

*City of Sanibel, Florida
Comprehensive Annual
Financial Report*



*For Fiscal Year Ended
September 30, 2012*

On the Cover

After the best nesting season ever on Sanibel, one of the world's most widespread birds of prey, the osprey, can be seen Island-wide hunting, diving, or carrying fish from our local waters. The International Osprey Foundation first began recording the number of osprey nests on Sanibel in 1979. At that time, there were only 35 active nests – a small number compared to 133 nests in 2012, which fledged 125 chicks. Breeding season for non-migratory osprey begins in the winter and spring, laying eggs between December and March. Two to four eggs are laid per nest, hatching approximately 40 days later.

An osprey's diet consists mainly of fish, but on rare occasions they have been observed catching snakes and other small reptiles. With their large feet, reversible outer toe, and sharp talons, ospreys will hover before spotting a fish and diving into the water, reappearing with their catch securely grasped in their talons on their way back to a nest or perch. Ospreys have been observed nesting in peculiar places, including buoys, channel markers, trees, or on top of houses, nest platforms, utility poles, and overhead signs. Nest platforms in particular have become an important component in the reestablishment of ospreys throughout Southwest Florida. Long-term survival of this species is directly related to the health of the estuarine ecosystem, which is constantly threatened by pesticides, water quality, and human development.

Photo by
Rick Zurbriggen, Sanibel Wild
www.sanibelwild.com

We would like to sincerely thank Rick Zurbriggen for the use of one of his photos from his online gallery.

COMPREHENSIVE ANNUAL FINANCIAL REPORT

City of Sanibel, Florida

For the Fiscal Year Ended
September 30, 2012



Prepared by the Finance Department

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

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CITY OF SANIBEL, FLORIDA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

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INTRODUCTORY SECTION

This section contains the following subsections:

Letter of Transmittal

Certificate of Achievement for Excellence in Financial Reporting

City of Sanibel Organizational Chart

List of City Elected and Appointed Officials

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March 26, 2013

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



City of Sanibel

800 Dunlop Road
Sanibel, Florida
33957-4096

www.mysanibel.com

AREA CODE – 239

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

The Comprehensive Annual Financial Report of the City of Sanibel, Florida, (the “City”) for the fiscal year ended September 30, 2012 is respectfully submitted. Chapter 218.39, Florida Statutes, requires that a complete set of financial statements be published within nine months of the fiscal year end, be presented in conformance with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with auditing standards generally accepted in the United States of America by licensed independent certified public accountants.

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

The City of Sanibel’s financial statements have been audited by CliftonLarsonAllen, 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, 2012 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified (“clean”) opinion that the City’s financial statements for the fiscal year ended September 30, 2012 are fairly presented in conformity with GAAP. The independent auditor’s report is presented as the first component of the financial section of this report.

Management’s discussion and analysis (MD&A) immediately follows the independent auditor’s report and provides a narrative introduction, overview and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

CITY PROFILE

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

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

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

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

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

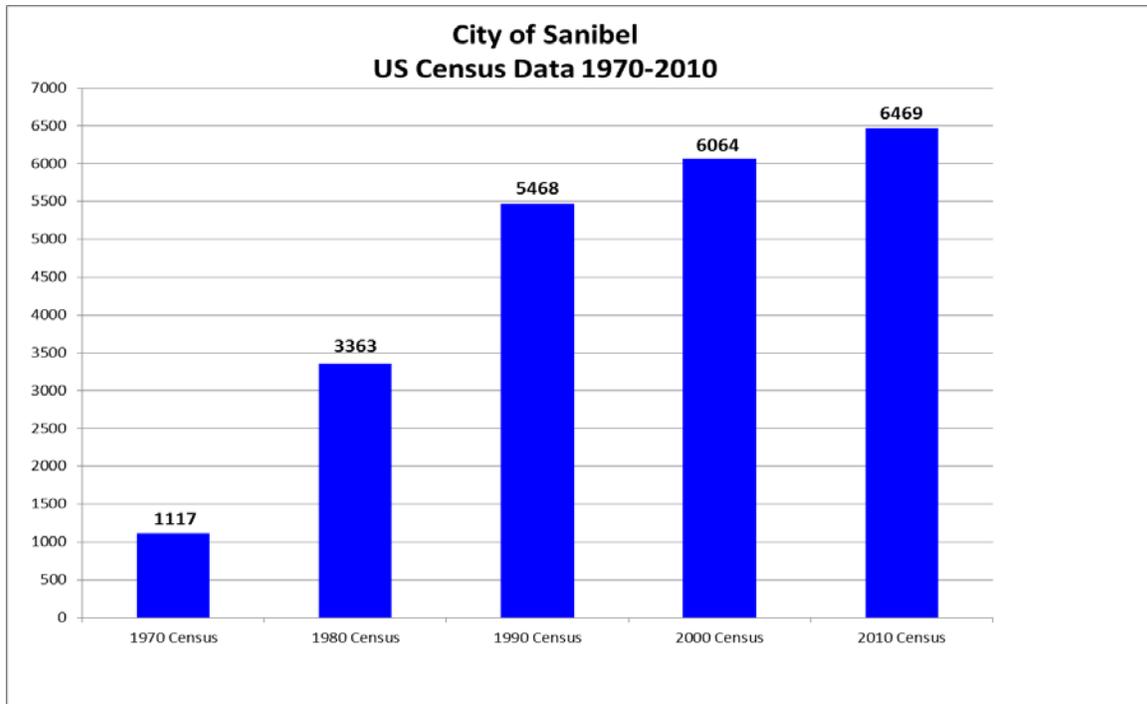
The Comprehensive Annual Financial Report includes all funds of the City of Sanibel and its component unit. The City as the primary government includes Community Housing and Resources, Inc. (CHR) as a component unit using the discrete method of presentation determined pursuant to Government Accounting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

ECONOMIC CONDITION AND OUTLOOK

Sanibel is a world class visitor destination with a mild winter climate, 15.5 miles of white sandy beaches that are habitat for numerous endangered and threatened species, 23.75 miles of paved shared use paths and numerous eco-tourist opportunities. Sixty-seven percent of the island's land area is located within the J.N. Ding Darling National Wildlife Refuge; other designated conservation land brings Sanibel's total of land under conservation to 70 percent. The island is a world-renowned location for birding and shelling. Recently travel expert Arthur Frommer named Sanibel number one on his life-time list of top destinations. Protection of the island's natural environment is the paramount priority of the City of Sanibel and residents as evidenced in the City's vision statement;

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

The City of Sanibel incorporated in 1974. Since becoming a city, as the City approaches build-out, the rate of growth has slowed from 201% between 1970 to 1980, to 62% between 1980 to 1990, to 11% between 1990 to 2000, to 7% between 2000 to 2010. On April 1, 2012 the estimated population was 6,489 according to the Bureau of Economic and Business Research at the University of Florida.



*Source: United States Census Bureau, 2010 Census

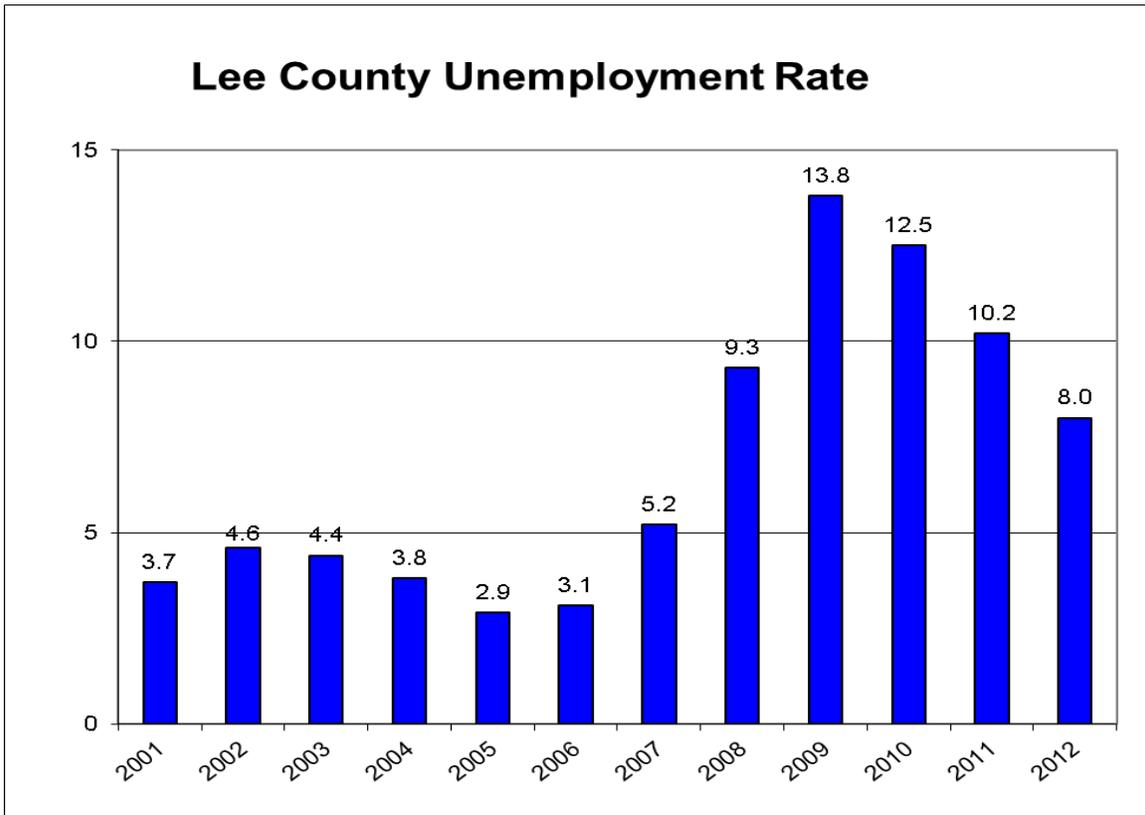
As compared to Lee County and the State of Florida, Sanibel has a relatively older, higher educated population with higher median household incomes.

	Sanibel	Lee County	Florida
Population	6,469	618,754	18,801,310
Persons under 5 Years (%)	1.3%	5.3%	5.7%
Persons under 18 Years (%)	7.9%	19.5%	21.3%
Persons 65 & Older (%)	50.1%	23.5%	17.3%
Female Persons	52.7%	50.9%	51.1%
High School Graduates (% of persons age 25+)	99%	86.7%	85.3%
Bachelor's Degree or higher (% of persons age 25+)	58.5%	24.6%	25.9%
Median household income 2006-2010	\$87,926	\$50,014	\$47,661
Per capita income past 12 months	\$79,742	\$29,445	\$26,551
Persons below poverty level (%)	4.8%	12%	13.8%

*Source: United States Census Bureau, 2010 Census

According to the Lee County Visitor and Convention Bureau (VCB), tourism employs one out of every five people in Lee County. Based upon statistics collected by the VCB Lee County receives approximately five million visitors a year that generate approximately \$3 billion dollars in economic impact.

In the past decade Lee County has experienced the extremes of economic prosperity and economic decline. In 2005 it had one of the lowest unemployment rates in the entire nation at 2.9% and in 2009 one of the highest at 13.8%. In December 2012 the rate stood at 8%.



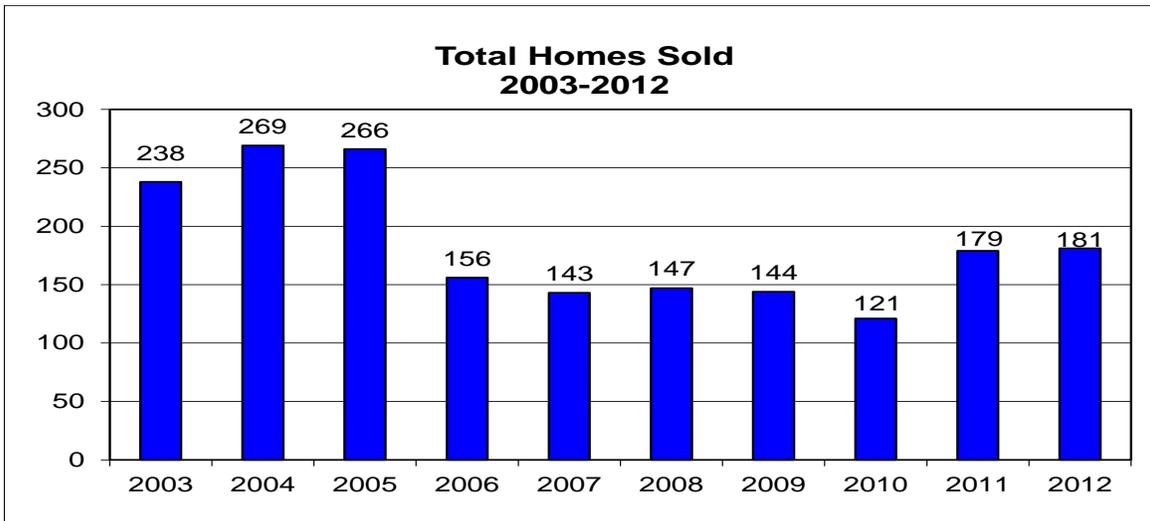
**Source: U.S. Department of Labor
NOTE: Unemployment rate is for the Cape Coral-Ft. Myers, FL Metropolitan Statistical Area as of December 2012.*

Sanibel is a major component of the region's tourism industry, generating 15% (\$3,976,780) of the total bed tax (\$26,512,920) in Lee County in FY12. According to the VCB, the top attributes visitors considered in selecting Lee County during fall 2012 were warm weather, peaceful relaxing location and white sandy beaches.

The majority of visitors to Lee County and Sanibel fly to the destination arriving via the Southwest Florida International Airport (RSW), located 26 miles from Sanibel. The number of visitors arriving at RSW peaked in 2007, with 8,049,676 passengers. Local air traffic decreased by 2.48% between 2011 (7,537,745) and 2012 (7,350,625).

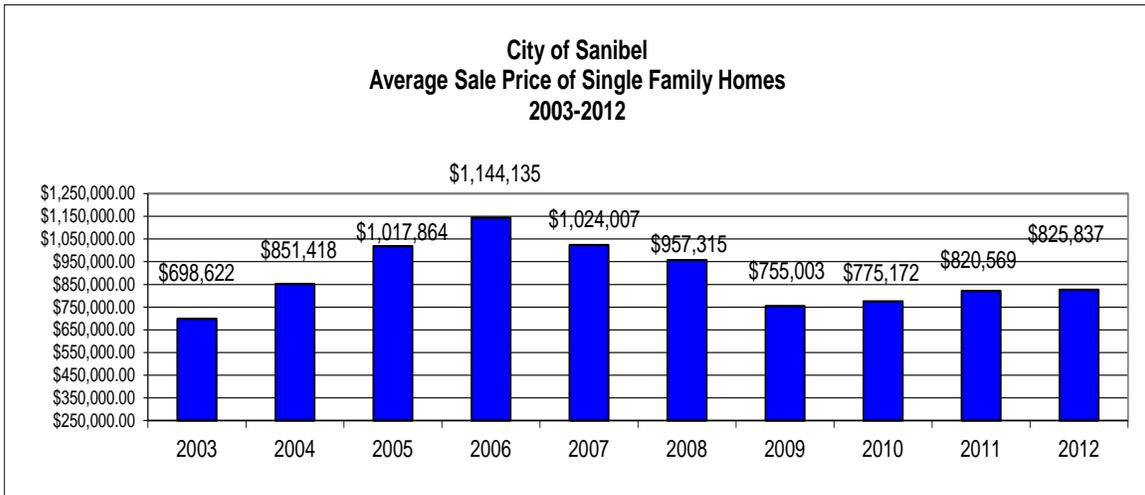
The sole means of vehicular access to Sanibel Island is a causeway owned and operated by Lee County. Annual traffic crossing the causeway peaked in 2001 (3,460,347). Total traffic vehicles entering Sanibel over the causeway increased by 1.9% between 2011 (2,953,632) and 2012 (3,008,883).

Historically, in addition to tourism, real estate has been a major economic component of the region and the City of Sanibel. Sales of single family homes peaked on Sanibel in 2004, with 269 homes sold. In 2012, the volume of single family homes sold increased 1.1% from 179 homes sold in 2011 to 181 homes sold in 2012.



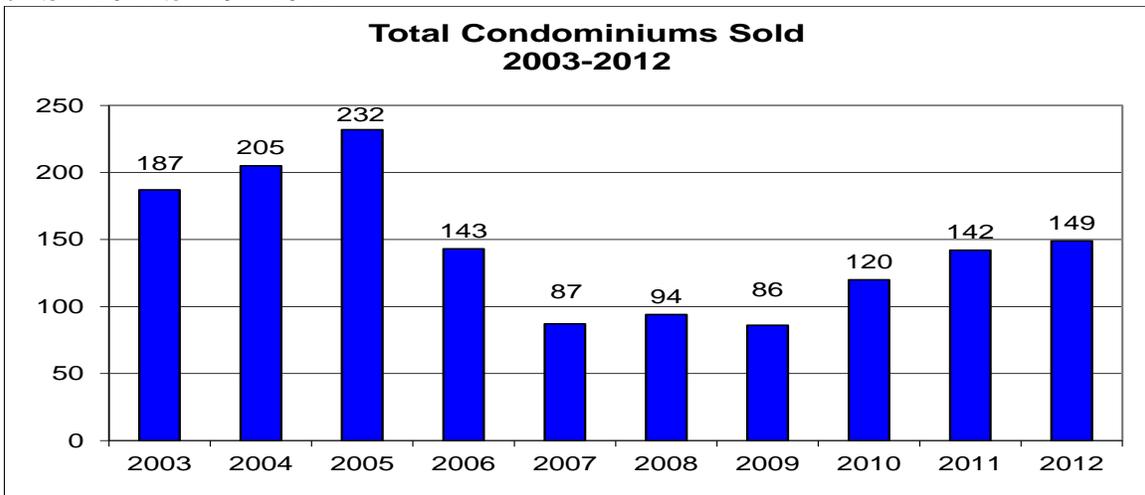
*Source: Sanibel Island VIP Realty Group

In 2012, the average sale price of single family homes on Sanibel rose by .64% from \$820,569 in 2011 to \$825,837.



