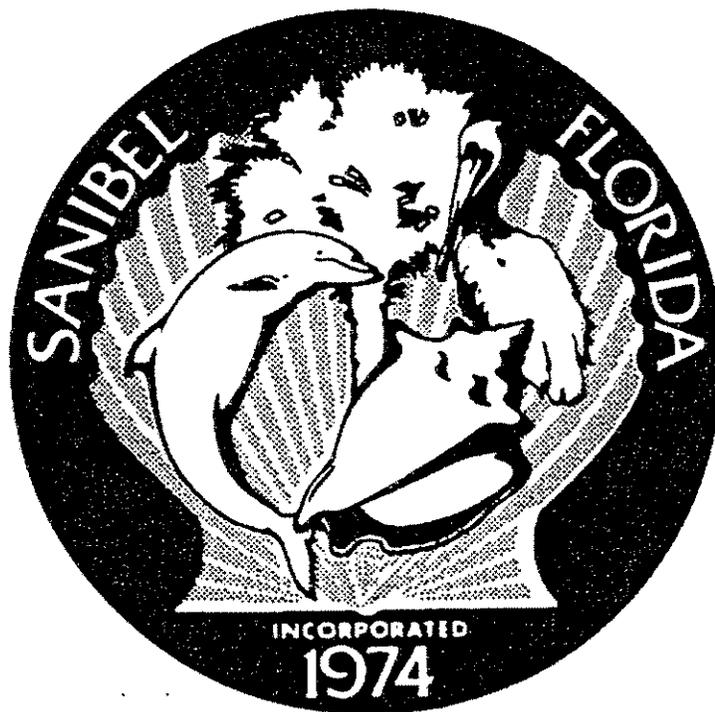


# Comprehensive Annual Financial Report

of the City of Sanibel, Florida  
For the Fiscal Year  
Ended September 30, 2003



Prepared by the Finance Department  
Renee M. Lynch, CGFO, Finance Director

**CITY OF SANIBEL, FLORIDA  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003**

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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

July 22, 2004

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



## City of Sanibel

800 Dunlop Road  
Sanibel, Florida 33957-4096

### AREA CODE - 239

CITY COUNCIL	472-4135
ADMINISTRATIVE	472-3760
BUILDING	472-4555
EMERGENCY MANAGEMENT	472-3111
FINANCE	472-9615
LEGAL	472-4359
PARKS & RECREATION	472-9075
PLANNING	472-4136
POLICE	472-3111
PUBLIC WORKS	472-6397
UTILITIES	472-1008

The Comprehensive Annual Financial Report of the City of Sanibel, Florida, for the fiscal year ended September 30, 2003 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 and be presented in conformance with accounting principles generally accepted in the United State 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 Schultz, Chaipel, CPA's., 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, 2003 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 opinion that the City's financial statements for the fiscal year ended September 30, 2003 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.

## *SUMMARY OF PRESENTATION*

The Comprehensive Annual Financial Report (CAFR) is presented in four sections:

**INTRODUCTORY SECTION** – includes the table of contents, this letter of transmittal, which is designed to complement the Management's Discussion and Analysis (MD&A) and should be read in conjunction with it, the City's organizational chart and the list of City officials.

**FINANCIAL SECTION** – includes the auditors' opinion, Management's Discussion and Analysis (MD&A), Basic Financial Statements, Required Supplemental Information, and Combining Financial Statements and Schedules. GAAP require that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis. The MD&A can be found immediately following the report of the independent auditors.

**STATISTICAL SECTION** – includes selected financial and general information presented on a multi-year comparative basis. This information is designed to reflect social and economic data, financial trends and the fiscal capacity of the City.

**SINGLE AUDIT SECTION** – is required in order for the City to be in conformity with the provisions of the Single Audit Act and the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* and in conformity with the Florida Single Audit Act (Section 215.97, Florida Statutes) and Chapter 27D-1, Rules of the Executive Office of the Governor, Florida Administrative Code. Included in this section are the Schedule of Expenditures of Federal Awards and State Financial Assistance and the auditors' reports on internal control and compliance with applicable laws and regulations.

With the September 30, 2003 financial statements, the City implements a dramatic change in governmental financial reporting. The format and purpose of these changes are addressed in the MD&A. Additionally, the notes to the financial statements discuss the changes and the results of these changes.

### *THE CITY*

The City of Sanibel incorporated on November 5, 1974. The City of Sanibel 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, Florida. The City operates under the council-manager form of government. The policy-making and legislative authority is vested in 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 the Mayor.

The City Council is responsible, among other things, for passing ordinances and resolutions, adopting the annual budget, appointing committees and hiring the City's

Manager and Attorney. The City Manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the City and for appointing the heads of the various departments. The City provides a comprehensive range of municipal services including general government, public safety (police protection and building inspection, fire services are provided to City residents by an independent taxing district), natural resource management, including an environmentally sensitive land acquisition and restoration program, sewer utility services (water service is provided to City residents by a water cooperative), transportation, including road, bridge and multi-use path construction and maintenance, a below market rate housing program and culture/recreation activities.

### *REPORTING ENTITY*

This report includes all funds and the component unit of the City. 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) 14 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 burden to 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*

The City of Sanibel, located in Lee County, is a highly desirable tourist destination. Lee County is also one of the fastest growing counties in Florida in both absolute and percentage population growth and in total housing starts.

The City's population of permanent residents and registered voters continues to grow with the permanent resident population almost doubling and the number of registered voters more than tripling since incorporation 29 years ago.

<u>YEAR</u>	<u>RESIDENTS</u>	<u>VOTERS</u>
1974	2,875	1,306
1984	4,375	3,029
1994	5,672	4,520
2003	6,224	4,968

The City has a tremendous impact on the area economy because Sanibel Island contributes significantly to the attraction of tourism to the southwest Florida area. Sanibel has miles of beautiful beaches, which are world-renowned for shelling. Seventy-seven percent (77%) of the island is either within a federal wildlife preserve or otherwise classified as conservation lands. The protection of the environment is a paramount priority of the City and its residents.

The City also recognizes the economic and infrastructure impact of the growing numbers of seasonal residents and tourists. During 2003, the number of seasonal residents peaked at between 18,000 and 20,000. However, causeway traffic which had stabilized over the prior three years 2000 through 2002 at about 3.4 million vehicles per year, saw for the first time in 40 years a reduction in causeway traffic. In January 2003, the 40-year old causeway bridges developed serious structural cracks which necessitated the closure of the causeway for 32 hours while Lee County contractors replaced a 50 foot portion of the middle (B-span) bridge. To follow that event engineers found that the C-span as well as the A-span had significant structural damage. As a result, the County reduced both the weight and speed limits on the causeway. This situation creates both a fiscal impact to the City on revenues and expenditures and an economic impact on the community, particularly the construction industry. The City's response to the causeway crisis was to reduce the fiscal year 2002-03 budget by \$750,000 for the immediately identifiable impact on revenues and to classify a tiered-approach in expenditures to be postponed or eliminated from the fiscal year 2002-03 budget. Daily monitoring of all conditions is continuing to be made by the City Manager.

<u>Calendar Year</u>	<u>Causeway Traffic</u>	<u>Percent Increase (Decrease)</u>
1975	793,373	N/A
1980	1,553,281	95.78%
1985	2,290,961	47.49%
1990	3,020,181	31.83%
1995	3,199,822	5.95%
2000	3,433,769	7.31%
2003	3,257,747	-5.13%

The environment is another important concern of our citizens and strict development standards have been designed and implemented since the City incorporated in 1974. These standards have helped to contribute to increases in the appraised values of property on Sanibel. Between tax years 2001 and 2002, existing property values rose 11.75% and new construction added an additional \$41,932,446 for a total property value of \$3,655,765,340. This progressive growth of the tax base has allowed the City to maintain a millage rate far below the State-regulated ten (10) mill cap:

<u>TAX YEAR (*)</u>	<u>TAXABLE VALUATION</u>	<u>MILLAGE RATE</u>
1998	\$ 2,266,696,270	2.0126
1999	2,393,659,200	1.9181
2000	2,682,897,770	1.7291
2001	3,226,396,010	1.7291
2002	3,655,765,340	1.7291

(\*) The tax year represents a calendar year, upon which the levy of ad valorem taxes is made in arrears and is recorded as revenue in the subsequent fiscal year.

Although growth is restricted by geographic boundaries and build-out is anticipated to occur in the near future, Sanibel's economy is expected to be healthy because of the tremendous attraction of Sanibel as a retirement and vacation site. Redevelopment of currently developed property is another City concern as tremendous pressure is being placed on Council from requests for larger and taller buildings which compromise the land development code known as the Sanibel Plan.

Since the cost of services to the community continue to grow and property taxes comprised approximately 33% of fiscal year 2003 revenues from governmental activities, the City continues to explore new methods for financing operational services and infrastructure maintenance. Such methods include instituting new fees and/or increasing existing fees and charges to insure economic recovery of costs associated with providing certain governmental services such as building and development permit issuance.

### ***SANIBEL VISION STATEMENT***

The major and future initiatives described below were undertaken to further the adopted City Vision Statement, as follows:

***"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."***

### ***MAJOR INITIATIVES***

The most complex environmental restoration project ever undertaken on Sanibel was completed during 2003. What was once a poorly planned subdivision platted in the 1920's in a fresh water wetlands area has been cleared of exotic vegetation and has been restored to a productive wildlife habitat and dedicated as a public park. The area, known as Tarpon Bay and Sanibel Gardens subdivisions, total approximately 314 acres and had been excavated to create drainage ditches and fill roads. Since 1988, the City has been purchasing the individual lots in these subdivisions and, through eminent domain proceedings, acquired the land. The restoration project included irregularly grading the former road alignments and adjacent disturbed areas to form shallow ponds and islands to provide diverse wetland elevations for fish and wildlife habitat. These restoration efforts have resulted in an extraordinary new addition to Sanibel's protected heritage.

In November 2001, voters approved a bond referendum authorizing the issuance of up to \$5.621 million for the purchase of 8.61 acres of mostly commercially zoned real property located on the north side of Periwinkle Way at Bailey Road known as Pond Apple Park. In order to expedite the property acquisition, a one-year Bond Anticipation Note was issued in December 2001 and the closing of the property acquisition in the amount of \$5,619,433 was consummated on January 8, 2002. In December 2002, the City paid off the Bond Anticipation Note through the use of a \$2.123 million grant from the State of Florida Communities Trust and the issuance of \$3.825 million General Obligation 30-year bonds. Although commercially zoned, this property has environmental importance because of an eagle's nest located on the southern area of the parcel.

In October 2002, Phase IIB of the Sanibel Sewer System expansion project was completed. This \$6.61 million expansion project on the east end of the island adds 577 Equivalent Residential Connections (ERC's) to the system. Construction on Phase IIC, a \$8.7 million project to install gravity sanitary sewer collection pipeline and wastewater transmission pipes from Hurricane Lane to the end of West Gulf Drive for an additional 790 ERC's, was substantially complete as of September 30, 2003. Phase IIIA expansion project, estimated at \$6.2 million was begun during fiscal year 2003 and is scheduled for completion in August 2004.

### *FUTURE INITIATIVES*

The wastewater master plan includes a IV-phase plan to substantially sewer the entire island and eliminate leaching septic tanks from contaminating the ground water. The completion of the Sanibel Sewer expansion phases, financed by State Revolving Loan program, is planned for January 2006.

Pre-design plans have been developed by an architect to build a new recreation facility. The current recreation facility, built in 1981 from community donations, includes an outdoor swimming pool, an un-air-conditioned gymnasium, weight room and multi-purpose building. The estimated project cost for the new facility is \$10 million. During the summer of 2004, City Council will consider whether or not to move forward with the project as well as options for the most favorable financing.

City Council has also given staff direction to pursue the following projects and has included funding in the fiscal year 2004 budget:

- Construction of a culvert between Dinkins and Clam Bayous to improve water quality (\$200,000)
- Construction of a Pavilion at the Sanibel School site (\$200,000)
- Continuation of the Exotic Plant Eradication (\$240,000)
- City Hall air conditioning duct work replacement (\$150,000)
- Construction of Phase II of the Ball field relocation (\$360,000) funded by the sale of fill materials to the School district.

In addition to the major and future initiatives described above, the City continues to provide quality services to the Sanibel community while maintaining the operating property tax rate at the same level for three consecutive years.

### *FINANCIAL INFORMATION*

#### **BUDGETARY CONTROL**

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.

The Finance Director, on behalf of the City Manager, is responsible for the preparation of the City's budget. The annual budget is adopted after an extensive review and evaluation of budget proposals from the various City departments to determine the funding level necessary to provide municipal services. Pursuant to the State of Florida "Truth In Millage" legislation, after consideration by Council and input by the citizenry at two public hearings during September of each year, Council adopts the final millage rate and the annual budget.

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.

## **CASH MANAGEMENT**

In response to investment losses of some other local governments in the United States, the Florida legislature passed legislation requiring local government to adopt written investment policies on or before October 1, 1995. The City adopted such an investment policy, which places a priority on the safety of principal and liquidity. The City's cash management program incorporates the principles of keeping all investments free from risk, maintaining adequate liquidity and flexibility to meet both scheduled and unscheduled obligations and maximizing return. Authorized investments include the Local Government Surplus Funds Trust Fund (LGSFTF), negotiable direct obligations of, or obligations the principal and interest of which are unconditionally guaranteed by, the United State Government and their agencies, non-negotiable interest-bearing time certificate of deposit, repurchase agreements, and savings in "Qualified Public Depositories" as defined in Florida Security for Public Deposits Act (Florida Statutes Chapter 280). Additionally, the Pension Trust Funds are authorized to invest in corporate bonds and equity securities.

The City maintains two (2) pooled cash accounts with the State of Florida LGSFTF. This investment vehicle allows flexibility and earns favorable interest rates for the City's investments. There was \$6,592,605 and \$10,238,997 respectively deposited in the General and Sewer System LGSFTF accounts at September 30, 2003. There were five investments with US Government Agency securities totaling \$1,416,449. The two pension trusts combined had \$10,932,795 (fair value) of investments as of September 30, 2003.

## **DEBT COVERAGE**

The City's Business-type activities are summarized in the MD&A and the Government-wide financial statements as a combined single column. The Sanibel Sewer System has significant outstanding debt therefore to complement the available information in the Notes to the Financial Statements, the following schedule is presented.

	2003 Sewer Refunding <u>Bonds</u>	State Revolving <u>Loans</u>	<u>TOTAL</u>
Operating Revenues	\$ 2,658,452	\$ -	\$ 2,658,452
Operating Expenses (excluding Depreciation and Indirect Costs)	<u>(2,013,369)</u>	-	<u>(2,013,369)</u>
Net Operating Revenues	645,083	-	645,083
Ad Valorem Taxes-Voted Debt Service Levy	-	1,344,129	1,344,129
Investment Income	47,059	289,502	336,561
Other miscellaneous revenue	<u>10,694</u>	-	<u>10,694</u>
Net Revenues available for Debt Service (excluding Connection Fees)	702,836	1,633,631	2,336,467
Connection Fees	<u>47,529</u>	<u>4,195,441</u>	<u>4,242,970</u>
Net Revenue and Connection Fees Available for Debt Service	750,365	5,829,072	6,579,437
Annual Debt Service Requirement	\$ 257,469	\$ 2,201,663	\$ 2,459,132
Debt Service Coverage from Net Revenues	2.73	N/A	0.95
Debt Service Coverage from Net Revenues & Connection Fees	2.91	2.65	2.68

The income level was more than sufficient to meet required debt service coverage under the City's bond covenants for all outstanding debt.

### ***RISK MANAGEMENT***

The City continues its risk management program for workers' compensation, property, general and other liability insurance coverages. The City participates in a pre-employment drug screening program for certain employees and employs an active safety committee, not only to take advantage of the premium discounts offered for having these programs, but to evaluate and reduce risk exposures. Third-party coverage through the Florida League of Cities Self-Insurers Fund (The League) is maintained for workers' compensation, property, general and other liability claims. The League has also been involved in the City's proactive approach to risk management.

### ***PENSION BENEFITS***

The City sponsors two single-employer defined benefit pension plans, one for its general employees and the other for police officers. The plan benefits remained constant in 2003 for both the General Employees and Municipal Police Officers defined benefit pension plans. A seven (7) member Board of Trustees administers the General Employees' Pension Plan. A separate seven (7) member Board of Trustees administers the Police Officers' Pension Plan. Each year, an independent actuary is engaged by the respective Boards of Trustees to calculate the annual required contribution amount which the City

must make to ensure that the plans will be able to fully meet their obligations to retired employees on a timely basis. As a matter of policy, the City fully funds each year's annual required contribution to the pension plans as determined by the actuary. As a result of the City's funding policy, as of September 30, 2003, the City has funded 100% of the actuarial accrued liability of the General Employees Pension Plan and 91.39% of the Municipal Police Officers' Pension Plan. The remaining unfunded amount is being systematically funded over 30 years. The City offers no other post-employment benefits.

#### *AWARDS AND ACKNOWLEDGEMENTS*

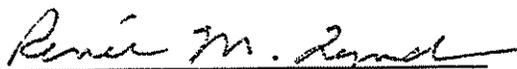
The City of Sanibel has been awarded the Certificate of Excellence in Financial Reporting from the Government Finance Officers Association (GFOA) for its comprehensive annual financial reports each year since fiscal year 1986. In order to be awarded a Certificate of Achievement, the City publishes easily readable and efficiently organized comprehensive annual financial reports. These reports satisfy both generally accepted accounting principles and applicable legal requirements. It is our belief that this fiscal year 2003 report continues to meet program standards and it will be submitted to the GFOA for their review.

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

We would also like to take this opportunity to thank you for achieving and maintaining this high degree of fiscal responsibility.

Respectfully submitted,

  
\_\_\_\_\_  
Judith A. Zimomra, City Manager

  
\_\_\_\_\_  
Renee M. Lynch, Finance Director



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, 2002.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such reports 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 our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.



# 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, 2002

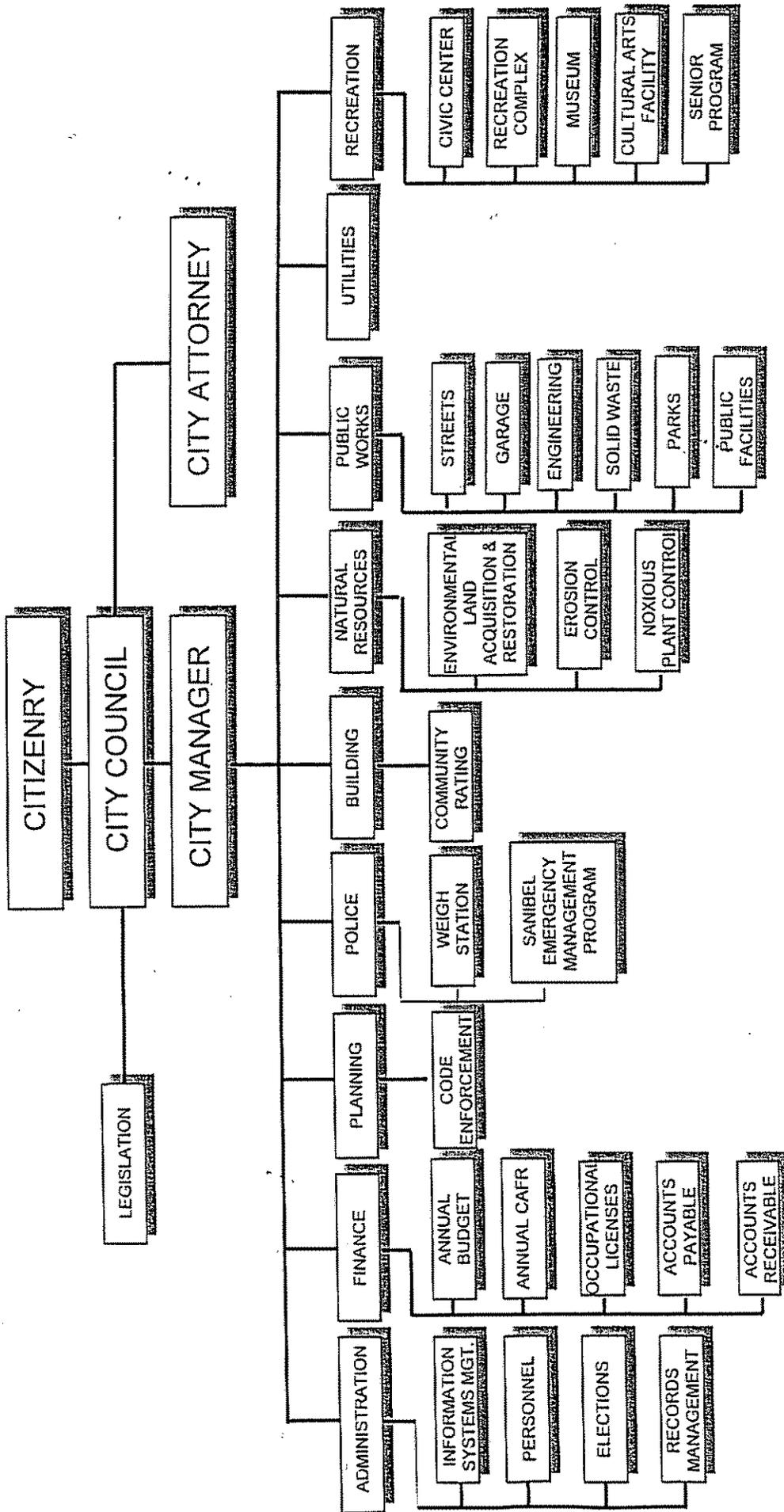
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



President

Executive Director

# CITY OF SANIBEL ORGANIZATIONAL CHART - 2003



CITY OF SANIBEL  
COUNCIL-MANAGER FORM OF GOVERNMENT

AT SEPTEMBER 30, 2003

CITY COUNCIL

MAYOR  
Steve Brown

VICE MAYOR  
Dick Walsh

COUNCILMEMBER  
Marty Harity

COUNCILMEMBER  
Judy Workman

COUNCILMEMBER  
Jim Jennings

APPOINTED OFFICIALS

CITY MANAGER  
Judith A. Zimomra

CITY ATTORNEY  
Kenneth B. Cuyler

DEPARTMENT HEADS

DIRECTOR OF PLANNING  
Bruce Rogers

CHIEF OF POLICE  
William Tomlinson

DIRECTOR OF FINANCE  
Renee M. Lynch

DIRECTOR OF NATURAL  
RESOURCES  
Robert K. Loflin

DIRECTOR OF RECREATION  
Helene Phillips

DIRECTOR OF PUBLIC  
WORKS & PARKS  
Gates D. Castle

BUILDING OFFICIAL  
R. Harold Law, Jr.

DIRECTOR OF UTILITIES  
John A. Hefty



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## ***FINANCIAL SECTION***

**This section contains the following subsections:**

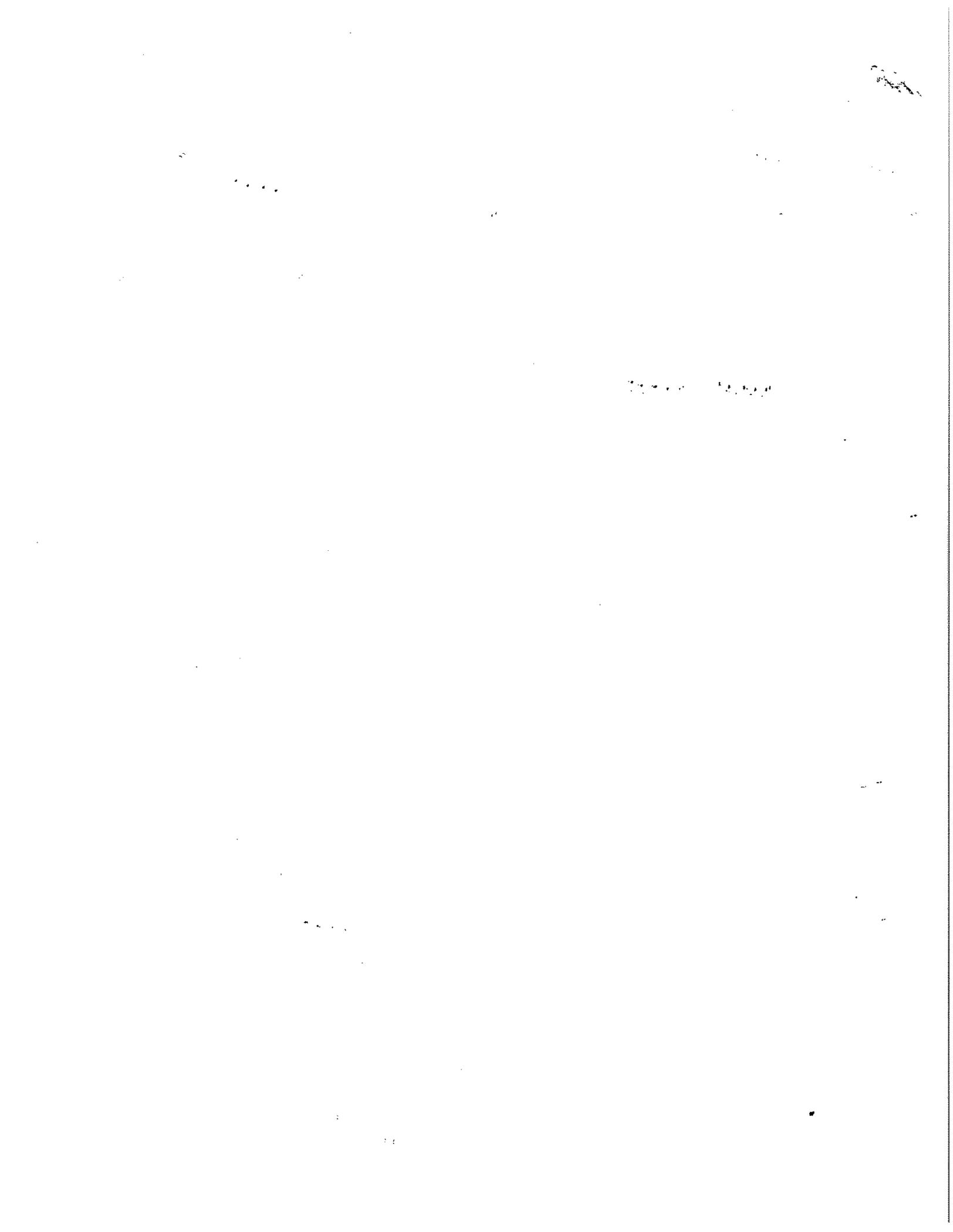
Independent Auditors Report

Management's Discussion and Analysis

Basic Financial Statements

Required Supplementary Information

Combining and Individual Fund Statements and Schedules



## INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Council  
City of 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, 2003, 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 and the report of other auditors provide 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 aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Sanibel, Florida, as of September 30, 2003, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 1 to the financial statements, the City has implemented a new financial reporting model, as required by the provisions of Government Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*, GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, as of October 1, 2002.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 22, 2004, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis (MD&A) on pages 3 through 11 and schedules of funding progress and schedules of contributions from employer and other contributing entities on pages 60 through 61, 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 and individual nonmajor fund financial statements and budget and actual schedules, and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. Additionally, the accompanying schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and Chapter 10.550 *Rules of the Auditor General* and is not a required part of the basic financial statements. The combining and individual nonmajor financial statements and budget to actual schedules and schedule of expenditures of federal awards and state financial assistance have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section 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.

