$ (10,365,931)</u>	<u>\$ (11,778,817)</u>	<u>\$ (1,358,005)</u>

CITY OF SANIBEL, FLORIDA  
 CHANGES IN NET ASSETS  
 LAST EIGHT FISCAL YEARS  
 (accrual basis of accounting)  
 (Continued)

	FISCAL YEAR							
	2010	2009	2008	2007	2006	2005	2004	2003
<b>General Revenues and Other</b>								
<b>Changes in Net Assets</b>								
Governmental activities								
Taxes								
Property taxes, levied for general purpose	\$ 9,372,184	\$ 10,175,612	\$ 11,004,197	\$ 11,973,525	\$ 9,716,569	\$ 10,198,461	\$ 6,671,663	\$ 6,101,279
Property taxes, levied for debt service	753,285	737,735	735,097	775,976	239,383	248,668	229,587	367,188
Gas taxes	1,433,690	1,480,460	1,524,191	1,632,569	1,639,149	1,574,183	1,476,980	1,355,397
Local business taxes	291,395	293,393	290,066	656,936	583,452	478,475	500,304	478,854
Communications taxes	558,375	529,114	599,970	556,781	523,691	511,747	461,392	412,137
Casualty insurance premium tax	58,716	57,459	53,654	50,726	98,026	-	46,642	43,516
Intergovernmental revenues	526,046	676,646	825,679	945,322	1,031,166	873,700	1,209,139	1,354,821
Investment earnings	196,471	(15,420)	319,991	1,329,759	1,022,009	515,342	189,163	162,279
Gain (Loss) on Disposal of Assets	-	-	(11,581)	-	-	-	-	-
Miscellaneous	237,341	258,107	347,918	192,710	334,080	843,638	242,322	183,524
Transfers	-	-	(175,002)	(69,349)	-	-	-	-
Total governmental activities	<u>13,427,503</u>	<u>14,193,106</u>	<u>15,514,180</u>	<u>18,044,955</u>	<u>15,187,525</u>	<u>15,244,214</u>	<u>11,027,192</u>	<u>10,458,995</u>
Business-type activities								
Taxes								
Property taxes, levied for debt service	1,241,407	1,244,143	1,175,625	1,131,789	1,019,678	925,113	1,263,404	1,344,129
Investment earnings	715,001	302,901	576,004	730,259	1,213,684	471,952	391,104	341,051
Gain (Loss) on Disposal of Assets	-	-	11,640	-	-	-	-	-
Miscellaneous	-	-	-	505,380	-	-	24,225	10,694
Transfers	-	-	175,002	69,349	-	-	-	-
Total business-type activities	<u>1,956,408</u>	<u>1,547,044</u>	<u>1,938,271</u>	<u>2,436,777</u>	<u>2,233,362</u>	<u>1,397,065</u>	<u>1,678,733</u>	<u>1,695,874</u>
Total primary government	<u>15,383,911</u>	<u>15,740,150</u>	<u>17,452,451</u>	<u>20,481,732</u>	<u>17,420,887</u>	<u>16,641,279</u>	<u>12,705,925</u>	<u>12,154,869</u>
<b>Change in Net Assets</b>								
Governmental activities	2,152,635	2,732,401	1,256,169	10,485,456	3,199,096	2,557,656	2,271,693	6,224,787
Business-type activities	941,817	1,938,416	688,729	1,323,776	(789,826)	3,717,692	(1,344,585)	4,572,077
Total primary government	<u>\$ 3,094,452</u>	<u>\$ 4,670,817</u>	<u>\$ 1,944,898</u>	<u>\$ 11,809,232</u>	<u>\$ 2,409,270</u>	<u>\$ 6,275,348</u>	<u>\$ 927,108</u>	<u>\$ 10,796,864</u>

CITY OF SANIBEL, FLORIDA  
 FUND BALANCES OF GOVERNMENTAL FUNDS  
 LAST EIGHT FISCAL YEARS  
 (modified accrual basis of accounting)

	Pre-GASB 54 FISCAL YEAR						
	2009	2008	2007	2006	2005	2004	2003
<b>General Fund</b>							
Reserved	\$ 2,106,410	\$ 2,453,016	\$ 3,241,640	\$ 3,504,415	\$ 3,521,581	\$ 14,796	\$ 15,105
Unreserved	<u>16,137,395</u>	<u>12,660,045</u>	<u>12,343,462</u>	<u>10,216,021</u>	<u>9,752,261</u>	<u>9,519,156</u>	<u>8,031,736</u>
<b>Total general Fund</b>	<u><u>18,243,805</u></u>	<u><u>15,113,061</u></u>	<u><u>15,585,102</u></u>	<u><u>13,720,436</u></u>	<u><u>13,273,842</u></u>	<u><u>9,533,952</u></u>	<u><u>8,046,841</u></u>
<b>All Other Governmental Funds</b>							
Reserved	534,083	538,412	540,083	735,526	1,847,721	526,805	2,964,792
Unreserved, reported in:							
Special revenue funds	2,615,240	2,256,268	2,047,882	1,048,837	2,513,084	6,089,753	569,706
Capital project funds	<u>3,511,308</u>	<u>4,006,411</u>	<u>11,732,162</u>	<u>11,168,768</u>	<u>4,040,005</u>	<u>2,668,216</u>	<u>2,650,443</u>
<b>Total all other governmental funds</b>	<u><u>\$ 6,660,631</u></u>	<u><u>\$ 6,801,091</u></u>	<u><u>\$ 14,320,127</u></u>	<u><u>\$ 12,953,131</u></u>	<u><u>\$ 8,400,810</u></u>	<u><u>\$ 9,284,774</u></u>	<u><u>\$ 6,184,941</u></u>
	<b>Post-GASB 54</b>						
	<u>2010</u>	<u>2009</u>					
<b>General Fund</b>							
<b>Non Spendable</b>							
Non Spendable	\$ 1,780,050	\$ 2,106,410					
<b>Spendable</b>							
Restricted	-	-					
Committed	6,115,000	6,015,000					
Assigned	275,000	275,000					
Unassigned	<u>8,222,172</u>	<u>9,847,395</u>					
<b>Total General Fund</b>	<u><u>16,392,222</u></u>	<u><u>18,243,805</u></u>					
<b>All Other Governmental Funds</b>							
<b>Non Spendable</b>							
Non Spendable	4,224	-					
<b>Spendable</b>							
Restricted	1,924,988	4,045,391					
Committed	-	-					
Assigned	5,323,162	2,615,240					
Unassigned	<u>-</u>	<u>-</u>					
<b>Total All Other Governmental Funds</b>	<u><u>\$ 7,252,374</u></u>	<u><u>\$ 6,660,631</u></u>					

Note: Seven years of data available for GASB 34 compliance  
 Two years of data available for GASB 54 compliance which was adopted in 2010  
 2009 data was restated for GASB 54 comparable presentation

CITY OF SANIBEL, FLORIDA  
 CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
 LAST EIGHT FISCAL YEARS  
 (modified accrual basis of accounting)