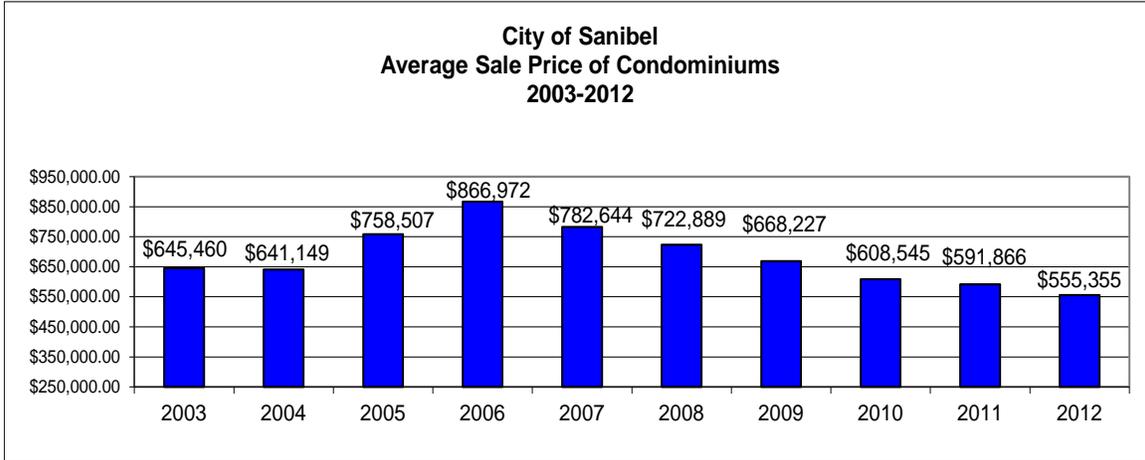
*Source: Sanibel Island VIP Realty Group

Following a similar trajectory, the sale of condominiums on Sanibel increased by 4.9% from 142 units in 2011 to 149 in 2012.



*Source: Sanibel Island VIP Realty Group

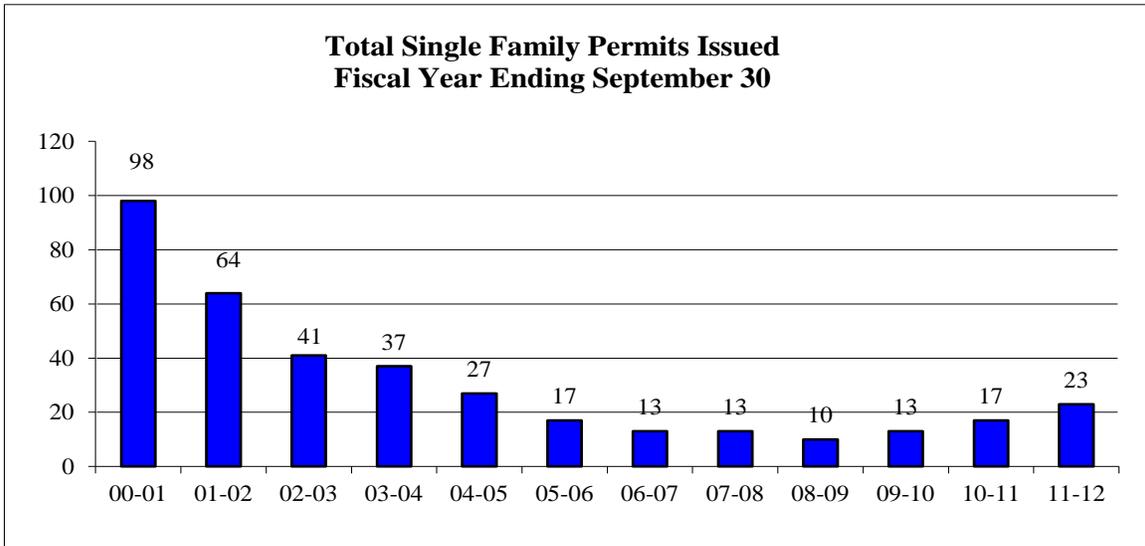
However, average sale prices for condominium units continued to decrease by an additional 6.2% from \$591,866 in 2011 to \$555,355 in 2012, from a high of \$866,972 in 2006.



*Source: Sanibel Island VIP Realty Group

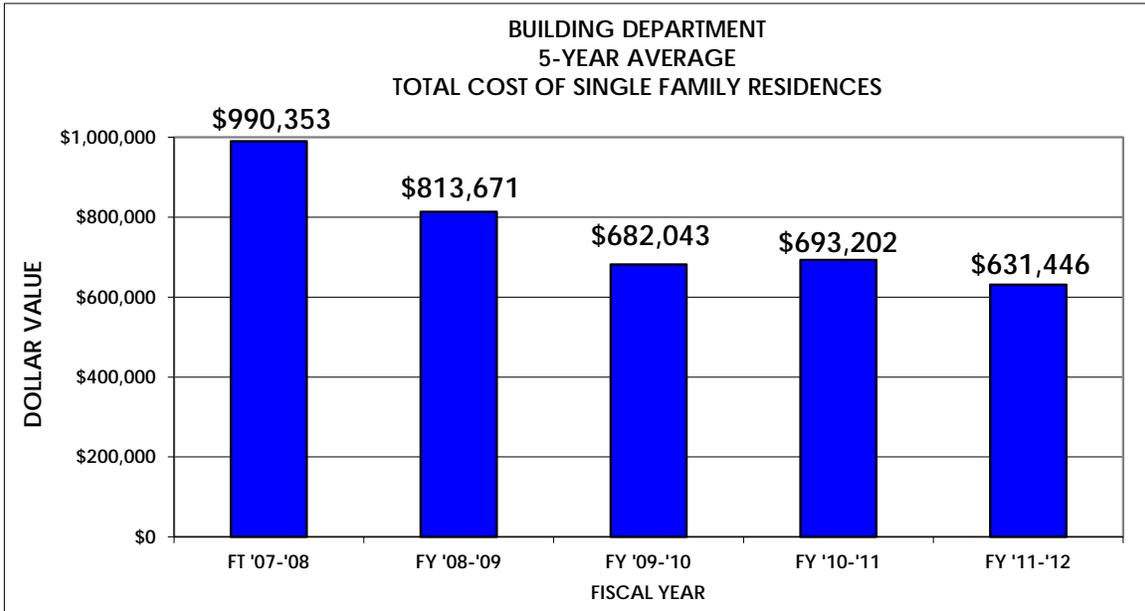
Vacant lot sales on Sanibel increased in 2012 to 32 from 18 in 2011, a 77.8% increase. Fewer lots are available as Sanibel reaches build-out. It is important to note the base of this calculation is per lot, which is significant due to its small sample size

Sanibel also experienced a 35.3% increase in construction of new single family homes between 2011 and 2012, with 17 new homes to 23 new homes, respectively.



*Source: City of Sanibel, Building Department

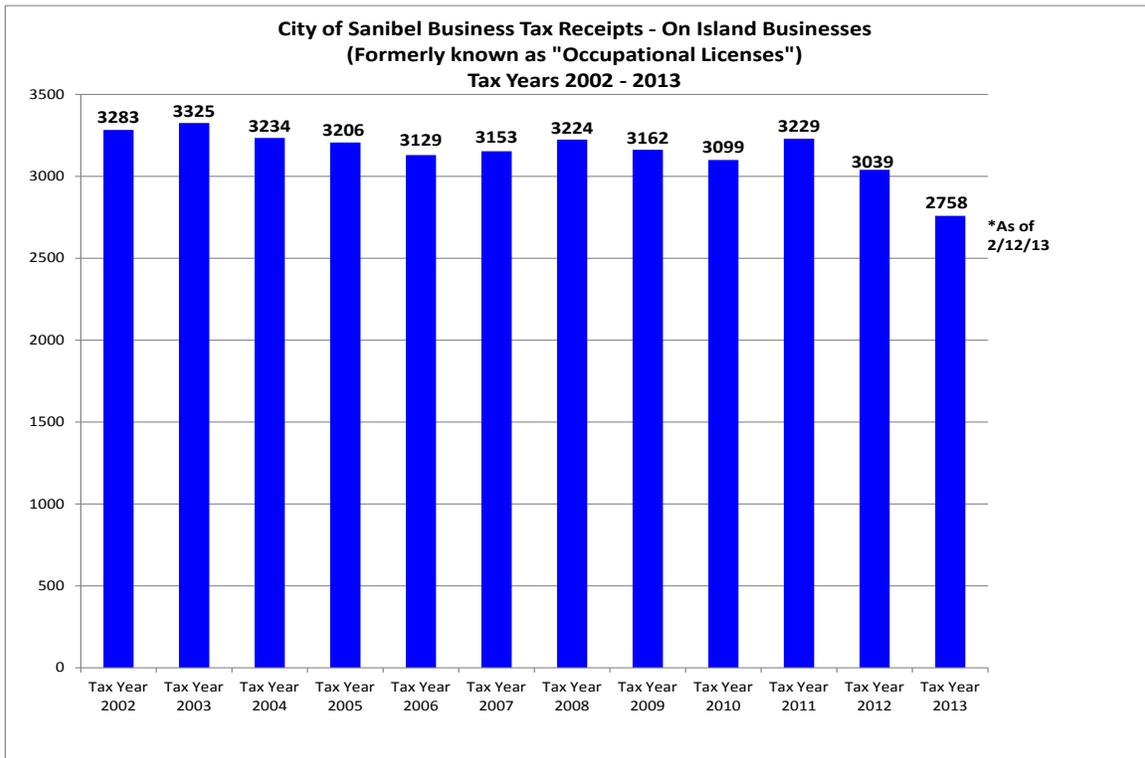
However, it is noteworthy that the average price of new homes constructed on Sanibel decreased by 8.9%, \$631,446 in 2012, compared to \$693,202 in 2011.



*Source: City of Sanibel, Building Department

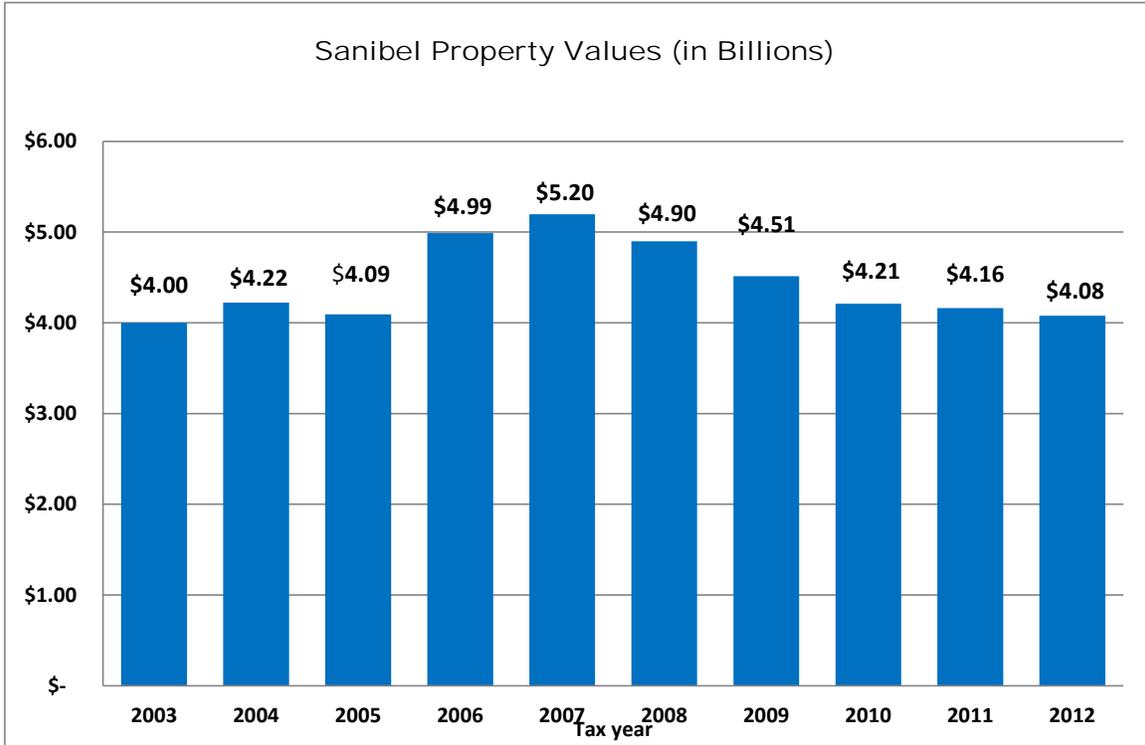
The last three years, the City has also seen an overall trend towards relatively smaller homes constructed from 7,070 square feet in 2008, down to 5,125 square feet in 2012.

In 2004, the City sustained major damage due to Hurricane Charley. The number of on-Island businesses the year of the hurricane was 3,234 and in 2012, the number of on-island businesses was 3,039.



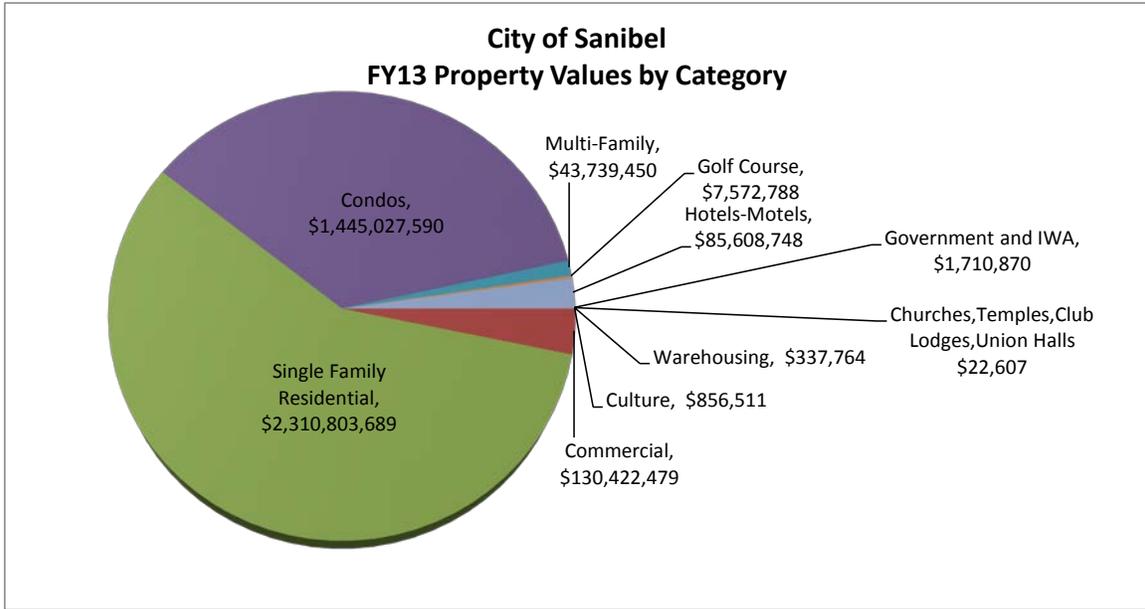
*Source: City of Sanibel, Finance Department

Sanibel's property values peaked in 2007 before beginning declines in 2008. Property values have declined a total of 23.54% from the 2007 peak year to 2012.



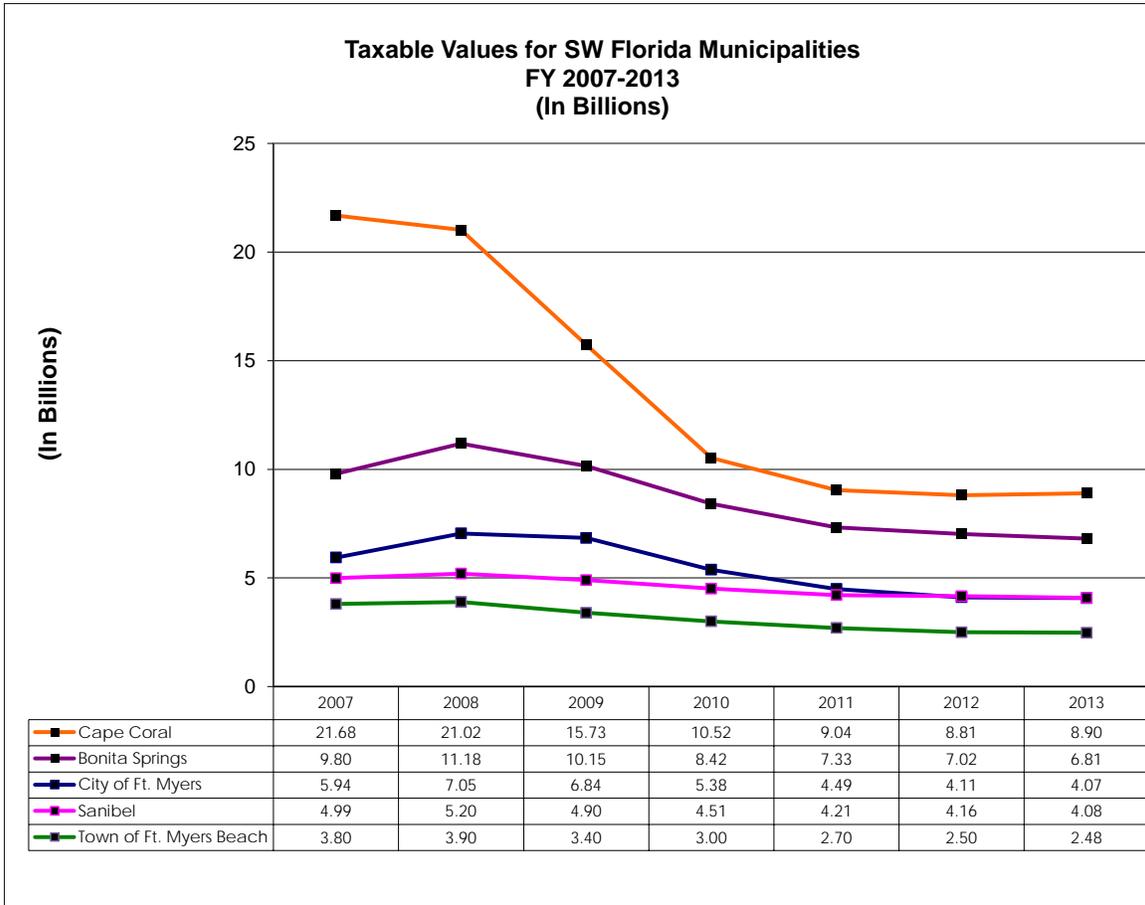
*Source: Lee County Property Appraiser

The primary revenue of the City is property tax. Of the property tax, the most significant components of the property tax is generated from Single Family Properties (57%). The second highest generator of property tax is from Condominiums (36%), followed by Commercial (3%) and Hotel/Motels at (2%).



*Source: Lee County Property Appraiser

As compared to other communities in the region, the City of Sanibel's decline in property values was less severe.