*Schultz, Chaipel & Co., LLP*

Schultz, Chaipel & Co., L.L.P.

April 22, 2004

MANAGEMENT'S DISCUSSION AND  
ANALYSIS

## ***MANAGEMENT'S DISCUSSION AND ANALYSIS***

The 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, 2003.

### ***FINANCIAL HIGHLIGHTS***

- The assets of the City of Sanibel exceeded its liabilities at September 30, 2003 by \$63,192,424 (net assets). Of this amount, \$7,899,216 of unrestricted net assets may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$10,796,864 during fiscal year 2003.
- As of September 30, 2003, the City of Sanibel's governmental funds reported combined ending fund balances of \$14,231,782. This is an increase of \$3,124,745 over the September 30, 2002 ending fund balances. Approximately 79% of this total is unreserved.
- The City of Sanibel's total debt increased by \$7,027,024 during Fiscal Year 2003. This increase is discussed further in the debt administration section of this letter.

### ***USING THIS ANNUAL REPORT***

This annual report consists of a series of financial statements.

The **Statement of Net Assets** (page 14) and the **Statement of Activities** (page 15) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. The statements separate governmental from business-type activities but both are measured and reported using the economic resource measurement focus and the full accrual basis of accounting.

The **Fund Financial Statements**, which report by fund type, begin on page 16. The governmental funds measure and report activities using the current financial resources measurement focus and the modified accrual basis of accounting. Therefore you will find the reconciliation on page 17 that converts this data to an economic resources measurement focus and the accrual basis of accounting for use in the entity-wide financial statements. The Fund Financial Statements present information in more detail than in the Entity-wide financial statements. Except for the General Fund and the Pond Apple Park Debt Service Fund, all other funds of the City are combined in an "other funds" column. The Governmental Accounting Standards Board (GASB) Statement No. 34 provides the authoritative guidance on the governmental financial reporting model.

## ***THE GOVERNMENT-WIDE FINANCIAL STATEMENTS***

### **The Statement of Net Assets and the Statement of Activities**

Government-wide financial statements are intended to allow the reader to assess a government's operational accountability. Operational accountability is defined as the extent to which the government has met its operating objectives efficiently and effectively, using all resources available for that purpose, and whether it can continue to meet its objectives for the foreseeable future. The statements separate governmental from business-type activities. For purposes of these statements, both types are measured and reported using the economic resource measurement focus and the accrual basis of accounting.

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. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net assets changed during fiscal year 2003. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, such as uncollected taxes and earned but not used vacation leave.

Both of these financial statements distinguish the primary types of functions of the City, defined as follows:

- **Governmental activities** - Most of the City's basic services are reported here, including police, public works, recreation, management of natural resources, building inspection, planning, code enforcement and general administration. Major revenues supporting these activities are ad valorem taxes, sales and gas taxes, franchise and communications services taxes and intergovernmental revenues. Lesser revenues come from building permits, occupational licenses, fees, grants and investments.
- **Business-type activities** - The City's Sewer System and Beach Parking services are reported here. The services are supported primarily from user fees. Financing of major capital is usually necessary. Debt service is supported by user fees, special assessments and, for the Sewer System debt, ad valorem taxes from a voter approved tax levy.

### **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain financial control over 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:

- 1) **Governmental funds** - account for most of the City's tax-supported activities: Examples are the General Fund and the Capital Project Funds. These funds focus on how money flows into and out of the funds, and the balances left at year-end. The accounting method used is called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash, usually within a 60-day period. The two criteria used are that the revenue is measurable and available. Examples of differences from economic focus are that debt proceeds and grants are considered current revenue, and purchases of capital are considered expenditures whereas depreciation is not considered an expenditure since there is no outlay of cash. In the City's highly regulatory environment, fund accounting serves a very important purpose, in that funds received for specific purposes are identified as such and can readily be audited.
- 2) **Proprietary funds** - are used to account for the business-type, or enterprise activities of the government. The City's two enterprise funds are the Sanibel Sewer System and the Beach Parking Fund. All proprietary funds use full accrual basis accounting and the economic measurement focus. Fees or charges are the primary revenue source for proprietary funds. However, the Sanibel Sewer System enterprise fund receives tax revenue from a voter-approved tax levy to pay debt service related to the capital expansion projects.
- 3) **Fiduciary funds** - are used to account for resources held for the benefit of parties outside the government. 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 similar to proprietary funds.

### 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 can be found beginning of page 31.

### Required Supplementary Information

Generally accepted accounting principles (GAAP) call for certain unaudited information to accompany the audited basic financial statement and accompanying footnotes. This information is called required supplementary information (RSI) and includes this analysis, called the MD & A, budgetary comparisons, and trend data on pension funding.

## THE CITY AS A WHOLE

The City's combined net assets as of September 30, 2003 were \$63,192,424. The City's combined revenues, including contributions, grants, charges for services and taxes, were \$27,915,934. Total expenses, city-wide were \$17,119,070. The increase to city-wide net assets was \$10,796,864. The following Table 1 reflects the condensed Statement of Net Assets for only the fiscal year ending on September 30, 2003 since this is the City's first year of implementing GASB Statement #34 and comparative data for the previous year is not available. Comparisons will begin with the fiscal year ending September 30, 2004.

	Governmental Activities	Business- Type Activities	Total Primary Government
Current and other assets	\$ 16,066,213	\$ 19,526,267	\$ 35,592,480
Capital assets, net of depreciation	31,420,527	51,295,988	82,716,515
Total assets	<u>47,486,740</u>	<u>70,822,255</u>	<u>118,308,995</u>
Long-term liabilities	(8,707,520)	(43,654,188)	(52,361,708)
Other liabilities	(1,572,481)	(1,182,382)	(2,754,863)
Total liabilities	<u>(10,280,001)</u>	<u>(44,836,570)</u>	<u>(55,116,571)</u>
Net assets:			
Invested in capital assets, net of related debt	24,424,842	7,309,318	31,734,160
Restricted	3,141,031	20,418,017	23,559,048
Unrestricted	9,640,866	(1,741,650)	7,899,216
Total net assets	<u>\$ 37,206,739</u>	<u>\$ 25,985,685</u>	<u>\$ 63,192,424</u>

The largest portion of the City's net assets (50%) are its investment in capital assets such as land, buildings, roads, bridges, machinery and equipment, less the outstanding debt used to acquire those assets. The City uses these assets to provide services to citizens, consequently these assets are not available for future spending. It is also important to recognize that other resources will be required to repay the outstanding debt on capital assets. Restricted net assets, representing 37.5% of total net assets, are subject to external restrictions on how they may be used. The remaining 12.5% of unrestricted net assets, \$7,899,216 may be used to meet the City's ongoing obligations to citizens and creditors. The City's overall financial position continues to be healthy.

Table 2 is the condensed Statement of Activities for the fiscal year ended September 30, 2003. As this is the City's first year of implementing GASB Statement #34, comparative data for the previous year is not available. Comparisons will begin with the fiscal year ending September 30, 2004.

**Table 2**  
**Changes in Net Assets**

	Governmental Activities	Business- Type Activities	Total Primary Government
<b>Revenues:</b>			
Program revenues			
Charges for services	\$ 2,873,724	\$ 3,539,123	\$ 6,412,847
Operating grants and contributions	2,439,931	149,960	2,589,891
Capital grants and contributions	2,468,263	4,290,064	6,758,327
General revenues			
Property taxes	6,468,467	1,344,129	7,812,596
Other taxes	2,289,904	-	2,289,904
Intergovernmental revenues	1,354,821	-	1,354,821
Other	345,803	351,745	697,548
Total revenues	<u>18,240,913</u>	<u>9,675,021</u>	<u>27,915,934</u>
<b>Expenses (including indirect expenses):</b>			
General government	2,328,532	-	2,328,532
Public safety	3,617,809	-	3,617,809
Physical environment	358,821	-	358,821
Sewer	-	4,194,016	4,194,016
Public works	996,553	-	996,553
Beach parking	-	908,928	908,928
Economic development	295,924	-	295,924
Human services	1,083	-	1,083
Culture/recreation	4,044,387	-	4,044,387
Interest on long-term debt	373,017	-	373,017
Total expenses	<u>12,016,126</u>	<u>5,102,944</u>	<u>17,234,477</u>
Increase in net assets	6,224,787	4,572,077	10,796,864
Net assets-beginning	<u>30,981,951</u>	<u>21,413,608</u>	<u>52,395,559</u>
Net assets-ending	<u>\$ 37,206,738</u>	<u>\$ 25,985,685</u>	<u>\$ 63,192,423</u>

### Governmental Activities

Table 3 presents the cost of each of the City's four largest programs as well as each program's net cost (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 taxes.

The cost of all governmental activities this fiscal year was \$12 million. This is the first year of GASB Statement #34 implementation, so comparisons will begin with fiscal year ending September 30, 2004. As shown in the Statement of Activities (see page 15), the net cost ultimately paid through taxes was \$4.2 million. The remaining \$7.8 million was provided by:

- \$2.9 million in charges for services – There were \$1.2 million from various fees for general government services, of which indirect costs of \$656,845, occupational license fees of \$247,385 and development-type fees of \$257,165 were the most significant; vehicle overweight fees of \$486,397 were the only charge for services in the public works activity.

- \$2.5 million in capital grants and contributions, the most significant of which was a \$2.123 million grant from Florida Communities Trust for the purchase of Pond Apple Park reported in the physical environment activity.
- \$2.4 million was from operating grants, of which \$2.181 million was from Lee County for the Operation of the Sanibel Public Library.

**Table 3  
Governmental Activities**

	Fiscal Year 2003	
	Total Cost Of Services	Net Cost (Earnings) Of Services
Public safety	\$ 3,039,551	\$ 3,015,949
Physical environment	329,425	(2,543,435)
Public works	2,043,246	332,641
Economic development	285,701	226,666
Culture/Recreation	3,794,700	1,717,739
All Others	3,115,022	1,484,648
<b>Totals</b>	<b>\$ 12,607,645</b>	<b>\$ 4,234,208</b>

**Business-type Activities**

Revenues of the City's business-type activities as shown on Table 2, above, totaled \$9,675,021. Operating expenses totaled \$5,102,944, which shows an increase in net assets of \$4,572,077.

Rates for sewer utility charges increased by the three percent (3%) annual indexing, applied on October 1, 2002, per the City's rate ordinance. Beach Parking rates increased from \$0.75 per hour to \$2.00 per hour as a result of a User Fee Study completed in the summer of 2002 and implemented October 1, 2002.

**THE CITY'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.

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, unreserved fund balance of the general fund was \$8,031,736, while total fund balance reached \$8,046,841. The fund balance of the City's general fund increased \$1,087,695 during the current fiscal year. Key factors in this increase are as follows:

- Property tax revenue increased by \$707,845 (13%) over prior year tax revenue due to an increase in the assessed property value and new construction thus increasing the ad valorem tax revenue from the same operating Millage levy.
- Other tax revenue increased by \$119,524 (6%), intergovernmental revenue increased by \$177,833 (5%) and charges for services rose by \$171,131 (15.5%) due to State calculation factors applied to favorable economic conditions within Lee County.

The 2002 \$3.825M General Obligation Debt Service Fund is used to account for the City's other major governmental fund. All other governmental funds are accounted for in the column entitled *Other Governmental Funds*.

### **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 found in the government-wide financial statements, but in more detail.

### **General Fund Budgetary Highlights**

The difference between the General Fund's original budget and final amended budget equaled a \$727,999 reduction in total revenues, due to the anticipated impact of the increased and more strictly enforce vehicle weight restrictions on the Sanibel Causeway. The Sanibel Causeway is owned by and the toll facility operated by Lee County. In January 2003, the causeway developed serious structural problems, which caused its closure for 30 hours for repairs. Since the City receives 21% of the net causeway revenues from Lee County as well as vehicle overweight permit fees from the operation of a Weigh Station on the causeway, the City reduced these revenue sources and offsetting expenditures in anticipation of the effect of the increased weight restrictions needed to be imposed due to the structural condition of the bridges.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

The City's capital assets as of September 30, 2003 reflect an investment of \$82,716,515, net of accumulated depreciation.

In compliance with GASB #34, the City has separated out an infrastructure asset category, which was formerly included in Improvements other than buildings. The City's infrastructure, such as roads, multi-use paths, bridges, piers and sewer pipe, is recorded at actual or best estimate historical cost.

Table 4 provides a comparative summary of net capital assets by category for both governmental and business-type activities.

**Table 4**  
**Capital Assets at Year End**  
**(net of depreciation)**

	Governmental Activities		Business-type Activities		Totals	
	2003	2002	2003	2002	2003	2002
Land	\$20,922,253	\$20,657,375	\$ 1,347,351	\$1,337,031	\$22,270,104	\$21,994,906
Buildings	2,129,695	2,166,122	234,313	254,725	2,364,008	2,420,847
Improvements other than buildings	136,244	(60,723)	359,970	384,309	496,214	323,586
Vehicles and equipment	1,551,992	1,364,217	696,462	764,727	2,248,454	2,628,944
Infrastructure	6,397,113	6,614,415	24,757,756	15,992,044	31,054,369	22,606,459
Construction work in progress	383,230	-0-	23,399,636	26,525,797	24,232,366	26,525,797
Total Capital Assets	\$31,420,527	\$31,241,906	\$51,293,988	\$45,258,633	\$82,716,515	\$76,500,539

Significant increases in assets this fiscal year include:

- Acquisition of environmentally sensitive land in the amount of \$264,378.
- Vegetative grinder for roadway maintenance acquired with a capital lease for \$252,842.
- Construction work in progress in the amount of \$383,230 for ball field improvements.
- Completion of the Phase IIB (East end) Sewer expansion project, \$5.6 million.
- Construction work in progress on the Phase II Sewer Plant capacity expansion project, \$1.4 million
- Construction work in progress on the Phase IIC (West Gulf Drive, \$4.6 million) and Phase IIIA (West end, \$0.7 million) Sewer expansion projects.

### Long-term Debt

As of September 30, 2003, the City had \$51,972,612 in bonds, notes and leases. Table 5 below provides a comparative summary of the City's outstanding debt:

**Table 5**  
**Outstanding Debt**

	Governmental Activities		Business-type Activities		Totals	
	2003	2002	2003	2002	2003	2002
<b>Bonds:</b>						
General Obligation Bonds	\$ 3,775,000	\$ -0-	\$ -0-	\$ -0-	\$ 3,775,000	\$ -0-
Revenue Bonds	2,112,265	2,188,236	5,243,332	5,465,000	7,355,597	7,653,236
Notes	2,322,504	6,288,575	38,366,668	31,003,837	40,589,172	37,292,352
Leases	252,843	-0-	-0-	-0-	252,843	-0-
Total	\$8,362,612	\$ 8,476,751	\$43,610,000	\$36,468,837	\$51,972,612	\$44,945,588

In December 2002, the City refinanced a \$5,595,800 Bond Anticipation Note issued in December, 2001 for the purchase of environmentally sensitive land with a \$2,122,800 capital grant (discussed above) from the State of Florida Communities Trust and the issuance of \$3,825,000 million General Obligation Bonds.

In June 2003, the Sewer Utility Revenue Refunding and Improvement Bonds, Series 1993 were refunded by the issuance of the \$5,620,000 Sewer Utility Revenue Refunding Bonds, Series 2003 for a net present value savings of \$664,715.

\$8.9 million of draws against State Revolving Fund notes were made during fiscal year 2003 to finance the various phases of the Sewer expansion projects under construction.

Additional information about the City's capital assets and long-term debt can be found in beginning on page 45 in Notes 3. (g) and 3. (i), respectively, of the Notes to the Financial Statements.

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

Although the City enjoys a healthy economy because of the island's desirability as a tourist destination, as briefly discussed above, it was discovered in January 2003 that the 3-mile causeway, which links Sanibel Island to the mainland had severe structural damage. Lee County, which owns and operates the Sanibel Causeway, took immediate action to repair the most extreme damage and accelerated their plans to replace the three bridge spans. However, the reduction of weight limits and speed limits on the causeway have negatively impacted City revenue.

These factors were a paramount consideration when preparing the City's Fiscal Year 2004 budget. Although the fiscal year 2004 budget is being funded by the same tax rate as was levied in the prior year, expenses continue to rise and the City remains prudent to protect the reserves that have been slowly and carefully accumulated and to match current revenues with current expenditures.

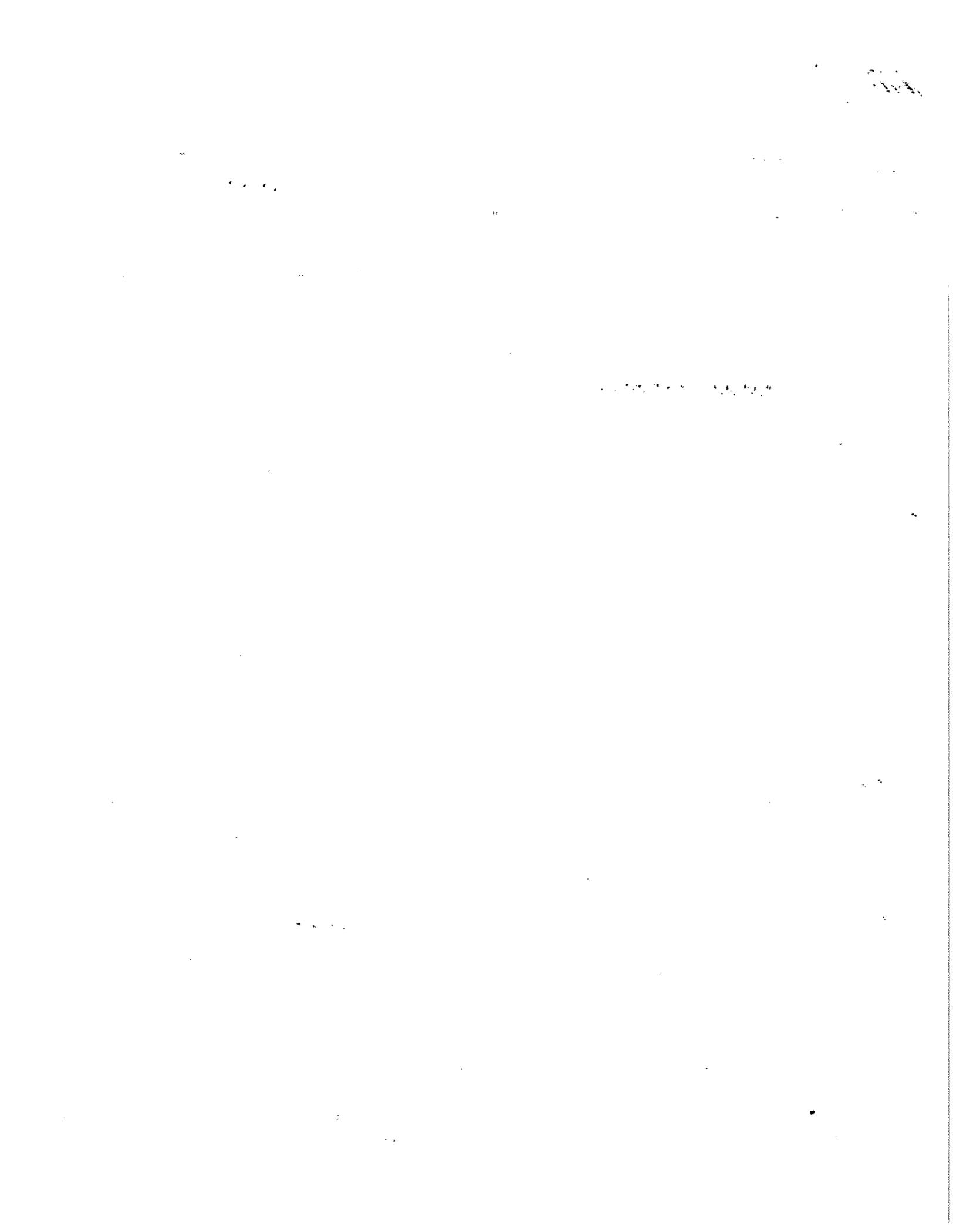
### **Requests for Information**

This financial report is designed to provide a general overview of the City of Sanibel's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be address to the Finance Director, CITY OF SANIBEL, 800 Dunlop Road, Sanibel, Florida 33957.



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BASIC FINANCIAL STATEMENTS





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CITY OF SANIBEL, FLORIDA  
STATEMENT OF NET ASSETS  
September 30, 2003

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Community Housing & Resources, Inc.
<b>ASSETS</b>				
Cash and cash equivalents	\$ 8,752,872	\$ 559,886	\$ 9,312,758	\$ 287,198
Investments	1,331,661	-	1,331,661	-
Receivables	2,718,719	205,782	2,924,501	75,300
Due from other governments	782,882	164,665	947,547	-
Internal balances	2,084,696	(2,084,696)	-	-
Inventories	2,777	-	2,777	-
Prepays	12,328	-	12,328	23,656
Net pension asset	173,897	-	173,897	-
Restricted assets:				
Cash and cash equivalents	-	7,793,017	7,793,017	-
Investments	-	84,788	84,788	-
Receivables	-	12,625,000	12,625,000	-
Unamortized bond issue costs	206,381	177,825	384,206	-
Capital assets (net of accumulated depreciation):				
Land	20,922,253	1,347,851	22,270,104	1,332,415
Buildings	2,129,695	234,313	2,364,008	2,441,981
Improvements other than buildings	136,244	359,970	496,214	-
Vehicles and equipment	1,551,992	696,462	2,248,454	19,391
Infrastructure / System	6,297,113	24,757,756	31,054,869	-
Construction in progress	383,230	23,899,636	24,282,866	299,293
Total assets	<u>47,486,740</u>	<u>70,822,255</u>	<u>118,308,995</u>	<u>4,479,234</u>
<b>LIABILITIES</b>				
Accounts payable and other accrued liabilities	823,639	665,144	1,488,783	64,664
Accrued interest payable	118,328	368,758	487,086	228,729
Deferred revenue	630,514	-	630,514	-
Liabilities payable from restricted assets	-	148,480	148,480	-
Long-term liabilities:				
Due within one year	716,577	1,622,427	2,339,004	-
Due in more than one year	7,990,943	42,031,761	50,022,704	2,381,712
Total liabilities	<u>10,280,001</u>	<u>44,836,570</u>	<u>55,116,571</u>	<u>2,675,105</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	24,424,842	7,309,318	31,734,160	-
Restricted for:				
Capital projects	2,650,443	-	2,650,443	-
Debt service	490,588	19,818,349	20,308,937	-
Other purposes	-	599,668	599,668	2,395
Unrestricted	9,640,866	(1,741,650)	7,899,216	1,801,734
Total net assets	<u>\$ 37,206,739</u>	<u>\$ 25,985,685</u>	<u>\$ 63,192,424</u>	<u>\$ 1,804,129</u>

See Accompanying Notes.