	FISCAL YEAR							
	2010	2009	2008	2007	2006	2005	2004	2003
<b>Revenues</b>								
Taxes	\$ 12,467,645	\$ 13,273,773	\$ 14,207,175	\$ 15,646,513	\$ 12,800,270	\$ 13,011,534	\$ 9,386,568	\$ 8,758,371
Licenses and permits	1,646,764	1,663,887	1,766,263	1,223,080	1,586,168	2,001,221	984,398	1,111,087
Intergovernmental	1,520,872	2,831,634	1,947,650	6,949,347	6,165,314	10,827,692	4,590,263	6,121,007
Charges for services	2,184,329	2,213,391	2,378,285	2,024,869	2,148,659	1,523,794	1,465,388	1,595,561
Fines and forfeits	83,542	102,626	80,831	265,828	176,406	149,853	181,987	132,084
Miscellaneous	596,761	415,098	827,817	1,668,933	1,456,089	1,861,138	869,470	522,803
Total revenues	<u>18,499,913</u>	<u>20,500,409</u>	<u>21,208,021</u>	<u>27,778,570</u>	<u>24,332,906</u>	<u>29,375,232</u>	<u>17,478,074</u>	<u>18,240,913</u>
<b>Expenditures</b>								
Current								
General government	4,028,742	4,057,299	5,147,088	4,702,270	4,769,110	4,039,229	3,762,180	2,698,274
Public safety	4,096,086	4,353,428	4,672,683	4,515,664	4,084,478	3,802,872	4,074,250	2,974,639
Physical environment	854,615	1,214,970	960,151	1,038,602	1,806,296	3,581,602	3,507,094	271,995
Transportation	3,354,809	2,995,026	3,674,417	1,911,468	3,616,655	3,751,208	1,804,155	1,664,664
Economic environment	254,451	296,234	246,383	246,319	241,477	739,460	794,495	285,701
Human services	1,000	1,000	1,000	974	976	580	-	1,083
Culture/recreation	2,905,317	2,654,431	3,264,112	2,205,471	3,927,874	4,403,550	4,632,737	3,755,872
Debt service								
Principal	3,206,752	720,742	767,695	2,442,791	4,928,740	4,483,667	463,043	4,191,981
Interest and fiscal charges	625,259	635,498	664,630	774,882	474,685	608,750	422,192	614,030
Capital outlay	432,722	581,497	2,824,732	13,529,139	3,833,700	1,108,388	4,512,984	2,696,909
Total expenditures	<u>19,759,753</u>	<u>17,510,125</u>	<u>22,222,891</u>	<u>31,367,580</u>	<u>27,683,991</u>	<u>26,519,306</u>	<u>23,973,130</u>	<u>19,155,148</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,259,840)</u>	<u>2,990,284</u>	<u>(1,014,870)</u>	<u>(3,589,010)</u>	<u>(3,351,085)</u>	<u>2,855,926</u>	<u>(6,495,056)</u>	<u>(914,235)</u>
<b>Other financing sources (uses)</b>								
Transfers in	8,162,213	4,399,068	7,315,101	6,536,706	7,478,160	4,571,126	2,888,282	3,109,100
Transfers out	(8,162,213)	(4,399,068)	(7,490,103)	(6,606,056)	(7,478,160)	(4,571,126)	(2,888,282)	(3,109,100)
Capital lease proceeds	-	-	88,817	-	-	-	-	252,842
Debt proceeds	-	-	-	-	8,350,000	-	11,082,000	3,825,000
Discount on bonds issued	-	-	-	-	-	-	-	(38,862)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(86,185)</u>	<u>(69,350)</u>	<u>8,350,000</u>	<u>-</u>	<u>11,082,000</u>	<u>4,038,980</u>
<b>Net change in fund balances</b>	<u>\$ (1,259,840)</u>	<u>\$ 2,990,284</u>	<u>\$ (1,101,055)</u>	<u>\$ (3,658,360)</u>	<u>\$ 4,998,915</u>	<u>\$ 2,855,926</u>	<u>\$ 4,586,944</u>	<u>\$ 3,124,745</u>
<b>Debt service as a percentage of noncapital expenditures</b>	<u>19.83%</u>	<u>8.01%</u>	<u>7.38%</u>	<u>18.04%</u>	<u>22.66%</u>	<u>20.04%</u>	<u>4.55%</u>	<u>29.20%</u>

CITY OF SANIBEL, FLORIDA  
TAX REVENUE BY SOURCE - GOVERNMENTAL FUNDS  
LAST TEN FISCAL YEARS  
(modified accrual basis of accounting)

Fiscal Year	Property Taxes		<sup>(1)</sup> Franchise	Local Business Tax <sup>(1)</sup> Receipts	Local Option Gas Tax	Communications Services Tax	Casualty Insurance Premium Tax	Total
	Operating	Voted Debt						
2001	\$ 4,505,249	\$ -	\$ 572,146	\$ -	\$ 1,250,742	\$ -	\$ 35,448	\$ 6,363,585
2002	5,393,434	-	466,812	-	1,298,916	354,039	38,571	7,551,772
2003	6,101,279	367,188	478,854	-	1,355,397	412,137	43,516	8,758,371
2004	6,671,663	229,587	500,304	-	1,476,980	461,392	46,642	9,386,568
2005	10,198,461	248,668	478,475	-	1,574,183	511,747	-	13,011,534
2006	8,716,569	239,383	583,452	-	1,639,149	523,691	98,026	11,800,270
2007	11,973,525	775,976	656,936	-	1,632,569	556,781	50,726	15,646,513
2008	11,004,197	735,097	-	290,066	1,524,191	599,970	53,654	14,207,175
2009	10,175,612	737,735	-	293,393	1,480,460	529,114	57,459	13,273,773
2010	9,372,184	753,285	-	291,395	1,433,690	558,375	58,716	12,467,645
Change 2001-2010	108%	N/A	-100%	N/A	15%	N/A	66%	96%

<sup>(1)</sup> Changes implemented by Florida Department of Financial Services reclassified Franchise Taxes as Franchise Fees and Occupational Licenses Fees as Local Business Taxes.

CITY OF SANIBEL, FLORIDA  
 ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY  
 LAST TEN FISCAL YEARS

Fiscal Year Ended Sept. 30,	Real Property	Personal Property	Less: Tax Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate (1)	Estimated Actual Market Value	Assessed Value (2) as a Percentage of Actual Value
2001	\$ 2,841,149,130	\$ 46,926,000	\$ 205,177,360	\$ 2,682,897,770	1.7291	\$ 3,427,848,388	84.25%
2002	3,512,327,870	50,718,730	336,650,590	3,226,396,010	1.7291	4,224,366,308	84.35%
2003	4,038,369,770	59,040,410	441,644,840	3,655,765,340	1.7291	4,858,369,459	84.34%
2004	4,448,531,430	60,153,060	509,050,680	3,999,633,810	1.7291	5,342,935,588	84.39%
2005	4,714,001,920	57,094,640	547,114,100	4,223,982,460	2.5000	5,649,693,048	84.45%
2006	4,586,849,680	59,633,370	553,577,510	4,092,905,540	2.4801	5,504,718,050	84.41%
2007	5,747,239,780	54,496,590	811,376,000	4,990,360,370	2.5000	6,860,543,274	84.57%
2008	5,977,655,900	62,636,940	843,579,870	5,196,712,970	2.1966	7,146,421,698	84.52%
2009	5,592,986,580	75,483,630	770,226,060	4,898,244,150	2.1561	6,717,227,175	84.39%
2010	5,104,417,100	79,639,690	669,557,780	4,514,499,010	2.1561	6,149,996,025	84.29%

(1) Tax rates are per \$1,000 of assessed value.