*Source: Lee County Property Appraiser

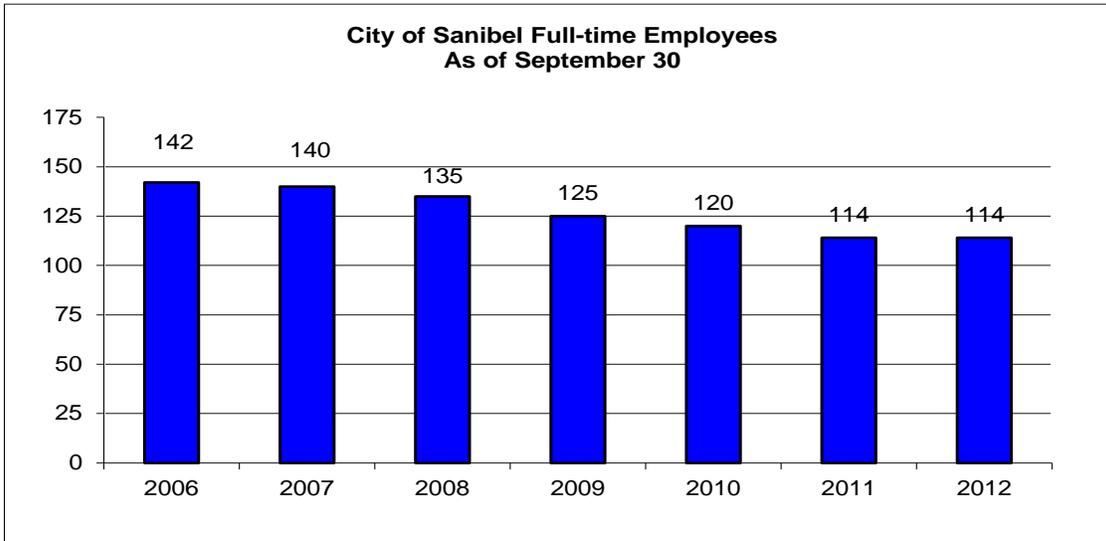
LONG-TERM FINANCIAL PLANNING

The City's financial operations are managed with recurring general fund operating surpluses contributing to historically strong cash and general fund balance positions. This trend continued in 2012 by reducing operating expenditures in anticipation of declining revenues. At year end the City's general fund's unassigned fund balance of \$4.049 million was equal to 35.8 percent of general fund operating expenditures.

During the current economic down-turn, the City of Sanibel has followed strategy of: reducing fixed costs (Personnel and Pension), reducing debt, lowering taxes, and protecting reserves.

On September 30, 2012, unassigned fund balance available to Council in the general fund (35.8 percent of general fund operating expenditures) falls within the fund balance policy guidelines set by the Council for budgetary and planning purposes (i.e., 17 percent of general fund operating expenditures). If the general fund's unassigned fund balance falls below the acceptable level, the City shall take action necessary to restore the unassigned fund balance to acceptable levels within two years.

In 2012, the City maintained the same number of full-time employees (114) that it had in 2011; between 2006 and 2011 the City's full-time work force was reduced by 19.7% from 142 in 2006, to 114 in 2011.



**Source: City of Sanibel, Finance Department*

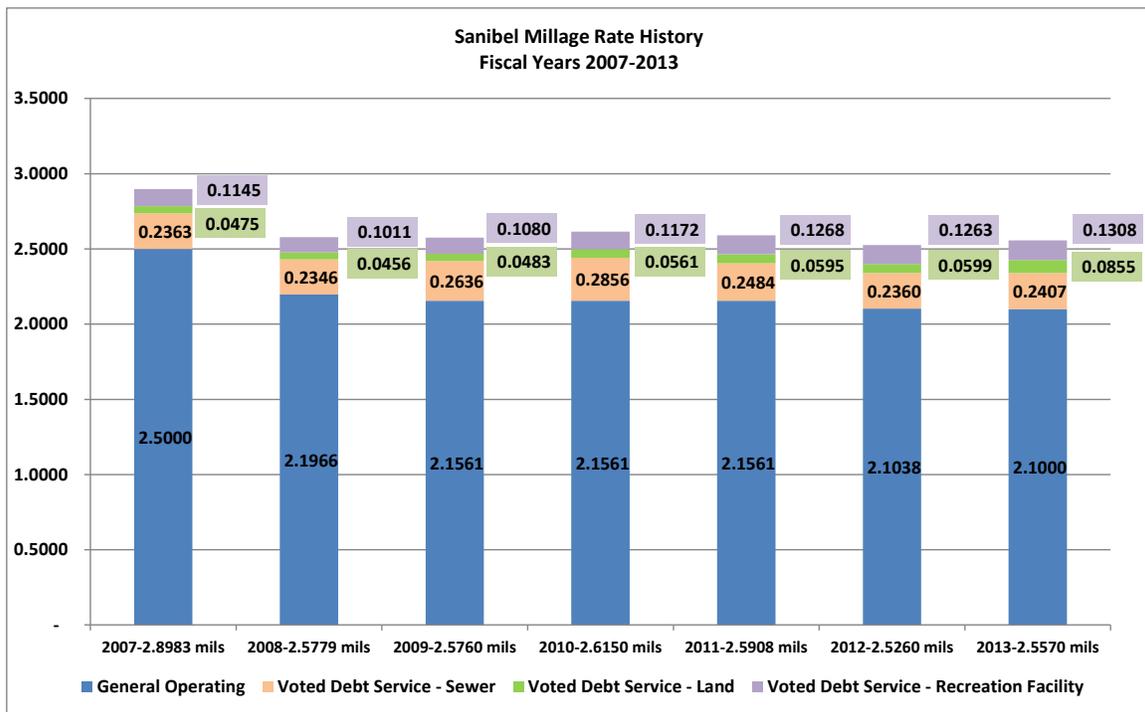
Effective in 2011, City Council significantly modified the General Employees' Defined Benefit Pension Plan to improve the plan's funded ratio and to contain future long-term pension costs. Current employees were provided the option to make an irrevocable election to opt out of the defined benefit plan and to participate in a defined contribution plan. The defined benefit plan was closed to new hires in February 2012.

The City's priority is to maintain Sanibel as a world-class, safe, clean, environmentally and fiscally sound municipality. Despite the economic downturn, Sanibel has maintained its strong financial position through prudent long-term financial planning and fiscal actions to reduce or contain fixed costs. The City is currently operating under the assumption that the recent economic recession has had a significant impact on Sanibel. This year, even though we experienced minor upticks in average sale prices of single family homes and the value of homes sold, the continuing decrease in the average price for condominiums is a concern as well as the continuing decline in the cost of homes constructed and the Sanibel property values. Council recognizes that as a barrier island in the sub-tropics, the City remains vulnerable to natural events such as tropical storms and hurricanes. In response to the City's natural vulnerabilities from nature and man, Council committed \$4.5 million for a disaster reserve and \$1.3 million for an environmental initiative reserve.

The City continues to evaluate and implement user fees as part of its efforts for long-term sustainability. In April 2012 building department fees were reduced by 25%. The planning department's variance application fee was reduced by 30% and the remodel with no increase in living area fee was reduced by 50%. In the 2013 budget all other City fees were held flat with the exception of a 1% increase in sewer rates.

The City of Sanibel general operating millage has reduced from 2.500 mils in fiscal year 2007, to 2.1000 mils in fiscal year 2013, with no reduction in basic services.

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Council has been aggressive in using surplus reserves to early retire debt. A sinking fund has been established to early retire a portion of the City's general obligation bonds on the bonds' eligible refunding date in 2016.

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

RELEVANT FINANCIAL POLICIES

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

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

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

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

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

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

MAJOR INITIATIVES

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

I. REDEVELOPMENT WORK PLAN FOR THE COMMERCIAL DISTRICT

Continue the City-wide redevelopment work plan by focusing on the future success and stability of the Island's Commercial District as it relates to the existing mix of retail and service uses that accommodate fulltime and seasonal residents and visitors of Sanibel. As an outcome of this work plan and effort Staff will:

- Develop specific site, architectural and environmental design standards that reinforces the natural, rural and residential character of the community;
- Research and provide current market conditions and trends;
- Develop strategies to encourage investment and improvements to aging/neglected commercial buildings and centers; and
- Recommend appropriate redevelopment zoning and land use requirements that are consistent with the community's vision statement and Sanibel Plan.

II. SUSTAIN AND STRENGTHEN THE CITY'S FINANCIAL STABILITY

Develop a long-term debt early retirement plan and enhance the budgeting process by including more historical trend analysis and by extending operational budgetary forecasting to five years.

- Develop a feasible plan to early retire the City's long term debt in order to reduce the City's annual fixed costs and to produce substantial finance cost savings for the City of Sanibel's taxpayers.
- A plan to retire all city debt, will consider which of the city's debt obligations should be addressed during FY13 that will best achieve the greatest future economic benefit to our taxpayers. Obligations that will be considered will include:
 - Series 2006 General Obligation Bonds (Recreation Center)
 - Unfunded pension liability
- In addition extending the operational budget forecast to five years will provide information on the effect current decisions will have on future revenue sources and operating costs and will provide the framework to analyze the City's capability to cover its five-year capital improvements or defer to future years. Deferring produces a compounding effect on future services, increased maintenance and infrastructure deterioration.
- Develop a facility component replacement plan in order to preserve and protect the City's facilities' major components such as roofs, HVAC systems and flooring that must be replaced. The plan will identify the City's facilities' components; each component's estimated replacement cost; and each component's scheduled replacement date. Procedures and funding requirements will be developed to establish a sinking fund account that will be used for the replacement of these components. Level annual funding into a sinking fund to finance major component replacements will prevent experiencing funding spikes when the components need to be replaced.

III. IMPROVE WATER QUALITY

Local Goals

Continue with implementation of residential and golf course fertilizer Best Management Practices to improve water quality.

- FY-2013 goal - Review progress towards implementing fertilizer and lake management guidelines with golf course managers to ensure that all are making progress towards compliance and improving scores on their annual report card.
- FY-2013 goal – Continue community education campaign on fertilizer Best Management Practices and develop stormwater information package for homeowners to address water quality in community lakes.
- FY2013 goal – Continue to defend Home Rule rights. To protect water quality from irresponsible use of fertilizer

Develop a well-defined plan to meet future water quality standards including numeric nutrient criteria and Total Maximum Daily Loads for the Sanibel River and Sanibel's coastal waters.

- FY-2013 goal – Complete a comprehensive nutrient reduction plan for Sanibel, which includes a list of priority projects and management measures to effectively reduce stormwater runoff and nutrient pollution to the Sanibel River and coastal waters.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Sanibel for its comprehensive annual financial report for the fiscal year ended September 30, 2011. This was the twenty-sixth (26th) consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

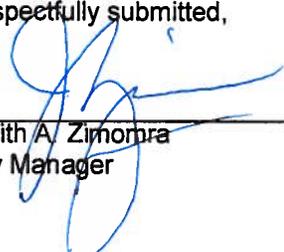
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirement and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the government also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the fiscal year beginning October 1, 2011. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device.

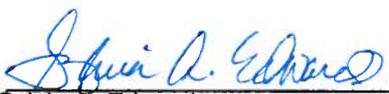
A comprehensive financial report of this nature could not have been prepared without the dedicated efforts of the finance department staff. We would like to express our sincere appreciation to this staff for their noteworthy accomplishments in the completion of this endeavor.

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

Respectfully submitted,



Judith A. Zimomra
City Manager



Sylvia A. Edwards
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Sanibel
Florida

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2011

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



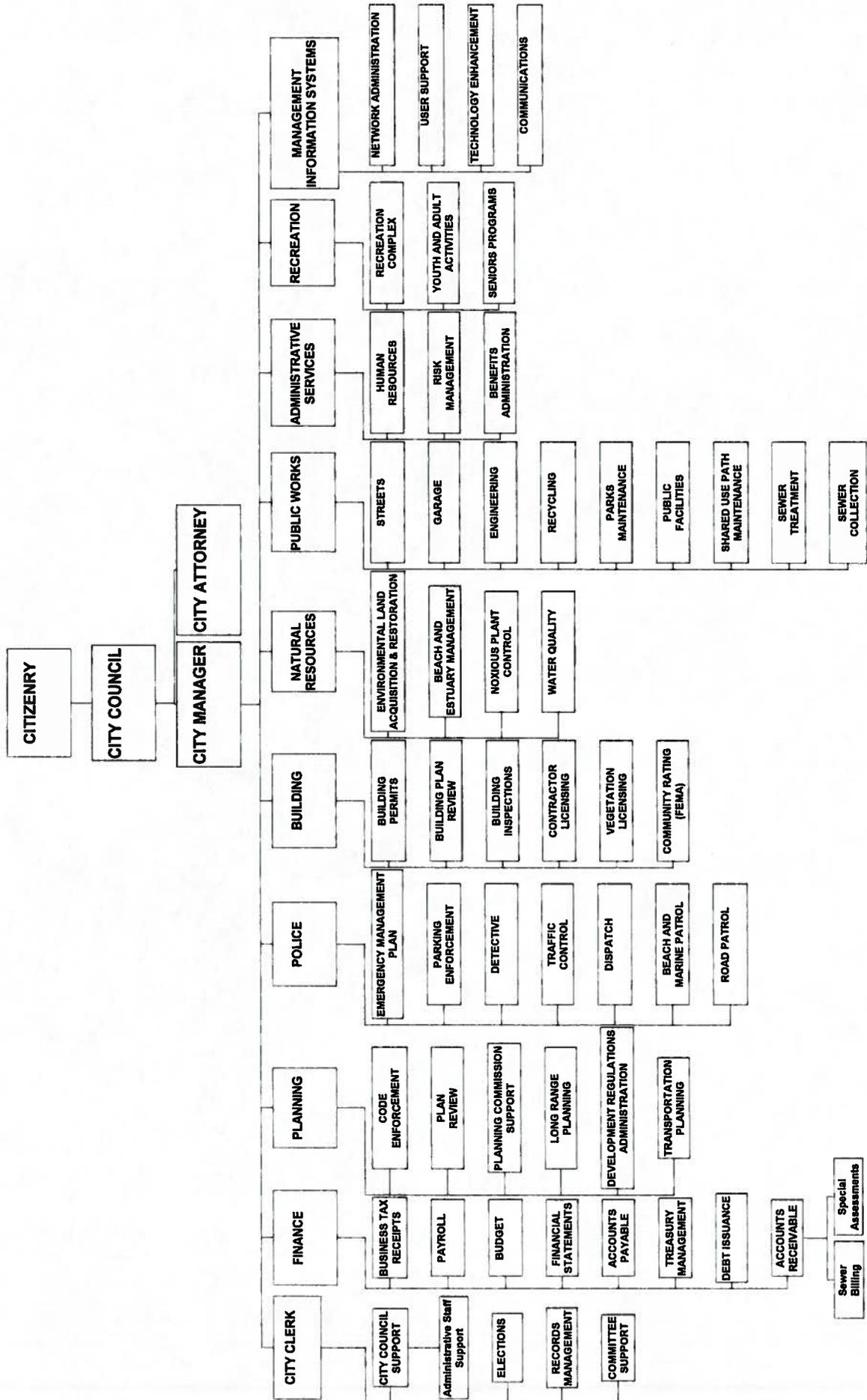
Christopher P. Mouill

President

Jeffrey R. Emer

Executive Director

CITY OF SANIBEL ORGANIZATIONAL CHART - FY 2011-2012



City of Sanibel
COUNCIL-MANAGER FORM OF GOVERNMENT
AS OF SEPTEMBER 30, 2012



ELECTED OFFICIALS

Kevin RuaneMayor
 Doug CongressVice Mayor
 Mick Denham.....Councilmember
 Marty HarrityCouncilmember
 Jim Jennings.....Councilmember

APPOINTED OFFICIALS

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

EXECUTIVE STAFF

James R. IsomAdministrative Services Director
 R. Harold Law, Jr.Chief Building Official
 William Tomlinson.....Chief of Police
 Pamela Smith, MMC City Clerk
 Sylvia A. Edwards, MBA, CPA, CGFO, CPFO..... Finance Director
 Albert Smith, Jr. Information Services Director
 James T. Evans III, M.S.... Natural Resources Director
 James C. Jordan..... Planning Director
 Keith Lee Williams II, PE.....Public Works Director/City Engineer
 Andrea L. Miller, CPRP.....Recreation Director

FINANCIAL SECTION

This section contains the following subsections:

Independent Auditors' Report

Management's Discussion and Analysis (MD&A)

Basic Financial Statements

Required Supplementary Information Other Than MD&A

Combining Financial Statements and Schedules

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sanibel, Florida (the "City") as of and for the year ended September 30, 2012, 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. The financial statements of Community Housing and Resources, Inc. were not audited in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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 discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Sanibel, Florida as of September 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Honorable Mayor and City Council
City of Sanibel, Florida

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2013 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules of funding progress on pages 23 through 39, and 110 through 112 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

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 and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.



CliftonLarsonAllen LLP

Fort Myers, Florida
March 22, 2013

Management's Discussion and Analysis

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MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

Discussion and analysis of the City of Sanibel's financial statements is intended to provide a narrative introduction to the basic financial statements and an analytical overview of the City's financial activities for the fiscal year ended September 30, 2012.

FINANCIAL HIGHLIGHTS

- ❑ At the close of fiscal year 2012, the City of Sanibel's assets exceeded its liabilities by \$96.882 million (net assets). Governmental and business-type assets exceeded liabilities by \$63.018 million and \$33.864 million, respectively.
- ❑ The City's total net assets increased by \$.682 million, or 0.7%, in comparison to the prior year. Unrestricted net assets, which may be used to meet the government's ongoing obligations to citizens and creditors increased by \$1.787 million, or 7.6%.
- ❑ The City's governmental activities reported total net assets of \$63.018 million, which is an increase of \$37,398, or 0.1%, in comparison to the prior year. Approximately 35.2% of the total, or \$22.208 million, is unrestricted.
- ❑ The City's business-type activities reported total net assets of \$33.864 million, which is an increase of \$644,520, or 1.9%, in comparison to the prior year. Approximately 9.2% of the total, or \$3.125 million, is unrestricted.
- ❑ The City's long-term liabilities decreased by \$2.355 million during the current fiscal year. This represents the required annual debt service payments.
- ❑ At the close of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$19.539 million, a decrease of \$4.732 million, or -19.5%, from the 2011 ending fund balance of \$24.271 million. The general fund fiscal year 2011 audit included \$4.693 million assigned fund balance for fiscal year 2012 appropriations. In addition to the annual required pension contributions the City expended \$4.113 million from governmental funds to pay down a portion of the City's pension plans' unfunded actuarial accrued liability.
- ❑ At the end of the current fiscal year, fund balance for the general fund was \$13.937 million. Of this balance \$4.5 million has been committed to the disaster reserve, \$1.3 million committed to the environmental initiative reserve, \$315,000 committed to the insurance deductible reserve, and \$1.349 million assigned to the subsequent year's budget. In addition \$2.305 million is nonspendable which consists of long-term loan to other funds \$2.2 million, and \$105,341 for prepaid expenses and inventories. Approximately \$4.049 million (29.1%) is available for spending at the government's discretion (unassigned fund balance).
- ❑ At the end of the current fiscal year, unassigned fund balance for the general fund was approximately \$4.049 million or 24.3% of the general fund's total expenditures (\$14.032 million) plus other financing uses (\$2.636 million).

OVERVIEW OF THE FINANCIAL STATEMENTS

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

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements, which are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. The focus is on "activities", rather than "fund types". All information is presented utilizing the economic resource measurement focus and the accrual basis of accounting. This method matches revenues and expenses to the period in which the revenue is earned and the expense attributed.