CITY OF SANIBEL, FLORIDA  
STATEMENT OF ACTIVITIES  
For the Fiscal Year Ended September 30, 2003

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Component Unit Housing & Resources, Inc.
	Expenses	Indirect Expense Allocation	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
<b>Primary government:</b>								
Governmental activities:								
General government	\$ 2,740,922	\$ (412,390)	\$ 1,199,521	\$ -	\$ 18,463	\$ (1,110,548)	\$ (1,110,548)	\$ (1,110,548)
Public safety	3,039,551	578,258	503,239	98,621	-	(3,015,949)	(3,015,949)	(3,015,949)
Physical Environment	329,425	29,396	544,456	85,000	2,272,800	2,543,435	2,543,435	2,543,435
Public Works	2,043,246	(1,046,693)	486,912	-	177,000	(332,641)	(332,641)	(332,641)
Economic development	285,701	10,223	69,258	-	-	(226,666)	(226,666)	(226,666)
Human services	1,083	-	-	-	-	(1,083)	(1,083)	(1,083)
Culture/Recreation	3,794,700	249,687	70,338	2,256,310	-	(1,717,739)	(1,717,739)	(1,717,739)
Interest on long-term debt	373,017	-	-	-	-	(373,017)	(373,017)	(373,017)
Total governmental activities	12,607,645	(591,519)	2,873,724	2,439,931	2,468,263	(4,234,208)	(4,234,208)	(4,234,208)
<b>Business-type activities:</b>								
Sewer	3,839,767	354,249	2,658,452	-	4,290,064	-	2,754,500	2,754,500
Beach Parking	671,658	237,270	880,671	149,960	-	-	121,703	121,703
Total business-type activities	4,511,425	591,519	3,539,123	149,960	4,290,064	-	2,876,203	2,876,203
<b>Total primary government</b>	<b>\$ 17,119,070</b>	<b>\$ -</b>	<b>\$ 6,412,847</b>	<b>\$ 2,589,891</b>	<b>\$ 6,758,327</b>	<b>(4,234,208)</b>	<b>2,676,203</b>	<b>(1,358,005)</b>

<b>Component unit:</b>								
Community Housing & Resources, Inc.	\$ 682,605	\$ -	\$ 272,895	\$ 256,774	\$ 75,000			\$ (77,936)

<b>General revenues:</b>								
Property taxes, levied for general purpose	\$ 6,101,279	\$ -	\$ -	\$ -	\$ -	\$ 6,101,279	\$ -	\$ -
Property taxes, levied for debt service	367,188		1,344,129			1,711,317		
Gas taxes	1,355,397		-			1,355,397		
Franchise taxes	478,854		-			478,854		
Communications taxes	412,137		-			412,137		
Casualty Insurance Premium Tax	43,516		-			43,516		
Intergovernmental revenues, not restricted to specific programs	1,354,821		-			1,354,821		
Investment earnings	162,279		341,051			503,330		5,751
Miscellaneous	183,524		10,694			194,218		4,177
Total general revenues and transfers	10,458,995		1,695,874			12,154,869		9,928
Change in net assets	6,224,787		4,572,077			10,796,864		(68,008)
Net assets - beginning	30,981,952		21,413,608			52,395,560		1,872,137
Net assets - ending	\$ 37,206,739		\$ 25,985,685			\$ 63,192,424		\$ 1,804,129

See Accompanying Notes.

CITY OF SANIBEL, FLORIDA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
September 30, 2003

	2002 \$3.825M			Total Governmental Funds
	General	General Obligation Debt Service	Other Governmental Funds	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 4,314,212	\$ 236,333	\$ 4,202,327	\$ 8,752,872
Investments	1,331,661	-	-	1,331,661
Accounts receivable	115,950	-	128,565	244,515
Notes receivable	-	-	2,474,204	2,474,204
Due from other funds	2,257,936	-	-	2,257,936
Due from other governments	500,385	-	282,497	782,882
Inventories	2,777	-	-	2,777
Prepaid items	12,328	-	-	12,328
Total assets	<u>8,535,249</u>	<u>236,333</u>	<u>7,087,593</u>	<u>15,859,175</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Account payable	156,871	-	282,261	439,132
Retainage payable	-	-	47,833	47,833
Due to other funds	-	-	173,240	173,240
Due to other governments	-	-	110	110
Accrued liabilities	331,537	-	5,027	336,564
Deferred revenue	-	-	630,514	630,514
Total liabilities	<u>488,408</u>	<u>-</u>	<u>1,138,985</u>	<u>1,627,393</u>
Fund balances:				
Reserved for:				
Inventories	2,777	-	-	2,777
Notes receivable	-	-	2,474,204	2,474,204
Prepays	12,328	-	-	12,328
Debt service	-	236,333	254,255	490,588
Unreserved, reported in:				
General fund	8,031,736	-	-	8,031,736
Special revenue funds	-	-	569,706	569,706
Capital project funds	-	-	2,650,443	2,650,443
Total fund balances	<u>8,046,841</u>	<u>236,333</u>	<u>5,948,608</u>	<u>14,231,782</u>
Total liabilities and fund balances	<u>\$ 8,535,249</u>	<u>\$ 236,333</u>	<u>\$ 7,087,593</u>	<u>\$ 15,859,175</u>

See Accompanying Notes.

CITY OF SANIBEL, FLORIDA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
September 30, 2003

Fund balance totals: \$ 14,231,782

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. \$ 31,420,527

Unamortized bond issue costs and underwriter's discounts are not current financial resources and, therefore, are not reported in the funds. 206,381

Net pension asset resulting from overfunding of the general and police pension plans is not reported in the funds. 173,897

Debt interest payable that will not be liquidated with current financial resources, is not reported in the funds. (118,328)

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	\$ (8,109,770)	
Capital leases payable	(252,842)	
Compensated absences	(344,908)	<u>(8,707,520)</u>

Net assets of governmental activities \$ 37,206,739

CITY OF SANIBEL, FLORIDA  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For the Fiscal Year Ended September 30, 2003

	2002 \$3.825M			Total Governmental Funds
	General	General Obligation Debt Service	Other Governmental Funds	
<b>REVENUES</b>				
Taxes				
Property	\$ 6,101,279	\$ 367,188	\$ -	\$ 6,468,467
Gas	1,355,397	-	-	1,355,397
Casualty insurance premium	43,516	-	-	43,516
Franchise	-	-	478,854	478,854
Communications services	412,137	-	-	412,137
Licenses and permits	863,701	-	247,386	1,111,087
Intergovernmental revenues	3,678,681	2,122,800	319,526	6,121,007
Charges for services	1,273,804	-	321,757	1,595,561
Fines and forfeitures	128,895	-	3,189	132,084
Other revenue	190,138	2,085	330,580	522,803
Total revenues	<u>14,047,548</u>	<u>2,492,073</u>	<u>1,701,292</u>	<u>18,240,913</u>
<b>EXPENDITURES</b>				
Current				
General government	2,698,274	-	-	2,698,274
Public safety	2,974,639	-	-	2,974,639
Physical Environment	271,995	-	-	271,995
Transportation	1,664,664	-	-	1,664,664
Economic environment	-	-	285,701	285,701
Human services	-	-	1,083	1,083
Culture/Recreation	3,461,023	-	294,849	3,755,872
Debt service				
Principal retirement	-	3,875,000	316,981	4,191,981
Interest and fiscal charges	-	223,986	217,952	441,938
Bond issuance costs	-	172,092	-	172,092
Capital outlay	-	-	2,696,909	2,696,909
Total expenditures	<u>11,070,595</u>	<u>4,271,078</u>	<u>3,813,475</u>	<u>19,155,148</u>
Excess revenues over (under) expenditures	<u>2,976,953</u>	<u>(1,779,005)</u>	<u>(2,112,183)</u>	<u>(914,235)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfer in	-	-	3,109,100	3,109,100
Operating transfers out	(2,142,100)	-	(967,000)	(3,109,100)
Capital leases	252,842	-	-	252,842
Bonds issued	-	3,825,000	-	3,825,000
Discount on bonds issued	-	(38,862)	-	(38,862)
Total other financing sources (uses)	<u>(1,889,258)</u>	<u>3,786,138</u>	<u>2,142,100</u>	<u>4,038,980</u>
Net change in fund balances	1,087,695	2,007,133	29,917	3,124,745
Fund balances, October 1, 2002	6,959,146	(1,770,800)	5,918,691	11,107,037
Fund balances, September 30, 2003	<u>\$ 8,046,841</u>	<u>\$ 236,333</u>	<u>\$ 5,948,608</u>	<u>\$ 14,231,782</u>

See Accompanying Notes.

CITY OF SANIBEL, FLORIDA  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
 For the Fiscal Year Ended September 30, 2003

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

Net change in Fund balances - total governmental funds \$ 3,124,745

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 exceeded depreciation in the current period.

Capital Outlay	\$ 2,696,909	
Depreciation	<u>(730,157)</u>	1,966,752

A capital asset acquired this year was financed with a capital lease. The amount financed by the lease is reported in the governmental funds as a source of financing. On the other hand, the capital lease is not revenue in the statement of activities, but rather constitutes a long-term liability in the statement of net assets. (252,843)

The issuance of long-term debt (e.g. bonds, notes, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Neither transaction, however, has any effect on net assets.

Principal debt payments	\$ 4,191,981	
Bond proceeds	<u>(3,825,000)</u>	366,981

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. This is the amount by which bond issuance expenditures exceed amortization expense. 206,381

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 reduction in the accrual of compensated absences at 9/30/03 from 9/30/02. 147,756

Indirect expense allocation reported in the statement of activities does not require the use of additional financial resources and is therefore not charged nor reported as expenditures in the governmental funds. 591,519

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 reduction in interest reported in the statement of activities is the result of accruing less interest at 9/30/03 than at 9/30/02. 73,496

Change in net assets of governmental activities \$ 6,224,787

See Accompanying Notes.

CITY OF SANIBEL, FLORIDA  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
GENERAL FUND

For the Fiscal Year Ended September 30, 2003

	Budgets		Actual	Variance with Final Budget Positive
	Original	Final		(Negative)
<b>Revenues</b>				
<b>Taxes</b>				
Property taxes	\$ 6,306,835	\$ 6,306,836	\$ 6,101,279	\$ (205,557)
Gas taxes	1,310,000	1,310,000	1,355,397	45,397
Casualty insurance premium tax	36,000	36,000	43,516	7,516
Communications services tax	300,000	300,000	412,137	112,137
Licenses and permits	1,489,338	889,338	863,701	(25,637)
Intergovernmental revenues	3,124,950	2,996,950	3,678,681	681,731
Charges for services	957,332	957,332	1,273,804	316,472
Fines and forfeitures	115,000	115,000	128,895	13,895
Miscellaneous	247,000	247,000	190,138	(56,862)
<b>Total revenues</b>	<u>13,886,455</u>	<u>13,158,456</u>	<u>14,047,548</u>	<u>889,092</u>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Legislative	302,534	232,915	245,185	(12,270)
Administrative	524,832	474,443	460,019	14,424
Management information systems	312,159	314,833	290,486	24,347
Finance	462,802	476,610	456,567	20,043
Legal	331,703	350,373	300,884	49,489
Planning	1,083,316	821,793	671,421	150,372
Insurance	270,940	270,940	273,712	(2,772)
<b>General government</b>	<u>3,288,286</u>	<u>2,941,907</u>	<u>2,698,274</u>	<u>243,633</u>
<b>Public safety</b>				
Police	2,475,675	2,572,146	2,503,871	(31,725)
Weigh Station	16,079	16,079	49,111	(33,032)
SEMP	18,520	18,520	21,398	(2,878)
Building	376,552	344,070	300,259	43,811
<b>Public safety</b>	<u>2,886,825</u>	<u>2,950,815</u>	<u>2,974,639</u>	<u>(23,824)</u>
<b>Physical Environment</b>				
Garbage recycling	18,400	75,850	87,701	(11,851)
Natural resources management	183,334	199,757	184,294	15,463
Physical Environment	201,734	275,607	271,995	3,612
<b>Transportation-Public works</b>	<u>1,441,945</u>	<u>1,480,930</u>	<u>1,664,664</u>	<u>(183,734)</u>
<b>Culture/Recreation</b>				
Library	2,000,000	2,000,000	2,160,671	(160,671)
<b>Parks &amp; Recreation</b>				
Recreation complex	679,283	801,394	729,723	71,671
Public facilities	506,114	479,428	459,161	20,267
Seniors program	85,268	99,124	96,171	2,953
Performing arts facility	24,600	24,600	15,297	9,303
<b>Culture/Recreation</b>	<u>3,295,265</u>	<u>3,404,546</u>	<u>3,461,023</u>	<u>(56,477)</u>
<b>Total expenditures</b>	<u>11,114,056</u>	<u>11,053,805</u>	<u>11,070,595</u>	<u>(16,790)</u>
<b>Excess revenues over expenditures</b>	<u>2,772,399</u>	<u>2,104,651</u>	<u>2,976,953</u>	<u>905,882</u>
<b>Other financing sources (uses)</b>				
Reserve for contingencies	(484,875)	(135,276)	-	135,276
Operating transfers out	(2,460,447)	(2,142,100)	(2,142,100)	-
Capital leases	-	-	252,842	(252,842)
Reserve for undercollection	(394,111)	(394,111)	-	394,111
<b>Total other financing sources (uses)</b>	<u>(3,339,233)</u>	<u>(2,671,487)</u>	<u>(1,889,258)</u>	<u>276,545</u>
<b>Net change in fund balances</b>	<u>(566,834)</u>	<u>(566,836)</u>	<u>1,087,695</u>	<u>1,654,531</u>
Fund balances, October 1, 2002	3,896,389	3,896,389	6,959,146	3,062,757
Fund balances, September 30, 2003	<u>\$ 3,329,555</u>	<u>\$ 3,329,553</u>	<u>\$ 8,046,841</u>	<u>\$ 4,717,288</u>

See Accompanying Notes.



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CITY OF SANIBEL, FLORIDA  
STATEMENT OF NET ASSETS  
ENTERPRISE FUNDS  
September 30, 2003

	Enterprise Funds		
	Sanibel Sewer System	Beach Parking	Total
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	\$ -	\$ 559,886	\$ 559,886
Receivables	205,782	-	205,782
Due from other governments	14,525	150,140	164,665
Total current assets	220,307	710,026	930,333
<b>Noncurrent assets</b>			
Restricted assets:			
Cash and cash equivalents	7,793,017	-	7,793,017
Investments	84,788	-	84,788
Receivables	12,625,000	-	12,625,000
Total restricted assets	20,502,805	-	20,502,805
Unamortized bond issue costs	177,825	-	177,825
Capital assets			
Land	975,209	372,642	1,347,851
Buildings	273,216	124,984	398,200
Improvements other than buildings	-	486,776	486,776
Vehicles and equipment	1,641,135	365,218	2,006,353
Infrastructure/System	28,872,543	-	28,872,543
Construction in progress	23,899,636	-	23,899,636
Less accumulated depreciation	(5,233,235)	(482,136)	(5,715,371)
Total capital assets, net	50,428,504	867,484	51,295,988
Total noncurrent assets	71,109,134	867,484	71,976,618
Total assets	\$ 71,329,441	\$ 1,577,510	\$ 72,906,951

See Accompanying Notes.

CITY OF SANIBEL, FLORIDA  
STATEMENT OF NET ASSETS  
ENTERPRISE FUNDS  
September 30, 2003

	Enterprise Funds		
	Sanibel Sewer System	Beach Parking	Total
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Account payable and other current liabilities	\$ 534,317	\$ 89,281	\$ 623,598
Accrued payroll	32,990	8,556	41,546
Due to other funds	2,084,696	-	2,084,696
Total current liabilities	<u>2,652,003</u>	<u>97,837</u>	<u>2,749,840</u>
<b>Current liabilities payable from restricted assets</b>			
Contracts payable	148,480	-	148,480
Accrued interest payable	368,758	-	368,758
Debt:			
Revenue bonds	250,000	-	250,000
Notes	1,372,427	-	1,372,427
Total debt	<u>1,622,427</u>	<u>-</u>	<u>1,622,427</u>
Total current liabilities payable from restricted assets	2,139,665	-	2,139,665
<b>Noncurrent liabilities</b>			
Compensated absences	32,319	11,869	44,188
Debt:			
Revenue bonds	4,993,332	-	4,993,332
Notes	36,994,241	-	36,994,241
Total debt	<u>41,987,573</u>	<u>-</u>	<u>41,987,573</u>
Total noncurrent liabilities	<u>42,019,892</u>	<u>11,869</u>	<u>42,031,761</u>
Total liabilities	<u>46,811,560</u>	<u>109,706</u>	<u>46,921,266</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	6,441,834	867,484	7,309,318
Restricted for:			
Debt service	19,818,349	-	19,818,349
Renewal and replacement	132,705	-	132,705
Construction	466,963	-	466,963
Unrestricted	(2,341,970)	600,320	(1,741,650)
Total net assets	<u>\$ 24,517,881</u>	<u>\$ 1,467,804</u>	<u>\$ 25,985,685</u>

See Accompanying Notes.

CITY OF SANIBEL, FLORIDA  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
ENTERPRISE FUNDS  
For the Fiscal Year Ended September 30, 2003

	Sanibel Sewer System	Beach Parking	Total Enterprise Funds
<b>OPERATING REVENUE</b>			
Licenses and permits	\$ -	\$ 92,872	\$ 92,872
Charges for services	2,642,335	787,799	3,430,134
Fines and forfeitures	15,889	-	15,889
Miscellaneous	228	-	228
Total operating revenue	<u>2,658,452</u>	<u>880,671</u>	<u>3,539,123</u>
<b>OPERATING EXPENSES</b>			
Personal services	767,430	323,710	1,091,140
Contractual services, materials & supplies	482,717	228,784	711,501
Utilities	272,647	25,368	298,015
Depreciation	1,276,757	56,051	1,332,808
Insurance	9,777	7,670	17,447
Administrative charges	354,249	237,270	591,519
Repairs and maintenance	365,391	30,075	395,466
Total operating expenses	<u>3,528,968</u>	<u>908,928</u>	<u>4,437,896</u>
Operating loss	<u>(870,516)</u>	<u>(28,257)</u>	<u>(898,773)</u>
<b>NON-OPERATING REVENUE (EXPENSE)</b>			
Taxes	1,344,129	-	1,344,129
Interest income	275,731	4,490	280,221
Special assessment interest income	60,830	-	60,830
Insurance proceeds on loss	2,424	-	2,424
Intergovernmental	-	149,960	149,960
Gain on sale of equipment	8,270	-	8,270
Interest expense and fiscal charges	(665,048)	-	(665,048)
Total non-operating revenue (expenses)	<u>1,026,336</u>	<u>154,450</u>	<u>1,180,786</u>
Income before contributions	155,820	126,193	282,013
<b>CAPITAL CONTRIBUTIONS</b>			
Change in net assets	<u>4,290,064</u>	<u>-</u>	<u>4,290,064</u>
Total net assets - beginning	<u>20,071,997</u>	<u>1,341,611</u>	<u>21,413,608</u>
Total net assets - ending	<u>\$ 24,517,881</u>	<u>\$ 1,467,804</u>	<u>\$ 25,985,685</u>

See Accompanying Notes.



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CITY OF SANIBEL, FLORIDA  
STATEMENT OF CASH FLOWS  
ENTERPRISE FUNDS  
For the Fiscal Year Ended September 30, 2003

	Sanibel Sewer System	Beach Parking	Total Enterprise Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from customers	\$ 2,595,298	\$ 880,671	3,475,969
Cash payments to suppliers for goods and services	(1,452,662)	(452,014)	(1,904,676)
Cash payments to employees for services	(785,047)	(324,554)	(1,109,601)
Net cash provided by operating activities	<u>357,589</u>	<u>104,103</u>	<u>461,692</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>			
Repayment of advances from other funds	<u>(1,144,935)</u>	-	<u>(1,144,935)</u>
Net cash (used in) non-capital financing activities	<u>(1,144,935)</u>	-	<u>(1,144,935)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Collection of taxes for bond debt service	1,344,129	-	1,344,129
Proceeds from capital debt	14,499,063	-	14,499,063
Capital contributions	192,785	-	192,785
Collection of special assessments	1,755,357	-	1,755,357
Acquisition/Construction of capital assets	(8,710,140)	(47,288)	(8,757,428)
Principal paid on capital debt	(1,569,671)	(24)	(1,569,695)
Interest paid on capital debt	(915,216)	-	(915,216)
Payment to refunding escrow agent	(5,656,119)	-	(5,656,119)
Premium paid for early bond redemption	(52,900)	-	(52,900)
Net cash provided by (used in) capital and related financing activities	<u>887,288</u>	<u>(47,312)</u>	<u>839,976</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from maturities of investments	63,193	-	63,193
Interest and dividends received	269,080	4,490	273,570
Net cash provided by investing activities	<u>332,273</u>	<u>4,490</u>	<u>336,763</u>
Net increase in cash and cash equivalents	432,215	61,281	493,496
Cash and equivalents - beginning	<u>7,360,802</u>	<u>498,605</u>	<u>7,859,407</u>
Cash and equivalents - ending	<u>\$ 7,793,017</u>	<u>\$ 559,886</u>	<u>\$ 8,352,903</u>

See Accompanying Notes.

CITY OF SANIBEL, FLORIDA  
STATEMENT OF CASH FLOWS  
ENTERPRISE FUNDS  
For the Fiscal Year Ended September 30, 2003

	Sanibel Sewer System	Beach Parking	Total Enterprise Funds
<b>Reconciliation of operating loss to net cash provided by operating activities</b>			
Operating loss	\$ (870,516)	\$ (28,257)	\$ (898,773)
Adjustments to reconcile operating loss to net cash provided by operating activities			
Depreciation	1,276,757	56,051	1,332,808
Net (increase) decrease in:			
Accounts receivables	(48,993)	-	(48,993)
Prepaid items	5,909	-	5,909
Net increase (decrease) in:			
Account payable	26,209	77,153	103,362
Accrued payroll and compensated absences	(17,617)	(844)	(18,461)
Deferred revenue	(14,160)	-	(14,160)
Net cash provided by operating activities	<u>\$ 357,589</u>	<u>\$ 104,103</u>	<u>\$ 461,692</u>

Supplemental disclosure of noncash investing, capital and financing activities  
Sewer assessments receivable new loans of \$4,260,850

See Accompanying Notes.

CITY OF SANIBEL, FLORIDA  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
September 30, 2003

	<u>Pension Trust Funds</u>	<u>Agency Funds</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 82,353	\$ 47,778
Investments, at market value		
Mutual funds:		
Equity	3,854,536	-
Pooled/Common/Commingled Funds:		
Fixed income	4,545,393	-
Equity	<u>2,532,866</u>	<u>-</u>
Total investments at fair value	<u>10,932,795</u>	<u>-</u>
Receivables	<u>3,888</u>	<u>-</u>
Total assets	11,019,036	47,778
<b>LIABILITIES</b>		
Refunds payable and other liabilities	9,381	-
Due to other governments	<u>-</u>	<u>47,778</u>
Total liabilities	<u>9,381</u>	<u>47,778</u>
<b>NET ASSETS</b>		
Held in trust for pension benefits	<u>\$ 11,009,655</u>	<u>\$ -</u>

See Accompanying Notes.

CITY OF SANIBEL, FLORIDA  
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS  
 For the Fiscal Year Ended September 30, 2003

	<u>Pension Trust Funds</u>
<b>ADDITIONS</b>	
Contributions	
Employer	675,471
State of Florida	43,516
Plan members	<u>91,261</u>
Total contributions	<u>810,248</u>
Investment income	
Net increase in fair value of investments	1,158,673
Interest, dividends and miscellaneous	<u>7,536</u>
Total investment earnings	1,166,209
Less investment expense	<u>(67,663)</u>
Net investment earnings	<u>1,098,546</u>
Total additions	<u>1,908,794</u>
<b>DEDUCTIONS</b>	
Benefits paid	592,692
Refunds of contributions	17,861
Administrative expenses	<u>41,921</u>
Total deductions	<u>652,474</u>
Change in net assets	1,256,320
Net assets held in trust for pension benefits	
Net assets - beginning	<u>9,753,335</u>
Net assets - ending	<u>\$ 11,009,655</u>

See Accompanying Notes.



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CITY OF SANIBEL, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2003

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Note 1. Summary of Significant Accounting Policies

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 the following services: general administrative, public safety, physical environment, wastewater utility services, transportation, human services, below market rate housing, culture/recreation and capital improvements.

The Basic Financial Statements of the City have been prepared in conformity with U.S. Generally Accepted Accounting Principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB), as the successor to the National Council on Governmental Accounting (NCGA), is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant City accounting policies are described below.

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

(a) Defining the Governmental Reporting Entity

In determining the agencies, Boards or Authorities to be included in the Comprehensive Annual Financial Report, the City has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB Statement No. 14, *The Financial Reporting Entity*.

A component unit is a legally separate organization for which the elected officials of the primary government are financially accountable. Under criteria established by GASB 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. Based on the following criteria, the City, as the primary government, includes Community Housing and Resources, Inc. (CHR) as a component unit using the discrete method of presentation. Although the board of CHR is not selected by the City Council and 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 and CHR is such that excluding CHR from the City's financial statements would be misleading and incomplete.

Complete financial statements for CHR 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 implemented a new financial reporting model, as required by the provisions of Government Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*, GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statement*, as of October 1, 2002.

CITY OF SANIBEL, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2003

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Note 1. Summary of Significant Accounting Policies, Continued

(b) Government-wide and fund financial statements, continued

These Statements mandated changes in the financial statement format and set forth reporting changes. One such change is to capitalize infrastructure. This capitalization is required prospectively and retrospectively for fiscal year ended after June 30, 1980. Although GASB No. 34 provides additional time to capture and value the retrospective infrastructure, the City has chosen to report it in fiscal year 2003.