(2) Includes tax exempt property.

**Source:** Lee County Property Appraiser

**Note:** Property values are assessed on January 1st for the ad valorem tax levy which generates the property tax revenue for the subsequent fiscal year. Real property is assessed at approximately 85% of estimated market value and personal property at 55%. The estimated actual market value is calculated by dividing assessed values by those percentages.

CITY OF SANIBEL, FLORIDA  
DIRECT AND OVERLAPPING PROPERTY TAX RATES  
LAST TEN YEARS  
(Per \$1,000 of Assessed Value)

	Fiscal Year Taxes Are Payable									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>DIRECT RATES</b>										
CITY OF SANIBEL										
General Operating	1.7291	1.7291	1.7291	1.7291	2.5000	2.4801	2.5000	2.1966	2.1561	2.1561
Voted Debt Service-Sewer	0.3279	0.2607	0.3838	0.3275	0.2268	0.2607	0.2363	0.2346	0.2636	0.2856
Voted Debt Service-Land	-	-	0.1063	0.0595	0.0625	0.0611	0.0475	0.0456	0.0483	0.0561
Voted Debt-Recreation Facility	-	-	-	-	-	-	0.1145	0.1011	0.1080	0.1172
Total direct rates	2.0570	1.9898	2.2192	2.1161	2.7893	2.8019	2.8983	2.5779	2.5760	2.6150
<b>OVERLAPPING RATES</b>										
LEE COUNTY:										
General Revenue	4.3277	4.3277	4.3277	4.3277	4.2612	3.9332	3.5216	3.6506	3.6506	3.6506
Capital Improvements	1.0124	1.0124	1.0124	1.0124	1.0124	1.0124	0.9536	0.5000	0.5000	0.5000
DEPENDENT DISTRICTS:										
Library	0.9630	0.9630	0.9630	0.9630	0.6055	0.6055	-	-	-	-
INDEPENDENTS DISTRICTS:										
Sanibel Public Library	-	-	-	-	-	-	0.4200	0.3900	0.3750	0.3750
Hyacinth Control	0.0358	0.0358	0.0327	0.0295	0.0295	0.0295	0.0223	0.0214	0.0214	0.0277
Mosquito Control	0.3595	0.3595	0.3294	0.2984	0.2718	0.2247	0.1695	0.1636	0.1636	0.2132
Fire Control District	0.7518	0.7841	0.8381	0.8258	0.8300	0.9370	0.8258	0.7736	0.8114	0.8794
WATER MANAGEMENT DISTRICTS										
South Florida Water Management	0.5970	0.5970	0.5970	0.5970	0.5970	0.5970	0.5970	0.5346	0.5346	0.5346
S. FL Water Management Everglades	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.0894	0.0894	0.0894
West Coast Inland Waterway	0.0400	0.0400	0.0400	0.0400	0.0400	0.0400	0.0400	0.0394	0.0394	0.0394
SCHOOL BOARD:										
General Operating	8.7980	8.7980	8.5720	8.3460	8.0650	7.8820	7.0120	6.9600	6.8680	7.5080
Total Direct and Overlapping Rates	19.0422	19.0073	19.0315	18.6559	18.6017	18.1632	16.5601	15.7005	15.6294	16.4323

Source: Lee County Tax Collector

CITY OF SANIBEL, FLORIDA  
PRINCIPAL PROPERTY TAXPAYERS  
CURRENT YEAR AND NINE YEARS AGO

Taxpayer	Fiscal Year 2009-10			Fiscal Year 2000-01		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Casa Ybel Beach Resort	\$ 29,622,574	1	0.60%	\$ 30,298,970	1	1.13%
Sanibel Cottages	16,765,420	2	0.34%	17,529,120	4	0.65%
Tortuga Beach Club	14,403,528	3	0.29%	20,747,020	3	0.77%
1231 Middle Gulf Drive, LLC	13,435,871	4	0.27%	-		-
RLR Investments, LLC	13,100,268	5	0.27%	-		-
Shell Island Beach Club	12,791,970	6	0.26%	12,195,360	6	0.45%
West Wind Association of Sanibel	12,570,575	7	0.26%	12,615,300	5	0.47%
BRE/Sanibel Inn Owners, LLC	10,246,778	8	0.21%	-		-
Rochester Resorts	9,685,094	9	0.20%	-		-
Periwinkle Place Partners	8,647,942	10	0.18%	10,027,950	8	0.37%
Meristar H + R Operating Company	-		-	30,008,360	2	1.12%
Carroll, James P & Patricia	-		-	11,387,080	7	0.42%
Miller, Tanya B.	-		-	9,976,000	9	0.37%
Sanibel Beach Club Association	-		-	9,487,950	10	0.35%
	<u>\$ 141,270,020</u>		<u>2.88%</u>	<u>\$ 164,273,110</u>		<u>6.86%</u>

**Source:** Lee County Property Appraiser

CITY OF SANIBEL, FLORIDA  
PROPERTY TAX LEVIES AND COLLECTIONS  
OPERATING LEVY  
LAST TEN FISCAL YEARS

Fiscal year Ended Sept. 30	Taxes Levied for the Fiscal Year	Collections within the Fiscal Year of the Levy*		Collections of Previous Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2001	\$ 4,638,999	\$ 4,485,642	96.69%	\$ 19,607	\$ 4,505,249	97.12%
2002	5,578,761	5,382,319	96.48%	11,115	5,393,434	96.68%
2003	6,321,184	6,094,384	96.41%	6,895	6,101,279	96.52%
2004	6,915,767	6,670,628	96.46%	1,035	6,671,663	96.47%
2005	10,559,956	10,181,864	96.42%	16,597	10,198,461	96.58%
2006	10,150,815	9,716,287	95.72%	281	9,716,569	95.72%
2007	12,475,901	11,627,012	93.20%	346,513	11,973,525	95.97%
2008	11,415,100	10,537,141	92.31%	467,056	11,004,197	96.40%
2009	10,579,884	9,882,269	93.41%	293,343	10,175,612	96.18%
2010	9,751,355	9,084,499	93.16%	287,685	9,372,184	96.11%

(\*) Includes discount taken for early payment.