The *Statement of Net Assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. The focus of the *Statement of Net Assets* (the "unrestricted net assets") is designed to be similar to bottom line results for private sector companies. This statement combines and consolidates governmental fund current resources (short-term spendable resources) with capital assets and long-term obligations. (See page 42).

The *Statement of Activities* presents information showing how the City's net assets changed during the most recent fiscal year, focusing on both the gross and net costs of various activities, governmental and business-type, that are supported by the government's general tax and other revenues. This is intended to summarize and simplify the user's analysis of the cost of various governmental services and/or subsidy from various business-type activities. (See page 43).

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

Component units are other governmental units over which the City (the City Council, acting as a group) can exercise influence and/or may be obligated to provide financial subsidy. Discretely-presented component units (Community Housing & Resources, Inc.) are presented as a separate column in the government-wide statements. Blended component units are presented as part of the primary government activities. The City has no blended component units to report. Community Housing & Resources, Inc., a legally separate organization, issued separate audited financial statements for the year ended September 30, 2012.

The government-wide financial statements can be found on pages 42-43 of this report.

Fund Financial Statements

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

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the City's near-term financing requirements.

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

The City maintains twenty (20) individual governmental funds. Information is presented separately in the governmental fund *Balance Sheet* and in the governmental fund *Statement of Revenues, Expenditures and Changes in Fund Balances*, for the general fund, the transportation fund, the recreation fund and the 2002/2012 general obligation bond fund which are considered to be major funds. Data from the other sixteen (16) nonmajor governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements and schedules immediately following the *required supplementary information* and can be found on pages 115-142 of this report.

The City adopts an annual appropriated budget for its general fund, as well as the other nineteen governmental funds. Budgetary comparison statements are required only for the general fund and major special revenue funds. Budgetary comparison statements have been provided for the general fund, the transportation fund and the recreation fund to demonstrate compliance with the budget. (See pages 48-50). Budgetary comparison schedules have been provided on the other nonmajor governmental funds and the 2002/2012 general obligation bond fund. (See page 126-142).

The basic governmental fund financial statements and major funds budgetary comparison statements can be found on pages 44-50 of this report.

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

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

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

The basic proprietary fund financial statements can be found on pages 51-55 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for pension and benefit fiduciary fund types is much like that used for proprietary funds. Agency fiduciary fund types are used to account for fees collected and held by the City for individuals, private organizations or other governmental agencies. Individual fund data for the fiduciary fund types is provided in the form of combining statements and can be found on pages 143-145 and the basic fiduciary fund financial statements can be found on pages 56-57 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The *notes to the financial statements* can be found on pages 59-108 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City's progress in funding its obligation to provide pension benefits and other post-employment benefits to its employees. *Required supplementary information* can be found on pages 110-112 of this report.

GOVERNMENT-WIDE FINANCIAL STATEMENT ANALYSIS

Statement of Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$96.882 million.

The City's combined net assets as of September 30, 2012 were \$96.882 million. The 2012 increase to city-wide net assets was \$681,918. The City's combined revenues, including contributions, grants, charges for services, taxes and other general revenues were \$27.247 million. Total expenses city-wide were \$26.565 million.

The following table reflects the condensed Statement of Net Assets found on page 42 of this report for the current year with comparative information for fiscal year 2011:

Statement of Net Assets (Summary)						
as of September 30, 2012 and 2011						
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 27,019,386	\$ 26,561,654	\$ 13,194,658	\$ 12,947,985	\$ 40,214,044	\$ 39,509,639
Capital assets, net of depreciation	48,799,185	49,446,134	50,048,707	52,088,282	98,847,892	101,534,416
Total assets	<u>75,818,571</u>	<u>76,007,788</u>	<u>63,243,365</u>	<u>65,036,267</u>	<u>139,061,936</u>	<u>141,044,055</u>
Current and other liabilities	1,891,394	1,910,414	437,995	728,303	2,329,389	2,638,717
Long-term liabilities	<u>10,909,064</u>	<u>11,116,659</u>	<u>28,941,639</u>	<u>31,088,753</u>	<u>39,850,703</u>	<u>42,205,412</u>
Total liabilities	<u>12,800,458</u>	<u>13,027,073</u>	<u>29,379,634</u>	<u>31,817,056</u>	<u>42,180,092</u>	<u>44,844,129</u>
Net assets:						
Invested in capital assets, net of related debt	38,489,185	38,851,134	21,228,648	21,085,016	59,717,833	59,936,150
Restricted	2,321,002	2,276,723	9,510,488	10,441,174	11,831,490	12,717,897
Unrestricted	<u>22,207,926</u>	<u>21,852,858</u>	<u>3,124,595</u>	<u>1,693,021</u>	<u>25,332,521</u>	<u>23,545,879</u>
Total net assets	<u>\$ 63,018,113</u>	<u>\$ 62,980,715</u>	<u>\$ 33,863,731</u>	<u>\$ 33,219,211</u>	<u>\$ 96,881,844</u>	<u>\$ 96,199,926</u>

By far, the largest portion of the City's net assets (61.6%) reflect its investment in capital assets (such as land, buildings, parks, roads, bridges, machinery and equipment) less any related outstanding debt used to acquire those assets. The 61.6% of the City's total net assets compares to 62.3% at September 30, 2011. The City uses these assets to provide services to citizens; consequently these assets are not available for future spending. Although the capital assets are shown net of debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate and pay for these liabilities.

Restricted net assets of \$11,831,490, representing 12.2% of total net assets, are subject to external restrictions on how they may be used. Unrestricted net assets of \$25,332,521 are 26.2% of total net assets and may be used for any purpose.

In governmental activities, \$22,207,926 or 35.2% of net assets are unrestricted, a \$355,068 increase from September 30, 2011. The increase in net assets was primarily as a result of operations.

In business-type activities, \$3,124,595 or 9.2% of net assets are unrestricted, a \$1,431,574 increase from September 30, 2011.

Statement of Activities

The following is a summary of the information presented in the Statement of Activities found on page 43 of this report, with comparative information for 2011:

Changes in Net Assets (Summary)						
For the Year Ended September 30, 2012 and 2011						
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues						
Charges for services	\$ 3,156,615	\$ 2,985,370	\$ 7,704,383	\$ 7,406,512	\$ 10,860,998	\$ 10,391,882
Operating grants and contributions	361,386	477,869	1,070,180	957,377	1,431,566	1,435,246
Capital grants and contributions	143,227	208,811	462,902	289,561	606,129	498,372
General revenues						
Property taxes	9,209,429	9,497,198	949,140	1,007,540	10,158,569	10,504,738
Other taxes	2,311,247	2,306,114	-	-	2,311,247	2,306,114
Intergovernmental revenues	581,420	554,641	-	-	581,420	554,641
Other	626,700	556,276	670,298	595,971	1,296,998	1,152,247
Total revenues	<u>16,390,024</u>	<u>16,586,279</u>	<u>10,856,903</u>	<u>10,256,961</u>	<u>27,246,927</u>	<u>26,843,240</u>
Expenses (including indirect expense):						
General government	1,060,457	1,247,993	-	-	1,060,457	1,247,993
Public safety	4,943,006	5,110,249	-	-	4,943,006	5,110,249
Physical environment	693,096	757,467	-	-	693,096	757,467
Sewer	-	-	7,659,796	7,182,495	7,659,796	7,182,495
Transportation	4,654,009	3,452,975	-	-	4,654,009	3,452,975
Beach parking	-	-	2,552,587	2,316,959	2,552,587	2,316,959
Economic development	303,739	288,989	-	-	303,739	288,989
Human services	1,000	1,000	-	-	1,000	1,000
Culture/recreation	4,219,856	4,173,267	-	-	4,219,856	4,173,267
Interest on long-term debt	477,463	435,469	-	-	477,463	435,469
Total expenses	<u>16,352,626</u>	<u>15,467,409</u>	<u>10,212,383</u>	<u>9,499,454</u>	<u>26,565,009</u>	<u>24,966,863</u>
Change in Net Assets	37,398	1,118,870	644,520	757,507	681,918	1,876,377
Net assets-October 1	<u>62,980,715</u>	<u>61,861,845</u>	<u>33,219,211</u>	<u>32,461,704</u>	<u>96,199,926</u>	<u>94,323,549</u>
Net assets-September 30	<u>\$ 63,018,113</u>	<u>\$ 62,980,715</u>	<u>\$ 33,863,731</u>	<u>\$ 33,219,211</u>	<u>\$ 96,881,844</u>	<u>\$ 96,199,926</u>

Primary government total net assets increased by \$681,918 with governmental activities increasing by \$37,398 and business-type activities increasing by \$644,520.

Total primary government revenues were higher between years, with governmental activities revenues decreases of \$196,255 offset by business-type revenues increases of \$599,942.

Total primary government expenses were higher between years, with governmental activities expense increasing by \$885,217 and business-type expense increasing by \$712,929.

Governmental activities

Program revenues include \$3,156,615 in charges for services, of which \$1,521,597 was from various fees for general government services. The most significant of these were franchise fees of \$960,269 and development fees of \$230,761. Building-type permits of \$731,243 were the significant charges for services in public safety activity. Physical environment activity's solid waste surcharge fees accounted for \$212,339 and recreation center user fees were \$565,686.

Development fees were \$13,436 lower than in the prior year. Building permit fees were higher than in the prior year by \$26,095. Single family homes' permits issued in fiscal year 2012 were 23 compared

to 17 in fiscal year 2011. Total permits issued increased from fiscal year 2011's 2,411 to 2,828 for fiscal year 2012. In April 2012 Council lowered building permit fees 25% and reduced planning department's variance application fee by 30% and remodel with no increase in living area fee by 50%.

Operating grants and contributions were \$116,483 less than in the prior year. In 2011 a multi-year algae research study partially funded by operating grants was completed early in fiscal year 2011 and \$48,975 in grant revenues were received in fiscal year 2011.

Capital grants and contributions were \$65,584 less in 2012 primarily due to the completion of the police department's server room which was funded by an \$82,500 grant in fiscal year 2011; this was offset by an increase in impact fees of \$19,845 in fiscal year 2012.

Property tax collections were \$287,769 lower in 2012 with Council voting to levy a lower mill rate on a lower property tax base.

Other revenues were up \$70,424 from the prior year. Investment earnings increased \$52,230 due to the laddering effect of the investment program initiated by the City in June 2011. In fiscal year 2010 the City revised its investment policy to expand its portfolio to include investments in taxable municipal debt obligations and a limited 10% to 15% exposure in corporate bonds (no more than two (2%) percent of the portfolio may be invested with any one corporate bond issuer).

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

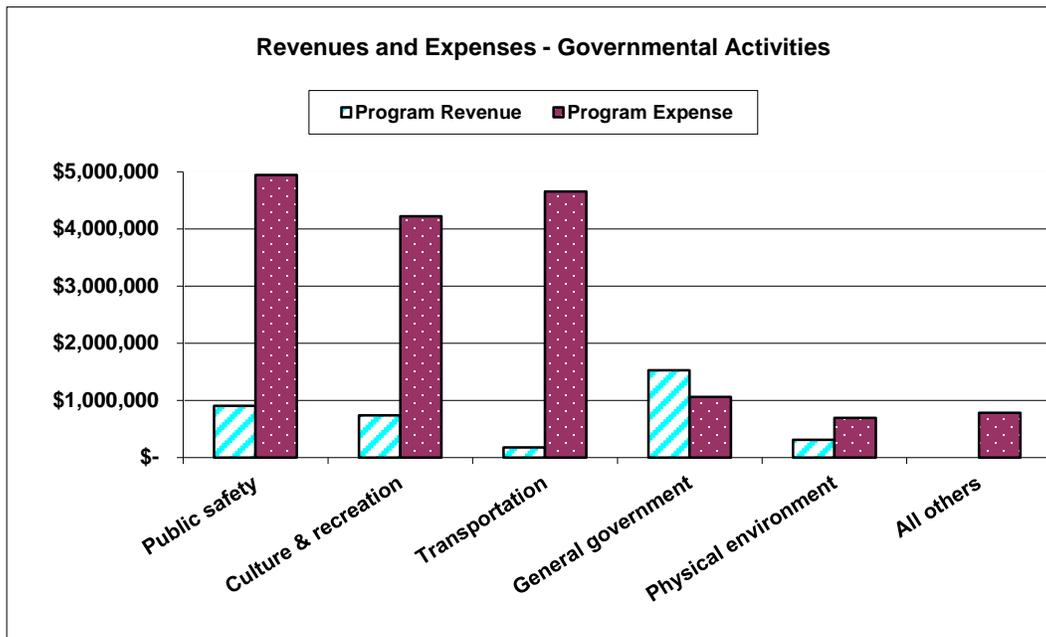
Expenses and Program Revenues Governmental Activities				
	Total Cost Of Services		Net Cost (Earnings) Of Services	
	2012	2011	2012	2011
Public safety	\$ 4,943,006	\$ 5,110,249	\$ 4,036,696	\$ 4,103,064
Culture/Recreation	4,219,856	4,173,267	3,480,146	3,472,282
Transportation	4,654,009	3,452,975	4,476,606	3,285,847
General government	1,060,457	1,247,993	(468,640)	(176,270)
Physical environment	693,096	757,467	384,388	384,978
All others	782,202	725,458	782,202	725,458
Totals	\$ 16,352,626	\$ 15,467,409	\$ 12,691,398	\$ 11,795,359

The cost of all governmental activities this fiscal year was \$16,352,626. As shown in the statement of activities (see page 43), the net cost ultimately paid through taxes and other general revenues was \$12,691,398, \$896,039 more than in 2011.

The increase in net cost for transportation of \$1,190,759 is primarily due to increased expenditures in road maintenance and repaving of \$1,074,228. \$1,497,084 was expended in fiscal year 2012 compared to \$422,856 expended in fiscal year 2011

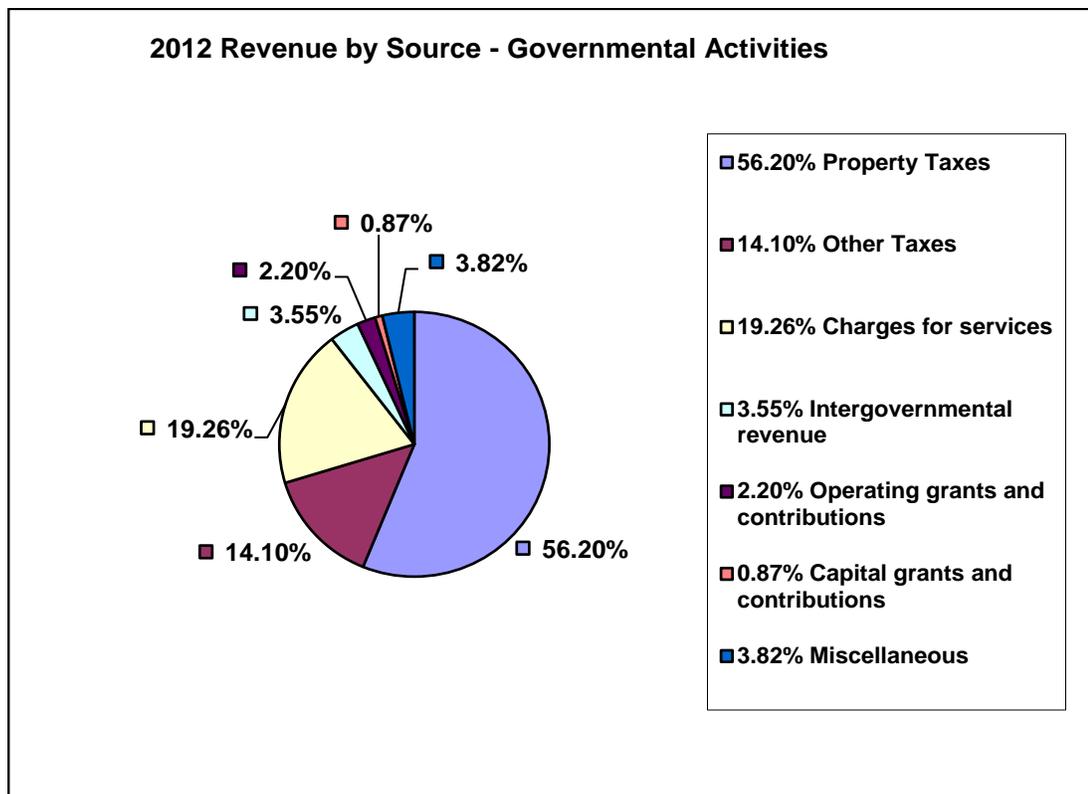
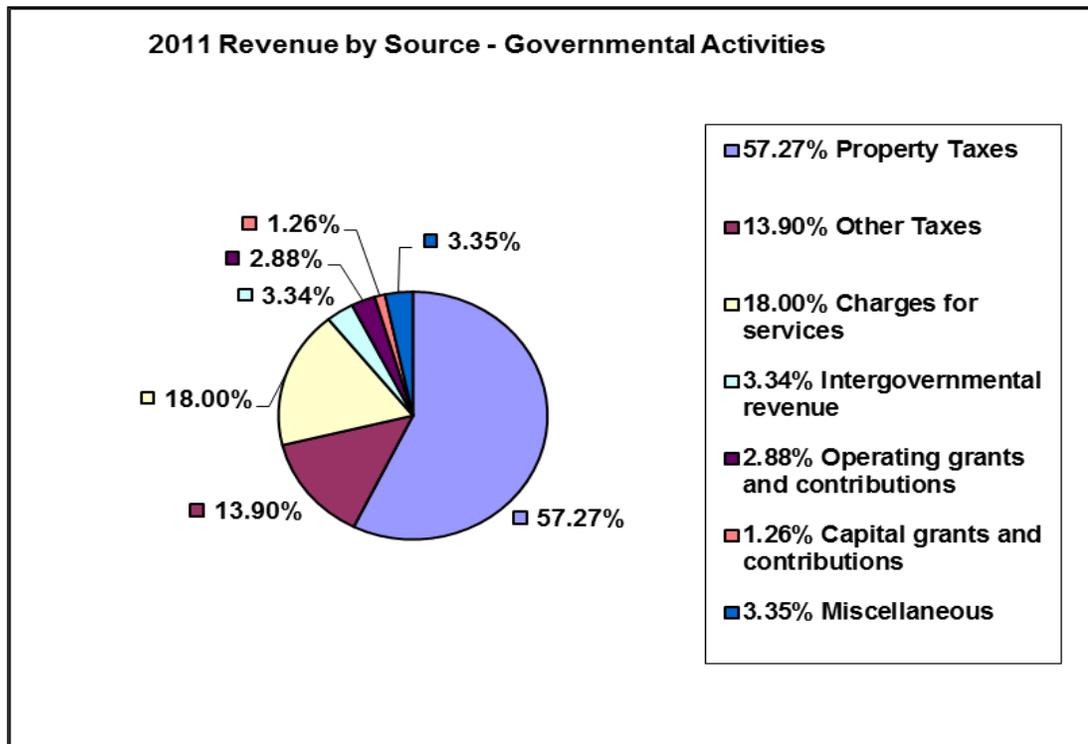
The decrease in net cost for general government of \$292,370 was due to an increase in the net pension asset of \$4,663,484 which was \$790,248 more than additional funding of \$3,873,236 provided by the general government. This was offset by an increase in expenditures for technology upgrades, software and training costs of \$247,618 and a decrease in indirect costs allocations of \$284,235.