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. 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 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. 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.

(c) Measurement focus and 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 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.

*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. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter 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 current fiscal period. 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.

CITY OF SANIBEL, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2003

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Note 1. Summary of Significant Accounting Policies, Continued

(c) Measurement focus and basis of accounting and financial statement presentation, continued

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented on the page following each statement, which briefly explains the adjustments necessary to transform the fund based financial statements into the governmental activities of the government-wide presentation.

Property taxes, franchise taxes, 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. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major Governmental Funds

The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The 2002 \$3.825 million General Obligation Debt Service Fund accounts for the resources accumulated and payments made for principal and interest for this long-term general obligation debt of a governmental fund.

The City reports the following major Proprietary Funds

The Sanibel Sewer System Fund accounts for the activity of providing customers with wastewater disposal services. The Sewer System operates sewage treatment plants, sewage pumping stations, the collection system and a wastewater reuse system.

Additionally, the City reports the following fund type:

The Pension Trust Fund accounts for the activities of the General Employees' and Municipal Police Officers' retirement plans which accumulate resources for pension benefit payments to qualified employees.

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 follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

CITY OF SANIBEL, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2003

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Note 1. Summary of Significant Accounting Policies, Continued

(c) Measurement focus and basis of accounting and financial statement presentation, continued

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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 enterprise fund and of the Beach Parking Fund 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) Assets, liabilities, and net assets or equity

1) Deposits and investments

Cash and cash equivalents consists of cash on hand, cash on deposit with financial institutions, and funds on deposit in the Local Government Surplus Funds Trust Fund Investment Pool administered by the Florida State Board of Administration. The City maintains pooled cash for substantially all City funds except for restricted cash and investments held with trustees. Equity in pooled cash is an accounting and investment tool employed by the City by which the City is able to invest large amounts of idle cash for short periods of time thereby maximizing earning potential. The pooled cash is included with cash and cash equivalents. Interest income is allocated based upon the proportionate balance of each fund's equity in pooled cash and investments. For the purposes of the statement of cash flows, the City considers highly liquid investments with maturities of three months or less when purchased to be cash equivalents.

The City has implemented GASB Statement No. 31 which calls for investment reporting at fair value at Balance Sheet date. Since the difference between fair value and cost is minimal at Balance Sheet date, investments are stated at cost, or amortized cost, which approximates fair value. Investments held by the City's Pension Trust Funds are carried at fair value.

CITY OF SANIBEL, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2003

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Note 1. Summary of Significant Accounting Policies, Continued

(d) Assets, liabilities, and net assets or equity, continued

2) 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."

3) Inventories and prepaid items

Inventories consisting primarily of materials and supplies held for consumption are stated at cost. For its governmental fund type inventories, the City utilizes the consumption method of accounting, which provides that expenditures are recognized when inventory is used.

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.

4) Restricted assets

Certain proceeds of enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

5) Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, bike paths, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$750.00 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 costs of normal maintenance

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

CITY OF SANIBEL, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2003

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Note 1. Summary of Significant Accounting Policies, Continued .

(d) Assets, liabilities, and net assets or equity, continued

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.

6) 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. For Governmental Funds, the amounts normally liquidated with expendable available financial resources are accrued in the individual funds and the remaining portion (the amount estimated to be used in subsequent fiscal years) is maintained separately and represents a reconciling item between the fund and government-wide presentation.

7) Long-term obligations

In the government-wide financial statements and proprietary fund type in the fund 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 the effective interest 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.

CITY OF SANIBEL, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2003

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Note 1. Summary of Significant Accounting Policies, Continued.

(d) Assets, liabilities, and net assets or equity, continued

- 8) 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.
- 9) 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 Enterprise Funds when charged.
- 10) 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.
- 11) Deferred revenue  
Deferred revenue recorded in the Other Governmental Fund relates to occupational licenses and impact fees, which are not earned until the subsequent fiscal year.
- 12) 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 funds that received these services were charged \$1,187,860 and the enterprise funds that received these services were charged \$591,519 fiscal year 2003. Administrative expenses not directly charged to a fund are allocated as Indirect Expenses on the Statement of Activities.
- 13) Fund equity and deficit fund equity  
In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

CITY OF SANIBEL, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2003

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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:

<u>FUND TYPE and NAME</u>	<u>REASON</u>
Special Revenue Fund	
Father Madden Estate	No expenditures were planned for the year
Capital Project Funds	
Pond Apple Park	No expenditures were planned for the year
Gulf Pines/Gulf Shores/West Gulf Drive Beach Restoration	No expenditures were planned for the year
Beach Road Paving Special Assessment	No expenditures were planned for the year

Annual appropriated budgets are adopted for the general fund, special revenue funds, debt service funds, certain 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.

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. Project-length 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, 2003, various supplemental appropriations were approved by City Council in accordance with this policy.

CITY OF SANIBEL, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2003

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Note 2. Stewardship, compliance and accountability, Continued

(b) Excess of expenditures over appropriations

For the year ended September 30, 2003, expenditures exceeded appropriations in the following funds, the legal level of budgetary control:

**Governmental activities:**

Below Market Rate Housing Fund	\$ (73,723)
3 <sup>rd</sup> Series 1997 Notes A & B	(337)
Environmentally Sensitive Land Restoration	(79,289)

These over-budget expenditures were funded by available fund balance and/or revenues exceeding amounts budgeted.

(c) Deficit Fund Balances or Net Assets of Individual Funds

The following individual fund had deficit fund balance as of September 30, 2003:

**Governmental activities:**

Brazilian Pepper Control Fund	\$ (130)
-------------------------------	----------

The Brazilian Pepper Control capital project fund had a deficit fund balance of \$130 as of September 30, 2003. This deficit is the result of insufficient billing of grant expenditures. Management is of the opinion that this deficit will be billed and collected in the subsequent fiscal year.

(d) 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 billing and collection of all property taxes is done for the City by the Lee County Tax Collector.

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 not later than June 1st of each year.

Procedures for collecting delinquent taxes, including applicable tax certificate sales, tax deed sales and tangible personal property seizure and sales, are provided for by the laws of Florida. 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:

CITY OF SANIBEL, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2003

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Note 2. Stewardship, compliance and accountability, Continued

(d) Property taxes, continued

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 general operating, sewer and pond apple park voted debt service tax rates for the year ended September 30, 2003 were 1.7291, 0.3838 and 0.1063, respectively, per \$1,000 of assessed property valuation.

Note 3. Detailed notes on all funds

(a) Deposits and investments

The City maintains a cash and investment pool that is available for use by all funds except for those in which the cash must be segregated due to bond indenture or other legal restrictions such as in the pension trust funds.

*Deposits*

Deposits with qualified public depositories whose values exceed the limits of federal depository insurance are entirely insured or collateralized pursuant to Florida Statutes, Chapter 280, Florida Security for Public Deposits Act (the Act). Under this Act, financial institutions which are qualified public depositories place with the State Treasurer securities which have a market value equal to or in excess of the average daily balance times the depository collateral-pledging level required pursuant to Chapter 280 as computed and reported monthly or 25% of the average monthly balance, whichever is greater. The Public Deposit Security Trust Funds have a procedure to allocate and recover losses in the event of default or insolvency. When public deposits are made in accordance with Chapter 280, no public depositor shall be liable for any loss thereof. All City depositories at year-end were designated as qualified public depositories. The bank balance of deposits insured by the Federal Depository Insurance Corporation or pursuant to Chapter 280 of the Florida Statutes was \$221,643 as of September 30, 2003.

*Investments*

Florida Statutes 218.415 and the City's Investment Policy Resolution # 96-85 authorize investments in the Florida Local Government Surplus Funds Trust Fund (SBA), 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, collateralized mortgage obligations when the purpose of the purchase is to hold such investment to maturity, regulated bond mutual funds and investment grade obligations of state and local governments and public authorities. Additionally, the Pension Trust Funds are authorized to invest in corporate bonds and equity securities.

CITY OF SANIBEL, FLORIDA  
 NOTES TO THE FINANCIAL STATEMENTS  
 September 30, 2003

Note 3. Detailed notes on all funds, Continued

(b) Deposits and investments, continued

In accordance with GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements*, the City's investments are categorized as follows to give an indication of the level of custodial credit risk assumed by the City:

Category 1 Includes investments that are insured or registered, or securities held by the City or its agents in the City's name, or held by the City's agents in a Depository Trust Company custodial account.

Category 2 Includes uninsured and unregistered investments held by a counterparty's trust department or agent in the City's name.

Category 3 Includes uninsured and unregistered investments for which securities are held by a counterparty, its trust department or agent, but not in the City's name.

Investments in the Local Government Surplus Funds Investment Pool Trust Fund (SBA) are not categorized as they are not evidenced by securities that exist in physical or book entry form.

The City invests fund throughout the year with the Local Government Surplus Funds Investment Pool Trust Fund (SBA), which is administered by the State Board of Administration, under the regulatory oversight of the State of Florida. The SBA pool's investments are recorded at amortized cost, consistent with GASB Statement No. 31. The value of the City's position in the pool, an external "2a-7" like investment pool, is the same as the value of the pool shares.

There were no losses during the period due to default by counterparties to investment transactions, and the City had no other types of investments during the year other than those described above.

Type	Category 1	Fair Value
<b>GENERAL INVESTMENTS</b>		
US Government Agency Securities	\$1,416,449	\$ 1,416,449
<b>INVESTMENTS NOT SUBJECT TO CATEGORIZATION</b>		
Pension Investment Pool		10,932,795
Local Government Surplus Funds Trust Fund Investment Pool (SBA)		16,831,602
Total Investments		<u>\$29,180,846</u>
Plus Deposits:		
Checking Accounts		221,643
Checking Account: Pension trust funds		83,223
Total Deposits		<u>\$ 304,866</u>
TOTAL Deposits and Investments		<u>\$29,485,712</u>
Plus: Cash on Hand		99,438
TOTAL Cash, Deposits and Investments		<u>\$29,585,150</u>

CITY OF SANIBEL, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2003

Note 3. Detailed notes on all funds, Continued

(a) Deposits and investments, continued

The following schedule reconciles the deposit and investment information above to the City's-wide State of Net Assets and Statement of Fiduciary Net Assets:

	Current		Restricted		TOTAL Cash & Investments
	Cash & Equivalents	Investments	Cash & Equivalents	Investments	
<b>GOVERNMENTAL ACTIVITIES</b>					
General	\$ 4,314,212	\$ 1,331,661	\$ -	\$ -	\$ 5,645,873
2002 \$3.825 M GO Debt	236,333	-	-	-	236,333
Other Governmental	<u>4,202,327</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,202,327</u>
Total Governmental	<u>8,752,872</u>	<u>1,331,661</u>	<u>-</u>	<u>-</u>	<u>10,084,533</u>
<b>BUSINESS-TYPE ACTIVITIES</b>					
Sewer System	-	-	7,793,017	84,788	7,877,805
Beach Parking	<u>559,886</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>559,886</u>
Total Business-type	<u>559,886</u>	<u>-</u>	<u>7,793,017</u>	<u>84,788</u>	<u>8,437,691</u>
<b>FIDUCIARY FUNDS</b>					
General Pension	-	-	20,908	6,438,012	6,458,920
Police Pension	-	-	61,445	4,494,783	4,556,228
Agency Funds	<u>-</u>	<u>-</u>	<u>47,778</u>	<u>-</u>	<u>47,778</u>
Total Fiduciary	<u>-</u>	<u>-</u>	<u>130,131</u>	<u>10,932,795</u>	<u>11,062,926</u>
TOTAL	<u>\$ 9,312,758</u>	<u>\$ 1,331,661</u>	<u>\$ 7,923,148</u>	<u>\$ 11,017,583</u>	<u>\$ 29,585,150</u>

(b) Restricted Cash and Investments

Restricted cash and investments of the proprietary funds represent resources to be restricted for capital improvements, debt service and renewal and replacement.

	Sanibel Sewer System
Restricted for Debt Service	<u>\$ 4,663,801</u>
Restricted for Renewal and Replacement	132,705
Restricted for Bond and Loan Reserves	1,782,820
Restricted for Rate Stabilization	80,000
Restricted for Capital Projects	<u>1,218,479</u>
Total restricted assets	<u>\$ 7,877,805</u>

CITY OF SANIBEL, FLORIDA  
 NOTES TO THE FINANCIAL STATEMENTS  
 September 30, 2003

Note 3. Detailed notes on all funds, Continued

(c) Accounts and special assessments receivable

GOVERNMENTAL FUNDS	General	Other Governmental Funds	Total
Unrestricted			
Notes	\$ -	\$ 2,474,204	\$ 2,474,204
Accounts receivable	115,954	128,565	244,519
Due from other funds	2,257,936	-	2,257,836
Due from other governments	<u>500,385</u>	<u>282,497</u>	<u>782,882</u>
Total unrestricted receivables	<u>\$ 2,874,275</u>	<u>\$ 2,885,266</u>	<u>\$ 5,759,441</u>
	Sanibel Sewer System	Beach Parking Fund	Total
<b>BUSINESS-TYPE ACTIVITIES</b>			
Unrestricted			
Accounts receivable	\$ 205,782	\$ -	\$ 205,782
Due from other governments	<u>14,525</u>	<u>150,140</u>	<u>164,665</u>
Total unrestricted	220,307	150,140	370,447
Restricted			
Assessments receivable	<u>12,625,000</u>	<u>-</u>	<u>12,625,000</u>
Total net receivables	<u>\$12,845,307</u>	<u>\$ 150,140</u>	<u>\$12,995,447</u>

(d) Accounts payable and other accrued liabilities

	2002 \$3.825M			
Governmental Activities	General	General Obligation Debt	Other Government al Funds	Total
Accounts and contracts payable	\$ 156,871	\$ -	\$ 330,094	\$ 486,965
Due to other governments	-	-	110	110
Accrued liabilities	<u>331,537</u>	<u>-</u>	<u>5,027</u>	<u>336,564</u>
Total	<u>\$ 488,408</u>	<u>\$ -</u>	<u>\$ 335,231</u>	<u>\$ 823,639</u>
	Sanibel Sewer System	Beach Parking		Total
<b>Business-type activities</b>				
Accounts and contracts payable	\$ 682,797	\$ 88,281		\$ 771,078
Accrued liabilities	<u>401,748</u>	<u>8,556</u>		<u>410,304</u>
Total	<u>\$ 1,084,545</u>	<u>\$ 97,837</u>		<u>\$ 1,181,382</u>

CITY OF SANIBEL, FLORIDA  
 NOTES TO THE FINANCIAL STATEMENTS  
 September 30, 2003

Note 3. Detailed notes on all funds, Continued

(e) Interfund Receivables, Payables and Transfers

The composition of interfund balances as of September 30, 2003 is as follows:

Due to/from other funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Purpose for Balance</u>	<u>Amount</u>
General	Brazilian Pepper Control	Awaiting grant reimbursement	\$ 70,544
General	Environmentally Sensitive Land Restoration	Awaiting grant reimbursement	101,213
General	Beach Road Paving Special Assessment	Awaiting final assessment payment	11,383
General	Sanibel Sewer System	City's support of the sewer system primarily related to effluent disposal/reuse as required by regulatory agencies	<u>2,084,696</u>
Total			<u>\$2,257,936</u>

Interfund transfers

<u>Transfers Out</u>	<u>Transfers In</u>	
	<u>Governmental</u>	<u>Nonmajor</u>
General	\$ 2,142,100	
Nonmajor Governmental	<u>967,000</u>	
	Total	<u>\$ 3,109,100</u>

Transfers out from the General and from two Nonmajor Governmental Funds, the Franchise Tax and Occupational License Tax Fund and the Road Impact Fee Fund, are used to provide funding for Debt Service Funds for which specific or any legally non-ad valorem revenue source is pledged as well as for funding Capital Projects Funds.

(f) Intergovernmental Revenues

<u>Governmental Activities</u>	<u>General</u>	2002 \$3.825M	Non-major	<u>Total</u>
		<u>General</u>	<u>Other</u>	
		<u>Obligation Debt</u>	<u>Governmental</u>	
<b>Operating Grants &amp; Shared Revenues</b>				
Public Safety	\$ 98,621	\$ -	\$ -	\$ 98,621
Physical Environment	29,576	-	-	29,576
Culture/Recreation	-	-	1,775	1,775
Federal shared revenue	64,054	-	-	64,054
State shared revenue	644,323	-	-	644,323
Local shared revenue	4,960	-	-	4,960
<b>Capital Grant Revenue</b>				
Physical Environment	-	2,122,800	235,000	2,357,800
Other Inter-local Agreements	<u>2,837,147</u>	-	<u>82,751</u>	<u>2,919,898</u>
Total	<u>\$3,678,581</u>	<u>\$ 2,122,800</u>	<u>\$ 319,526</u>	<u>\$6,121,007</u>
				Beach
<u>Business-type activities</u>				<u>Parking</u>
<b>Operating Grants &amp; Shared Revenues</b>				
Transportation				<u>\$ 149,960</u>

CITY OF SANIBEL, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2003

Note 3. Detailed notes on all funds, Continued

(g) Capital Assets

Capital asset activity for the year ended September 30, 2003 was as follows:

<u>Governmental Activities</u>	Beginning Balance	Increases	Decreases	Ending Balances
Capital assets, not being depreciated:				
Land	\$20,557,875	\$ 264,378	\$ -	\$20,922,253
Construction in progress	<u>-</u>	<u>383,230</u>	<u>-</u>	<u>383,230</u>
Total capital assets, not being depreciated	<u>20,557,875</u>	<u>647,608</u>	<u>-</u>	<u>21,305,483</u>
Capital assets, being depreciated:				
Buildings	3,591,280	81,475	(6,241)	3,666,514
Improvements other than buildings	2,868,142	222,642	(3,798)	3,086,986
Infrastructure	8,957,148	-	-	8,957,148
Vehicles and equipment	<u>3,862,223</u>	<u>491,217</u>	<u>(524,125)</u>	<u>3,829,315</u>
Total capital assets, being depreciated	<u>19,278,793</u>	<u>795,334</u>	<u>(534,154)</u>	<u>19,539,963</u>
Less accumulated depreciation for:				
Buildings	(1,425,158)	(111,661)	-	(1,536,819)
Improvements other than buildings	(2,928,865)	(21,877)	-	(2,950,742)
Infrastructure	(2,342,733)	(317,302)	-	(2,660,035)
Vehicles and equipment	<u>(1,998,006)</u>	<u>(279,317)</u>	<u>-</u>	<u>(2,277,323)</u>
Total accumulated depreciation	<u>(8,694,762)</u>	<u>(730,157)</u>	<u>-</u>	<u>(9,424,919)</u>
Total capital assets, being depreciated, net	<u>10,584,031</u>	<u>65,177</u>	<u>(534,154)</u>	<u>10,115,044</u>
Governmental activities capital assets, net	<u>\$31,241,906</u>	<u>\$ 712,785</u>	<u>\$ (534,154)</u>	<u>\$31,420,527</u>
<u>Business-type activities</u>	Beginning Balance	Increases	Decreases	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 1,337,031	\$ 10,820	\$ -	\$ 1,347,851
Construction in progress	<u>26,525,797</u>	<u>7,662,627</u>	<u>(10,288,788)</u>	<u>23,899,636</u>
Total capital assets, not being depreciated	<u>27,862,828</u>	<u>7,673,447</u>	<u>(10,288,788)</u>	<u>25,247,487</u>
Capital assets, being depreciated:				
Buildings	396,240	1,960	-	398,200
Improvements other than buildings	486,776	-	-	486,776
Infrastructure	18,968,347	10,154,196	(250,000)	28,872,543
Vehicles and equipment	<u>1,923,755</u>	<u>99,050</u>	<u>(16,452)</u>	<u>2,006,353</u>
Total capital assets, being depreciated	<u>21,775,118</u>	<u>10,255,206</u>	<u>(266,452)</u>	<u>31,763,872</u>
Less accumulated depreciation for:				
Buildings	(141,515)	(22,988)	616	(163,837)
Improvements other than buildings	(102,467)	(24,339)	-	(126,806)
Infrastructure	(2,976,303)	(1,136,920)	(1,564)	(4,114,737)
Vehicles and equipment	<u>(1,159,028)</u>	<u>(148,561)</u>	<u>(2,302)</u>	<u>(1,309,891)</u>
Total accumulated depreciation	<u>(4,379,313)</u>	<u>(1,332,808)</u>	<u>(3,250)</u>	<u>(5,715,371)</u>
Total capital assets, being depreciated, net	<u>17,395,805</u>	<u>8,922,398</u>	<u>(269,702)</u>	<u>26,048,501</u>
Business-type activities capital assets, net	<u>\$45,258,633</u>	<u>\$16,595,845</u>	<u>(10,558,490)</u>	<u>\$51,295,988</u>

CITY OF SANIBEL, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2003

Note 3. Detailed notes on all funds, Continued

(g) Capital assets, continued

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

**Governmental activities:**

General government	\$ 78,661
Public safety	104,614
Physical environment	61,060
Transportation	400,800
Culture/recreation	<u>85,022</u>
Total depreciation expense-governmental activities	<u>\$ 730,157</u>

**Business-type activities:**

Sanibel Sewer System	\$ 1,276,757
Beach Parking	<u>56,051</u>
Total depreciation expense-business-type activities	<u>\$ 1,332,808</u>

(h) Construction Commitments

The City has active construction projects as of September 30, 2003. At year-end, the City's commitments with contractors are as follows:

<u>Governmental activities</u>	<u>Total Contract</u>	<u>Spent to Date</u>	<u>Remaining Contract</u>
Capital Project Funds			
Ball Field Relocation	\$ 558,178	\$ (383,230)	\$ 174,948
Road Improvements	<u>106,490</u>	<u>(95,099)</u>	<u>11,391</u>
Total governmental activities	<u>\$ 664,668</u>	<u>\$ (478,329)</u>	<u>\$ 186,339</u>
<u>Business-type activities</u>	<u>Total Contract</u>	<u>Spent to Date</u>	<u>Remaining Contract</u>
Utility Expansions (1)			
Sewer expansion Phase II Plant (2)	\$12,650,010	\$(12,650,011)	\$ -
Sewer expansion Phase IIC	6,166,145	(5,642,225)	523,920
Sewer expansion Phase IIIA	<u>5,139,367</u>	<u>-</u>	<u>5,139,367</u>
Total business-type activities	<u>\$23,955,522</u>	<u>\$(18,292,235)</u>	<u>\$5,663,287</u>

(1) The sewer expansion projects are financed by State Revolving Loan Funds and Special Assessments, both to be repaid through a combination of operating revenue, ad valorem taxes and by the benefited property owners.

(2) The Phase II Plant Expansion project was completed by September 30, 2003, however the project was awaiting final acceptance by regulatory agencies before it could be placed in service and is therefore reported as construction work in progress.