CITY OF SANIBEL, FLORIDA  
SANIBEL SEWER SYSTEM  
SEWER RATES  
LAST TEN FISCAL YEARS

Fiscal Year	Monthly Rates							
	Residential	Commercial						Consumption Per 1,000 gallons
	Flat Fee	Meter Size						
	5/8"	1"	1-1/2"	2"	3"	4"		
2001 (*)	\$ 30.60	\$ 17.77	\$ 44.40	\$ 88.77	\$ 127.23	\$ 283.95	\$ 445.22	\$ 4.48
2002	31.52	18.30	45.73	91.43	131.05	292.47	458.58	4.61
2003	32.46	18.85	47.10	94.17	134.98	301.24	472.33	4.75
2004	33.44	19.41	48.52	97.00	139.03	310.28	486.52	4.90
2005	38.46	22.33	55.79	111.55	159.89	356.82	559.48	5.62
2006	39.61	23.00	57.47	114.89	164.68	367.53	576.26	5.96
2007	47.53	27.60	68.96	137.87	197.62	441.03	691.52	7.15
2008	48.96	28.43	71.03	142.01	203.55	454.26	712.27	7.36
2009	50.43	29.29	73.16	146.27	209.65	467.88	733.63	7.58
2010	51.94	30.17	75.35	150.66	215.94	481.92	755.64	7.81

(\*) Restructuring of Rate Schedule effective 01/01/2001

CITY OF SANIBEL, FLORIDA  
RATIOS OF OUTSTANDING DEBT BY TYPE  
LAST TEN FISCAL YEARS

Fiscal year Ended Sept. 30	Governmental Activities				Business-Type Activities		Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Capital Revenue Bonds	Capital Revenue Notes	Capital Leases	Wastewater Revenue Bonds	Wastewater Revenue Notes			
2001	\$ -	\$ 2,261,715	\$ 1,014,279	\$ -	\$ 5,635,000	\$ 19,515,874	\$ 28,426,868	N/A	\$ 4,682
2002	-	2,188,236	6,288,515	-	5,465,000	32,534,874	46,476,625	N/A	7,576
2003	3,775,000	2,112,265	2,222,505	252,842	5,620,000	38,366,668	52,349,280	N/A	8,411
2004	1,695,000	2,030,111	13,055,893	200,565	5,370,000	41,933,215	64,284,784	N/A	10,148
2005	3,610,000	1,944,149	8,791,081	152,672	5,110,000	43,675,528	63,283,430	N/A	10,090
2006	11,875,000	1,854,401	4,087,980	101,781	4,845,000	46,395,287	69,159,449	14.26%	10,978
2007	11,640,000	1,759,388	2,026,093	50,891	4,575,000	45,797,920	65,849,292	N/A	10,457
2008	11,390,000	1,659,639	1,659,038	88,817	4,305,000	43,522,246	62,624,740	N/A	9,825
2009	11,135,000	1,555,151	1,306,432	80,169	4,030,000	35,492,474	53,599,226	11.55%	8,469
2010	10,870,000	-	-	-	3,745,000	32,855,365	47,470,365	N/A	7,643

**Notes:** N/A means that statistical information is not available

CITY OF SANIBEL, FLORIDA  
RATIOS OF GENERAL BONDED DEBT OUTSTANDING  
LAST TEN FISCAL YEARS

Fiscal year Ended Sept. 30	General Bonded Debt Outstanding			Percentage of Estimated Actual Value of Taxable Property	Per Capita
	General Obligation Bonds	Less: Amounts Available in Debt Service	Net General Bonded Debt		
2001	\$ -	\$ -	\$ -	-	\$ -
2002	-	-	-	-	-
2003	3,775,000	236,333	3,538,667	0.07%	569
2004	1,695,000	228,307	1,466,693	0.03%	232
2005	3,610,000	247,094	3,362,906	0.06%	536
2006	11,875,000	256,429	11,618,571	0.21%	1,844
2007	11,640,000	271,549	11,368,451	0.17%	1,805
2008	11,390,000	268,025	11,121,975	0.16%	1,745
2009	11,135,000	262,885	10,872,115	0.16%	1,718
2010	10,870,000	294,179	10,575,821	0.17%	1,703

CITY OF SANIBEL, FLORIDA  
 DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT  
 SEPTEMBER 30, 2010

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estiamted Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
<b>Debt repaid with property taxes</b>			
DIRECT:			
City of Sanibel	\$ 11,870,000	100%	\$ 11,870,000
OVERLAPPING			
Lee County	-	N/A	-
TOTAL:	\$ 11,870,000		\$ 11,870,000

CITY OF SANIBEL, FLORIDA  
WASTEWATER REVENUE BOND COVERAGE  
SANIBEL SEWER SYSTEM  
LAST EIGHT FISCAL YEARS

Fiscal Year	2003 Sewer Refunding Bonds									
	Gross Revenue <sup>(1)</sup>	Operating Expenses <sup>(2)</sup>	Net Revenue Available for Debt Service Excluding Connection Fees	Connection Fees	Net Revenue Available for Debt Service Including Connection Fees	Debt Service Requirements			Coverage Calculation <sup>(3)</sup>	
						Principal	Interest	Total	Excluding Connection Fees	Including Connection Fees
2003	\$ 2,716,205	\$ 2,013,369	\$ 702,836	\$ 47,529	\$ 750,365	\$ -	\$ 257,469	\$ 257,469	2.73	2.91
2004	2,698,613	2,281,204	417,409	200,578	617,987	250,000	152,625	402,625	1.04	1.53
2005	2,761,877	2,297,228	464,649	78,014	542,663	260,000	162,408	422,408	1.10	1.28
2006	3,126,129	2,563,785	562,344	65,437	627,781	265,000	157,409	422,409	1.33	1.49
2007	3,774,479	2,445,784	1,328,695	45,731	1,374,426	270,000	151,909	421,909	3.15	3.26
2008	3,855,217	3,363,667	491,550	28,770	520,320	270,000	146,509	416,509	1.18	1.25
2009	4,061,376	3,380,295	681,081	58,335	739,416	285,000	134,651	419,651	1.62	1.76
2010	3,767,290	3,114,777	652,513	35,102	687,615	290,000	127,241	417,241	1.56	1.65

(1) Total revenues (including interest) exclusive of connection fees and User Fees pledged and used for repayment of subordinated State Revolving Loan Debt.

(2) Total operating expenses of the Donax and Wulfert plants exclusive of depreciation and indirect costs.

(3) The coverage requirement is (A) Net Revenues adequate at all times to pay in each Fiscal Year at least one hundred ten percent (110%) of the current annual Debt Service Requirement becoming due in such Fiscal Year on each Series of Outstanding Bonds or (B) Net Revenues, together with Connection Fees in the Current Account in the Connection Fees Fund, adequate at all times to pay in each Fiscal Year at least one hundred twenty-five percent (125%) of the current annual Debt Service Requirement becoming due in such Fiscal Year on each Series of the Outstanding Bonds; provided, however, that with respect to (B), Net Revenues, excluding Connection Fees in the Current Account must be adequate at all times to pay in each Fiscal Year at least one hundred percent (100%) of the current annual debt service requirement becoming due in such Fiscal Year on the Outstanding Bonds.