As shown in the chart below which compares program expenses with program revenues for the City's governmental activities, most of the funding for governmental activities is not from program revenues:



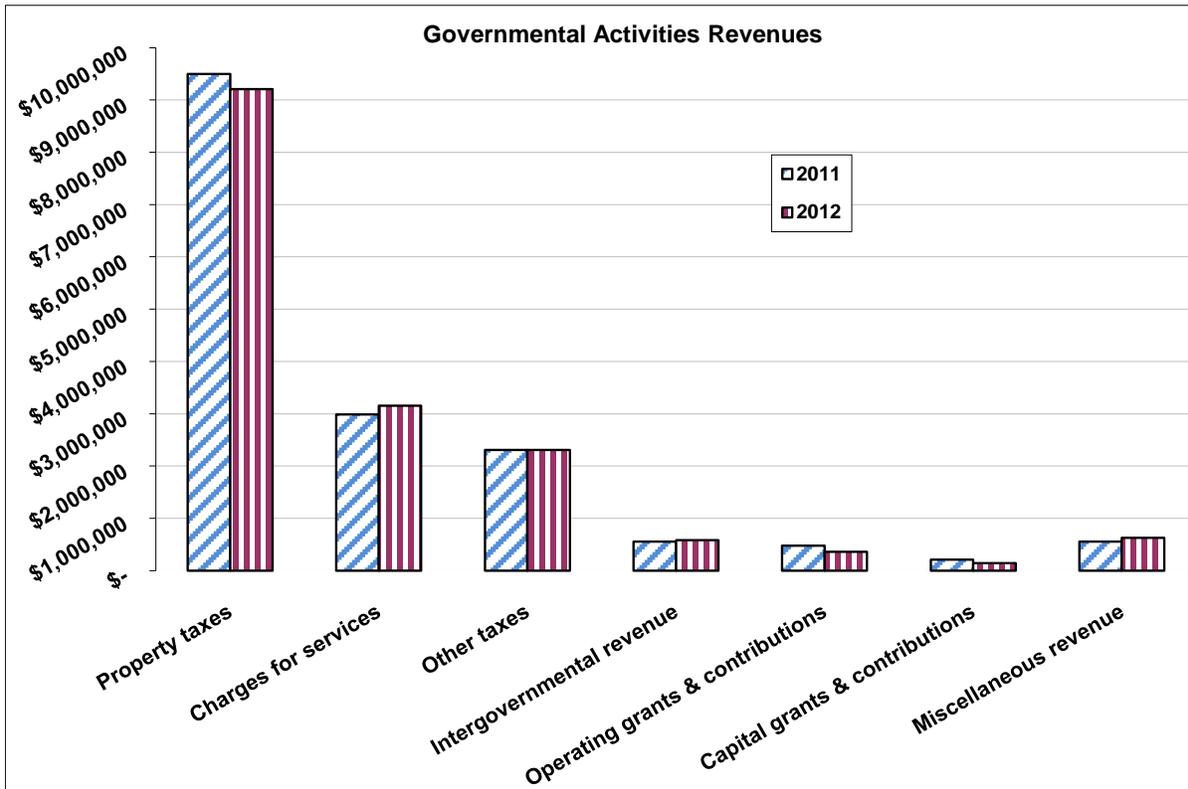
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The following graphs compare the composition of revenues for the City's governmental activities for fiscal years 2011 and 2012:



Governmental activities revenues

The most significant revenue decrease over the prior year was ad valorem taxes by \$287,769, or 3.0%, from the prior year due to a 1.2% drop in taxable property value combined with a decrease to the millage rate of 2.1561 to 2.1038 by City Council. Operating grants and contributions decreased by \$116,483 from the prior year mainly due to \$48,975 net decrease with the completion of the multi-year algae research grant in fiscal year 2011. The chart below compares revenues by source for fiscal years 2011 and 2012.



Business-type activities

Revenues of the City's business-type activities totaled \$10,856,903. Expenses totaled \$10,212,383, which generated an increase in net assets of \$644,520. Net assets increased by \$254,971 in the sewer system fund and \$389,549 in the beach parking fund.

Charges for services program revenues were higher by 4.0% over the prior year. In 2012 the sewer rates were increased three (3%) percent; beach parking fees were not increased. Sewer fund service charges increased \$192,020 and beach parking collections increased \$100,002.

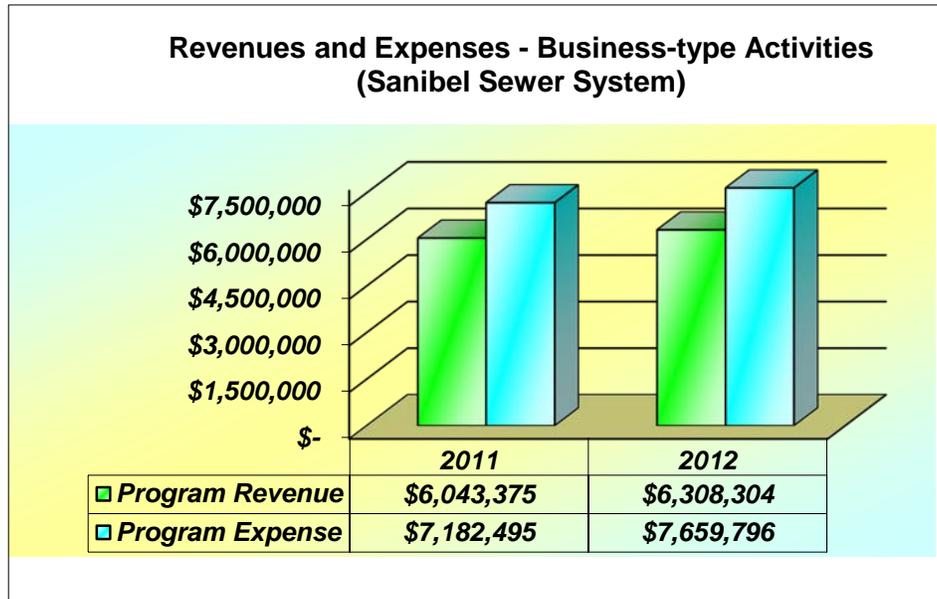
In the sewer fund capital grants and contributions increased by \$71,603 for sewer connection fees in 2012. In beach parking capital grants and contributions increased by \$101,738 primarily from interlocal grant revenues for new restrooms constructed at Bowman's Beach (total cost \$275,749). Operating grant revenue received from the Lee County Tourist Development Council for beach maintenance increased by \$112,803 from \$957,377 in 2011 to \$1,070,180 in 2012.

In the beach parking fund, expenses increased by \$235,628. Contractual services decreased by \$87,585 and repairs and maintenance decreased by \$61,741. Personal services increased by \$444,991 primarily due to additional pension contributions of \$372,904.

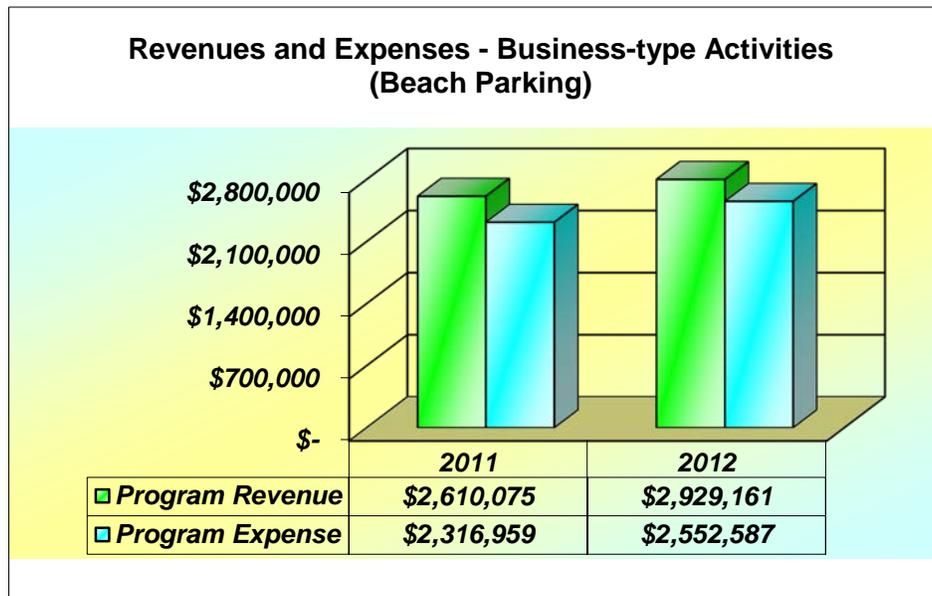
In the sewer fund, expenses increased by \$477,301. Interest expense was down \$188,852 as a result of prepaying \$2.960 million in sewer debt in 2011. Repairs and maintenance was up by \$87,431 from \$605,090 in 2011 to \$692,521 in 2012. Personal services increased by \$471,464 primarily due to additional pension contributions of \$514,284.

In addition to program revenues, the sewer fund receives tax revenue from a voter-approved tax levy to pay debt service related to the sewer capital expansion projects. Tax revenue received in 2012 was \$949,140 compared to \$1,007,540 in 2011.

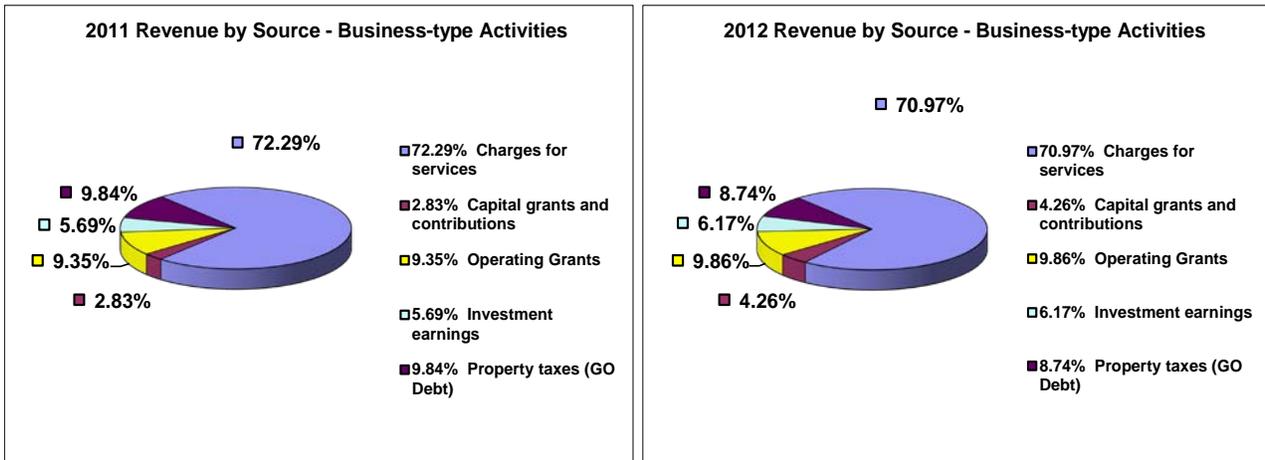
The following charts compares program expenses with program revenues for the City's business-type activities for fiscal years 2011 and 2012:



Program Revenue does not include property taxes \$949,140 and investment income \$657,323 for 2012 and \$1,007,540 and \$576,786, respectively for 2011.



The following graphs compare the composition of revenues for the City's business-type activities for fiscal years 2011 and 2012:



FINANCIAL ANALYSIS OF THE CITY OF SANIBEL'S FUNDS

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

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

The *General Fund* is the chief operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. At the end of the current fiscal year the unassigned fund balance of the general fund was \$4,048,953, while total fund balance was \$13,936,555. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures and other financing uses. Unassigned fund balance represents 24.3% of total general fund expenditures and other financing uses, while total fund balance represents 83.6% of that same amount.

The fund balance of the City's general fund decreased \$3,474,706 during 2012. Key factors in this decrease are the net effect of the following items:

Revenues for the general fund decreased by \$255,308 from \$13,448,568 in 2011 to \$13,193,260 in 2012:

- Ad-valorem revenue was lower by \$281,306 with a lower millage rate levied on a lower property tax base;

Operating expenditures increased by \$4,396,361 from \$9,635,632 in 2011 to \$14,031,993 in 2012:

- In addition to the annual required pension contributions the general fund expended \$3,873,236 million to pay down a portion of the City's pension plans' unfunded actuarial accrued liability,
- The City experienced \$25,285 in damage from Tropical Storm Debby and expended approximately \$114,597 in protective measures in response to Tropical Storm Isaac,

- A temporary staff person was added to Finance to assist with daily work during the software conversion project at a cost of \$45,000
- Natural Resources contracted services increased by \$151,320 primarily due to \$115,952 expended on environmental land management services, prior to fiscal year 2012 these expenditures were reported in the Brazilian Pepper Eradication Program Fund.

Other financing sources increased by \$380,867 from \$128,200 in 2011 to \$509,067 in 2012 and other financing uses increased by \$222,943 from \$2,922,097 in 2011 to \$3,145,040 in 2012:

- As projects were completed residuals were returned to the general fund in fiscal year 2012 resulting in transfers back (sources) to the general fund totaling \$509,067; in fiscal year 2011 \$128,200 was returned to the general fund;
- Transfer (uses) to capital acquisition fund was increased by \$176,898;
- Transfer (uses) to capital road and shared use projects increased by \$187,418.
- Transfer (uses) to Brazilian Pepper Eradication Program was decreased by \$84,620; this fund was closed at the end of fiscal year 2011; beginning in fiscal year 2012 the program's expenditures are reported in the general fund.

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

The fund balance of the City's transportation fund decreased \$634,526 during 2012. Key factors in this increase are the net effect of the following items:

In 2012 the transportation fund's revenues decreased by \$18,702 from \$1,510,826 in 2011 to \$1,492,124 in 2012.

- Gas tax and revenue sharing revenues decreased by \$7,589;
- Investment income increased by \$3,809
- Donations for special projects decreased by \$14,902.

Operating expenditures increased by \$1,036,473 from \$1,678,229 in 2011 to \$2,714,702 in 2012:

- \$1,074,228 increase in repairs and maintenance expenditures

In addition to revenues, the transportation fund received other financing sources totaling \$588,052 from the general fund. The transportation fund's fund balance at year end was \$723,778.

The transportation fund's revenues were over budget by \$14,232 primarily due to interest income coming in \$14,636 over budget. Expenditures came in \$525,064 below budget. The major factor was the repair and maintenance expenditures were \$406,005 below budget. \$196,627 of the repair and maintenance projects was rolled forward into fiscal year 2013. The transportation fund's budgetary comparison statement can be found on page 49.

The recreation fund is used to account for the recreation center programs and the Center-4-Life programs. All activities necessary to provide recreation programs are accounted for in this fund. Revenues are received from membership fees and program fees.

The fund balance of the City's recreation fund increased \$239,415 during 2012. Key factors in this increase are the net effect of the following items:

In 2012 the recreation fund's revenues increased by \$42,852 from \$627,418 in 2011 to \$670,270 in 2012.

- Membership revenues increased by \$11,603 and other charges for services increased \$18,238;
- Investment income increased by \$5,199
- Donations and grants for financial assistance increased by \$4,064.

Operating expenditures increased by \$120,317 from \$1,837,069 in 2011 to \$1,957,386 in 2012:

In addition to revenues, the recreation fund received other financing sources totaling \$1,526,531 from the general fund. The recreation fund's fund balance at year end was \$1,475,815.

The recreation fund's revenues were over budget by \$13,064 primarily due to \$16,279 in investment income being over budget offset by intergovernmental revenues coming in \$6,280 under budget. Expenditures came in \$184,541 below budget. Expenses for salary, cafeteria plan costs, contracted services, utilities, and repair and maintenance came in \$142,253 under budget. The recreation fund's budgetary comparison statement can be found on page 50.

The 2002/2012 general obligation bonds debt service fund received major fund status due to a current refunding of the 2002 general obligation bonds. New debt was issued for \$2,970,000. The new debt and available funds were used to retire \$3,070,000 of outstanding bonds. Issuance costs were \$36,500. The City current refunded the 2002 Series to reduce its total debt service payments over 20 years by \$1,214,980 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$742,524.

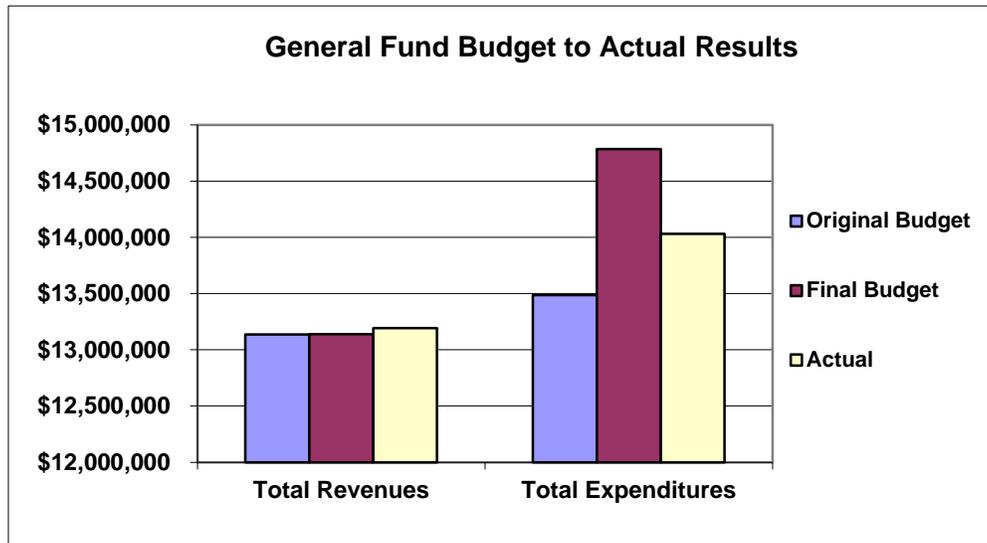
All other governmental funds are accounted for in the column entitled *Other Governmental Funds*. Other governmental funds include nonmajor special revenue, debt service and capital project funds. Fund balances for this group were \$839,517 less than in fiscal year 2011 (adjusted for the reporting of the 2002/2012 general obligation bonds debt service fund as a major fund in fiscal year 2012). One primary factor attributed to the decrease is the return of completed projects' residuals of \$509,067 to the general fund in fiscal year 2012.

Other special revenue fund balances decreased \$574,940 (\$577,314 was transferred from the road impact fee special revenue fund to the Periwinkle Way road and shared use path capital project fund). Debt service fund balance increased \$7,186. Capital project fund balances decreased by \$271,763.