CITY OF SANIBEL, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2003

Note 3. Detailed notes on all funds, Continued

(i) Long-term Debt

The following is a summary of changes in the City's bonded and other indebtedness for the year ended September 30, 2003:

<u>Governmental Activities</u>	<u>General Obligation Bonds</u>	<u>Revenue Bonds</u>	<u>Notes Payable</u>	<u>Capital Leases Payable</u>	<u>Total</u>
Original amounts	\$3,825,000	\$3,190,000	\$7,126,092	\$ 252,842	\$14,393,934
Debt payable-beginning	\$ -	\$2,188,236	\$6,288,515	\$ -	\$8,476,751
Debt issued	3,825,000	-	-	252,842	4,077,842
Debt retired	<u>(50,000)</u>	<u>(75,971)</u>	<u>(4,066,010)</u>	-	<u>(4,191,981)</u>
Debt payable-ending	3,775,000	2,112,265	2,222,505	252,842	8,362,612
Less amounts recorded as current liabilities	<u>(80,000)</u>	<u>(81,840)</u>	<u>(248,713)</u>	<u>(54,043)</u>	<u>(464,596)</u>
Long-term debt-ending	<u>\$3,695,000</u>	<u>\$2,030,425</u>	<u>\$1,973,792</u>	<u>\$ 198,799</u>	<u>\$7,898,016</u>

<u>Business-type activities</u>	<u>Revenue Bonds</u>	<u>Notes Payable</u>	<u>Total</u>
Original amounts	\$5,620,000	\$43,903,720	\$49,523,720
Debt payable-beginning	5,465,000	31,003,837	36,468,837
Debt issued	5,620,000	8,901,858	14,521,858
Debt retired	<u>(5,465,000)</u>	<u>(1,539,027)</u>	<u>(7,004,027)</u>
Debt payable-ending	5,620,000	38,366,668	43,986,668
Less deferred amounts for:			
Issuance discounts	(22,795)	-	(22,795)
Loss on refunding	<u>(353,873)</u>	-	<u>(353,873)</u>
	5,243,332	38,366,668	43,610,000
Less amounts recorded as current liabilities	<u>(250,000)</u>	<u>(1,372,427)</u>	<u>(1,622,427)</u>
Long-term debt-ending	<u>\$4,993,332</u>	<u>\$36,994,241</u>	<u>\$41,897,573</u>

CITY OF SANIBEL, FLORIDA  
 NOTES TO THE FINANCIAL STATEMENTS  
 September 30, 2003

Note 3. Detailed notes on all funds; Continued

(i) Long-term Debt, continued

General Long-Term Debt

General Obligation Bonds

\$3,825,000 General Obligation Bonds, Series 2002, interest payable varying from 2.0% to 4.750% due semiannually on August 1 and February 1, principal payments due annually on August 1, collateralized with Voted Debt Service Ad Valorem Taxes, final payment due December 2031 \$3,775,000

Revenue Bonds Payable

\$3,190,000 - Revenue bonds, Series 1979, collateralized by land, franchise fees and occupational licenses, annual payments of \$187,477 including interest payable at 5%, final payment due December 17, 2020. \$2,112,265

Notes Payable

\$1,250,000 Promissory Note dated September, 1997, collateralized by any legally available non-ad valorem revenue, annual payments of \$120,260 including interest payable at 4.9794%, due September 2012. 855,578

\$1,348,997 note payable to a financial institution, collateralized by the Sanibel Causeway Surplus revenues, accrued interest payable at 3.85%; due July 2009. 855,657

\$650,000 note payable to a financial institution, collateralized by any legally available non-ad valorem revenue, monthly payments of \$5,006 including interest payable at 4.21%, due July 2014 511,270

\$2,222,505

Capital Leases Payable

\$252,842 capital lease payable to Leasing 2, Inc. for a vegetation grinder. The lease is collateralized by the related equipment that was capitalized in the amount of the lease and included as part of the capital assets of the City. The lease requires annual debt service payment of \$54,044 including principal and interest accruing at 3.07% through November 2007. \$ 252,842

Total General Long-Term Debt \$ 8,362,612

Enterprise Funds - Long-term Debt

Revenue Bonds Payable

\$5,620,000 Sanibel Sewer Utility Revenue Refunding Bonds, Series 2003, 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. \$ 5,620,000

Less: Deferred loss on refunding (353,873)

Unamortized discount (22,795)

\$ 5,243,332 -

CITY OF SANIBEL, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2003

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Note 3. Detailed notes on all funds, Continued

(i) Long-term Debt, continued

Enterprise Funds - Long-term Debt, continued

Notes Payable

Disbursements, service fees and capitalized interest on the \$13,095,842 State of Florida revolving loan #080, collateralized by special assessments, ad valorem taxes and the net revenues of the sewer system, accrued interest payable at 1.54%; due August, 2022.	14,310,226
Disbursements, service fees and capitalized interest for a \$5,886,759 State of Florida revolving loan #504P, collateralized by special assessments, ad valorem taxes and the net revenues of the sewer system, accrued interest payable at 1.59%; due February, 2020.	5,105,556
Disbursements, service fees and capitalized interest for a \$7,980,398 State of Florida revolving loan #060, collateralized by voted debt service ad valorem taxes, special assessments and net revenues of the sewer system, accrued interest payable at 1.56%; due October, 2021.	7,537,974
Disbursements, service fees and capitalized interest for a \$5,351,015 State of Florida revolving loan #090, collateralized by voted debt service ad valorem taxes, special assessments and net revenues of the sewer system, accrued interest payable at 1.54%; due December, 2022.	5,065,565
Disbursements, service fees and capitalized interest for a \$6,154,336 State of Florida revolving loan #WWG120, collateralized by voted debt service ad valorem taxes, special assessments and net revenues of the sewer system, accrued interest payable at 1.56%; due June, 2023.	6,154,336
Disbursements, service fees and capitalized interest for a \$193,011 State of Florida revolving loan #WWG511A, collateralized by voted debt service ad valorem taxes, special assessments and net revenues of the sewer system, accrued interest payable at 1.335%, due August, 2023.	<u>193,011</u>
	<u>\$ 38,366,668</u>

CITY OF SANIBEL, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2003

Note 3. Detailed notes on all funds, Continued

(i) Long-term Debt, continued

Year ending September 30,	Governmental Activities					
	General Obligation Bonds		Revenue Bonds		Notes Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2004	\$ 80,000	\$ 158,158	\$ 81,840	\$ 105,637	\$ 248,712	\$ 94,856
2005	85,000	156,558	85,932	101,545	259,866	83,902
2006	85,000	154,858	90,229	97,248	270,955	72,513
2007	85,000	152,945	94,740	92,737	282,740	60,828
2008	90,000	150,735	99,477	88,000	294,978	48,590
2009-2013	485,000	710,603	577,157	360,228	817,189	95,857
2014-2018	580,000	614,485	736,616	200,769	48,265	947
2019-2023	720,000	474,970	346,274	28,680	-	-
2024-2028	905,000	289,988	-	-	-	-
2029-2033	660,000	63,650	-	-	-	-
Total	<u>\$ 3,775,000</u>	<u>\$ 2,925,950</u>	<u>\$ 2,112,265</u>	<u>\$ 1,074,844</u>	<u>\$ 2,222,505</u>	<u>\$ 457,593</u>

Year ending September 30,	Business-type Activities			
	Revenue Bonds		Notes Payable	
	Principal	Interest	Principal	Interest
2004	\$ 250,000	\$ 167,409	\$ 1,372,427	\$ 1,894,668
2005	260,000	162,409	1,432,718	1,634,377
2006	265,000	157,209	1,495,793	1,571,301
2007	270,000	151,909	1,561,786	1,505,309
2008	270,000	146,509	1,630,838	1,436,256
2009-2013	1,455,000	632,264	9,307,709	6,027,766
2014-2018	1,690,000	399,489	11,266,927	3,783,138
2019-2023	1,160,000	90,130	10,298,470	1,106,591
Total	<u>\$ 5,620,000</u>	<u>\$ 1,907,328</u>	<u>\$ 38,366,668</u>	<u>\$ 18,759,406</u>

Capital Leases - The capital lease is recorded at the total present value of future minimum lease payments. The following schedule shows the present value of these payments at September 30, 2003. There are no capital leases extending beyond 2008.

Year Ending September 30,	Governmental Activities
2004	\$ 54,044
2005	54,044
2006	54,044
2007	54,044
2008	54,044
	<u>270,220</u>
Less imputed interest	<u>(17,378)</u>
Total present value of net minimum lease	<u>\$ 252,842</u>

CITY OF SANIBEL, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2003

Note 3. Detailed notes on all funds, Continued

(i) Long-Term Debt, continued

Changes in Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2003, was as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Due Within</u> <u>One Year</u>
<b>Governmental activities</b>					
Long-term debt	\$ 8,476,751	\$ 4,077,842	\$ (4,191,981)	\$ 8,362,612	\$ 464,596
Compensated absences	<u>492,664</u>	<u>-</u>	<u>(147,756)</u>	<u>344,908</u>	<u>251,981</u>
Total Governmental	<u>\$ 8,969,415</u>	<u>\$ 4,077,842</u>	<u>\$ (4,339,737)</u>	<u>\$ 8,707,520</u>	<u>\$ 716,577</u>
<b>Business-type activities</b>					
Long-term debt	\$ 36,468,837	\$ 14,521,858	\$ (7,380,695)	\$ 43,610,000	\$ 1,622,427
Compensated absences	<u>56,174</u>	<u>-</u>	<u>(11,986)</u>	<u>44,188</u>	<u>-</u>
Total Business-type activities	<u>\$ 36,525,011</u>	<u>\$ 14,521,858</u>	<u>\$ (7,392,681)</u>	<u>\$ 43,654,188</u>	<u>\$ 1,622,427</u>

*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.

*Current Refunding* - The City issued Sewer Utility Revenue Refunding Bonds, Series 2003 in the amount of \$5,620,000 at interest rates ranging from 2.00% to 3.90% and maturing in 2021. The Bonds are collateralized by a lien upon a pledge of the Net Operating Revenues and Impact Fees of the Sanibel Sewer System. Proceeds from the bonds, together with other available funds were used to refund all of the outstanding \$7,185,000 Sanibel Sewer Utility Revenue Refunding and Improvement Bonds, Series 1993. The City purchased U.S. Treasury Obligations that were placed in an irrevocable trust with an escrow agent to provide all future debt service requirements of the defeased debt. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the financial statements. This refunding was undertaken to reduce total debt service payments over the next 18 years by \$892,630 and resulted in an economic gain of \$664,715.

Note 4. OTHER INFORMATION

(a) 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 coverages as compared to the prior year. Settled claims have not exceeded insurance coverage in any of the past three fiscal years.

CITY OF SANIBEL, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2003

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Note 4. OTHER INFORMATION, Continued

(a) Risk Management, continued

The City retains the risk of loss up to a deductible amount (normally \$25,000) 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, 2002, can be obtained from Florida League of Cities, Inc., Public Risk Service, 135 East Colonial Drive, Orlando, Florida 32853-0065.

(b) Pension Plans

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.

General Employees' Pension Plan

Current membership is comprised of the following:

Active employees	87
Retirees and beneficiaries of deceased retirees currently receiving benefits:	23
Terminated employees entitled to benefits but not yet receiving them	<u>29</u>
Total	<u>139</u>

CITY OF SANIBEL, FLORIDA  
 NOTES TO THE FINANCIAL STATEMENTS  
 September 30, 2003

Note 4. OTHER INFORMATION, Continued

(b) Pension Plans, continued

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 the City's General Employees' Pension Plan. The Plan provides retirement and pre-retirement death 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 Compensation multiplied by the number of years of service (maximum 30 years). Average Compensation is calculated over all years of service. Cost-of-living adjustments are not provided for by this plan. This plan and any amendments were adopted by Ordinance of the City Council of the City of Sanibel. Although the plan is governed by the City, which is responsible for the management of plan assets, the City has delegated the authority to manage plan assets to General Employees Pension Board of Trustees. All costs of administering the plan are paid from plan assets.

Funding Policy

Active members are not required to contribute to this Plan. The City contributes the actuarially determined amount designated to accumulate sufficient assets to pay benefits when due. The current rate is 12.6% 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, 2002 actuarial valuation using the Aggregate Actuarial Cost method. The actuarial assumptions included (a) 7.5% investment rate of return, and (b) projected salary increases of 5.6% including an inflationary factor of 3.0%. The actuarial value of assets was determined using fair market values. The Aggregate Actuarial Cost method determines the total cost of the projected pension benefits of all employees combined. This total cost is then spread over the average future remaining years to retirement for the employees. If benefits are related to compensation, the cost is spread as a level percentage of compensation. If benefits are not related to compensation, the cost is spread as a level dollar amount each year. The Aggregate Actuarial Cost Method does not identify or separately amortize unfunded actuarial liabilities. The portion of cost which is attributed to each year is called the Normal Cost. The City's annual pension cost (APC) for the fiscal year ended September 30, 2003 was \$404,488.

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
September 30, 2003	\$404,488	100%	\$ (118,483)
September 30, 2002	383,765	100%	(120,407)
September 30, 2001	402,299	107%	(122,362)

CITY OF SANIBEL, FLORIDA  
 NOTES TO THE FINANCIAL STATEMENTS  
 September 30, 2003

Note 4. OTHER INFORMATION, Continued

(b) Pension Plans, continued

**Development of Net Pension Asset (NPA)**

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 Asset (NPA) to date is as follows:

	<u>9/30/03</u>
Actuarially Determined Contribution (A)	\$404,488
Interest on NPA	(9,031)
Adjustment to (A)	10,955
Annual Pension Cost	406,412
Contributions Made	404,488
Decrease in NPA	(1,924)
NPA-Beginning of Year	120,407
NPA-Ending of Year	<u>\$118,483</u>

Concentration of Investments

At September 30, 2003, 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:

Florida Municipal Investment Trust Fixed Income	43.66%	\$2,810,889
State Street Global Advisors Equities	56.34%	\$3,627,123

Municipal Police Officers' Pension Plan

Current membership is comprised of the following:

Active employees	19
Retirees and beneficiaries of deceased retirees currently receiving benefits:	13
Terminated employees entitled to benefits but not yet receiving them	2
Total	<u>34</u>

CITY OF SANIBEL, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2003

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Note 4. OTHER INFORMATION, Continued

(b) Pension Plans, continued

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. Cost of living adjustments are not provided for by this plan. 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.

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 City contributes the remaining actuarially determined amount designated to accumulate sufficient assets to pay benefits when due. The current rate is 18.9% 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, 2002 actuarial valuation using the frozen entry age actuarial cost method.

The actuarial assumptions included (a) 8% investment rate of return, and (b) projected salary increases of 7%, which includes 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 over a four-year period on a closed basis. The remaining period as of October 1, 2002 was 30 years. The following schedule is provided to disclose the components of the Annual Pension Cost:

Unfunded Actuarial Accrued Liability as of October 1, 2002	\$ 51,322
City and State Normal Cost applicable for fiscal year 2003	199,182
Interest on UAAL and Normal Cost	60,040
Sponsor Contributions to the Plan during the year	(314,499)
Interest on sponsor contributions	(11,710)
Unfunded Accrued Liability as of October 1, 2003	<u>\$ 484,335</u>

CITY OF SANIBEL, FLORIDA  
 NOTES TO THE FINANCIAL STATEMENTS  
 September 30, 2003

Note 4. OTHER INFORMATION, Continued

(b) Pension Plans, continued

The City's Annual Pension Cost (APC) for the fiscal year ended September 30, 2003 was \$270,983.

<u>Fiscal Year Ending</u>	<u>Actuarially Determined Contribution</u>	<u>Percentage of APC</u>		<u>Net Pension Asset (NPA)</u>
		<u>to Actuarially Determined Contribution</u>		
September 30, 2003	\$215,569	122%		\$ (55,414)
September 30, 2002	199,153	100%		---
September 30, 2001	185,087	100%		---

Concentration of Investments

At September 30, 2003, the following are investments at market value (other than U.S. Government and U.S. Government guaranteed obligations), in any one organization, that represent five percent or more of net assets available for benefits:

SunTrust Fixed Income	38.59%	\$1,734,504
SunTrust Equities	61.41%	\$2,760,279

(c) Miscellaneous Revenues

Other revenue in the Government Fund types at September 30, 2003 is as follows:

	<u>General</u>	2002 \$3.825M <u>General Obligation Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Impact Fees	\$ ---	\$ ---	\$ 177,000	\$ 177,000
Contributions & Donations	1,001	---	64,803	65,804
Rents & Royalties	14,476	---	---	14,476
Investment earnings	125,316	2,085	34,878	162,279
Sale of surplus equipment	12,490	---	---	12,490
Insurance proceeds for loss	4,157	---	---	4,157
Refund of prior year expenditures	28,140	---	53,899	82,039
Other	4,558	---	---	4,558
Total Other Revenue	\$ <u>190,138</u>	\$ <u>2,085</u>	\$ <u>330,580</u>	\$ <u>522,803</u>

(d) Restatements

Due to provisions of GASB Statement No. 34, the beginning net assets of governmental activities were restated to include the governmental long-term debt and governmental fixed assets as of September 30, 2002. Two funds previously classified as expendable trust funds were reclassified as special revenue funds under GASB Statement No. 34.

CITY OF SANIBEL, FLORIDA  
 NOTES TO THE FINANCIAL STATEMENTS  
 September 30, 2003

Note 4. OTHER INFORMATION, Continued

(d) Restatements, continued

One fund, previously classified as an enterprise fund, was reclassified as a special revenue fund because it was deemed a more appropriate classification under GASB Statement No. 34. In addition, the portion of the Bond Anticipation Note repaid from sources other than long-term borrowings should have been reported as a fund liability, not in the general long-term debt account group.

**Governmental Funds**

Fund Balances as previously reported, September 30, 2002	\$ 10,252,976
Fund level restatements	
Add Flexible Spending Account Fund (*)	-
Add Father Madden Estate Fund (*)	29,353
Add Below Market Rate Housing (BMRH) Fund (**)	2,595,508
Prior period adjustment	
Bond Anticipation Note reclassification	<u>(1,770,800)</u>
Fund balances as restated, September 30, 2002	<u>\$ 11,107,037</u>

(\*) Reclassified from Trust Funds  
 (\*\*) Reclassified from Enterprise Funds

**Enterprise Funds**

Fund Equity as previously reported, September 30, 2002	\$ 22,478,080
Fund level restatements	
Less BMRH Fund	<u>(1,064,472)</u>
Fund Equity as restated, September 30, 2002	<u>\$ 21,413,608</u>

(e) Commitments and 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.

A claim has been made by a construction contractor for an amount in excess of the contractual amount. The claim alleges construction delays and increased costs due to weight restrictions as a result of the Sanibel Causeway limited access. The claim asks for an additional payment of approximately \$1.2 million. Management of the City has retained consulting engineers to evaluate the veracity of the contractor's claim. The City's counsel has advised that at this stage, he cannot offer an opinion as to the probable outcome. Management of the City is vigorously defending its position.

CITY OF SANIBEL, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2003

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Note 4. OTHER INFORMATION, Continued

(f) Subsequent Event

In December 2003, the City accepted title to land owned by its discretely presented component unit, Community Housing and Resource, Inc. (CHR). In exchange, the City cancelled its note receivable from CHR in the amount of \$2,474,204. The City has recognized a loss of approximately \$71,000 at September 30, 2003 as a result of this exchange. This loss represents the difference between the appraised value of the land and the carrying amount of the note receivable.

REQUIRED SUPPLEMENTARY  
INFORMATION



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**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) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of covered Payroll ((b-a)/c)
10/01/03	\$ 6,458,919	\$ 6,458,919	\$ -	100.00%	\$ 3,592,100	0.00%
10/01/02	5,661,751	5,661,751	-	100.00%	3,249,973	0.00%
10/01/01	5,737,504	5,737,504	-	100.00%	3,033,837	0.00%
10/01/00	4,938,323	4,938,323	-	100.00%	2,701,065	0.00%
10/01/99	4,271,871	4,271,871	-	100.00%	2,847,122	0.00%
10/01/98	3,695,793	3,695,793	-	100.00%	2,952,226	0.00%

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

Year Ended September 30	Annual Required Contribution	City Contribution	Percentage Contributed
2003	\$ 404,488	\$ 404,488	100.00%
2002	383,765	383,765	100.00%
2001	402,299	432,392	107.48%
2000	515,521	610,001	118.33%
1999	532,508	532,508	100.00%
1998	394,870	394,870	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 Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of covered Payroll ((b-a)/c)
10/01/03	\$ 5,142,892	\$ 5,627,227	\$ 484,335	91.39%	\$ 1,150,972	42.08%
10/01/02	4,968,713	5,520,045	551,332	90.01%	976,875	56.44%
10/01/01	4,956,770	5,065,971	109,201	97.84%	1,011,619	10.79%
10/01/00	4,697,598	4,814,832	117,234	97.57%	1,039,031	11.28%
10/01/99	4,165,354	4,498,591	333,237	92.59%	1,039,115	32.07%
10/01/98	3,651,746	3,984,693	332,947	91.64%	937,551	35.51%

SCHEDULE OF CONTRIBUTIONS FROM THE EMPLOYER AND OTHER CONTRIBUTING ENTITIES

Year Ended September 30	Annual Required Contribution	City Contribution	State Contribution	Percentage Contributed
2003	\$ 250,924	\$ 270,983	\$ 35,355 (*)	122.08%
2002	234,508	199,153	35,355 (*)	100.00%
2001	215,361	185,087	30,274 (*)	100.00%
2000	222,989	192,715	30,274 (*)	100.00%
1999	218,425	188,151	30,274 (*)	100.00%
1998	174,721	144,447	30,274	100.00%

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



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COMBINING FINANCIAL STATEMENTS AND  
SCHEDULES

11/11/11

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11/11/11

11/11/11

# NON MAJOR GOVERNMENTAL FUNDS

## SPECIAL REVENUE FUNDS

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

- ◆ 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.
- ◆ Recreation Center Donations—to account for the receipt and disbursement of donations specifically designated for use by the Recreation Complex Division of the Parks and Recreation Department.
- ◆ Road Impact Fee - 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.
- ◆ Flexible Spending Account - to account for funds withheld from employees' wages on a pre-tax basis for eligible unreimbursed medical and dependent care expenses.
- ◆ Father Madden Estate - to account for funds bequeathed to the City for the humane care of stray dogs and feral cats.
- ◆ Franchise Tax and Occupational License Tax Revenue - to account for revenues received from franchise taxes, occupational licenses 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.
- ◆ Elementary School Ball Park Maintenance - to account for the operation and maintenance of the ball fields, formerly Lee County facilities, pursuant to an Interlocal Agreement with Lee County.
- ◆ 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.

## 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.
- ◆ 1979 FMHA Revenue Bond Issue - to account for payment of principal and interest of \$3,190,000 Revenue Bonds, Series 1979, bearing interest at 5%. Funding is from franchise tax and occupational license revenue.
- ◆ 3rd Series 1997 Notes A & B - to account for the payment of principal and interest on the series A of \$59,034, bearing interest of 4.76% for a term of 2 years and the series B note of \$61,025, bearing interest of 4.83% for a term of 5 years. Repayment source is from any legally available non-ad valorem revenue.
- ◆ SunTrust notes for BMRH - to account for payment of principal interest on two notes, \$1,348,997 at 3.85% and \$650,000 at 4.21% for terms of 10 and 15 years respectively. Payment is from Causeway Surplus and 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 Planning & 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, reshelling, bike paths and the professional engineering cost associated therewith.
- ◆ Periwinkle Bike Path & Road Maintenance - to account for financial resources to be used for maintenance and improvements to the road and bike path on Periwinkle Way.
- ◆ Sanibel-Captiva 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.
- ◆ Brazilian Pepper Control - to account for financial resources to be used to eradicate the exotic (non-native) and invasive plant called Brazilian pepper from the island.
- ◆ Environmentally Sensitive Land Restoration - to account for financial resources to be used to restore land acquired by the City in the environmentally sensitive land district to its natural state.
- ◆ Pond Apple Park - to account for financial resources used to acquire eight acres of land know as Pond Apple Park.
- ◆ Gulf Pines/Gulf shores/West Gulf Drive Beach Restoration - to account for financial resources from the issuance of debt as well as from voluntary contributions for the Beach Restoration Special Assessment Project.
- ◆ Beach Road Paving Special Assessment - to account for financial resources from special assessment for paving the shellrock road.
- ◆ Shell Harbor Canal Dredging - to account for financial resources for dredging the main channel and canals in the Shell Harbor subdivision.