CITY OF SANIBEL, FLORIDA  
WASTEWATER REVENUE NOTE COVERAGE  
SANIBEL SEWER SYSTEM  
LAST EIGHT FISCAL YEARS

Fiscal Year	State Revolving Loan Notes						Coverage Calculation
	Net Revenue (1)	Special Assessments, Transmission Main and Connection Fees (2)	Net Revenue Available for Debt Service Including Assessments and Fees	Debt Service Requirements			
				Principal	Interest	Total	
2003	\$ 1,633,631	\$ 4,195,441	\$ 5,829,072	\$ 1,794,084	\$ 407,579	\$ 2,201,663	2.65
2004	2,023,019	-	2,023,019	1,741,564	1,325,531	3,067,095	0.66
2005	2,341,656	1,365,838	3,707,494	2,081,276	1,359,777	3,441,053	1.08
2006	3,194,855	1,251,893	4,446,748	2,053,489	1,384,175	3,437,664	1.29
2007	3,137,159	1,523,528	4,660,687	2,525,200	1,416,310	3,941,510	1.18
2008	3,509,318	940,711	4,450,029	2,275,673	1,579,017	3,854,690	1.15
2009	3,179,638	972,918	4,152,556	2,124,134	1,191,171	3,315,305	1.25
2010	4,038,140	971,582	5,009,722	2,143,013	1,040,306	3,183,319	1.57

(1) Includes ad valorem tax revenue from Voted Debt Service property tax levy pledged specifically to the repayment of the Wastewater Expansion State Revolving Loan Notes.

(2) Special Assessments, Transmission Main and Connection Fees are recognized in the year in which the levy is adopted and the lien placed upon the benefiting properties. The levy can be paid in full or financed over 20 years at 3.5% interest, collected utilizing the Uniform Method of Collection pursuant to Chapter 197, Florida Statutes

CITY OF SANIBEL, FLORIDA  
 DEMOGRAPHIC AND ECONOMIC STATISTICS  
 LAST TEN FISCAL YEARS

<u>Year</u>	<u>City Population</u>	<u>City Personal Income</u>	<u>Per Capita Personal Income</u>	<u>Unemployment Rate</u>
2001	6,072	N/A	N/A	3.7%
2002	6,135	N/A	N/A	4.6%
2003	6,224	N/A	N/A	4.4%
2004	6,335	N/A	N/A	3.8%
2005	6,272	N/A	N/A	2.9%
2006	6,300	\$ 485,024,400	\$ 76,988	3.1%
2007	6,297	N/A	N/A	5.2%
2008	6,374	N/A	N/A	9.3%
2009	6,329	463,909,371	73,299	13.8%
2010	6,211	N/A	N/A	12.5%

**Source:** Population data provided by Bureau of Economic and Business Research, University of Florida. Unemployment data from the U.S. Department of Labor. Per Capita income data for 2006 and 2009 is from the Lee County Office of Economic Development.

**Notes:** Unemployment rate is for the Cape Coral-Fort Myers, FL Metropolitan Statistical Area as of December 2010  
 N/A means that statistical information is not available

CITY OF SANIBEL, FLORIDA  
PRINCIPAL EMPLOYERS<sup>(1)</sup>  
Current Year and Nine Years Ago

Employer	2010			2001		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Lee Memorial Health System	9,500	1	3.10%	4,600	2	2.19%
Lee County School District	9,270	2	3.02%	8,026	1	3.81%
Publix Super Markets	3,071	3	1.00%	2,839	3	1.35%
Lee County Administration	2,364	4	0.77%	1,657	5	0.79%
Wal-Mart Corporation	1,967	5	0.64%	1,850	4	0.88%
Lee County Sheriff's Office	1,585	6	0.52%			
City of Cape Coral	1,409	7	0.46%	1,370	6	0.65%
Chico's FAS, Inc.	1,388	8	0.45%			
Target	1,100	9	0.36%			
Florida Gulf Coast University	993	10	0.32%			
Meristar Corporation				1,250	7	0.59%
Florida Department of Children and Families				1,182	8	0.56%
Southwest Regional Medical Center				1,030	9	0.49%
WCI Communities				1,007	10	0.48%
<b>Total</b>	<b>32,647</b>		<b>10.64%</b>	<b>24,811</b>		<b>11.79%</b>

<sup>(1)</sup> Information listed is from Lee County since statistics for the City of Sanibel are not available.

Source: Lee County's Economic Development Office

Total County employment for 2010	306,800
Total County employment for 2001	210,494

CITY OF SANIBEL, FLORIDA  
 FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM  
 LAST TEN FISCAL YEARS

<b>Function/Program</b>	Full-time Equivalent Employees as of September 30,									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
General Government										
Legislative	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	1.00	1.00
Administrative	5.00	5.00	5.00	5.00	5.00	4.00	4.00	4.00	4.00	3.00
MIS	4.00	4.00	4.00	3.00	3.00	2.00	2.00	2.00	1.50	1.50
Finance	7.50	7.50	7.50	7.50	7.50	6.50	5.50	5.50	5.50	5.50
Legal	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Planning	6.00	7.00	10.00	10.80	10.80	9.00	9.00	9.00	9.00	8.00
Public Safety										
Police	37.50	38.25	41.25	40.25	38.25	38.25	39.83	38.83	37.83	37.70
Emergency Management	-	-	-	-	-	-	-	-	-	-
Building	4.00	4.00	5.00	7.50	8.00	7.00	6.00	6.00	5.00	4.00
Vehicle Weight Permits	-	-	-	1.00	1.58	1.58	-	-	-	-
Physical Environment	3.00	3.00	3.00	3.00	3.00	2.00	2.00	2.00	2.00	2.00
Transportation	15.51	17.00	19.00	19.00	19.00	18.00	18.00	18.00	18.00	18.00
Culture/Recreation										
Recreation Facility	22.81	21.81	18.92	14.42	14.42	14.42	14.42	12.82	12.82	12.56
Public Facilities	3.00	3.00	3.00	3.00	3.00	2.00	4.00	4.00	4.00	4.00
Senior Programs	1.57	1.62	1.62	1.62	1.62	1.62	1.62	1.62	1.62	1.00
Museum/Historical Village	-	-	-	1.00	0.20	0.20	0.20	0.20	-	-
Ball Park Maintenance	-	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.05
Wastewater	16.57	17.00	17.00	17.25	18.00	20.00	21.00	19.00	18.00	17.00
Beach Parking	13.92	13.50	14.50	14.50	14.50	13.50	11.01	10.23	6.73	6.73
<b>TOTAL</b>	<b>144.38</b>	<b>148.68</b>	<b>155.79</b>	<b>154.84</b>	<b>153.87</b>	<b>146.07</b>	<b>144.58</b>	<b>139.20</b>	<b>131.00</b>	<b>126.04</b>