Proprietary funds. The City's proprietary funds are comprised of enterprise funds. An enterprise fund is used to account for activities for which a fee is charged to external users for goods and services. These funds provide the same type of information, but in more detail than that found in the government-wide financial statements. See pages 51-55.

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GENERAL FUND BUDGETARY HIGHLIGHTS



During the year, there was a \$989 (0.01%) increase in budgeted revenue between the original and final amended budget and a \$1,298,960 (9.63%) increase in budgeted expenditures between the original and final amended budget.

Following are the key factors for the budgeted revenue increase:

- Property taxes were decreased \$389,968 to recognize the early payment discount utilized by taxpayers
- \$80,609 – Intergovernmental revenue projections were increased on the basis of grants received during the year and revised estimates based on actual receipts;
- \$182,146 – Charges for service revenue projections were increased on the basis of revised estimates based on actual receipts;
- \$141,124 – Other revenue projections were increased on the basis of actual receipts;
- \$10,011 – Communication service tax revenue projection was increased on the basis of revised estimates based on actual receipts;
- \$31,073 – licenses and permits revenue was decreased on the basis of revised estimates based on actual receipts;

Following are the key factors for the budgeted expenditure increase:

- \$2,000,000 – increase in pension contributions to paydown general employees’ unfunded actuarial accrued liability (UAAL); in accordance with the City’s fund balance policy, after the annual audit if the general fund unassigned fund balance is greater than 20 percent of operation expenditures in the general fund, the excess may be appropriated by resolution of City Council for a one-time expenditure or opportunity that does not increase recurring operating costs, Council appropriated an additional \$2,000,000 to be applied to the general employees’ pension plan’s UAAL;
- \$1,126,764 – decrease expenditures by allocating (based on a salary allocation formula) to other funds a portion of the general fund’s \$5,000,000 additional pension contributions;
- \$90,900 – for estimated costs incurred during Tropical Storm Isaac;
- \$18,672 – CDBG grant to remove and replace architectural barriers to ensure wooden bridge between the parking at City Hall complex and BIG Arts and Historical Village and Museum is accessible and allow unrestricted movement to all users;
- \$15,000 – part time as needed to complete planning department special projects through remainder of year;

- \$45,000 – for temporary full time accountant in Finance to assist during software conversion project
- \$27,000 – increase in legal advertising costs due to loss of local newspaper used for public notice advertisements, only optional source available is more expensive;
- \$25,000 – increase in contractual services, grant received for restoration of the Sanibel Bayous package plant property;
- \$33,000 – for interns in legislative and administration and additional part time hours in planning;
- \$35,880 – for engineering consulting services due to retirement of City's Public Works Director.

Revenue budget-to-actual in the general fund resulted in a \$54,444, or 0.41%, positive revenue variance due to \$20,883 more in licenses and permits, \$24,328 more in intergovernmental revenues, \$34,956 more in charges for services and \$26,144 less in other revenues than budgeted.

Budget-to-actual expenditures show a \$754,179 (5.1%) positive variance (actual less than budget). This decrease was uniform through most departments and reflects the successful continuation of cost containment begun in 2010.

The general fund's fund balance was \$6,975,111 higher at year end than the amended budget projection. This variance is attributed to \$6,166,488 in contingency reserves (for disasters, environmental initiatives and other miscellaneous contingencies) that were not expended.

A more detailed analysis of the general fund budget comparison can be found in the budgetary comparison statement found on page 48 of this report.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. The City's capital assets as of September 30, 2012 reflect an investment of \$98,847,892 net of accumulated depreciation.

The following schedule provides a comparative summary of net capital assets by category for both governmental and business-type activities. Additional information on the City's capital assets can be found in Note 9 on pages 86-87 of this report.

City of Sanibel's Capital Assets (net of depreciation) as of September 30						
	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Land	\$24,964,425	\$24,964,425	\$ 1,854,477	\$ 1,852,477	\$ 26,818,902	\$ 26,816,902
Buildings	14,104,508	14,763,093	1,232,131	1,052,504	15,336,639	15,815,597
Improvements other than buildings	988,923	1,063,307	799,319	874,178	1,788,242	1,937,485
Vehicles and equipment	1,431,654	1,538,961	1,065,803	992,766	2,497,457	2,531,727
Infrastructure	7,253,508	6,319,460	45,085,111	47,278,617	52,338,619	53,598,077
Construction work in progress	56,167	796,888	11,866	37,740	68,033	834,628
Total Capital Assets	<u>\$48,799,185</u>	<u>\$49,446,134</u>	<u>\$50,048,707</u>	<u>\$52,088,282</u>	<u>\$ 98,847,892</u>	<u>\$101,534,416</u>

Significant changes in assets this fiscal year include:

Description	Cost
Lindgren Blvd. box culvert	\$825,624
Dunlop Rd/Wooster Lane shared use path	181,589
Rabbit Rd shared use path	113,663
Sanibel-Captiva Rd shared use path extension	63,200

Tarpon Bay Rd shared use path	181,988
2 Police vehicles	40,107
3 Trucks – ¾ ton pickup trucks	64,648
1 – ½ ton pickup truck	21,592
1 – 2012 Ford Escape	18,883
Street Sweeper	156,838
Family restroom at Bowman's Beach	275,749
1 - 2012 Bucket Truck	83,796
Tractor/Loader	37,219
Emergency generator – trailer-mounted	45,000

Following are expenditures on work in progress as of 9/30/2012:

Dixie Beach Blvd/Bailey Rd shared use path extension	\$50,685
City Hall Foot Bridge	5,482
Donax WRF Headworks Bypass Line	11,866

Long-term debt. As of September 30, 2012, the City had \$39,130,059 in bonds and notes. The following schedule provides a comparative summary of the City's outstanding debt:

City of Sanibel's Long-term Debt as of September 30						
	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Bonds						
General Obligation Bonds	\$10,310,000	\$10,595,000	\$ -	\$ -	\$10,310,000	\$10,595,000
Revenue Bonds	-	-	2,971,895	3,250,970	2,971,895	3,250,970
Notes	-	-	25,848,164	27,752,296	25,848,164	27,752,296
Total	<u>\$10,310,000</u>	<u>\$10,595,000</u>	<u>\$28,820,059</u>	<u>\$31,003,266</u>	<u>\$39,130,059</u>	<u>\$41,598,266</u>

In 2012 the City issued \$2,970,000 in general obligation bonds, Series 2012, with a fixed interest rate of 2.07% to current refund Series 2002 general obligation bonds with interest rate range from 3.65% to 4.75%. The maturity date was accelerated from the year 2031 to the year 2022. The City reduced its total debt service payments by \$1,214,980 and obtained an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$742,524. Issuance costs were \$36,500.

Additional information about the City's long-term debt can be found in Note 11 beginning on page 88 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Property Values and Taxes

Since 2007 Sanibel has experienced five years of declining property values. The average value for new home construction permits has decreased from \$990,353 in 2008 to \$631,446 in 2012. The average resale price of existing homes has decreased for single residential homes and condominiums by \$198,170 and \$227,289 respectively since 2007. In addition to the economy's impact on real estate, the City's housing starts' low count is also attributable to availability of vacant property. Being an island, the City is approaching build out.

Property values remain uncertain in the current year. In the five year period from calendar year 2007 to calendar year 2012 the City experienced a 23.5% decline in taxable property value. The taxable property value decreased from \$5.2 billion to \$4.1 billion.

Tourism

Based on the Lee County Toll System's traffic reports, the Sanibel causeway's 2012 cumulative vehicle totals has decreased by 13.1% from the 2001 peak year. The annual cumulative count is down by 451,464 vehicles from 3,460,347 in 2001 to 3,008,883 in 2012 and up by 55,251, or 1.9%, from 2,953,632 in 2011. This is the first year since 2004 cumulative count exceeded 3,000,000.

Other Economic Factors and Legislation

Sanibel is faced with limited and aging resort housing inventory. In fiscal year 2011 Council completed the redevelopment work plan for the Resort Housing District. Special site and design criterion applicable to resort properties ensure the protection of the community's character and the island's ecosystems and provide for the retention and restoration of resort hotel, motel and related accommodation properties.

According to the U.S. Department of Labor, the unemployment rate for the Cape Coral-Fort Myers Metropolitan Area for December 2012 was 8.0% compared to the December 2011 rate of 10.2%.

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

Next Year's Budget and Rates

The fiscal year 2013 budget was prepared based on the following assumptions:

- The current economic climate has not reached bottom; that no recovery or turnaround is imminent and thus none were included in the 2013 budget;
- The City will continue to re-configure operations to work within reduced resources;
- The City will continue to protect accumulated reserves and to match current recurring revenues with current recurring expenditures.

The highlights of the fiscal year 2013 adopted budget are:

- Council voted to fund the fiscal year 2013 budget at the 2.1000 mill tax rate which is 0.18% lower than fiscal year 2012, reducing the general fund's ad valorem revenue by \$183,919, or 2.1%;
- One (1%) percent rate increase in the sewer fees;
- In April 2012 Council lowered building permit fees by 25%; reduced planning department's variance application fee by 30% and reduced the remodel with no increase in living area fee by 50%;
- Recreation facility fees will remain flat, with nominal exceptions;
- Salaries remain flat for the fifth consecutive year;
- \$1.6 million budgeted for governmental capital improvements, this includes \$1.2 million rolled over from prior year and \$418,596 for new projects;

Requests for Information

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

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Basic Financial Statements

CITY OF SANIBEL, FLORIDA
STATEMENT OF NET ASSETS
September 30, 2012

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Community Housing & Resources, Inc.
ASSETS				
Cash and cash equivalents	\$ 11,139,615	\$ 4,502,274	\$ 15,641,889	\$ 3,244
Investments	6,852,064	792,629	7,644,693	-
Receivables (net of allowance for uncollectibles)				
Accounts	171,568	307,844	479,412	-
Interest	114,026	10,179	124,205	-
Due from other governments	253,734	458,583	712,317	-
Internal balances	2,475,000	(2,475,000)	-	-
Inventories	12,333	-	12,333	218,000
Prepays	98,784	-	98,784	14,260
Net pension asset	5,487,469	-	5,487,469	-
Restricted assets:				
Cash and cash equivalents	6,305	-	6,305	45,236
Investments	240,709	1,720,060	1,960,769	-
Interest & taxes receivable	2,092	-	2,092	-
Assessments receivable	-	7,790,428	7,790,428	-
Unamortized bond issue costs	165,687	87,661	253,348	-
Capital assets (net of accumulated depreciation):				
Land	24,964,425	1,854,477	26,818,902	768,913
Buildings	14,104,508	1,232,131	15,336,639	4,443,796
Improvements other than buildings	988,923	799,319	1,788,242	-
Vehicles and equipment	1,431,654	1,065,803	2,497,457	12,815
Infrastructure	7,253,508	45,085,111	52,338,619	-
Construction in progress	56,167	11,866	68,033	-
Total assets	<u>75,818,571</u>	<u>63,243,365</u>	<u>139,061,936</u>	<u>5,506,264</u>
LIABILITIES				
Accounts payable and other accrued liabilities	1,543,511	226,362	1,769,873	79,573
Accrued interest payable	63,737	211,633	275,370	-
Unearned revenue	284,146	-	284,146	636
Long-term liabilities:				
Due within one year	789,568	2,305,304	3,094,872	63,440
Due in more than one year	10,119,496	26,636,335	36,755,831	1,710,373
Total liabilities	<u>12,800,458</u>	<u>29,379,634</u>	<u>42,180,092</u>	<u>1,854,022</u>
NET ASSETS				
Invested in capital assets, net of related debt	38,489,185	21,228,648	59,717,833	3,572,532
Restricted for:				
Public Safety	775,617	-	775,617	-
Capital projects	939,659	-	939,659	-
Debt service	249,106	9,310,488	9,559,594	-
Other purposes	356,620	200,000	556,620	-
Unrestricted	22,207,926	3,124,595	25,332,521	79,710
Total net assets	<u>\$ 63,018,113</u>	<u>\$ 33,863,731</u>	<u>\$ 96,881,844</u>	<u>\$ 3,652,242</u>

See Accompanying Notes

CITY OF SANIBEL, FLORIDA
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended September 30, 2012

Functions/Programs	Program Revenues					Net (Expense) Revenue and Changes in Net Assets			Component Unit Community Housing & Resources, Inc.
	Expenses	Indirect Expense Allocation	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
						Governmental Activities	Business-type Activities		
Primary government:									
Governmental activities:									
General government	\$ 3,857,425	\$ (2,796,968)	\$ 1,521,597	\$ 7,500	\$ -	\$ 468,640		\$ 468,640	
Public safety	4,254,771	688,235	854,433	50,877	1,000	(4,036,696)		(4,036,696)	
Physical environment	678,051	15,045	215,292	93,416	-	(384,388)		(384,388)	
Transportation	4,105,473	548,536	(503)	50,587	127,319	(4,476,606)		(4,476,606)	
Economic environment	269,328	34,411	-	-	-	(303,739)		(303,739)	
Human services	1,000	-	-	-	-	(1,000)		(1,000)	
Culture/recreation	3,565,969	653,887	565,796	159,006	14,908	(3,480,146)		(3,480,146)	
Interest on long-term debt	477,463	-	-	-	-	(477,463)		(477,463)	
Total governmental activities	<u>17,209,480</u>	<u>(856,854)</u>	<u>3,156,615</u>	<u>361,386</u>	<u>143,227</u>	<u>(12,691,398)</u>		<u>(12,691,398)</u>	
Business-type activities:									
Sewer system	7,222,430	437,366	6,130,374	-	177,930	-	\$ (1,351,492)	(1,351,492)	
Beach parking	2,133,099	419,488	1,574,009	1,070,180	284,972	-	376,574	376,574	
Total business-type activities	<u>9,355,529</u>	<u>856,854</u>	<u>7,704,383</u>	<u>1,070,180</u>	<u>462,902</u>	<u>-</u>	<u>(974,918)</u>	<u>(974,918)</u>	
Total primary government	<u>\$ 26,565,008</u>	<u>\$ -</u>	<u>\$ 10,860,998</u>	<u>\$ 1,431,566</u>	<u>\$ 606,129</u>	<u>(12,691,398)</u>	<u>(974,918)</u>	<u>(13,666,316)</u>	
Component unit:									
Community Housing & Resources, Inc.	<u>\$ 1,171,501</u>	<u>\$ -</u>	<u>\$ 568,241</u>	<u>\$ 334,699</u>	<u>\$ -</u>				<u>\$ (268,561)</u>
General revenues:									
Property taxes, levied for general purpose						8,460,871	-	8,460,871	-
Property taxes, levied for debt service						748,558	949,140	1,697,698	-
Gas taxes						1,408,442	-	1,408,442	-
Local business taxes						289,220	-	289,220	-
Communications taxes						550,011	-	550,011	-
Casualty insurance premium tax						63,574	-	63,574	-
Intergovernmental revenues, not restricted to specific programs						581,420	-	581,420	-
Investment earnings						303,612	670,298	973,910	21
Miscellaneous						323,088	-	323,088	7,214
Total general revenues						<u>12,728,796</u>	<u>1,619,438</u>	<u>14,348,234</u>	<u>7,235</u>
Change in net assets						37,398	644,520	681,918	(261,326)
Net assets - beginning of year						<u>62,980,715</u>	<u>33,219,211</u>	<u>96,199,926</u>	<u>3,913,568</u>
Net assets - end of year						<u>\$ 63,018,113</u>	<u>\$ 33,863,731</u>	<u>\$ 96,881,844</u>	<u>\$ 3,652,242</u>

See Accompanying Notes

CITY OF SANIBEL, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2012

	General	Transportation	Recreation	2002/2012 General Obligation Bonds	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 4,903,403	\$ 1,332,540	\$ 1,559,177	\$ 10,383	\$ 3,340,417	\$ 11,145,920
Investments	6,841,817	-	-	250,956	-	7,092,773
Receivables (net of allowance for uncollectibles)						
Accounts	162,615	6,356	2,166	37	509	171,683
Interest	114,026	-	-	1,977	-	116,003
Due from other funds	2,488,472	-	-	-	-	2,488,472
Due from other governments	120,104	92,952	5,748	-	34,930	253,734
Inventories	6,557	-	5,776	-	-	12,333
Prepays	98,784	-	-	-	-	98,784
Total assets	<u>\$ 14,735,778</u>	<u>\$ 1,431,848</u>	<u>\$ 1,572,867</u>	<u>\$ 263,353</u>	<u>\$ 3,375,856</u>	<u>\$ 21,379,702</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 246,449	\$ 553,093	\$ 28,092	\$ -	\$ 167,276	\$ 994,910
Retainages payable	-	129,024	-	-	5,068	134,092
Due to other funds	-	-	-	-	13,472	13,472
Deposits	8,103	-	-	-	-	8,103
Accrued liabilities	314,771	25,551	44,671	-	21,413	406,406
Deferred revenue	229,900	402	24,289	-	29,555	284,146
Total liabilities	<u>799,223</u>	<u>708,070</u>	<u>97,052</u>	<u>-</u>	<u>236,784</u>	<u>1,841,129</u>
Fund balances:						
Nonspendable:						
Inventories	6,557	-	5,776	-	-	12,333
Prepays	98,784	-	-	-	-	98,784
Long-term loans to other funds	2,200,000	-	-	-	-	2,200,000
Restricted for:						
Public safety	-	-	-	-	775,617	775,617
Capital projects	-	-	-	-	824,517	824,517
Debt service	-	-	-	263,353	49,490	312,843
Impact fees	-	-	-	-	115,142	115,142
Donations received	-	-	102,132	-	166,977	269,109
Other purposes	-	-	-	-	87,511	87,511
Committed to:						
Disaster reserve	4,500,000	-	-	-	-	4,500,000
Environmental initiative reserve	1,300,000	-	-	-	-	1,300,000
Insurance deductible reserve	315,000	-	-	-	-	315,000
Assigned to:						
Transportation	-	723,778	-	-	-	723,778
Parks and recreation	-	-	1,367,907	-	10,050	1,377,957
Other capital projects	-	-	-	-	1,109,768	1,109,768
OPEB	118,117	-	-	-	-	118,117
Subsequent year's budget	1,349,144	-	-	-	-	1,349,144
Unassigned:	4,048,953	-	-	-	-	4,048,953
Total fund balances	<u>13,936,555</u>	<u>723,778</u>	<u>1,475,815</u>	<u>263,353</u>	<u>3,139,072</u>	<u>19,538,573</u>
Total liabilities and fund balances	<u>\$ 14,735,778</u>	<u>\$ 1,431,848</u>	<u>\$ 1,572,867</u>	<u>\$ 263,353</u>	<u>\$ 3,375,856</u>	<u>\$ 21,379,702</u>

See Accompanying Notes.