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CITY OF SANIBEL FLORIDA  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 September 30, 2003

	Special Revenue				
	Historical Committee	Recreation Center Donations	Road Impact Fees	Community Park Impact Fees	Flexible Spending Account
<b>ASSETS</b>					
Cash and cash equivalents	\$ 248,082	\$ 49,902	\$ 150,568	\$ 321,205	\$ 1,429
Accounts receivable	-	-	-	-	-
Notes receivable	-	-	-	-	-
Due from other governments	-	-	-	-	-
Total assets	<u>\$ 248,082</u>	<u>\$ 49,902</u>	<u>\$ 150,568</u>	<u>\$ 321,205</u>	<u>\$ 1,429</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 5,089	\$ -	\$ -	\$ -	\$ -
Retainage payable	-	-	-	-	-
Due to other funds	-	-	-	-	-
Due to other governments	110	-	-	-	-
Accrued liabilities	-	-	-	-	1,429
Deferred revenue	-	-	149,138	254,366	-
Total liabilities	<u>5,199</u>	<u>-</u>	<u>149,138</u>	<u>254,366</u>	<u>1,429</u>
<b>FUND BALANCES</b>					
Reserved					
Debt service	-	-	-	-	-
Notes receivable	-	-	-	-	-
Unreserved, undesignated	<u>242,883</u>	<u>49,902</u>	<u>1,430</u>	<u>66,839</u>	<u>-</u>
Total fund balances	<u>242,883</u>	<u>49,902</u>	<u>1,430</u>	<u>66,839</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 248,082</u>	<u>\$ 49,902</u>	<u>\$ 150,568</u>	<u>\$ 321,205</u>	<u>\$ 1,429</u>

Special Revenue

Father Madden Estate	Franchise Tax and Occupational License Tax Revenue	Elementary School Ball Park Maintenance	Below Market Rate Housing	Total
\$ 28,550	\$ 266,863	\$ 11,808	\$ 65,366	\$ 1,143,773
-	17,813	-	10,852	28,665
-	-	-	2,474,204	2,474,204
-	-	47,497	-	47,497
<u>\$ 28,550</u>	<u>\$ 284,676</u>	<u>\$ 59,305</u>	<u>\$ 2,550,422</u>	<u>\$ 3,694,139</u>
\$ -	\$ -	\$ 9,549	\$ 18	\$ 14,656
-	-	-	-	-
-	-	-	-	110
-	-	3,598	-	5,027
-	226,932	-	-	630,436
-	226,932	13,147	18	650,229
-	-	-	-	-
-	-	-	2,474,204	2,474,204
28,550	57,744	46,158	76,200	569,706
<u>28,550</u>	<u>57,744</u>	<u>46,158</u>	<u>2,550,404</u>	<u>3,043,910</u>
<u>\$ 28,550</u>	<u>\$ 284,676</u>	<u>\$ 59,305</u>	<u>\$ 2,550,422</u>	<u>\$ 3,694,139</u>

CITY OF SANIBEL FLORIDA  
 COMBINING BALANCE SHEET  
 . . .NONMAJOR GOVERNMENTAL FUNDS  
 September 30, 2003

	Debt Service				
	1997 \$1.25M Paulsen Land Purchase	1979 FMHA Revenue Bond Issue	3rd Series 1997 Notes A & B	SunTrust Notes for BMRH	Total
<b>ASSETS</b>					
Cash and cash equivalents	\$ 53,752	\$ 200,503	\$ -	\$ -	\$ 254,255
Accounts receivable	-	-	-	-	-
Notes receivable	-	-	-	-	-
Due from other governments	-	-	-	-	-
<b>Total assets</b>	<b>\$ 53,752</b>	<b>\$ 200,503</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 254,255</b>
<b>LIABILITIES</b>					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Retainage payable	-	-	-	-	-
Due to other funds	-	-	-	-	-
Due to other governments	-	-	-	-	-
Accrued liabilities	-	-	-	-	-
Deferred revenue	-	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCES</b>					
Reserved					
Debt service	53,752	200,503	-	-	254,255
Notes receivable	-	-	-	-	-
Unreserved, undesignated	-	-	-	-	-
<b>Total fund balances</b>	<b>53,752</b>	<b>200,503</b>	<b>-</b>	<b>-</b>	<b>254,255</b>
<b>Total liabilities and fund balances</b>	<b>\$ 53,752</b>	<b>\$ 200,503</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 254,255</b>

Capital Projects

Capital Asset Acquisition	Transportation Capital Projects	Periwinkle Bike Path & Road Maintenance	San-Cap Road Project	Tarpon Bay Road Repaving	Brazilian Pepper Control
\$ 1,242,277	\$ 503,763	\$ 503,676	\$ 177,503	\$ 243,323	\$ -
97,607	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	85,000
<u>\$ 1,339,884</u>	<u>\$ 503,763</u>	<u>\$ 503,676</u>	<u>\$ 177,503</u>	<u>\$ 243,323</u>	<u>\$ 85,000</u>
\$ 20,020	\$ 114,731	\$ 24,205	\$ -	\$ 94,163	\$ 14,486
38,323	-	-	-	9,510	-
-	-	-	-	-	70,644
-	-	-	-	-	-
-	-	-	-	-	-
<u>58,343</u>	<u>114,731</u>	<u>24,205</u>	<u>-</u>	<u>103,673</u>	<u>85,130</u>
-	-	-	-	-	-
-	-	-	-	-	-
1,281,541	389,032	479,471	177,503	139,650	(130)
<u>1,281,541</u>	<u>389,032</u>	<u>479,471</u>	<u>177,503</u>	<u>139,650</u>	<u>(130)</u>
<u>\$ 1,339,884</u>	<u>\$ 503,763</u>	<u>\$ 503,676</u>	<u>\$ 177,503</u>	<u>\$ 243,323</u>	<u>\$ 85,000</u>

CITY OF SANIBEL FLORIDA  
 COMBINING BALANCE SHEET  
 . . . NONMAJOR GOVERNMENTAL FUNDS  
 September 30, 2003

	Capital Projects		
	Environmentally Sensitive Land Restoration	Pond Apple Park	Gulf Pines/Gulf Shores/West Gulf Drive Beach Restoration
<b>ASSETS</b>			
Cash and cash equivalents	\$ -	\$ -	\$ 63,568
Accounts receivable	-	-	-
Notes receivable	-	-	-
Due from other governments	150,000	-	-
Total assets	\$ 150,000	\$ -	\$ 63,568
<b>LIABILITIES</b>			
Accounts payable	\$ -	\$ -	\$ -
Retainage payable	-	-	-
Due to other funds	101,213	-	-
Due to other governments	-	-	-
Accrued liabilities	-	-	-
Deferred revenue	-	-	-
Total liabilities	101,213	-	-
<b>FUND BALANCES</b>			
Reserved			
Debt service	-	-	-
Notes receivable	-	-	-
Unreserved, undesignated	48,787	-	63,568
Total fund balances	48,787	-	63,568
Total liabilities and fund balances	\$ 150,000	\$ -	\$ 63,568

Capital Projects

Beach Road Paving Special Assessments	Shell Harbor Canal Dredging	Total	Total Nonmajor Governmental Funds
\$ -	\$ 70,189	\$ 2,804,299	\$ 4,202,327
2,293	-	99,900	128,565
-	-	-	2,474,204
-	-	235,000	282,497
<u>\$ 2,293</u>	<u>\$ 70,189</u>	<u>\$ 3,139,199</u>	<u>\$ 7,087,593</u>
\$ -	\$ -	\$ 267,605	\$ 282,261
-	-	47,833	47,833
1,383	-	173,240	173,240
-	-	-	110
-	-	-	5,027
78	-	78	630,514
<u>1,461</u>	<u>-</u>	<u>488,756</u>	<u>1,138,985</u>
-	-	-	254,255
-	-	-	2,474,204
832	70,189	2,650,443	3,220,149
<u>832</u>	<u>70,189</u>	<u>2,650,443</u>	<u>5,948,608</u>
<u>\$ 2,293</u>	<u>\$ 70,189</u>	<u>\$ 3,139,199</u>	<u>\$ 7,087,593</u>

CITY OF SANIBEL FLORIDA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 For the Year Ended September 30, 2003

	Special Revenue					Franchise Tax and Occupational License Tax Revenue
	Historical Committee	Recreation Center Donations	Road Impact Fees	Community Park Impact Fees	Father Madden Estate	
<b>REVENUES</b>						
Franchise taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 478,854
Occupational licenses	-	-	-	-	-	247,386
Intergovernmental	1,775	-	-	-	-	-
Charges for services	6,558	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	3,189
Impact fees	-	-	177,000	-	-	-
Investment earnings	7,937	358	1,430	1,839	280	2,491
Refund of prior year's expenditures	61	-	-	-	-	-
Donations	44,255	20,538	-	-	-	-
Total revenues	<u>60,596</u>	<u>20,896</u>	<u>178,430</u>	<u>1,839</u>	<u>280</u>	<u>731,920</u>
<b>EXPENDITURES</b>						
<b>Current</b>						
Economic environment	-	-	-	-	-	-
Human services	-	-	-	-	1,083	-
Culture/Recreation	110,264	17,651	-	-	-	-
<b>Capital Outlay</b>	-	-	-	-	-	-
<b>Debt Service</b>						
Principal retirement	-	-	-	-	-	-
Interest charges	-	-	-	-	-	-
Total expenditures	<u>110,264</u>	<u>17,651</u>	<u>-</u>	<u>-</u>	<u>1,083</u>	<u>-</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(49,668)</u>	<u>3,245</u>	<u>178,430</u>	<u>1,839</u>	<u>(803)</u>	<u>731,920</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Operating transfer in	66,923	-	-	65,000	-	-
Operating transfers out	-	-	(177,000)	-	-	(790,000)
Total other financing sources (uses)	<u>66,923</u>	<u>-</u>	<u>(177,000)</u>	<u>65,000</u>	<u>-</u>	<u>(790,000)</u>
Net change in fund balances	17,255	3,245	1,430	66,839	(803)	(58,080)
Fund balances, October 1	<u>225,628</u>	<u>46,657</u>	<u>-</u>	<u>-</u>	<u>29,353</u>	<u>115,824</u>
Fund balances, September 30	<u>\$ 242,883</u>	<u>\$ 49,902</u>	<u>\$ 1,430</u>	<u>\$ 66,839</u>	<u>\$ 28,550</u>	<u>\$ 57,744</u>

Special Revenue			Debt Service				
Elementary School Ball Park Maintenance	Below Market Rate Housing	Total	1997 \$1.25M Paulsen Land Purchase	1979 FMHA Revenue Bond Issue	3rd Series 1997 Notes A & B	SunTrust Notes for BMRH	Total
\$ -	\$ -	\$ 478,854	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	247,386	-	-	-	-	-
82,751	-	84,526	-	-	-	-	-
-	9,617	16,175	-	-	-	59,642	59,642
-	-	3,189	-	-	-	-	-
-	-	177,000	-	-	-	-	-
375	94	14,804	613	862	340	-	1,815
-	-	61	-	-	-	-	-
-	-	64,803	-	-	-	-	-
<u>83,126</u>	<u>9,711</u>	<u>1,086,798</u>	<u>613</u>	<u>862</u>	<u>340</u>	<u>59,642</u>	<u>61,457</u>
-	285,701	285,701	-	-	-	-	-
-	-	1,083	-	-	-	-	-
166,934	-	294,849	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	73,999	75,969	2,902	164,111	316,981
-	-	-	46,287	111,508	511	59,646	217,952
<u>166,934</u>	<u>285,701</u>	<u>581,633</u>	<u>120,286</u>	<u>187,477</u>	<u>3,413</u>	<u>223,757</u>	<u>534,933</u>
<u>(83,808)</u>	<u>(275,990)</u>	<u>505,165</u>	<u>(119,673)</u>	<u>(186,615)</u>	<u>(3,073)</u>	<u>(164,115)</u>	<u>(473,476)</u>
60,000	230,886	422,809	125,000	187,477	4,000	164,115	480,592
-	-	(967,000)	-	-	-	-	-
<u>60,000</u>	<u>230,886</u>	<u>(544,191)</u>	<u>125,000</u>	<u>187,477</u>	<u>4,000</u>	<u>164,115</u>	<u>480,592</u>
(23,808)	(45,104)	(39,026)	5,327	862	927	-	7,116
69,966	2,595,508	3,082,936	48,425	199,641	(927)	-	247,139
<u>\$ 46,158</u>	<u>\$ 2,550,404</u>	<u>\$ 3,043,910</u>	<u>\$ 53,752</u>	<u>\$ 200,503</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 254,255</u>

CITY OF SANIBEL FLORIDA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 For the Year Ended September 30, 2003

	Capital Projects				
	Capital Asset Acquisition	Transportation Capital Projects	Periwinkle Bike Path & Road Maintenance	San-Cap Road Project	Tarpon Bay Road Repaving
<b>REVENUES</b>					
Franchise taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Occupational licenses	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Charges for services	245,940	-	-	-	-
Fines and forfeitures	-	-	-	-	-
Impact fees	-	-	-	-	-
Investment earnings	9,794	2,878	3,661	606	648
Refund of prior year's expenditures	-	-	-	-	-
Donations	-	-	-	-	-
Total revenues	<u>255,734</u>	<u>2,878</u>	<u>3,661</u>	<u>606</u>	<u>648</u>
<b>EXPENDITURES</b>					
<b>Current</b>					
Economic environment	-	-	-	-	-
Human services	-	-	-	-	-
Culture/Recreation	-	-	-	-	-
Capital Outlay	1,070,282	619,529	165,474	209,026	110,998
<b>Debt Service</b>					
Principal retirement	-	-	-	-	-
Interest charges	-	-	-	-	-
Total expenditures	<u>1,070,282</u>	<u>619,529</u>	<u>165,474</u>	<u>209,026</u>	<u>110,998</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(814,548)</u>	<u>(616,651)</u>	<u>(161,813)</u>	<u>(208,420)</u>	<u>(110,350)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Operating transfer in	625,873	610,406	-	400,000	250,000
Operating transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>625,873</u>	<u>610,406</u>	<u>-</u>	<u>400,000</u>	<u>250,000</u>
Net change in fund balances	(188,675)	(6,245)	(161,813)	191,580	139,650
Fund balances, October 1	1,470,216	395,277	641,284	(14,077)	-
Fund balances, September 30	<u>\$ 1,281,541</u>	<u>\$ 389,032</u>	<u>\$ 479,471</u>	<u>\$ 177,503</u>	<u>\$ 139,650</u>

Capital Projects							Total Nonmajor Governmental Funds
Brazilian Pepper Control	Environmentally Sensitive Land Restoration	Pond Apple Park	Gulf Pines/ Gulf Shpres/ West Gulf Drive Beach Restoration	Beach Road Paving Special Assessments	Shell Harbor Canal Dredging	Total	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 478,854
-	-	-	-	-	-	-	247,386
85,000	150,000	-	-	-	-	235,000	319,526
-	-	-	-	-	-	245,940	321,757
-	-	-	-	-	-	-	3,189
-	-	-	-	-	-	-	177,000
47	-	-	433	3	189	18,259	34,878
-	-	53,838	-	-	-	53,838	53,899
-	-	-	-	-	-	-	64,803
<u>85,047</u>	<u>150,000</u>	<u>53,838</u>	<u>433</u>	<u>3</u>	<u>189</u>	<u>553,037</u>	<u>1,701,292</u>
-	-	-	-	-	-	-	285,701
-	-	-	-	-	-	-	1,083
-	-	-	-	-	-	-	294,849
292,311	229,289	-	-	-	-	2,696,909	2,696,909
-	-	-	-	-	-	-	316,981
-	-	-	-	-	-	-	217,952
<u>292,311</u>	<u>229,289</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,696,909</u>	<u>3,813,475</u>
<u>(207,264)</u>	<u>(79,289)</u>	<u>53,838</u>	<u>433</u>	<u>3</u>	<u>189</u>	<u>(2,143,872)</u>	<u>(2,112,183)</u>
174,420	75,000	-	-	-	70,000	2,205,699	3,109,100
-	-	-	-	-	-	-	(967,000)
<u>174,420</u>	<u>75,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>70,000</u>	<u>2,205,699</u>	<u>2,142,100</u>
(32,844)	(4,289)	53,838	433	3	70,189	61,827	29,917
32,714	53,076	(53,838)	63,135	829	-	2,588,616	5,918,691
<u>\$ (130)</u>	<u>\$ 48,787</u>	<u>\$ -</u>	<u>\$ 63,568</u>	<u>\$ 832</u>	<u>\$ 70,189</u>	<u>\$ 2,650,443</u>	<u>\$ 5,948,608</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, 2003

	Budgets		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ -	\$ 1,775	\$ 1,775	\$ -
Charges for services	10,000	10,000	6,558	(3,442)
Investment earnings	2,000	2,000	7,937	5,937
Refund of prior year expenditures	-	-	61	61
Donations	36,500	42,397	44,265	1,868
Total revenues	<u>48,500</u>	<u>56,172</u>	<u>60,596</u>	<u>4,424</u>
<b>EXPENDITURES</b>				
<b>Current</b>				
Total expenditures	<u>117,000</u>	<u>124,672</u>	<u>110,264</u>	<u>14,408</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(68,500)</u>	<u>(68,500)</u>	<u>(49,668)</u>	<u>18,832</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfer in	<u>66,923</u>	<u>66,923</u>	<u>66,923</u>	<u>-</u>
Net change in fund balances	(1,577)	(1,577)	17,255	18,832
Fund balances, October 1	<u>2,577</u>	<u>2,577</u>	<u>225,628</u>	<u>223,051</u>
Fund balances, September 30	<u>\$ 1,000</u>	<u>\$ 1,000</u>	<u>\$ 242,883</u>	<u>\$ 241,883</u>

CITY OF SANIBEL FLORIDA  
RECREATION CENTER DONATIONS  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
For the Year Ended September 30, 2003

	Budgets		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Investment earnings	\$ 500	\$ 500	\$ 358	\$ (142)
Donations	24,500	24,500	20,538	(3,962)
Total revenues	<u>25,000</u>	<u>25,000</u>	<u>20,896</u>	<u>(4,104)</u>
<b>EXPENDITURES</b>				
<b>Current</b>				
Culture/Recreation	<u>20,100</u>	<u>20,100</u>	<u>17,651</u>	<u>2,449</u>
Excess (deficiency) of revenue over (under) expenditures	<u>4,900</u>	<u>4,900</u>	<u>3,245</u>	<u>(1,655)</u>
Fund balances, October 1	<u>41,466</u>	<u>41,466</u>	<u>46,657</u>	<u>5,191</u>
Fund balances, September 30	<u>\$ 46,366</u>	<u>\$ 46,366</u>	<u>\$ 49,902</u>	<u>\$ 3,536</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, 2003

	Budgets		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Impact fees	\$ 177,000	\$ 177,000	\$ 177,000	\$ -
Investment earnings	-	-	1,430	1,430
Total revenues	<u>177,000</u>	<u>177,000</u>	<u>178,430</u>	<u>1,430</u>
 <b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers out	<u>(177,000)</u>	<u>(177,000)</u>	<u>(177,000)</u>	<u>-</u>
 Net change in fund balances	-	-	1,430	1,430
 Fund balances, October 1	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Fund balances, September 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,430</u>	<u>\$ 1,430</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, 2003

	Budgets		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 35,000	\$ 35,000	\$ -	\$ (35,000)
Impact fees	100,000	100,000	-	-
Investment earnings	-	-	1,839	1,839
Total revenues	<u>135,000</u>	<u>135,000</u>	<u>1,839</u>	<u>(33,161)</u>
<b>EXPENDITURES</b>				
<b>Current</b>				
Culture/Recreation	<u>200,000</u>	<u>200,000</u>	<u>-</u>	<u>200,000</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(65,000)</u>	<u>(65,000)</u>	<u>1,839</u>	<u>166,839</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfer in	65,000	65,000	65,000	-
Net change in fund balances	-	-	66,839	166,839
Fund balances, October 1	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, September 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 66,839</u>	<u>\$ 166,839</u>

CITY OF SANIBEL FLORIDA  
FRANCHISE TAX AND OCCUPATIONAL LICENSE TAX REVENUE  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
For the Year Ended September 30, 2003

	Budgets		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Franchise taxes	\$ 445,000	\$ 445,000	\$ 478,854	\$ 33,854
Occupational licenses	255,000	255,000	247,386	(7,614)
Fines and forfeitures	2,200	2,200	3,189	989
Investment earnings	2,400	2,400	2,491	91
Total revenues	<u>704,600</u>	<u>704,600</u>	<u>731,920</u>	<u>27,320</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers out	<u>(790,000)</u>	<u>(790,000)</u>	<u>(790,000)</u>	<u>-</u>
Net change in fund balances	(85,400)	(85,400)	(58,080)	27,320
Fund balances, October 1	<u>103,281</u>	<u>103,281</u>	<u>115,824</u>	<u>12,543</u>
Fund balances, September 30	<u>\$ 17,881</u>	<u>\$ 17,881</u>	<u>\$ 57,744</u>	<u>\$ 39,863</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, 2003

	Budgets		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 92,746	\$ 92,746	\$ 82,751	\$ (9,995)
Investment earnings	-	-	375	375
Total revenues	<u>92,746</u>	<u>92,746</u>	<u>83,126</u>	<u>(9,620)</u>
<b>EXPENDITURES</b>				
<b>Current</b>				
Culture/Recreation	183,526	195,141	166,934	28,207
Excess (deficiency) of revenue over (under) expenditures	<u>(90,780)</u>	<u>(102,395)</u>	<u>(83,808)</u>	<u>18,587</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfer in	60,000	60,000	60,000	-
Net change in fund balances	(30,780)	(42,395)	(23,808)	18,587
Fund balances, October 1	<u>36,123</u>	<u>47,738</u>	<u>69,966</u>	<u>22,228</u>
Fund balances, September 30	<u>\$ 5,343</u>	<u>\$ 5,343</u>	<u>\$ 46,158</u>	<u>\$ 40,815</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, 2003

	Budgets		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Charges for services	\$ -	\$ 10,000	\$ 9,617	\$ (383)
Investment earnings	-	75	.94	19
Total revenues	<u>-</u>	<u>10,075</u>	<u>9,711</u>	<u>(364)</u>
<b>EXPENDITURES</b>				
<b>Current</b>				
Economic environment	-	211,978	285,701	(73,723)
Excess (deficiency) of revenue over (under) expenditures	<u>-</u>	<u>(201,903)</u>	<u>(275,990)</u>	<u>(74,087)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfer in	<u>-</u>	<u>230,886</u>	<u>230,886</u>	<u>-</u>
Net change in fund balances	-	28,983	(45,104)	(74,087)
Fund balances, October 1	<u>-</u>	<u>49,689</u>	<u>2,595,508</u>	<u>2,545,819</u>
Fund balances, September 30	<u>\$ -</u>	<u>\$ 78,672</u>	<u>\$ 2,550,404</u>	<u>\$ 2,471,732</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, 2003

	Budgets		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Investment earnings	\$ 1,000	\$ 1,000	\$ 613	\$ (387)
<b>EXPENDITURES</b>				
<b>Debt Service</b>				
Principal retirement	73,974	73,974	73,999	(25)
Interest charges	49,336	49,336	46,287	3,049
Total expenditures	<u>123,310</u>	<u>123,310</u>	<u>120,286</u>	<u>3,024</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(122,310)</u>	<u>(122,310)</u>	<u>(119,673)</u>	<u>2,637</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfer in	<u>125,000</u>	<u>125,000</u>	<u>125,000</u>	<u>-</u>
Net change in fund balances	2,690	2,690	5,327	2,637
Fund balances, October 1	<u>(1,859)</u>	<u>(1,859)</u>	<u>48,425</u>	<u>50,284</u>
Fund balances, September 30	<u>\$ 831</u>	<u>\$ 831</u>	<u>\$ 53,752</u>	<u>\$ 52,921</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, 2003

	Budgets		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Investment earnings	\$ 5,000	\$ 5,000	\$ 862	\$ (4,138)
<b>EXPENDITURES</b>				
<b>Debt Service</b>				
Principal retirement	77,943	77,943	75,969	1,974
Interest charges	109,584	109,584	111,508	(1,924)
Total expenditures	187,527	187,527	187,477	50
Excess (deficiency) of revenue over (under) expenditures	(182,527)	(182,527)	(186,615)	(4,088)
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfer in	187,477	187,477	187,477	-
Net change in fund balances	4,950	4,950	862	(4,088)
Fund balances, October 1	7,561	7,561	199,641	192,080
Fund balances, September 30	\$ 12,511	\$ 12,511	\$ 200,503	\$ 187,992

CITY OF SANIBEL FLORIDA  
 3RD SERIES 1997 NOTES A & B  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 For the Year Ended September 30, 2003

	Budgets		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Investment earnings	\$ -	\$ -	\$ 340	\$ 340
<b>EXPENDITURES</b>				
<b>Debt Service</b>				
Principal retirement	3,035	3,035	2,902	133
Interest charges	41	41	511	(470)
Total expenditures	<u>3,076</u>	<u>3,076</u>	<u>3,413</u>	<u>(337)</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(3,076)</u>	<u>(3,076)</u>	<u>(3,073)</u>	<u>3</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfer in	<u>4,000</u>	<u>4,000</u>	<u>4,000</u>	<u>-</u>
Net change in fund balances	924	924	927	3
Fund balances, October 1	<u>(924)</u>	<u>(924)</u>	<u>(927)</u>	<u>(3)</u>
Fund balances, September 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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, 2003

	Budgets		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Charges for services	\$ -	\$ 63,000	\$ 59,642	\$ (3,358)
<b>EXPENDITURES</b>				
<b>Debt Service</b>				
Principal retirement	-	188,529	164,111	24,418
Interest charges	-	93,183	59,646	33,537
Total expenditures	-	281,712	223,757	57,955
Excess (deficiency) of revenue over (under) expenditures	-	(218,712)	(164,115)	54,597
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfer in	-	164,114	164,115	1
Net change in fund balances	-	(54,598)	-	54,598
Fund balances, October 1	-	-	-	-
Fund balances, September 30	\$ -	\$ (54,598)	\$ -	\$ 54,598

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, 2003

	Budgets		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 101,500	\$ 101,500	\$ -	\$ (101,500)
Charges for services	-	78,178	245,940	167,762
Investment earnings	1,000	1,000	9,794	8,794
Total revenues	<u>102,500</u>	<u>180,678</u>	<u>255,734</u>	<u>75,056</u>
<b>EXPENDITURES</b>				
Capital Outlay	<u>1,868,700</u>	<u>1,628,530</u>	<u>1,070,282</u>	<u>558,248</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(1,766,200)</u>	<u>(1,447,852)</u>	<u>(814,548)</u>	<u>633,304</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfer in	<u>944,221</u>	<u>625,873</u>	<u>625,873</u>	<u>-</u>
Net change in fund balances	(821,979)	(821,979)	(188,675)	633,304
Fund balances, October 1	<u>476,979</u>	<u>476,979</u>	<u>1,470,216</u>	<u>993,237</u>
Fund balances, September 30	<u>\$ (345,000)</u>	<u>\$ (345,000)</u>	<u>\$ 1,281,541</u>	<u>\$ 1,626,541</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, 2003

	Budgets		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Investment earnings	\$ 3,000	\$ 3,000	\$ 2,878	\$ (122)
<b>EXPENDITURES</b>				
Capital Outlay	890,000	890,000	619,529	270,471
Excess (deficiency) of revenue over (under) expenditures	(887,000)	(887,000)	(616,651)	270,349
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfer in	610,406	610,406	610,406	-
Net change in fund balances	(276,594)	(276,594)	(6,245)	270,349
Fund balances, October 1	276,594	276,594	395,277	118,683
Fund balances, September 30	\$ -	\$ -	\$ 389,032	\$ 389,032

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, 2003

	Budgets		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Investment earnings	\$ 5,500	\$ 5,500	\$ 3,661	\$ (1,839)
<b>EXPENDITURES</b>				
Capital Outlay	711,059	711,059	165,474	545,585
Excess (deficiency) of revenue over (under) expenditures	(705,559)	(705,559)	(161,813)	543,746
Fund balances, October 1	705,559	705,559	641,284	(64,275)
Fund balances, September 30	\$ -	\$ -	\$ 479,471	\$ 479,471

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, 2003

	Budgets		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Investment earnings	\$ -	\$ -	\$ 606	\$ 606
<b>EXPENDITURES</b>				
Capital Outlay	400,000	400,000	209,026	190,974
Excess (deficiency) of revenue over (under) expenditures	(400,000)	(400,000)	(208,420)	191,580
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfer in	400,000	400,000	400,000	-
Net change in fund balances	-	-	191,580	191,580
Fund balances, October 1	-	-	(14,077)	(14,077)
Fund balances, September 30	\$ -	\$ -	\$ 177,503	\$ 177,503