**Source:** Annual Budget

CITY OF SANIBEL, FLORIDA  
OPERATING INDICATORS BY FUNCTION/PROGRAM  
LAST EIGHT FISCAL YEARS

<b>Function/Program</b>	FISCAL YEAR							
	2010	2009	2008	2007	2006	2005	2004	2003
<b>Police</b>								
Calls for Service	27,564	27,041	32,424	26,076	24,975	22,323	23,510	22,494
Parking Citations	2,649	3,561	3,859	3,412	2,716	2,341	2,807	1,252
Traffic Citations	1,055	782	1,283	1,478	1,066	1,447	1,334	1,944
Total Arrests	260	357	174	153	157	174	130	107
<b>General Government</b>								
Building permits issued	2,418	2,200	2,165	2,624	2,870	4,888	3,310	2,469
Building inspections conducted	6,554	5,849	6,036	8,592	9,498	13,514	7,249	7,538
Dwelling units permitted	15	10	13	15	17	27	37	41
<b>Transportation</b>								
Streets resurfaced/reconstructed (miles)	6.71	6.45	3.03	1.01	1.92	1.38	-	0.44
Shared-use Paths Constructed (linear feet)	-	-	1,200	-	-	-	-	-
Road Miles Swept	465	447	274	281	166	170	-	-
<b>Wastewater</b>								
Average daily sewage treatment (thousands of gallons)	1,515	1,396	1,506	1,355	1,356	1,478	1,242	1,116
Placement of new collection pipe (linear feet)	-	-	-	3,960	43,000	40,570	-	67,000
Sewer equivalent residential units (ERU) <sup>1</sup>	9,302	8,864	8,835	8,517	8,466	8,371	7,879	7,106
<b>Recreation</b>								
After-school program participants	147	158	215	154	130	155	140	140
Senior Program membership	748	702	662	745	683	563	573	560
Senior Aerobics participants	8,464	6,584	5,470	5,271	5,194	4,276	4,562	4,117
*RecCenter annual memberships	990	989	1,183	-	-	-	-	-
*RecCenter six-month memberships	731	780	1,112	-	-	-	-	-
<b>Sanibel Harbor Canal Trimming Assessment District</b>								
Mangroves trimmed (linear feet)	10,000	10,000	10,000	10,000	10,000	10,000	10,000	-

**Source:** Various City departments annual reports

**\*Note:** New RecCenter opened in December 2007.

<sup>1</sup> New method of calculating ERU's in FY10 based upon estimated 240 gallons of wastewater generation per ERU

CITY OF SANIBEL, FLORIDA  
CAPITAL ASSETS STATISTICS BY FUNCTION/PROGRAM  
LAST EIGHT FISCAL YEARS

<b>Function/Program</b>	FISCAL YEAR							
	2010	2009	2008	2007	2006	2005	2004	2003
<b>Police</b>								
Stations	1	1	1	1	1	1	1	1
Vehicle Patrol Units								
Patrol cars	10	10	10	11	10	10	10	10
Motorcycles	2	2	2	2	2	2	2	2
Unmarked vehicles	7	7	7	7	7	7	7	7
Patrol boats	2	2	2	2	2	2	2	2
<b>Natural Resources</b>								
Environmentally Sensitive Land (acres)	622	622	622	622	622	622	642	640
<b>Transportation</b>								
Paved Public Streets (miles)	53.56	53.56	53.34	53.34	52.96	52.96	52.75	52.00
Unpaved Public Streets (miles)	8.27	8.27	8.41	8.41	8.79	8.79	9.00	9.00
Shared Use Paths (miles)	22.85	22.85	22.85	22.62	22.62	22.62	22.62	22.62
<b>Wastewater</b>								
Treatment Capacity (thousands)	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500
<b>Recreation</b>								
Number of Parks (non-beach facilities)	2	2	2	2	2	2	2	2
Recreation centers/gymnasiums	1	1	1	0	1	1	1	1
Senior centers	1	1	1	1	1	1	1	1
Swimming pools	1	1	1	0	1	1	1	1
Baseball/softball diamonds	3	3	3	3	3	3	3	3
<b>Beach Parking</b>								
Number of Beach Parking Facilities	7	7	7	7	7	8	8	8
Parking Spaces	610	610	610	610	586	657	657	657
Restrooms	6	6	6	6	6	6	6	6
Fishing Piers	1	1	1	1	1	1	1	1
Boat ramps	1	1	1	1	1	1	1	1

**Source:** Various City departments annual reports

CITY OF SANIBEL, FLORIDA  
SCHEDULE OF INSURANCE IN FORCE  
SEPTEMBER 30, 2010

Type of policy and Type of coverage	Limits of Liability	Company	Expiration Date	Annual Premium
Property (1)		Florida Municipal Insurance Trust	10/01/10	\$ 90,672
Real	\$ 44,865,944			
Personal	9,463,891			
Business Income	100,000			
Inland Marine	1,096,709			
General Liability	5,000,000	Florida Municipal Insurance Trust	10/01/10	112,826
Extra Contractual Legal Expense	25,000			
Fire Legal Liability	250,000			
Errors and Omissions Liability	5,000,000			
Law Enforcement Liability	5,000,000			
Faithful Performance Blanket Bond	250,000			
Honesty Blanket Bond	250,000			
Crime	100,000			
Equipment Breakdown Limit	50,000,000			
Workers' Compensation	1,000,000	Florida Municipal Insurance Trust	10/01/10	139,626
Automobile Liability and Automobile Physical Damage	5,000,000	Florida Municipal Insurance Trust	10/01/10	31,096
Statutory Accidental Death & Disability	60,000 / 180,000	National Union Fire Insurance Co of Pitt, PA	10/01/10	1,117
Pollution Liability	2,000,000	Zurich North America (\$1,000,000 maximum per claim)	08/24/11	2,491
Flood	10,023,703	American Bankers Life Assurance	Various	63,440
Windstorm	11,941,905	Citizens	Various	64,050

(1) Includes real, personal, inland marine equipment, EDP, watercraft, valuable papers and records, business interruption, rental value, contractors' equipment, computer equipment and software.

***GOVERNMENT AUDITING STANDARDS***

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

Honorable Mayor and City Council  
City of Sanibel, Florida  
Sanibel, 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 Sanibel, Florida (the "City"), as of and for the year ended September 30, 2010, which, together with the aggregate discretely presented component unit, collectively comprise the City's basic financial statements and have issued our report thereon dated March 1, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of Community Housing Resources, Inc., a component unit, as described in our report on City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

**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 the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

*A 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 City'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.

Honorable Mayor and City Council  
City of Sanibel, Florida

**Compliance and Other Matters**

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

We noted certain matters that we reported to management of the City in a separate letter dated March 1, 2011.