CITY OF SANIBEL, FLORIDA
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
GOVERNMENTAL FUNDS
September 30, 2012

Fund balance totals:		\$ 19,538,573
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.		48,799,185
Unamortized bond issue costs and underwriter's discounts are not current financial resources and, therefore, are not reported in the funds.		165,687
Net pension asset resulting from over-funding of the general and police pension plans is not reported in the funds.		5,487,469
Debt interest payable that will not be liquidated with current financial resources, is not reported in the funds.		(63,737)
Other postemployment benefits that are not due and payable in the current period and, therefore, are not reported in the funds		(140,086)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds		
Bonds and notes payable	\$ (10,310,000)	
Compensated absences	<u>(458,978)</u>	<u>(10,768,978)</u>
Net assets of governmental activities		<u>\$ 63,018,113</u>

See Accompanying Notes.

CITY OF SANIBEL, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended September 30, 2012

	General	Transportation	Recreation	2002/2012 General Obligation Bonds	Other Governmental Funds	Total Governmental Funds
REVENUES						
Taxes						
Property	\$ 8,460,871	\$ -	\$ -	\$ 240,794	\$ 507,764	\$ 9,209,429
Gas	-	1,408,442	-	-	-	1,408,442
Casualty insurance premium	63,574	-	-	-	-	63,574
Local business	289,220	-	-	-	-	289,220
Communications services	550,011	-	-	-	-	550,011
Licenses and permits	975,810	-	-	-	731,243	1,707,053
Intergovernmental revenues	750,522	50,587	24,632	-	123,126	948,867
Charges for services	1,659,102	-	565,686	-	11,923	2,236,711
Fines and forfeitures	40,549	-	110	-	29,549	70,208
Other revenue	403,601	33,095	79,842	27,116	244,039	787,693
Total revenues	<u>13,193,260</u>	<u>1,492,124</u>	<u>670,270</u>	<u>267,910</u>	<u>1,647,644</u>	<u>17,271,208</u>
EXPENDITURES						
Current						
General government	8,124,579	-	-	-	287,033	8,411,612
Public safety	3,619,912	-	-	-	894,526	4,514,438
Physical environment	619,264	-	-	-	-	619,264
Transportation	767,918	2,652,044	-	-	130,929	3,550,891
Economic environment	269,328	-	-	-	-	269,328
Human services	-	-	-	-	1,000	1,000
Culture/recreation	619,571	-	1,957,386	-	239,192	2,816,149
Debt service						
Principal retirement	-	-	-	3,070,000	185,000	3,255,000
Interest and fiscal charges	-	-	-	154,136	323,971	478,107
Bond issuance costs	-	-	-	36,500	-	36,500
Capital outlay	11,421	62,658	-	-	946,900	1,020,979
Total expenditures	<u>14,031,993</u>	<u>2,714,702</u>	<u>1,957,386</u>	<u>3,260,636</u>	<u>3,008,551</u>	<u>24,973,268</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(838,733)</u>	<u>(1,222,578)</u>	<u>(1,287,116)</u>	<u>(2,992,726)</u>	<u>(1,360,907)</u>	<u>(7,702,060)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	509,067	588,052	1,526,531	-	1,726,641	4,350,291
Transfers out	(3,145,040)	-	-	-	(1,205,251)	(4,350,291)
Refunding bonds issued	-	-	-	2,970,000	-	2,970,000
Total other financing sources (uses)	<u>(2,635,973)</u>	<u>588,052</u>	<u>1,526,531</u>	<u>2,970,000</u>	<u>521,390</u>	<u>2,970,000</u>
Net change in fund balances	(3,474,706)	(634,526)	239,415	(22,726)	(839,517)	(4,732,060)
Fund balances, beginning of year	<u>17,411,261</u>	<u>1,358,304</u>	<u>1,236,400</u>	<u>286,079</u>	<u>3,978,589</u>	<u>24,270,633</u>
Fund balances, end of year	<u>\$ 13,936,555</u>	<u>\$ 723,778</u>	<u>\$ 1,475,815</u>	<u>\$ 263,353</u>	<u>\$ 3,139,072</u>	<u>\$ 19,538,573</u>

See Accompanying Notes.

CITY OF SANIBEL, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended September 30, 2012

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

Net change in fund balances - total governmental funds		\$ (4,732,060)
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.</p>		
Capital Outlay	\$ 1,020,979	
Depreciation	<u>(1,649,161)</u>	(628,182)
<p>Net effect of various miscellaneous transactions involving capital assets (i.e. disposals, transfers, donations) which decrease net assets.</p>		
		(18,767)
<p>Issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.</p>		
Principal debt payments		3,255,000
Debt proceeds		(2,970,000)
<p>Bond issuance costs are reported in the governmental funds as expenditures. However, in the Statement of Activities, these costs are allocated over the life of the debt as amortization expense.</p>		
		(14,619)
<p>The (increase) decrease in certain accrued liabilities reported in the Statement of Activities does not require the use of current financial resources and therefore is not reported as expenditures in the governmental funds.</p>		
Accrued other postemployment benefits		(140,086)
Accrued compensated absences		62,681
Accrued interest payable		15,263
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, but are instead deferred. This item represents the change caused by the "available" revenue recognition criteria.</p>		
		(5,563)
<p>Pension contributions were more than annual pension cost and therefore increased the net pension asset on the statement of net assets.</p>		
		<u>5,213,731</u>
Change in net assets of governmental activities		<u>\$ 37,398</u>

See Accompanying Notes.

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

For the Fiscal Year Ended September 30, 2012

	Budgets		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Taxes				
Property taxes	\$ 8,850,564	\$ 8,460,596	\$ 8,460,871	\$ 275
Business tax receipts	289,332	289,332	289,220	(112)
Casualty insurance premium tax	58,725	63,574	63,574	-
Communications services tax	540,000	550,011	550,011	-
Licenses and permits	986,000	954,927	975,810	20,883
Intergovernmental revenues	645,585	726,194	750,522	24,328
Charges for services	1,442,000	1,624,146	1,659,102	34,956
Fines and forfeitures	37,000	40,291	40,549	258
Other revenue	288,621	429,745	403,601	(26,144)
Total revenues	<u>13,137,827</u>	<u>13,138,816</u>	<u>13,193,260</u>	<u>54,444</u>
Expenditures				
Current				
General government				
Legislative	219,035	266,566	219,217	47,349
Administrative	782,969	803,447	798,729	4,718
Management information systems	736,832	824,567	793,470	31,097
Finance	850,801	895,801	864,899	30,902
Legal	582,982	582,982	504,690	78,292
Planning	762,953	795,453	715,473	79,980
Insurance/Gen'l Government	3,538,152	4,445,597	4,228,101	217,496
General government	<u>7,473,724</u>	<u>8,614,413</u>	<u>8,124,579</u>	<u>489,834</u>
Public safety				
Police	3,666,934	3,631,835	3,511,280	120,555
SEMP	24,030	114,930	108,632	6,298
Public safety	<u>3,690,964</u>	<u>3,746,765</u>	<u>3,619,912</u>	<u>126,853</u>
Physical Environment				
Garbage recycling	59,300	59,300	41,992	17,308
Natural resources management	605,216	614,491	577,272	37,219
Physical Environment	<u>664,516</u>	<u>673,791</u>	<u>619,264</u>	<u>54,527</u>
Transportation-Public works	717,954	801,777	767,918	33,859
Economic Environment	<u>269,695</u>	<u>269,695</u>	<u>269,328</u>	<u>367</u>
Culture/Recreation				
Museum	149,023	149,023	143,682	5,341
Public facilities	485,868	509,940	463,596	46,344
Performing arts facility	14,468	14,468	12,293	2,175
Culture/Recreation	<u>649,359</u>	<u>673,431</u>	<u>619,571</u>	<u>53,860</u>
Capital Outlay	<u>21,000</u>	<u>6,300</u>	<u>11,421</u>	<u>(5,121)</u>
Total expenditures	<u>13,487,212</u>	<u>14,786,172</u>	<u>14,031,993</u>	<u>754,179</u>
Excess revenues over expenditures	<u>(349,385)</u>	<u>(1,647,356)</u>	<u>(838,733)</u>	<u>808,623</u>
Other financing sources (uses)				
Transfers in	-	509,067	509,067	-
Reserve for contingencies	(6,390,000)	(6,166,488)	-	6,166,488
Transfers out	(3,714,175)	(3,145,040)	(3,145,040)	-
Reserve for undercollection	(354,023)	-	-	-
Total other financing sources (uses)	<u>(10,458,198)</u>	<u>(8,802,461)</u>	<u>(2,635,973)</u>	<u>6,166,488</u>
Net change in fund balances	<u>(10,807,583)</u>	<u>(10,449,817)</u>	<u>(3,474,706)</u>	<u>6,975,111</u>
Fund balances, October 1, 2011	15,314,577	17,411,261	17,411,261	-
Fund balances, September 30, 2012	<u>\$ 4,506,994</u>	<u>\$ 6,961,444</u>	<u>\$ 13,936,555</u>	<u>\$ 6,975,111</u>

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

See Accompanying Notes

CITY OF SANIBEL, FLORIDA
TRANSPORTATION FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

For the Fiscal Year Ended September 30, 2012

	Budgets		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Taxes				
Gas taxes	\$ 1,400,000	\$ 1,408,442	\$ 1,408,442	\$ -
Intergovernmental revenues	43,024	50,588	50,587	(1)
Other revenue	-	18,862	33,095	14,233
Total revenues	<u>1,443,024</u>	<u>1,477,892</u>	<u>1,492,124</u>	<u>14,232</u>
Expenditures				
Current				
Transportation	2,456,970	3,160,909	2,652,044	508,865
Capital Outlay	-	78,857	62,658	16,199
Total expenditures	<u>2,456,970</u>	<u>3,239,766</u>	<u>2,714,702</u>	<u>525,064</u>
Excess revenues (under) expenditures	<u>(1,013,946)</u>	<u>(1,761,874)</u>	<u>(1,222,578)</u>	<u>539,296</u>
Other financing sources (uses)				
Transfers in	588,052	588,052	588,052	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>588,052</u>	<u>588,052</u>	<u>588,052</u>	<u>-</u>
Net change in fund balances	(425,894)	(1,173,822)	(634,526)	539,296
Fund balances, October 1, 2011	<u>425,894</u>	<u>1,358,304</u>	<u>1,358,304</u>	<u>-</u>
Fund balances, September 30, 2012	<u>\$ -</u>	<u>\$ 184,482</u>	<u>\$ 723,778</u>	<u>\$ 539,296</u>

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

See Accompanying Notes

CITY OF SANIBEL, FLORIDA
RECREATION FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

For the Fiscal Year Ended September 30, 2012

	Budgets		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental revenues	\$ 30,912	\$ 30,912	\$ 24,632	\$ (6,280)
Charges for services	475,000	565,899	565,686	(213)
Fines and forfeitures	-	-	110	110
Other revenue	<u>24,925</u>	<u>60,395</u>	<u>79,842</u>	<u>19,447</u>
Total revenues	<u>530,837</u>	<u>657,206</u>	<u>670,270</u>	<u>13,064</u>
Expenditures				
Current				
Recreation	<u>2,057,368</u>	<u>2,128,863</u>	<u>1,957,386</u>	<u>171,477</u>
Total expenditures	<u>2,057,368</u>	<u>2,128,863</u>	<u>1,957,386</u>	<u>171,477</u>
Excess revenues (under) expenditures	<u>(1,526,531)</u>	<u>(1,471,657)</u>	<u>(1,287,116)</u>	<u>184,541</u>
Other financing sources				
Transfers in	<u>1,526,531</u>	<u>1,526,531</u>	<u>1,526,531</u>	<u>-</u>
Total other financing sources	<u>1,526,531</u>	<u>1,526,531</u>	<u>1,526,531</u>	<u>-</u>
Net change in fund balances	-	54,874	239,415	184,541
Fund balances, October 1, 2011	<u>1,006,924</u>	<u>1,236,399</u>	<u>1,236,400</u>	<u>1</u>
Fund balances, September 30, 2012	<u>\$ 1,006,924</u>	<u>\$ 1,291,273</u>	<u>\$ 1,475,815</u>	<u>\$ 184,541</u>

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

See Accompanying Notes

CITY OF SANIBEL, FLORIDA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
September 30, 2012

	<u>Business-type activities - Enterprise Funds</u>		
	<u>Sanibel Sewer System</u>	<u>Beach Parking</u>	<u>Total</u>
ASSETS			
Current assets			
Cash and cash equivalents	\$ 3,660,028	\$ 842,246	\$ 4,502,274
Receivables (net of allowance for uncollectibles)			
Accounts	305,955	1,889	307,844
Interest	10,179	-	10,179
Restricted assessments receivable	1,228,376	-	1,228,376
Due from other governments	<u>1,099</u>	<u>457,484</u>	<u>458,583</u>
Total current assets	<u>5,205,637</u>	<u>1,301,619</u>	<u>6,507,256</u>
Noncurrent assets			
Investments	792,629	-	792,629
Restricted assets:			
Investments	1,720,060	-	1,720,060
Assessments receivable	<u>6,562,053</u>	<u>-</u>	<u>6,562,053</u>
Total noncurrent assets	<u>9,074,742</u>	<u>-</u>	<u>9,074,742</u>
Unamortized bond issue costs	<u>87,661</u>	<u>-</u>	<u>87,661</u>
Capital assets			
Land	1,465,259	389,218	1,854,477
Buildings	1,420,934	766,029	2,186,963
Improvements other than buildings	-	1,440,627	1,440,627
Vehicles and equipment	2,204,233	802,749	3,006,982
Infrastructure	68,857,019	-	68,857,019
Construction in progress	11,866	-	11,866
Less accumulated depreciation	<u>(26,221,149)</u>	<u>(1,088,078)</u>	<u>(27,309,227)</u>
Total capital assets, net	<u>47,738,162</u>	<u>2,310,545</u>	<u>50,048,707</u>
Total noncurrent assets	<u>56,900,565</u>	<u>2,310,545</u>	<u>59,211,110</u>
Total assets	<u>\$ 62,106,201</u>	<u>\$ 3,612,164</u>	<u>\$ 65,718,365</u>

See Accompanying Notes

CITY OF SANIBEL, FLORIDA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
September 30, 2012

	Business-type activities - Enterprise Funds		
	Sanibel Sewer System	Beach Parking	Total
LIABILITIES			
Current liabilities			
Account payable and other current liabilities	\$ 114,614	\$ 25,508	\$ 140,122
Accrued liabilities	50,220	36,020	86,240
Due to other funds	275,000	-	275,000
Compensated absences	29,688	25,539	55,227
Accrued interest payable	211,633	-	211,633
Debt:			
Revenue bonds	284,074	-	284,074
Notes	1,966,003	-	1,966,003
Total debt	2,250,077	-	2,250,077
Total current liabilities	2,931,232	87,067	3,018,299
Noncurrent liabilities			
Compensated absences	12,341	10,787	23,128
Other postemployment benefits	23,904	19,321	43,225
Due to other funds	2,200,000	-	2,200,000
Revenue bonds	2,687,821	-	2,687,821
Notes	23,882,161	-	23,882,161
Total noncurrent liabilities	28,806,227	30,108	28,836,335
Total liabilities	31,737,459	117,175	31,854,634
NET ASSETS			
Invested in capital assets, net of related debt	18,918,103	2,310,545	21,228,648
Restricted for:			
Debt service	9,310,488	-	9,310,488
Renewal and replacement	200,000	-	200,000
Unrestricted	1,940,151	1,184,444	3,124,595
Total net assets	\$ 30,368,742	\$ 3,494,989	\$ 33,863,731

See Accompanying Notes

CITY OF SANIBEL, FLORIDA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Fiscal Year Ended September 30, 2012

	Business-type activities - Enterprise Funds		
	Sanibel	Beach	Total
	Sewer System	Parking	
OPERATING REVENUE			
Charges for services	\$ 6,049,695	\$ 1,398,052	\$ 7,447,747
Licenses and permits	-	97,620	97,620
Fines and forfeitures	18,139	78,337	96,476
Other revenue	62,540	-	62,540
Total operating revenue	<u>6,130,374</u>	<u>1,574,009</u>	<u>7,704,383</u>
OPERATING EXPENSES			
Personal services	2,069,007	1,441,100	3,510,107
Contractual services	325,606	193,352	518,958
Materials and supplies	221,929	86,163	308,092
Utilities	345,856	64,002	409,858
Depreciation	2,460,521	183,996	2,644,517
Insurance	18,758	21,964	40,722
Administrative charges	543,954	470,568	1,014,522
Repairs and maintenance	692,521	79,848	772,369
Total operating expenses	<u>6,678,152</u>	<u>2,540,993</u>	<u>9,219,145</u>
Operating loss	<u>(547,778)</u>	<u>(966,984)</u>	<u>(1,514,762)</u>
NON-OPERATING REVENUE (EXPENSE)			
Taxes	949,140	-	949,140
Investment earnings	361,714	12,975	374,689
Special assessment interest income	295,609	-	295,609
Intergovernmental	-	1,070,180	1,070,180
Gain (loss) on disposition of equipment	-	(11,594)	(11,594)
Interest expense and fiscal charges	(981,644)	-	(981,644)
Total non-operating revenue (expenses)	<u>624,819</u>	<u>1,071,561</u>	<u>1,696,380</u>
Increase in net assets before contributions and transfers	77,041	104,577	181,618
CAPITAL CONTRIBUTIONS			
Capital contributions	177,930	-	177,930
Capital contributions intergovernmental	-	284,972	284,972
Total capital contributions	<u>177,930</u>	<u>284,972</u>	<u>462,902</u>
Change in net assets	254,971	389,549	644,520
Total net assets, beginning of year	<u>30,113,771</u>	<u>3,105,440</u>	<u>33,219,211</u>
Total net assets, end of year	<u>\$ 30,368,742</u>	<u>\$ 3,494,989</u>	<u>\$ 33,863,731</u>

See Accompanying Notes

CITY OF SANIBEL, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended September 30, 2012

	Sanibel Sewer System	Beach Parking	Total
	<u> </u>	<u> </u>	<u> </u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 6,127,978	\$ 1,574,659	\$ 7,702,637
Cash payments to suppliers for goods and services	(2,211,886)	(1,069,688)	(3,281,574)
Cash payments to employees for services	<u>(2,098,804)</u>	<u>(1,431,946)</u>	<u>(3,530,750)</u>
Net cash provided (used) by operating activities	<u>1,817,288</u>	<u>(926,975)</u>	<u>890,313</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Advance annual payment	(275,000)	-	(275,000)
Subsidy from intergovernmental grants	<u>-</u>	<u>1,057,452</u>	<u>1,057,452</u>
Net cash provided (used) by noncapital financing activities	<u>(275,000)</u>	<u>1,057,452</u>	<u>782,452</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Collection of taxes for bond debt service	948,863	-	948,863
Capital contributions from intergovernmental grants	-	284,972	284,972
Capital contributions	177,930	-	177,930
Collection of special assessments	930,212	-	930,212
Acquisition/construction of capital assets	(295,595)	(320,941)	(616,536)
Principal paid on capital debt	(2,204,132)	-	(2,204,132)
Interest paid on capital debt	<u>(967,219)</u>	<u>-</u>	<u>(967,219)</u>
Net cash (used) by capital and related financing activities	<u>(1,409,941)</u>	<u>(35,969)</u>	<u>(1,445,910)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investments purchased	(265,200)	-	(265,200)
Proceeds from maturity of investments	309,796	-	309,796
Interest and investment earnings	<u>423,155</u>	<u>12,975</u>	<u>436,130</u>
Net cash provided by investing activities	<u>467,751</u>	<u>12,975</u>	<u>480,726</u>
Net increase in cash and cash equivalents	600,098	107,483	707,581
Cash and equivalents, beginning of year	<u>3,059,930</u>	<u>734,763</u>	<u>3,794,693</u>
Cash and equivalents, end of year	<u>\$ 3,660,028</u>	<u>\$ 842,246</u>	<u>\$ 4,502,274</u>