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, 2003

	Budgets		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Investment earnings	\$ -	\$ -	\$ 648	\$ 648
<b>EXPENDITURES</b>				
Capital Outlay	250,000	250,000	110,998	139,002
Excess (deficiency) of revenue over (under) expenditures	(250,000)	(250,000)	(110,350)	139,650
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfer in	250,000	250,000	250,000	-
Net change in fund balances	-	-	139,650	139,650
Fund balances, October 1	-	-	-	-
Fund balances, September 30	\$ -	\$ -	\$ 139,650	\$ 139,650

CITY OF SANIBEL FLORIDA  
 BRAZILIAN PEPPER CONTROL  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 For the Year Ended September 30, 2003

	Budgets		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 40,000	\$ 125,000	\$ 85,000	\$ (40,000)
Investment earnings	-	-	47	47
Total revenues	<u>40,000</u>	<u>125,000</u>	<u>85,047</u>	<u>(39,953)</u>
<b>EXPENDITURES</b>				
Capital Outlay	<u>240,000</u>	<u>325,000</u>	<u>292,311</u>	<u>32,689</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(200,000)</u>	<u>(200,000)</u>	<u>(207,264)</u>	<u>(7,264)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfer in	174,420	174,420	174,420	-
Net change in fund balances	(25,580)	(25,580)	(32,844)	(7,264)
Fund balances, October 1	<u>25,580</u>	<u>25,580</u>	<u>32,714</u>	<u>7,134</u>
Fund balances, September 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (130)</u>	<u>\$ (130)</u>

CITY OF SANIBEL FLORIDA  
 ENVIRONMENTALLY SENSITIVE LAND RESTORATION  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 For the Year Ended September 30, 2003

	Budgets		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 75,000	\$ 75,000	\$ 150,000	\$ 75,000
<b>EXPENDITURES</b>				
Capital Outlay	150,000	150,000	229,289	(79,289)
Excess (deficiency) of revenue over (under) expenditures	(75,000)	(75,000)	(79,289)	(4,289)
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfer in	75,000	75,000	75,000	-
Net change in fund balances	-	-	(4,289)	(4,289)
Fund balances, October 1	-	-	53,076	53,076
Fund balances, September 30	\$ -	\$ -	\$ 48,787	\$ 48,787

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, 2003

	Budgets		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Investment earnings	\$ -	\$ -	\$ 189	\$ 189
Special assessments	140,000	140,000	-	(140,000)
Total revenues	<u>140,000</u>	<u>140,000</u>	<u>189</u>	<u>(139,811)</u>
<b>EXPENDITURES</b>				
Capital Outlay	<u>210,000</u>	<u>210,000</u>	<u>-</u>	<u>210,000</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(70,000)</u>	<u>(70,000)</u>	<u>189</u>	<u>70,189</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfer in	70,000	70,000	70,000	-
Net change in fund balances	-	-	70,189	70,189
Fund balances, October 1	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, September 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 70,189</u>	<u>\$ 70,189</u>

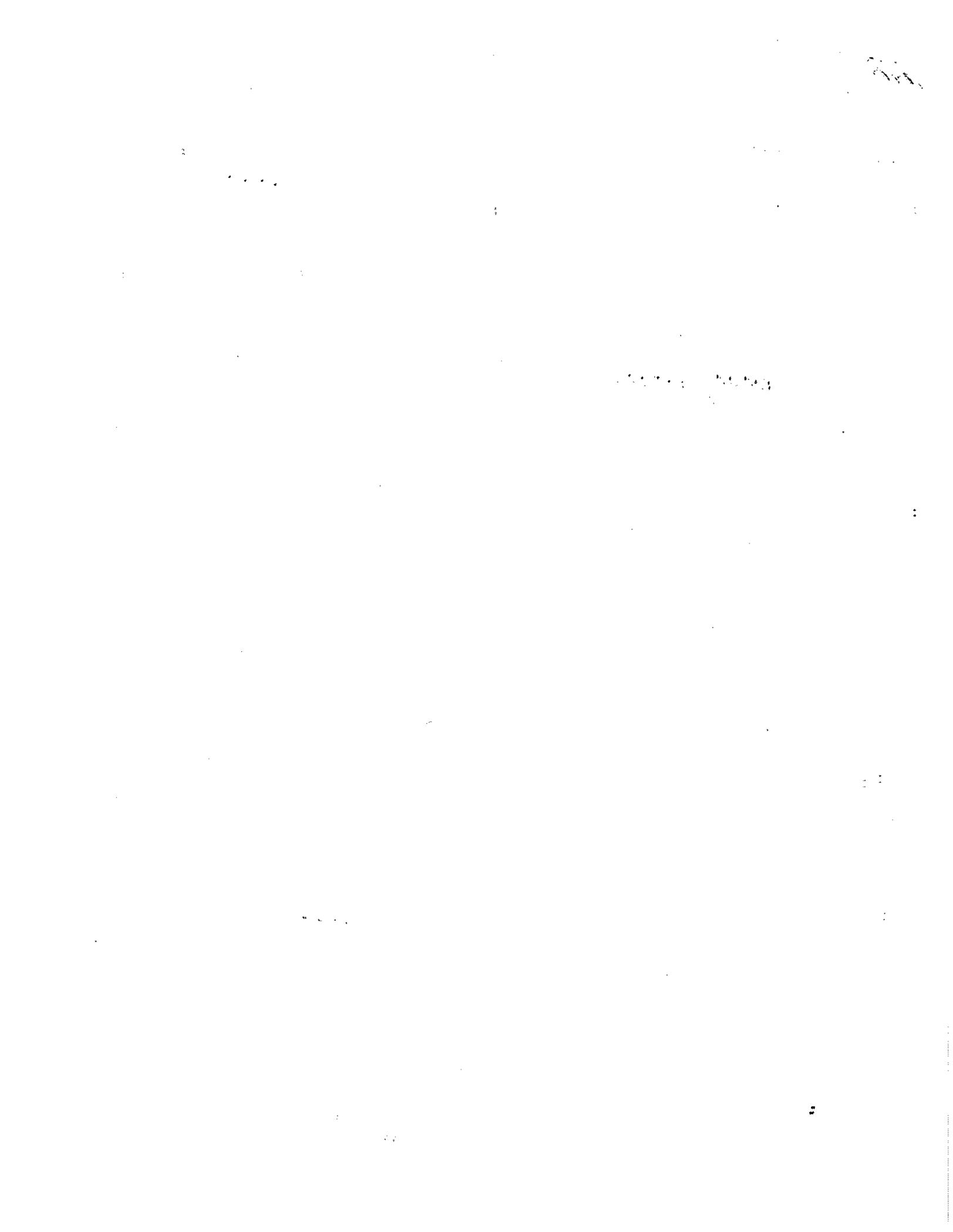
## **FIDUCIARY FUNDS**

### **PENSION TRUST FUNDS**

Pension trust funds are used to account for the assets of the public employee retirement systems.

### **AGENCY FUNDS**

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





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CITY OF SANIBEL, FLORIDA  
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS  
 September 30, 2003

	<u>Pension Trust Funds</u>		Total Pension Trust Funds
	<u>General Employees</u>	<u>Municipal Police Officers</u>	
<b>ASSETS</b>			
Cash and cash equivalents	<u>\$ 20,908</u>	<u>\$ 61,445</u>	<u>\$ 82,353</u>
Investments, at market value			
Mutual funds:			
Equity	3,627,123	227,413	3,854,536
Pooled/Common/Commingled Funds:			
Fixed income	2,810,889	1,734,504	4,545,393
Equity	<u>-</u>	<u>2,532,866</u>	<u>2,532,866</u>
Total investments at fair value	<u>6,438,012</u>	<u>4,494,783</u>	<u>10,932,795</u>
Receivables	<u>-</u>	<u>3,888</u>	<u>3,888</u>
Total assets	6,458,920	4,560,116	11,019,036
<b>LIABILITIES</b>			
Refunds payable and other liabilities	<u>-</u>	<u>9,381</u>	<u>9,381</u>
<b>NET ASSETS</b>			
Held in trust for pension benefits	<u>\$ 6,458,920</u>	<u>\$ 4,550,735</u>	<u>\$ 11,009,655</u>

CITY OF SANIBEL, FLORIDA  
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS  
 For the Fiscal Year Ended September 30, 2003

	<u>Pension Trust Funds</u>		Total Pension Trust Funds
	<u>General Employees</u>	<u>Municipal Police Officers</u>	
<b>ADDITIONS</b>			
Contributions			
Employer	\$ 404,488	\$ 270,983	\$ 675,471
State of Florida	-	43,516	43,516
Plan members	-	91,261	91,261
Total contributions	<u>404,488</u>	<u>405,760</u>	<u>810,248</u>
Investment income			
Net increase in fair value of investments	704,437	454,236	1,158,673
Interest, dividends and miscellaneous	-	7,536	7,536
Total investment earnings (loss)	<u>704,437</u>	<u>461,772</u>	<u>1,166,209</u>
Less investment expense	<u>(32,164)</u>	<u>(35,499)</u>	<u>(67,663)</u>
Net investment earnings (loss)	<u>672,273</u>	<u>426,273</u>	<u>1,098,546</u>
Total additions (deletions)	<u>1,076,761</u>	<u>832,033</u>	<u>1,908,794</u>
<b>DEDUCTIONS</b>			
Benefits paid	255,821	336,871	592,692
Refunds of contributions	-	17,861	17,861
Administrative expenses	<u>23,771</u>	<u>18,150</u>	<u>41,921</u>
Total deductions	<u>279,592</u>	<u>372,882</u>	<u>652,474</u>
Change in net assets	797,169	459,151	1,256,320
Net assets held in trust for pension benefits			
Net assets - beginning	<u>5,661,751</u>	<u>4,091,584</u>	<u>9,753,335</u>
Net assets - ending	<u>\$ 6,458,920</u>	<u>\$ 4,550,735</u>	<u>\$ 11,009,655</u>

CITY OF SANIBEL, FLORIDA  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 AGENCY FUNDS

For the Fiscal Year Ended September 30, 2003

	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	
Cash and cash equivalents	\$ 220	\$ 13,468	\$ 1,206	\$ 4,944	\$ 3,785	\$ 6,040	\$ 18,115	\$ 47,778
Due to others - October 1, 2002:								
Additions	327	4,979	14	2,630	4,804	520	11,160	24,434
Collections	1,360	27,590	1,468	10,610	23,539	14,320	84,816	163,703
Investment income	-	-	-	-	-	-	259	259
Total additions:	1,360	27,590	1,468	10,610	23,539	14,320	85,075	163,962
Deductions								
Remittances to other governmental agencies	(1,467)	(19,101)	(276)	(8,296)	(24,558)	(8,800)	(78,120)	(140,618)
Total due to others - September 30, 2003	\$ 220	\$ 13,468	\$ 1,206	\$ 4,944	\$ 3,785	\$ 6,040	\$ 18,115	\$ 47,778

**STATISTICAL SECTION**

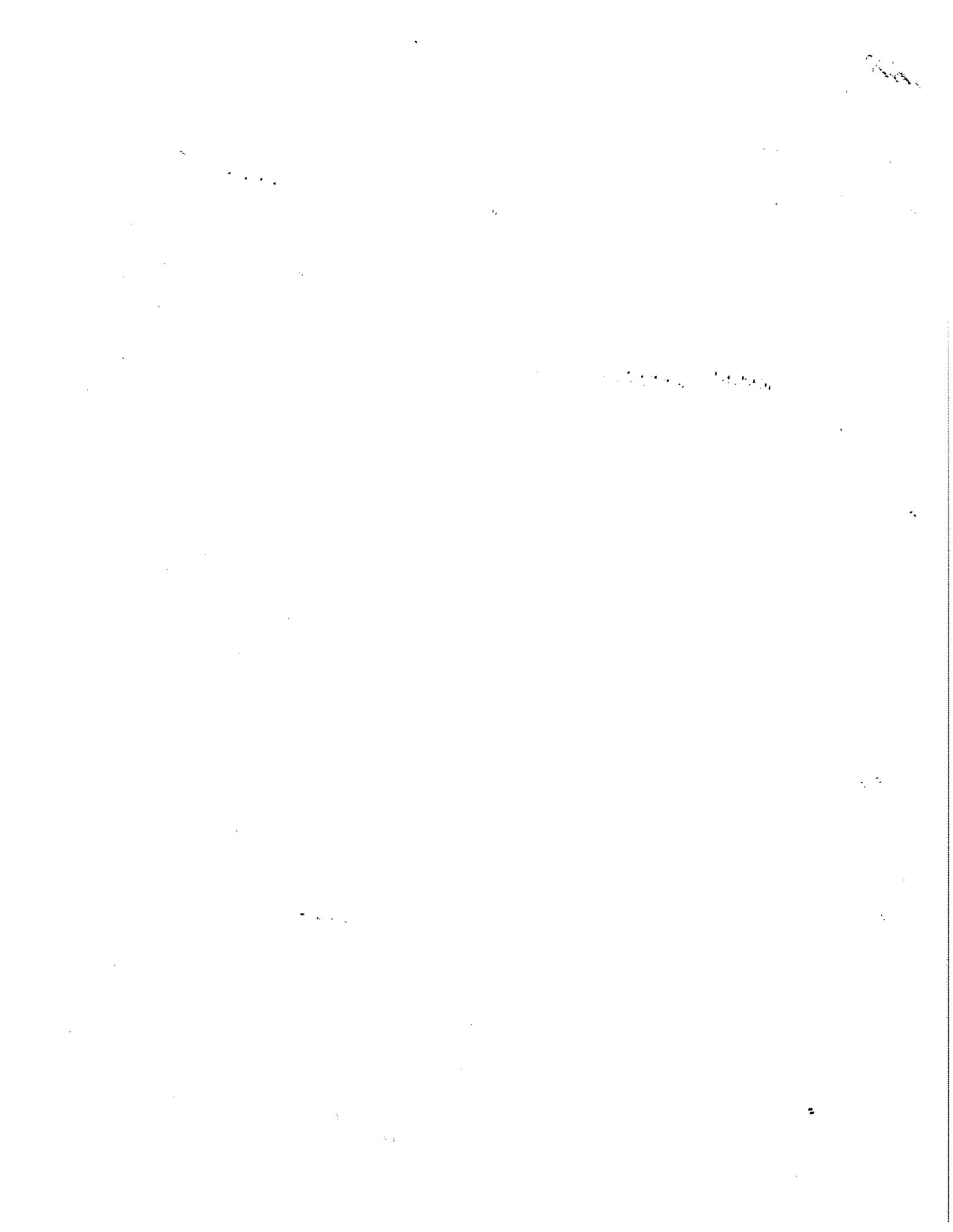


Table #1

CITY OF SANIBEL, FLORIDA  
EXPENDITURES OF GOVERNMENTAL FUND TYPES BY FUNCTION (\*)  
LAST TEN FISCAL YEARS

Fiscal Year	General Government	Public Safety	Physical Environment	Transportation	Economic Environment	Human Services	Culture Recreation	Capital Outlay	Debt Service	Total
1994	\$ 1,789,236	\$ 2,400,363	\$ 1,777,942	\$ 1,102,364	\$ 254,738	\$ 1,402	\$ 1,032,947	\$ 2,330,033	\$ 884,675	\$ 11,573,700
1995	1,935,728	2,721,856	915,001	1,161,046	226,735	729	999,084	1,579,956	688,407	10,228,602
1996	1,934,500	2,769,905	818,938	1,127,005	157,408	1,440	1,109,466	3,573,457	666,790	12,158,909
1997	2,146,691	2,790,386	470,529	1,332,891	166,575	1,269	1,179,497	2,652,965	2,110,352	12,851,155
1998	2,215,414	2,686,051	1,014,747	1,194,635	391,710	3,692	1,500,154	940,200	1,281,969	11,228,572
1999	2,186,535	2,552,594	960,398	1,346,891	37,750	1,954	1,254,538	1,214,182	1,063,311	10,618,153
2000	2,275,610	2,573,894	565,308	1,442,845	4,500	1,393	1,257,353	850,870	918,800	9,890,573
2001	2,274,197	2,500,675	179,991	1,240,737	-	2,658	1,281,826	1,935,326	792,359	10,207,769
2002	2,855,591	2,672,628	191,800	1,270,784	-	229	3,264,360	8,647,551	319,562	19,222,505
2003	2,698,274	2,974,639	271,995	1,664,664	285,701	1,083	3,755,872	2,696,909	6,576,811	20,925,948

(\*) Includes General, Special Revenue, Debt Service and Capital Projects Funds

Table #2

CITY OF SANIBEL, FLORIDA  
REVENUES OF GOVERNMENTAL FUND TYPES BY SOURCE(\*)  
LAST TEN FISCAL YEARS

Fiscal Year	Taxes	Licenses & Permits	Intergovernmental	Charges for Services	Fines & Forfeitures	Miscellaneous	Total
1994	\$ 5,504,668	\$ 760,041	\$ 1,693,145	\$ 260,802	\$ 199,088	\$ 813,633	\$ 9,231,377
1995	5,654,133	760,856	2,060,480	531,020	370,794	962,738	10,340,021
1996	5,871,298	809,523	1,574,403	610,248	290,006	927,341	10,082,819
1997	6,021,134	658,490	1,776,559	540,318	191,649	2,315,712	11,503,862
1998	6,081,934	656,131	2,114,754	526,665	136,352	1,245,836	10,761,672
1999	6,214,336	712,262	2,005,151	491,108	156,974	1,100,337	10,680,168
2000	6,243,868	927,534	1,992,763	742,536	107,129	818,188	10,832,018
2001	6,363,585	1,444,481	1,949,740	1,007,986	98,395	791,551	11,655,738
2002	7,551,772	1,497,361	3,882,911	1,116,725	153,923	791,404	14,994,096
2003	8,758,371	1,111,087	6,121,007	1,595,561	132,084	522,803	18,240,913

(\*) Includes General, Special Revenue, Debt Service and Capital Projects Funds

CITY OF SANIBEL, FLORIDA  
TAX REVENUE OF GOVERNMENTAL FUNDS BY SOURCE (\*)  
LAST TEN FISCAL YEARS

Fiscal Year	Ad Valorem	Franchise	Local Option Gas Tax	Local Alt. Fuel Tax	Communications Services Tax	Casualty Insurance Premium Tax	Total
1994	\$ 4,081,955	\$ 529,636	\$ 865,802	\$ 1,688	\$ -	\$ 25,587	\$ 5,504,668
1995	4,176,968	534,157	915,066	2,479	-	25,463	5,654,133
1996	4,284,468	536,724	1,014,465	5,845	-	29,796	5,871,298
1997	4,353,837	536,759	1,094,868	2,102	-	33,568	6,021,134
1998	4,361,851	575,318	1,114,491	-	-	30,274	6,081,934
1999	4,458,396	553,104	1,171,243	-	-	31,593	6,214,336
2000	4,455,220	553,872	1,198,765	-	-	36,011	6,243,868
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	6,468,467	478,854	1,355,397	-	412,137	43,516	8,758,371

(\*) Includes General, Special Revenue, Debt Service and Capital Projects Funds

Table #3a

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

Fiscal Year	Total Tax Levy	Current (*) Tax Collections	Percent of (*) Levy Collected	Delinquent Tax Collected	Total Tax Collections	Percent of Total Tax Collections To Tax Levy
1994	\$ 4,257,993	\$ 4,074,591	95.69%	\$ 7,364	\$ 4,081,955	95.87%
1995	4,299,900	4,170,764	97.00%	6,204	4,176,968	97.14%
1996	4,404,764	4,274,138	97.03%	10,330	4,284,468	97.27%
1997	4,456,888	4,337,593	97.32%	16,244	4,353,837	97.69%
1998	4,516,810	4,350,221	96.31%	11,630	4,361,851	96.57%
1999	4,561,953	4,421,005	96.91%	37,391	4,458,396	97.73%
2000	4,591,278	4,441,813	96.74%	13,407	4,455,220	97.04%
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	6,320,881	6,094,384	96.42%	6,895	6,101,279	96.53%

(\*) Includes discount taken for early payment.

Table #3B

CITY OF SANIBEL, FLORIDA  
PROPERTY TAXES LEVIES AND COLLECTIONS  
GENERAL OBLIGATION DEBT SERVICE LEVY  
LAST TEN FISCAL YEARS

Fiscal Year	Total Tax Levy	Current (*) Tax Collections	Percent of (*) Levy Collected	Delinquent Tax Collected	Total Tax Collections	Percent of Total Tax Collections To Tax Levy
1994	\$ -	\$ -	N/A	\$ -	-	N/A
1995	-	-	N/A	-	-	N/A
1996	-	-	N/A	-	-	N/A
1997	-	-	N/A	-	-	N/A
1998	-	-	N/A	-	-	N/A
1999	-	-	N/A	-	-	N/A
2000	-	-	N/A	-	-	N/A
2001	-	-	N/A	-	-	N/A
2002	-	-	N/A	-	-	N/A
2003	387,892	367,188	94.66%	-	367,188	94.66%

(\*) Includes discount taken for early payment.

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

Tax (**) Year	Real Property	Personal Property	Total Assessed Value(*)	Exemptions	Assessed Value for Operations	Assessed to Total Est. Actual Value
1994	\$ 2,039,171,140	\$ 42,067,520	\$ 2,081,238,660	\$ 103,182,010	\$ 1,978,056,650	95.04%
1995	2,126,405,930	40,012,610	2,166,418,540	109,367,060	2,057,051,480	94.95%
1996	2,180,208,000	40,827,520	2,221,035,520	116,943,290	2,104,092,230	94.73%
1997	2,261,359,850	41,858,230	2,303,218,080	122,467,200	2,180,750,880	94.68%
1998	2,361,954,170	39,689,730	2,401,643,900	134,947,630	2,266,696,270	94.38%
1999	2,508,517,040	40,608,500	2,549,125,540	155,466,340	2,393,659,200	93.90%
2000	2,841,149,130	46,926,000	2,888,075,130	205,177,360	2,682,897,770	92.90%
2001	3,512,327,870	50,718,730	3,563,046,600	336,650,590	3,226,396,010	90.55%
2002	4,038,369,770	59,040,410	4,097,410,180	441,644,840	3,655,765,340	89.22%
2003	4,448,531,430	60,153,060	4,508,684,490	509,050,680	3,999,633,810	88.71%

(\*) Florida State law requires all property to be assessed at current fair market value.

(\*\*) The Tax Year represents a calendar year upon which the levy of ad valorem taxes is in arrears and is recorded as revenue in the subsequent fiscal year.

Source: Lee County Property Appraiser

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

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
<b>TAX YEAR (**):</b>										
<b>CITY OF SANIBEL</b>										
General Operating	2.1738	2.1413	2.1182	2.0693	2.0126	1.9181	1.7291	1.7291	1.7291	1.7291
Voted Debt Service-Sewer	-	-	-	-	0.3386	0.3638	0.3279	0.2607	0.3838	0.3275
Voted Debt Service-Land	-	-	-	-	-	-	-	-	0.1063	0.0595
<b>LEE COUNTY:</b>										
General Revenue	5.1501	4.5751	4.4751	4.4751	4.4751	4.4751	4.3277	4.3277	4.3277	4.3277
Capital Improvements	0.4720	0.2720	0.2720	0.7720	0.8532	1.0124	1.0124	1.0124	1.0124	1.0124
<b>DEPENDENT DISTRICTS:</b>										
Library	0.4766	0.4766	0.5755	0.5755	0.5755	0.9630	0.9630	0.9630	0.9630	0.9630
<b>INDEPENDENTS DISTRICTS:</b>										
Hyacinth Control	0.0396	0.0396	0.0396	0.0392	0.0392	0.0378	0.0358	0.0358	0.0327	0.0295
Mosquito Control	0.3970	0.3970	0.3970	0.3928	0.3928	0.3792	0.3595	0.3595	0.3294	0.2984
Fire Control District	0.6910	0.7141	0.6896	0.7170	0.8474	0.8326	0.7518	0.7841	0.8381	0.8258
<b>WATER MANAGEMENT DISTRICTS</b>										
South Florida Water Management	0.6470	0.6470	0.5720	0.5970	0.5970	0.5970	0.5970	0.5970	0.5970	0.5970
S. FL Water Management Everglades	-	-	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000
West Coast Inland Waterway	0.0195	0.0192	0.0189	0.0300	0.0400	0.0400	0.0400	0.0400	0.0400	0.0400
<b>SCHOOL BOARD:</b>										
General Operating	9.3720	9.2710	9.3480	9.2450	9.3060	8.9410	8.7980	8.7980	8.5720	8.3460
<b>TOTAL</b>	19.4386	18.5529	18.6059	19.0129	19.5774	19.6600	19.0422	19.0073	19.0315	18.6559

(\*) Source: Lee County Tax Collector

(\*\*) The tax year represents a calendar year, upon which the levy of ad valorem taxes is made in arrears and is recorded as revenue in the subsequent fiscal year.