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

*Larson Allen LLP*  
LarsonAllen LLP

Fort Myers, Florida  
March 1, 2011

## *MANAGEMENT LETTER*

This section contains:

Independent Auditors' Management Letter

Management Letter Comments

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## MANAGEMENT LETTER

Honorable Mayor and City Council  
City of Sanibel, Florida  
Sanibel, Florida

We have audited the financial statements of the City of Sanibel, Florida (the "City"), as of and for the fiscal year ended September 30, 2010 and have issued our report thereon dated March 1, 2011.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. We have issued our Report on Internal Control over Financial Reporting and Compliance and Other Matters. Disclosures in that report, which is dated March 1, 2011, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.550, Rules of the Auditor General, which governs the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's reports:

- Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report (except as noted below under the heading Prior Year Findings and Recommendations).
- Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the City complied with Section 218.415, Florida Statutes.
- Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, our recommendations are as follows:

### Prior Year Findings and Recommendations

#### 2009-02 – Purchase Card Testing

**Criteria** – Charges made using a City purchasing card should be detailed monthly on the "Purchasing Card Monthly Reconciliation" report. This report should be prepared and signed by the employee making the purchases and approved by that employee's direct supervisor. The completed report, and a copy of the purchasing card statement, should be forwarded to Finance department for payment.

**Condition** – During our review of purchase card transactions for the months of December 2009, March 2010 and June 2010, the following exceptions were noted:

- 1) In June 2010 sales tax was paid on two purchases totaling \$10.03.
- 2) In June 2010 there was one statement that was not signed by an employee.
- 3) In March 2010 there was one purchase card reconciliation with no department head signature.
- 4) In December 2009 there was one purchase card reconciliation with no employee signature and one that did not have a department head signature.

**Cause** – The following was noted for each situation.

- 1) Normally when the City is charged sales tax there is a request made for the vendor to reimburse the City for the sales tax. In these cases there was no request for reimbursement.
- 2) The employee signed the reconciliation form, but the purchase card statement did not have a signature as per City policy. It was noted by City staff that this statement was originally signed and the signed statement was lost. A copy of the unsigned statement was on file.
- 3) The department head signed the purchase card statement, but did not sign the reconciliation form as per City policy.
- 4) The employee and department head signed the purchase card statement, but did not sign the reconciliation form as per City policy.

**Effect** – Not following proper authorization and payment policies could allow for unauthorized charges to be paid by the City.

**Recommendation** – We recommend that all department heads be held responsible for verifying policies are being followed related to purchase card use in their respective departments prior to forwarding the information to the finance department. We also recommend that when policies are not followed, finance department staff should notify the Finance Director immediately. Transactions involving a policy violation should not be processed until the violation is cured or an appropriate resolution is reached and documented.

## **Current Year Findings and Recommendations**

### **2010-01 – Accounts Payable Aging Report**

**Criteria** – Detailed subsidiary ledgers of accounts payable should reconcile to the general ledger.

**Condition** – During the testing of accounts payable transactions, we noticed that the amounts on the detailed accounts payable report did not agree to the general ledger total.

**Cause** – Per inquiry of staff, the HTE accounting software currently being used does not have the ability to print an accounts payable aging report after the period is closed in the system. The report must be printed on the date when all payables are entered for the period needed. Once the report is printed, any subsequent accruals completed by journal entry do not appear on the detailed aging report.

**Effect** – Without a detailed listing of the invoices that comprise accounts payable, it is difficult to gain assurance that the schedule is complete and includes all accrued payables at year end.

**Recommendation** – We recommend that finance department staff generate the accounts payable aging report by invoice at year end and that it be maintained to demonstrate that the subsidiary ledger agrees to the general ledger. Subsequently, any invoices that are received after year end that apply to the closed year should be accrued in HTE and a manual schedule maintained to support the accruals posted. This process will ensure that the accounts payable balance in the general ledger agrees to the detailed payable listing and can be available for review and approval.

#### **2010-02 – Bank Account Reconciliation**

**Criteria** – Bank account reconciliations should be performed by an individual independent of the cash collection or accounts receivable processes. Subsequent review of reconciliations should be performed by an individual independent of the reconciliation process as well as cash handling activities. Both the preparer and reviewer should initial or sign the reconciliation to document proper completion of the process.

**Condition** – Per inquiry of Assistant Finance Director, a clerk is assigned the responsibility of preparing the bank reconciliation, and the Assistant Finance Director reviews it before it is approved by the Finance Director. During our testing, it was noted that there is no physical evidence of who was preparing or approving the bank reconciliations.

**Cause** – Currently there is no requirement for the preparer or reviewer to initial or sign the reconciliation.

**Effect** – While the reconciliation process may be occurring as required, there is no evidence that documents this process is occurring as intended.

**Recommendation** – We recommend that each person involved in the reconciliation process initial the reconciliations, or otherwise evidence approval, so the controls currently in place can be verified as functioning properly.

#### **2010-03 – Information Technology Controls**

In support of the financial statement audit for the City, LarsonAllen's IT auditors reviewed current policies and procedures, and conducted interviews to determine the existence of a strong information technology environment. In addition, all applications were identified that impact financial reporting processes. The audit was performed using a high-level risk based approach and was not intended to be a full scope network security review of the City's information technology infrastructure. The scope was created specifically to identify internal controls and security features implemented by management to protect the integrity of transactions and data, with potential direct impact to the City's financial reporting.

The results of this review indicated that information security policies should be enhanced for organization and management controls as should user access and applicable reviews for application security administration and access controls.

- Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

Honorable Mayor and City Council  
City of Sanibel, Florida

- 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 financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) deficiencies in internal control that are not significant deficiencies. In connection with our audit, we did not have any such findings.
- Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The City discloses this information in the notes to the financial statements.
- Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the City did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the City for the fiscal year ended September 30, 2010, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2010. In connection with our audit, we determined that these two reports were in agreement.
- Pursuant to Sections 10.554(1)(i)7.c. and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the City's financial condition, and our financial condition assessment was based in part on representations made by management and the review of 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, and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

*Larson Allen LLP*  
**LarsonAllen LLP**

Fort Myers, Florida  
March 1, 2011



## City of Sanibel

800 Dunlop Road  
Sanibel, Florida 33957-4096

[www.mysanibel.com](http://www.mysanibel.com)

### AREA CODE – 239

CITY COUNCIL	472-4135
ADMINISTRATIVE	472-3700
BUILDING	472-4555
EMERGENCY	472-3111
MANAGEMENT	
FINANCE	472-9615
LEGAL	472-4359
NATURAL RESOURCES	472-3700
RECREATION	472-0345
PLANNING	472-4136
POLICE	472-3111
PUBLIC WORKS	472-6397
UTILITIES	472-6397

March 7, 2011

Office of the Auditor General  
Local Government Audits/342  
Claude Pepper Building, Room 401  
111 West Madison Street  
Tallahassee, FL 32399-1450

RE: Response to Management Letter comments made during review of fiscal year 2010 Financial Statements

Dear Sir or Madam:

Pursuant to Chapter 10.550, "Rules of the Auditor General – Local Governmental Entity Audits", the City's auditors, LarsonAllen LLP, made the following recommendation to the City's management based on their audit of the City's general purpose financial statements for the fiscal year ended September 30, 2010.