Table #6

CITY OF SANIBEL, FLORIDA  
 PRINCIPAL TAXPAYERS  
 2003

Taxpayer	Type of Business	Assessed Valuation	Percentage of Total Assessed Valuation
1 Casa Ybel Beach Resort	Resort	\$ 34,112,820	0.76%
2 Sanibel Cottages	Resort-Hotel	18,625,320	0.41%
3 Tortuga Beach Club	Resort-Hotel	17,871,190	0.40%
4 Shell Island Beach Club	Resort-Hotel	13,966,130	0.31%
5 West Wind Association of Sanibel	Resort-Hotel	12,508,040	0.28%
6 Miller, Tanya B.	Real Estate	11,991,000	0.27%
7 Carroll, James P. & Patricia	Resort-Hotel	10,889,620	0.24%
8 Periwinkle Place Partners	Real Estate	10,027,950	0.22%
9 Sanibel Beach Club Association	Resort	9,339,530	0.21%
10 Meristar Sanibel Inn Co., LLC	Resort/Real Estate	8,765,800	0.19%
TOTAL		\$ 148,097,400	3.28%

Source: Lee County Tax Collector

Table #7

CITY OF SANIBEL, FLORIDA  
SPECIAL ASSESSMENT BILLINGS AND COLLECTIONS  
LAST TEN FISCAL YEARS

Fiscal Year	Special Assessment Billings	Special Assessments Collected
1994	\$ -	-
1995	-	-
1996	1,665,223	795,242
1997	24,544	61,729
1998	1,565,002	410,958
1999	-	134,379
2000	-	430,979
2001	4,731,272	820,991
2002	4,915,929	1,887,312
2003	4,129,859	

Table #9

CITY OF SANIBEL, FLORIDA  
 RATIO OF NET GENERAL OBLIGATION BONDED DEBT  
 TO ASSESSED VALUE AND NET GENERAL OBLIGATION BONDED DEBT PER CAPITA  
 LAST TEN FISCAL YEARS

Fiscal Year	Population	Assessed Value	Gross Bonded Debt	Less Debt Service Fund	Debt Payable from Enterprise Revenues	Net General Obligation Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net General Obligation Debt per Capita
1994	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
1995	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
1996	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
1997	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
1998	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
1999	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2000	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2001	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2002	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2003	6,224	\$ 3,999,633,810	\$ 3,775,000	\$ 222,186	-	\$ 3,552,814	0.09%	\$ 570.82

Table #10

CITY OF SANIBEL, FLORIDA  
 RATIO OF ANNUAL DEBT SERVICE EXPENDITURES  
 FOR GENERAL OBLIGATION BONDED DEBT  
 TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES  
 LAST TEN FISCAL YEARS

Fiscal Year	PRINCIPAL	INTEREST	TOTAL DEBT SERVICE	TOTAL GENERAL GOVERNMENTAL EXPENDITURES	RATIO OF DEBT SERVICE TO GENERAL GOVERNMENTAL EXPENDITURES
1994	\$ -	\$ -	\$ -	\$ 11,573,700	0.00%
1995	-	-	-	10,228,602	0.00%
1996	-	-	-	12,158,909	0.00%
1997	-	-	-	12,851,155	0.00%
1998	-	-	-	11,228,572	0.00%
1999	-	-	-	10,618,153	0.00%
2000	-	-	-	9,890,573	0.00%
2001	-	-	-	10,207,769	0.00%
2002	-	-	-	19,222,505	0.00%
2003	5,645,800	238,133	5,883,933	20,925,948	28.12%

CITY OF SANIBEL, FLORIDA  
 COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT  
 GENERAL OBLIGATION BONDS  
 September 30, 2003

<u>JURISDICTION</u>	NET GENERAL OBLIGATION BONDED DEBT <u>OUTSTANDING</u>	PERCENTAGE APPLICABLE TO <u>CITY OF SANIBEL</u>	AMOUNT APPLICABLE TO <u>CITY OF SANIBEL</u>
DIRECT: City of Sanibel	\$ 3,552,814 (*)	100%	\$ 3,552,814
OVERLAPPING Lee County	-	N/A	-
TOTAL:	\$ 3,552,814		\$ 3,552,814

(\*) Excluding General obligation bonds reported in the enterprise funds and the amount available for repayment in the debt service funds

Table #12

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

Fiscal Year	Gross Revenue(*)	Operating Expenses(**)	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage(***)
				Principal	Interest	Total	
1994	\$ 1,334,088	\$ 925,421	\$ 408,667	\$ -	\$ 398,072	\$ 398,072	1.03
1995	1,601,443	1,089,169	512,274	60,000	367,451	427,451	1.20
1996	1,631,397	1,196,098	435,299	95,000	365,591	460,591	0.95
1997	1,997,275	1,492,863	504,412	115,000	330,704	445,704	1.13
1998	1,983,382	1,178,141	805,241	140,000	322,516	462,516	1.74
1999	1,964,717	1,004,723	959,994	150,000	316,916	466,916	2.06
2000	2,058,086	1,195,621	862,465	155,000	310,729	465,729	1.85
2001	2,476,124	1,255,969	1,220,155	160,000	304,063	464,063	2.63
2002	2,329,367	1,586,821	742,546	170,000	296,864	466,864	1.59
2003	2,716,205	2,013,369	702,836	-	257,469	257,469	2.73

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

(\*\*) Total operating expenses of the Donor and Wulbert plants exclusive of depreciation and indirect costs.

(\*\*\*) 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 Impact Fees in the Current Account in the Impact 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 Outstanding Bonds; provided, however, that with respect to (B), Net Revenues, excluding Impact 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.

Table #13

CITY OF SANIBEL, FLORIDA  
STATEMENT OF THE NUMBER AND CLASSIFICATION OF USERS AND SERVICES  
OF THE SANIBEL SEWER SYSTEM AND RATES ASSOCIATED WITH SUCH SERVICES  
LAST TEN FISCAL YEARS

Fiscal Year	Number of Customers			Monthly Rates							Consumption Per 1,000 gallons	
	Total	Residential		Flat Fee	Meter Size				3"	4"		
		Residential	Commercial		Inactive	5/8"	1"	1-1/2"				2"
1994	1,039	787	251	1	\$ 25.07	\$ 12.20	\$ 30.49	\$ 60.96	\$ 87.39	\$ 195.04	\$ 305.80	\$ 2.68
1995	1,188	912	276	0	29.43	14.33	35.80	71.58	102.61	229.01	359.07	3.15
1996	1,263	970	293	0	30.31	14.76	36.87	73.73	105.69	235.88	369.84	3.24
1997	1,276	979	297	0	33.04	16.09	40.19	80.37	115.20	257.11	403.13	3.53
1998	1,330	1,026	304	0	34.03	16.57	41.40	82.78	118.66	264.82	415.22	3.64
1999	1,518	1,204	314	0	35.06	17.07	42.64	85.26	122.22	272.77	427.68	3.75
2000	1,577	1,286	291	0	36.10	17.59	43.92	87.82	125.88	280.95	440.51	3.86
2001 (*)	1,904	1,740	164	0	30.60	17.77	44.40	88.77	127.23	283.95	445.22	4.48
2002	1,989	1,824	165	0	31.52	18.30	45.73	91.43	131.05	292.47	458.58	4.61
2003	2,369	2,203	166	0	32.47	18.85	47.10	94.17	134.98	301.24	472.34	4.75

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

CITY OF SANIBEL  
INSURANCE IN FORCE  
September 30, 2003

Type of Coverage.	Coverage Amount
General/Professional Liability	\$ 100,000 Each Person 200,000 Each Occurrence
a) Errors & Omissions Liability	
b) Employee Benefits Program Administration Liability	
c) Broad Form Property Damage	
d) Extra Contractual Legal Expense	
Automobile	\$ 100,000 Each Person \$ 200,000 Each Occurrence
a) Automobile Liability	
b) Personal Injury Protection (Statutory)	
c) Automobile Physical Damage	
Property and Allied Coverages	Itemized per Detailed Schedule of Values
a) Real and Personal Property	\$ 31,387,662
b) Inland Marine	\$ 614,308
c) Electronic Data Processing	Included in contents coverage
d) Fidelity Bond	\$ 250,000
e) Crime	
Faithful Performance	\$ 250,000
Honesty	\$ 250,000
f) Forgery	\$ 100,000
g) Time Element/Business Income	\$ 100,000
h) Money & Securities/Theft, Disappearance and Destruction	\$ 10,000
Workers Compensation ( Statutory)	\$ 1,000,000 Each Accident
a) Indemnity Agreement	\$ 1,000,000 Each Disease
b) Employers Liability	\$ 1,000,000 Aggregate by Disease
Specific Excess Coverage	
a) General Liability	\$ 5,000,000
b) Automobile Liability	\$ 5,000,000
Flood Coverage - Buildings & Contents	\$ 7,761,800
Windstorm Coverage	\$ 9,479,000
Boiler & Machinery	\$ 3,000,000
Law Enforcement Death Benefits (Statutory)	\$ 50,000 Line of Duty AD&D \$ 50,000 Fresh Pursuit \$ 150,000 Intentional Death
Position Fidelity (Finance Director)	\$ 1,000,000
Storage Tank (Third Party Liability)	\$ 1,000,000

Table #15

CITY OF SANIBEL, FLORIDA  
PROPERTY VALUE, CONSTRUCTION AND BANK DEPOSITS  
LAST TEN FISCAL YEARS

Fiscal Year	New Construction(*)						Property Value(***)
	Commercial		Residential		Bank Deposits(**)	Property Value(***)	
	Number of Permits	Value	Number of Permits	Value			
1994	3	\$ 3,681,000	68	\$ 11,591,020	\$ 174,536,885	\$ 1,978,056,650	
1995	1	521,700	62	8,835,385	180,422,103	2,057,051,480	
1996	8	1,359,950	66	17,239,054	191,557,054	2,104,092,230	
1997	3	66,304	58	16,166,350	191,343,437	2,180,750,880	
1998	3	329,000	70	23,592,816	161,010,327	2,266,696,270	
1999	4	988,000	74	23,619,230	221,929,000	2,393,659,200	
2000	3	108,000	113	39,756,312	198,500,169	2,682,897,770	
2001	7	735,535	105	40,607,542	200,179,141	3,226,396,010	
2002	1	796,005	48	27,547,477	243,114,561	3,655,590,340	
2003	0	0	42	21,081,985	279,287,354	3,999,633,810	

(\*) Source: City of Sanibel Building Department

(\*\*) Source: Annual Financial Reports of individual banks within incorporated limits. Includes both commercial bank activity and savings and loan.

(\*\*\*) Source: Lee County Property Appraiser

CITY OF SANIBEL, FLORIDA  
DEMOGRAPHIC AND MISCELLANEOUS STATISTICS

The City of Sanibel, an island forming the western-most point of Lee County, was incorporated in 1974 through a referendum vote on November 5, 1974, and operates under a Council-City Manager form of government.

**NATURAL FEATURES:**

Land Area.....	10,730	Acres
Shoreline:		
Beach Frontage Gulf of Mexico.....	11.75	Miles
San Carlos Bay.....	3.75	Miles
Mangrove Frontage.....	9.00	Miles
Island Elevation: Average above sea level.....	4.00	Feet
Maximum above sea level.....	13.00	Feet
Precipitation - Annually.....	42.30	Inches
Temperature: Annual Average.....	74	° Fahrenheit
August Average.....	83	° Fahrenheit
January Average.....	64	° Fahrenheit

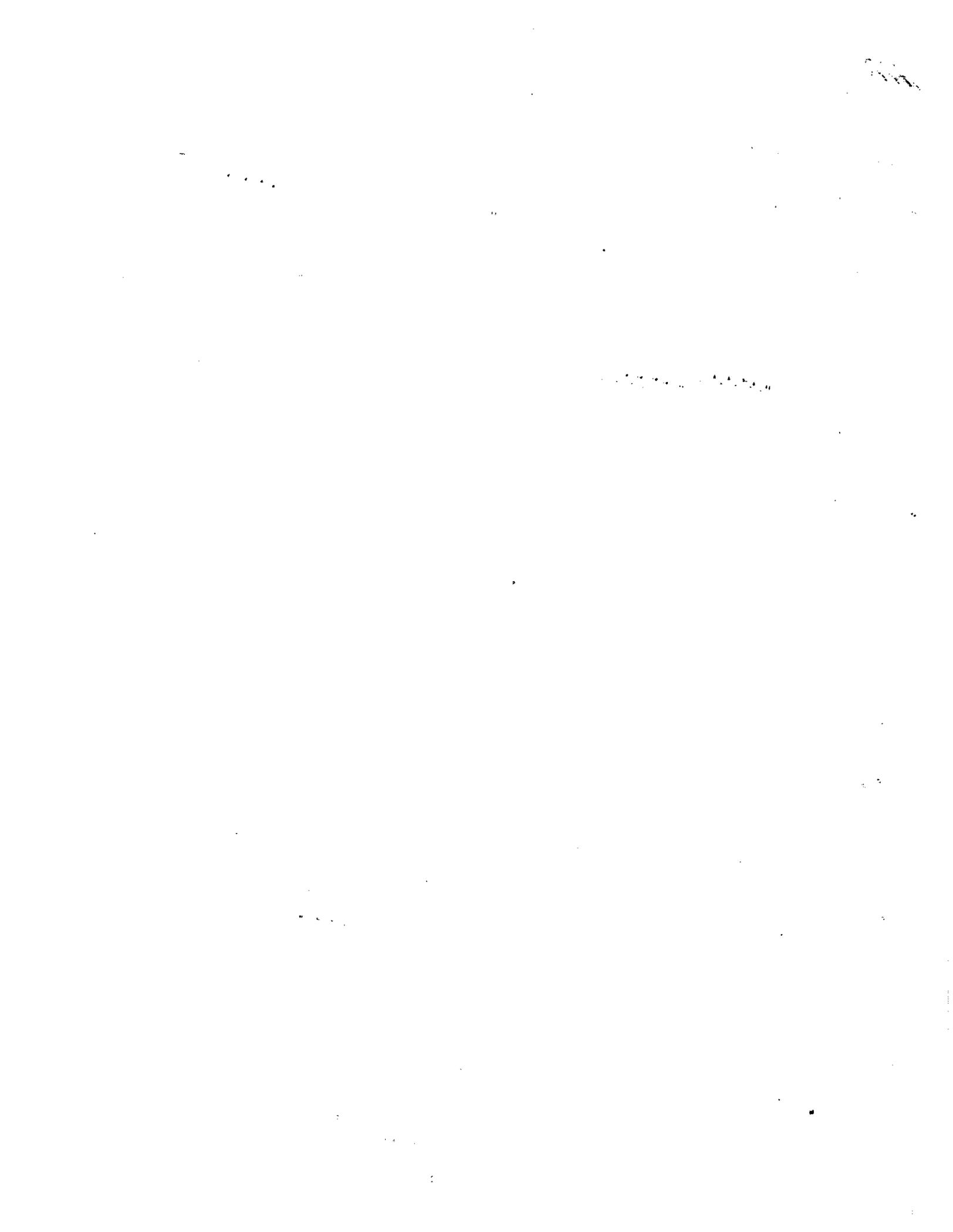
**DEMOGRAPHICS:**

Resident Population 2003 Data.....	6,224	
Seasonal Peak Service Population.....	33,000	
Registered Voters .....	4,968	
Resident Average Age 2000.....	60.5	
Average Assessed Home Value 2003 Data.....	\$ 505,850	
Median Family Income - 2001 .....	\$ 71,813	
Public Education (Operated at County Level)		
Elementary/Middle School.....	1	
Enrollment (Kindergarten through Eighth).....	435	
Police Station.....	1	
Number of Full-time Sworn Officers (Full Time Equivalent).....	24.00	
Number of Part-time Sworn Officers (Full Time Equivalents).....	3.25	
Fire Stations (Operated at County Level).....	2	
Number of Full-time Firefighters.....	25	
Fire Hydrants.....	484	
Public Libraries.....	1	
Library Holdings.....	62,720	
Water & Sewer Utilities		
	<u>Water</u>	<u>Sewer</u>
Active Accounts.....	4,901	2,274
Miles of Mains.....	100.8	
Force Mains.....		50
Gravity Mains.....		42
Capacity per Day - Millions of Gallons.....	4.7	
Donax Treatment Plant.....		2.375
Wulfert Treatment Plant.....		0.125
Roads - Total Public & Private .....	80.68	Miles
Public Roads - Paved.....	52.00	Miles
Public Roads - Unpaved.....	9.00	Miles
Bicycle Paths.....	22.62	Miles
Causeway (County Owned - Round Trip \$3.00).....	3	Miles
Causeway Traffic.....	3,257,747	Autos
Public & Conservation Land Total.....	8,271	Acres
J.N. "Ding" Darling Wildlife Refuge.....	6,187	Acres
Sanibel-Captiva Conservation Foundation.....	1,250	Acres
Lee County.....	196	Acres
City of Sanibel.....	640	Acres



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***SINGLE AUDIT***



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

Honorable Mayor and City Council  
City of 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, 2003, which, together with the aggregate discretely presented component unit, collectively comprise the City's basic financial statements and have issued our report thereon dated April 22, 2004. 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.

Compliance

As part of obtaining reasonable assurance about whether the City's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

## Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the City in a separate letter dated April 22, 2004.

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

*Schultz, Chaipel & Co., LLP*  
Schultz, Chaipel & Co., L.L.P.  
April 22, 2004

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM  
AND STATE PROJECT AND ON INTERNAL CONTROL OVER  
COMPLIANCE**

Honorable Mayor and City Council  
City of Sanibel, Florida

Compliance

We have audited the compliance of the City of Sanibel, Florida, (the "City") with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the requirements described in the Executive Office of the Governor's State Projects Compliance Supplement, that are applicable to each of its major federal programs and state projects for the year ended September 30, 2003. The City's major federal programs and state projects are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs and state projects is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.550, Rules of the Auditor General. Those standards, OMB Circular A-133, and Chapter 10.550, Rules of the Auditor General, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or a state project occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs and state projects for the year ended September 30, 2003.

## Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs and state projects. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program and on a major state project in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and Chapter 10.550 Rules of the Auditor General.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program or a major state project being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

*Schultz, Chaipel & Co., LLP*

Schultz, Chaipel & Co., L.L.P.

April 22, 2004

CITY OF SANBEL, FLORIDA  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE  
 For the Year Ended September 30, 2003

Grantor/Pass-Through Grantor/Program Title	Federal CFDA / State CSFA Number	Federal, State, or Pass-Through Contract Number	Expenditures
<i>Environmental Protection Agency:</i>			
<i>Passed through State of Florida, Department of Environmental Protection</i>			
Capitalization Grants for State Revolving Funds	66.458	CS 120835080	\$ 1,998,564
Capitalization Grants for State Revolving Funds	66.458	CS 120835090	810,549
Capitalization Grants for State Revolving Funds	66.458	WWG12083510A	15,302
Capitalization Grants for State Revolving Funds	66.458	WWG12083510L	5,637,680
Capitalization Grants for State Revolving Funds	66.458	WW83511A	12,670
Capitalization Grants for State Revolving Funds	66.458	WW83511L	<u>180,960</u>
Total Environmental Protection Agency			8,655,725
<i>Department of Housing and Urban Development Passed through Lee County, Florida</i>			
Community Development Block Grant	14.218	1801	18,463
<i>Department of Justice Passed through State of Florida, Department of Law Enforcement</i>			
Local Law Enforcement Block Grants	16.592	03-CJ-2Q-09-46-02-101	<u>4,187</u>
Total Expenditures of Federal Awards			<u>\$ 8,678,375</u>
<i>State of Florida</i>			
<i>Department of Community Affairs Florida Communities Trust</i>			
	52.002	01-039-FF1	\$ 2,122,800
<i>Florida Department of Environmental Protection Florida Recreation Development Assistance Program</i>			
	37.017	F0271	<u>150,000</u>
Total Expenditures of State Financial Assistance			<u>\$ 2,272,800</u>

See accompanying notes to the schedule of expenditures of federal awards and state financial assistance.

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CITY OF SANIBEL  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
AND STATE FINANCIAL ASSISTANCE  
September 30, 2003

**NOTE 1 - PURPOSE OF SCHEDULE**

The Schedule of Expenditures of Federal Awards and State Financial Assistance (the Schedule) is a supplementary schedule to the City's basic financial statements and is presented for purposes of additional analysis. The Schedule is required by Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the *Florida Single Audit Act*.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Presentation**

Federal Financial Assistance - Pursuant to the Single Audit Act of 1984 (Public Law 98-502), the Single Audit Act Amendments of 1996 (Public Law 104-156), and OMB Circular A-133, federal financial assistance is defined as assistance provided by a federal agency, either directly or indirectly, that nonfederal entities receive or administer, in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property interest subsidies, insurance, or direct appropriations.

State Financial Assistance - Pursuant to Florida Single Audit Act (Section 215.97, Florida Statutes) and Chapter 27D-1, Rules of the Executive Office of the Governor, Florida Administrative Code, state financial assistance is defined as assistance from state resources, not including federal financial assistance and state matching, provided to nonstate entities to carry out a state project. State Financial Assistance includes all types of state assistance as stated in the rules of the Executive Office of the Governor, established in consultation with the Comptroller and appropriate state agencies that provide state financial assistance. It includes state financial assistance provided directly by state awarding agencies or indirectly by recipients of state awards. It does not include procurement contracts used to buy goods or services from vendors.

Catalog of Federal Domestic Assistance - OMB Circular A-133 requires the Schedule to present the total expenditures for each of the City's federal financial assistance programs as identified in the Catalog of Federal and Domestic Assistance (CFDA). Federal financial assistance programs that have not been assigned a CFDA number are indicated with an "N/A."

Catalog of State Financial Assistance - Chapter 3A-5, Rules of the Florida Department of Banking and Finance, Florida Administrative Code requires the Schedule to present the total state financial assistance expended for each individual state project as identified in the Catalog of State Financial Assistance (CSFA). The CSFA is a comprehensive listing of state projects. State financial assistance projects that have not been assigned a CSFA number are indicated with an "N/A."

CITY OF SANIBEL  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
AND STATE FINANCIAL ASSISTANCE  
September 30, 2003

**B. Type A and Type B Programs**

The Single Audit Act Amendments of 1996 and OMB Circular A-133 establish the levels of expenditures to be used in defining Type A and Type B federal financial assistance programs. Type A assistance programs for the City are those programs that exceeded \$300,000 for the year ended December 31, 2002.

Each nonstate entity that expends a total amount of state financial assistance equal to or in excess of \$300,000 in any fiscal year is required to have a state single audit for such fiscal year in accordance with the requirements of the Florida Single Audit Act (Section 215.97, Florida Statutes).

**C. Reporting Entity**

The Schedule includes all federal financial assistance programs and state projects administered by the City of Sanibel and included in the City's Comprehensive Annual Financial Report.

**D. Basis of Accounting**

Both federal and state financial assistance expenditures included in the Schedule are reported using the accrual basis of accounting.

CITY OF SANIBEL  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FEDERAL PROGRAMS AND STATE PROJECTS  
 For the Year Ended September 30, 2003

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Section I – Summary of Auditor’s Report

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*Financial Statements*

Type of auditor’s report issued; Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ yes        X   no
- Reportable condition(s) identified that are not considered to be material weakness(es)? \_\_\_\_\_ yes        X   none reported

Noncompliance material to financial statements noted? \_\_\_\_\_ yes        X   no

*Federal Awards and State Financial Assistance*

Internal control over major programs and state projects:

- Material weakness(es) identified? \_\_\_\_\_ yes        X   no
- Reportable condition(s) identified that are not considered to be material weakness(es)? \_\_\_\_\_ yes        X   none reported

Type of auditor’s report issued on compliance for major federal programs and state projects: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133 or Chapter 10.554 (1)(g)4., Rules of the Auditor General? \_\_\_\_\_ yes        X   no

CITY OF SANIBEL  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FEDERAL PROGRAMS AND STATE PROJECTS (Continued)  
 For the Year Ended September-30, 2003

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**Section I – Summary of Auditor’s Report (Continued)**

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Identification of major federal programs and state projects:

<b>CFDA Number(s)</b>	<b>Name of Federal Program or Cluster</b>
66.458	Capitalization Grants for State Revolving Funds

<b>CSFA Number(s)</b>	<b>Name of State Project</b>
52.002	Florida Department of Community Affairs Florida Communities Trust

Dollar threshold used to distinguish  
 between Type A or Type B:

Major Federal Programs	<u>\$ 300,000</u>
Major State Projects	<u>\$ 100,000</u>

Auditee qualified as low-risk auditee?                      X   yes                           no

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**Section II – Financial Statement Findings**

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Our audit did not disclose any matters required to be reported in accordance with paragraphs 5.18 through 5.20 of *Government Auditing Standards*.

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**Section III – Findings and Questioned Costs – Major Federal Programs**

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Our audit did not disclose any matters required to be reported in accordance with Section 510(a) of OMB Circular A-133.

There were no matters reported in the prior year Schedule of Findings and Questioned Costs required to be reported in accordance with Section 510(a) of OMB Circular A-133.

CITY OF SANIBEL  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FEDERAL PROGRAMS AND STATE PROJECTS (Continued)  
For the Year Ended September 30, 2003

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**Section IV – Findings and Questioned Costs – Major State Projects**

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Our audit did not disclose any matters required to be reported in accordance with Chapter 10.554(1)(g)4., Rules of Auditor General.

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**Section V – Other Issues**

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There is no Summary Schedule of Prior Audit Findings (AG Rule 10.557(3)(d)5.) because there were no prior audit findings related to Federal Programs or State projects.

No corrective action plan is required (AG Rule 10.557(3)(d)6.) because there were no findings required to be reported under the Federal or Florida Single Audit Acts.