### PRIOR YEAR FINDINGS AND RECOMMENDATIONS

#### 2009-02 Purchase Card Testing

*Criteria:* Changes made using a City purchasing card should be detailed monthly on the "Purchasing Card Monthly Reconciliation" report. This report should be prepared and signed by the employee making the purchases and approved by that employee's direct supervisor. The completed report, and a copy of the purchasing card statement, should be forwarded to finance department for payment.

*Condition:* During our review of purchase card transactions for the months of December 2009, March 2010 and June 2010, the following exceptions were noted:

1. In June 2010 sales tax was paid on two purchases totaling \$10.03.
2. In June 2010 there was one statement that was not signed by an employee.
3. In March 2010 there was one purchase card reconciliation with no department head signature.
4. In December 2009 there was one purchase card reconciliation with no employee signature and one that did not have a department head signature.

*Cause:* The following was noted for each situation:

1. Normally when the City is charged sales tax there is a request made for the vendor to reimburse the City for the sales tax. In these cases there was no request for reimbursement.
2. The employee signed the reconciliation form, but the purchase card statement did not have a signature as per City policy. It was noted by City staff that this statement was originally signed and the signed statement was lost. A copy of the unsigned statement was on file.
3. The department head signed the purchase card statement, but did not sign the reconciliation form as per City policy.
4. The employee and department head signed the purchase card statement, but did not sign the reconciliation form as per City policy.

*Effect:* Not following proper authorization and payment policies could allow for unauthorized charges to be paid by the City.

*Recommendation:* We recommend that all department heads be held responsible for verifying policies are being followed related to purchase card use in their respective departments prior to forwarding to the finance department. We also recommend that when policies are not followed, finance department staff should notify the finance director immediately. Transactions involving a policy violation should not be processed until the violation is cured or an appropriate resolution is reached and documented.

**RESPONSE:** In April 2010 the following procedures were implemented for finance staff to immediately notify the finance director of any purchasing card policy violations. In addition, finance staff commenced auditing the purchasing card statements from October 2009 forward. Thereafter, the statements have been audited on a monthly basis.

In all four exceptions, the charges were valid and receipts were attached. There were missing signatures on one of the required documents as indicated. The December 2009 and March 2010 incidents occurred before the finance department implemented stricter review and enforcement of the purchase card policy.

In response to the first June 2010 exception sales tax reimbursements were requested from the vendors. One in the amount of \$5.35 was received the other in the amount of \$4.68 was not. The employee has been notified and will reimburse the City for the \$4.68.

The second June 2010 exception was noted by staff. A page from the master statement with that employee's charges was copied and attached to the executed reconciliation report. In the future, if a similar incident occurs, staff will obtain signatures on the copied master statement.

Directors in all departments are held responsible for verifying policies are being followed related to purchase card use in their respective departments. Finance staff will continue its efforts to strictly enforce the purchasing card policy. Transactions involving a policy violation will not be processed until the violation is cured or an appropriate resolution is reached and documented.

## **CURRENT YEAR FINDINGS AND RECOMMENDATIONS**

### **2010-01 Accounts Payable Aging Report**

*Criteria:* Detailed subsidiary ledgers of accounts payable should reconcile to the general ledger.

*Condition:* During the testing of accounts payable transactions, we noticed that the amounts on the detailed accounts payable report did not agree to the general ledger total.

*Cause:* Per inquire of staff, the HTE accounting software currently being used does not have the ability to print an accounts payable aging report after the period is closed in the system. The report must be printed on the date when all payables are entered for the period needed. Once the report is printed, any subsequent accruals completed by journal entry do not appear on the detailed aging report.

*Effect:* Without a detailed listing of the invoices that comprise accounts payable, it is difficult to gain assurance that the schedule is complete and includes all accrued payables at year end.

*Recommendation:* We recommend that finance department staff generate the accounts payable aging report by invoice at year end and that it be maintained to demonstrate that the subsidiary ledger agrees to the general ledger. Subsequently, any invoices that are received after year end that apply to the closed year should be accrued in HTE and a manual schedule maintained to support the accruals posted. This process will ensure that the accounts payable balance in the general ledger agrees to the detailed payable listing and can be available for review and approval.

**RESPONSE:** With the current software system, finance staff generates the accounts payable aging report at year end. Additions thereafter are accrued and must be tracked manually. The combined total is then reconciled to the general ledger. Going forward, with the current software system, finance staff will segregate invoices received after the year end close in a separate general ledger account and maintain a manual schedule of those invoices. The City is in the process of selecting new governmental software.

### **2010-02 Bank Account Reconciliation**

*Criteria:* Bank account reconciliations should be performed by an individual independent of the cash collection or accounts receivable processes. Subsequent review of reconciliations should be performed by an individual independent of the reconciliation process as well as cash handling activities. Both the preparer and reviewer should initial or sign the reconciliation to document proper completion of the process.

*Condition:* Per inquiry of the assistant finance director, a clerk is assigned the responsibility of preparing the bank reconciliation, and the assistant finance director reviews it before it is approved by the finance director. During our testing, it was noted that there is no physical evidence of who was preparing or approving the bank reconciliations.

*Cause:* Currently there is no requirement for the preparer or reviewer to initial or sign the reconciliation.

*Effect:* While the reconciliation process may be occurring as required, there is no evidence that documents this process is occurring as intended.

*Recommendation:* We recommend that each person involved in the reconciliation process initial the reconciliations, or otherwise evidence approval, so the controls currently in place can be verified as functioning property.

**RESPONSE:** Bank reconciliations now require the initials of the preparer (clerk), the reviewer (assistant finance director) and the approver (finance director). Bank reconciliations from October 2010 forward have been initialed by the clerk, assistance finance director and finance director.

### **2010-03 Information Technology Controls**

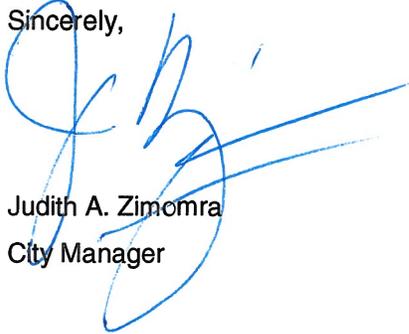
In support of the financial statement audit for the City, LarsonAllen's IT auditors reviewed current policies and procedures, and conducted interviews to determine the existence of a strong information technology environment. In addition, all applications were identified that impact financial reporting processes. The audit was performed using a high-level risk based approach and was not intended to be a full scope network security review of the City's information technology infrastructure. The scope was created specifically to identify internal controls and security features implemented by management to protect the integrity of transactions and data, with potential direct impact to the City's financial reporting.

The results of this review indicated that information security policies should be enhanced for organization and management controls as should user access and applicable reviews for application security administration and access controls.

**RESPONSE: Staff will prepare a plan for a full scope network security review of the City's information technology infrastructure. This should include an independent third party review of security administration and access controls.**

City management appreciates the recommendations of LarsonAllen LLP and intends to follow through with expeditious implementation of these improvements to the City's management of financial and internal control matters.

Sincerely,



Judith A. Zimomra  
City Manager

jaz/sae



Sanibel Island