See Accompanying Notes

CITY OF SANIBEL, FLORIDA
STATEMENT OF CASH FLOWS *(Continued)*
PROPRIETARY FUNDS
For the Fiscal Year Ended September 30, 2012

	Sanibel Sewer System	Beach Parking	Total
Reconciliation of operating loss to net cash provided (used) by operating activities			
Operating loss	\$ (547,778)	\$ (966,984)	\$ (1,514,762)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities			
Depreciation	2,460,521	183,996	2,644,517
Net (increase) decrease in assets:			
Accounts receivables	(2,396)	650	(1,746)
Net increase (decrease) in liabilities:			
Accounts payable	(63,262)	(153,791)	(217,053)
Accrued payroll and compensated absences	(53,701)	(10,167)	(63,868)
Other postemployment benefits	23,904	19,321	43,225
	<u>\$ 1,817,288</u>	<u>\$ (926,975)</u>	<u>\$ 890,313</u>
Net cash provided (used) by operating activities			
Noncash investing, capital, and financing activities:			
Amortization of bond issuance costs, discount, and accounting loss	\$ 30,945		
Increase in fair value of investments	233,987		
Increase in interest receivable	181		

See Accompanying Notes

CITY OF SANIBEL, FLORIDA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
September 30, 2012

	Other Post- Employment Benefits Trust	Pension Trust Funds	Agency Funds
ASSETS			
Cash and cash equivalents	\$ -	\$ 880,156	\$ 65,774
Investments, at market value			
Treasury inflation protection securities	-	835,032	-
US government and agencies securities	-	1,416,083	-
Corporate stocks	-	7,309,184	-
Corporate bonds	-	2,720,983	-
Convertibles	-	1,909,401	-
Mutual funds:			
Fixed income	-	3,712,817	-
Equity	-	5,320,492	-
International equity	-	4,432,012	-
Real estate investments trusts	-	583,228	-
Real estate commingled fund	-	819,581	-
Total investments at fair value	-	29,058,813	-
Receivables - contributions	-	63,594	-
Receivables - interest and dividends	-	94,330	-
Total assets	-	30,096,893	65,774
LIABILITIES			
Accrued benefits and other liabilities	-	932,333	-
Due to other governments	-	-	65,774
Total liabilities	-	932,333	\$ 65,774
NET ASSETS			
Held in trust for OPEB and pension benefits	-	\$ 29,164,560	

See Accompanying Notes

CITY OF SANIBEL, FLORIDA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
September 30, 2012

	Other Post- Employment Benefits Trust	Pension Trust Funds
ADDITIONS		
Contributions		
Employer	\$ -	\$ 7,245,347
State of Florida	-	63,574
Plan members	-	173,866
	-	7,482,787
Total contributions	-	7,482,787
Investment income		
Net appreciation in fair value of investments	-	3,186,548
Interest and dividends	-	674,311
Total investment earnings	-	3,860,859
Less investment expense	-	(131,723)
Net investment earnings	-	3,729,136
Total additions	-	11,211,923
DEDUCTIONS		
Benefits paid	153,507	1,826,514
Administrative expenses	-	69,336
Total deductions	153,507	1,895,850
Change in net assets	(153,507)	9,316,073
Net assets held in trust for OPEB and pension benefits		
Net assets - beginning of year	153,507	19,848,487
Net assets - end of year	\$ -	\$ 29,164,560

See Accompanying Notes

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CITY OF SANIBEL, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

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CITY OF SANIBEL, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

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

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

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

▪ **Discretely-Presented Component Unit**

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

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

CITY OF SANIBEL, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

Note 1. Summary of Significant Accounting Policies (Continued)

A. Reporting Entity (Concluded)

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

and CHR is such that excluding CHR from the City's financial statements would be misleading and incomplete. CHR has issued separate financial statements for the year ended September 30, 2012, which may be obtained at the entity's administrative offices located at 2401 Library Way, Sanibel, Florida, 33957.

B. Government-Wide and Fund Financial Statements

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

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

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

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

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

CITY OF SANIBEL, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

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

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

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

CITY OF SANIBEL, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

The City reports the following major funds:

▪ **Governmental Funds**

- **General Fund** – the general fund is the City's primary operating fund, and is used to account for all financial resources except those required to be accounted for in another fund. All tax revenues and other receipts that are not allocated by law or contractual agreement to another fund are accounted for in this fund. The majority of current operating expenditures of the City, other than proprietary fund activities, are financed through revenues received by the general fund.
- **Transportation Fund** – a special revenue fund used to account for the public works department's street division. All activities necessary to provide repaving, maintenance and repairs to the City's streets, shared-use paths and drainage system. Revenues are received from local option gas taxes, municipal fuel allocation portion of the State of Florida's municipal shared revenues and fuel tax rebates.
- **Recreation Fund** – a special revenue fund used to account for the recreation center programs and the Center-4-Life center programs. All activities necessary to provide recreation programs are accounted for in this fund. Revenues are received from membership fees and program fees. An interlocal agreement with the Lee County School Board provides twenty (20%) percent reimbursement for the recreation center's electric costs.
- **2002/2012 General Obligation (GO) Bonds Fund** – a debt service fund used to account for the debt service payments and administrative costs for the 2002 GO Bonds and the 2012 GO Refunding Bonds issued to retire the 2002 GO Bonds. Revenues are received from voter approved ad valorem property taxes.

▪ **Proprietary Funds**

- **Sewer System Fund** – an enterprise fund used to account for the provision of wastewater collection and disposal services and wastewater reuse services to the residents and businesses of the City. All activities necessary to provide such services are accounted for in this fund, including administration, operations, construction, maintenance, financing and related debt service costs, billing and collection.

CITY OF SANIBEL, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

Note 1. Summary of Significant Accounting Policies (Continued)

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

▪ **Proprietary Funds (Concluded)**

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

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

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

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

- **Pension Trust Funds** – to account for resources used to finance the City's retirement programs. These funds are accounted for in the same manner as proprietary fund types. The City has two pension trust funds which accumulate resources to provide retirement benefits to City employees. The two pension trust funds are the Municipal Police Officers' Pension Trust Fund and the General Employees' Pension Trust Fund.
- **Agency Funds** – to account for fees collected and held by the City as an agent for individuals, private organizations and other governmental agencies (state, county, school board, and other local agencies).

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation.

CITY OF SANIBEL, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

Note 1. Summary of Significant Accounting Policies (Continued)

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

The City has elected not to apply all Financial Accounting Standards Board (FASB) Statements and Interpretations issued after November 30, 1989, as permitted by GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Fund and Other Governmental Entities That Use Proprietary Fund Accounting*.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this rule include payments-in-lieu of taxes where the amount is reasonably equivalent in value to the interfund services provided and charges between the City's sewer function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

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

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

D. Cash and Cash Equivalents and Investments

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

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

For all funds, except the OPEB and pension trust funds, investments consists of U.S. Government securities, U.S. Government Agency securities, bonds issued by corporations organized under the laws of the United States or District of Columbia with investment grade rating of "A" or better, investment grade obligations of state and local governments and public authorities and the Florida State Board Administration's (SBA) Fund B Surplus Funds Trust Fund with a maturity greater than

CITY OF SANIBEL, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

Note 1. Summary of Significant Accounting Policies (Continued)

D. Cash and Cash Equivalents and Investments (Concluded)

three months and are carried at fair value. In addition, investments in the City's pension funds include U.S. Government securities, corporate bonds, equity securities, comingled real estate fund and mutual funds. All investments are reported at fair value using quoted market prices or the best estimate available. The difference between cost and fair value of investments held is recorded as net unrealized gains or losses and is included in net investment earnings.

E. Interfund Receivables and Payables

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

F. Inventories

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

G. Prepaid Items

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

H. Restricted Assets

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

CITY OF SANIBEL, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

Note 1. Summary of Significant Accounting Policies (Continued)

I. Capital Assets

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

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

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

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

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

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

J. Compensated Absences

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

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

CITY OF SANIBEL, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

Note 1. Summary of Significant Accounting Policies (Continued)

K. Long-Term Obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

L. Unamortized Losses

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

M. Utility Connection (Impact) Fees

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

N. Special Assessments

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

O. Deferred Revenue

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

P. Intragovernmental Allocation of Administrative Expenses

The general fund incurs certain administrative expenses for other funds, including accounting, legal, data processing, personnel administration, and other services. The governmental activities that received these services were charged \$1,940,114 and the business-type activities that received these services were charged \$856,854. Fiscal year 2012 administrative expenses not directly charged to a fund are allocated as indirect expenses on the Statement of Activities.

CITY OF SANIBEL, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

Note 1. Summary of Significant Accounting Policies (Continued)

Q. Fund Balance

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

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

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

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

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

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

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

R. Minimum Fund Balance Policy

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

CITY OF SANIBEL, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

Note 1. Summary of Significant Accounting Policies (Concluded)

S. Net Assets

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

Note 2. Stewardship, Compliance and Accountability

A. Budgets - Legal Compliance

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

<u>FUND TYPE and NAME</u>	<u>REASON</u>
<i>Special Revenue Funds</i>	
Historical Committee Fund	No expenditures were planned for the year
Road Impact Fees	No expenditures were planned for the year
Community Park Impact Fees	No expenditures were planned for the year
<i>Capital Project Funds</i>	
Periwinkle Bike Path & Road	No expenditures were planned for the year

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

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 30th, the budget is legally adopted by resolution. Five-year financial plans are also adopted for all capital project funds.

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

The level of control whereby expenditures cannot exceed appropriations is at the fund level. During the fiscal year ended September 30, 2012, various supplemental appropriations were approved by City Council in accordance with this policy.

CITY OF SANIBEL, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

Note 2. Stewardship, Compliance and Accountability (Concluded)

B. Excess of Expenditures over Appropriations

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

C. Property Taxes

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

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

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

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

The City is, in general, permitted by the State to levy property taxes up to \$10 per \$1,000 of assessed valuation for general governmental services. The tax rates for the year ended September 30, 2012 for the general governmental operations and voted debt service for the sewer expansion project, the 2002 Series General Obligation Bond used to purchase environmentally sensitive land, and the 2006 Series General Obligation Bond used to construct a recreational facility were 2.1038, 0.2360, 0.0599, and .1263, respectively, per \$1,000 of assessed property valuation.

Note 3. Deposits and Investments

A. Deposits

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

CITY OF SANIBEL, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

Note 3. Deposits and Investments (Continued)

A. Deposits (concluded)

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

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

At September 30, 2012, the carrying amount of cash on hand and on deposit with banks, including interest-bearing deposits, was \$5,431,701. The carrying amount of cash with the City's investment accounts pending overnight sweep from money market funds at September 30, 2012 was \$14.

B. Investments

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

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

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

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

CITY OF SANIBEL, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

Note 3. Deposits and Investments (Continued)

B. Investments (Continued)

Following is a summary of the City's pooled investments at September 30, 2012 excluding investments in the City's pension funds:

Pooled Investments			Investment Maturities			
Investment Type	Percent of Portfolio	Fair Value	Less Than 3 Months	3-12 Months	1-3 Years	Over 3 Years
Cash	0.00%	\$ 14	\$ 14	\$ -	\$ -	\$ -
SBA Florida PRIME	21.54%	2,184,984	2,184,984	-	-	-
Federated Prime MMF	0.00%	9	9	-	-	-
FDIC Insured MM Accounts	1.21%	123,124	123,124	-	-	-
Taxable Municipal Obligations	69.81%	7,080,074	1,021,014	1,473,175	2,914,096	1,671,789
Corporate Bonds	7.44%	754,630	-	232,142	364,913	157,575
		<u>\$ 10,142,835</u>	<u>\$ 3,329,145</u>	<u>\$ 1,705,317</u>	<u>\$ 3,279,009</u>	<u>\$ 1,829,364</u>

Following is a summary of the City's non-pooled investments at September 30, 2012 excluding investments in the City's pension funds:

Non-Pooled Investments			Investment Maturities			
Investment Type	Percent of Portfolio	Fair Value	Less Than 3 Months	3-12 Months	1-3 Years	Over 3 Years
GNMA	0.03%	\$ 2,748	\$ -	\$ -	\$ -	\$ 2,748
⁽¹⁾ FHLMC	0.06%	6,188	-	-	-	6,188
SBA Florida PRIME	1.52%	148,022	148,022	-	-	-
SBA Fund B	5.51%	537,620	-	-	-	537,620
Federated Prime MMF	0.00%	40	40	-	-	-
US Gov Obligations	13.12%	1,279,630	-	-	-	1,279,630
Taxable Municipal Obligations	73.64%	7,182,246	1,127,014	3,416,405	1,858,931	779,896
Corporate Bonds	6.12%	597,030	125,490	311,229	-	160,311
		<u>\$ 9,753,524</u>	<u>\$ 1,400,566</u>	<u>\$ 3,727,634</u>	<u>\$ 1,858,931</u>	<u>\$ 2,766,393</u>

⁽¹⁾The FHLMC investment has a "no rating" (NR) by Standard's & Poor and Moody's. Original investment of \$595,000 was made in 1993. Balance remaining to be redeemed as of September 30, 2012 is \$6,188.

CITY OF SANIBEL, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

Note 3. Deposits and Investments (Continued)

B. Investments (Continued)

The Florida State Board of Administration's (SBA) Florida PRIME formerly known as the Local Government Surplus Funds Trust Fund Investment Pool (SBA LGIP) meets the criteria of a Rule 2a-7 like pool and the investments are valued using the account balance which is stated at amortized cost. Rule 2a-7 is the rule that permits money market funds to use amortized cost to maintain a constant net asset value (NAV) of \$1.00 per share. The weighted average days to maturity (WAM) of the Florida PRIME at September 30, 2012, was 39 days. The Florida PRIME is rated by Standard & Poor's. The current rating is AAAm.

The SBA Fund B is accounted for as a fluctuating net asset value (NAV) pool. The fair value factor for Fund B for September 30, 2012 was .94896811. The weighted average life (WAL) of Fund B at September 30, 2012 was 4.08 years. However, because Fund B consists of restructured or defaulted securities there is considerable uncertainty regarding the weighted average life. Fund B has not participated in a securities lending program in the fiscal year ending September 30, 2012. Fund B is not rated by any nationally recognized statistical rating agency.

The SBA's Florida PRIME and Fund B are administered by the State Board of Administration under the regulatory oversight of the State of Florida, Chapter 19-7 of the Florida Administrative Code.

The Federated Prime Obligations Fund (Federated Prime MMF) is rated with Triple A ratings from three credit rating agencies: Standard & Poor's, Moody's and Fitch. The securities are valued at amortized cost to maintain a constant net asset value (NAV) of \$1.00 per share. The weighted average days to maturity (WAM) at September 30, 2012, was 41 days.

All the municipal bonds and notes are investment grade with Standard and Poor's credit ratings of A- to AAA. Except for one BBB+ rating, the corporate bonds' Standard and Poor's credit ratings are A- to AA+. The BBB+ rated bonds were sold October 12, 2012. Standard and Poor's credit ratings for the US Government Obligations are AA+.

PORTFOLIO	Portfolio Characteristics at 9/30/2012			Investment Policy		
	% Invested in Corporate Bonds	Average Credit Rating	Average Maturity	Maximum % in Corp. Bonds	Minimum Credit Rating	Average Maximum Maturity
Pooled Investments						
Operating Portfolio	4.80%	A+	0.3	Short term	A	High Liquidity
Surplus Portfolio	11.90%	AA	2.5	15.00%	A	3.0
Non-Pooled Investments						
Reserves Portfolio	6.40%	AA	0.8	10.00%	A	1.0
Restricted Portfolio	7.30%	AA	9.9	15.00%	A	Match cash/debt requirement

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

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

CITY OF SANIBEL, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

Note 3. Deposits and Investments (Continued)

B. Investments (Concluded)

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

Credit Risk. The City's policy requires limiting investments to the safest types of securities and diversifying the investment portfolio so that potential losses on individual securities will be minimized. As previously noted the City's investment in the SBA Florida PRIME investment pool and the Federated Prime MMF is rated AA+ by Standard's and Poor as of September 30, 2012; SBA Fund B is not rated by any nationally recognized statistical rating agency; the US Government Obligations are rated AA+ by Standard and Poor's; the municipal and corporate bonds' Standard and Poor's' credit ratings range from A- to AAA as of September 30, 2012 with the exception of one corporate bond investment rated BBB+ which was sold October 12, 2012.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributable to the quantity of the government's investment in a single issuer. The city's investment policy allows for investing in a variety of securities based on the issuer. The allowable concentration in corporate bonds is up to ten (10%) percent in the operating and reserve investment portfolios and up to fifteen (15%) percent in the surplus and restricted investment portfolios. In addition, no more than two (2%) percent of the portfolio may be invested with any one corporate bond issuer. The City's corporate bond investments meet the single issuer threshold for reportable concentration of credit risk with the exception of one investment that is slightly over the two (2%) percent. The concentration will self-correct with reportable decreases in market value as the par value's maturity date of September 1, 2016 approaches.

Custodial Credit Risk. The City's investment policy requires securities be held with a third party custodian and all securities purchased by, and all collateral obtained by the City should be properly designated as an asset of the City. The securities must be held in an account separate and apart from the assets of the financial institution. A third party custodian is defined as any bank depository chartered by the federal government, the State of Florida, or any other state or territory of the United States which has a branch or principal place of business in the State of Florida, or by a national association organized and existing under the laws of the United States which is authorized to accept and execute trusts and which is doing business in the State of Florida. As of September 30, 2012, the City's investment portfolios were held with third-party custodians as required by the City's investment policy.

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

C. Pension Trust Funds' Deposits and Investments

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

Cash and Cash Equivalents

At September 30, 2012, the carrying amount of the Pension Funds' cash and cash equivalents was \$880,156. Cash consists of \$8,621 deposited in the City's pool cash account which is maintained in a qualified public depository in accordance with Chapter 280 of the Florida Statutes. Cash equivalents consist of \$494,909 placed with Federated Prime Value Obligations Fund, an A-mf rated

CITY OF SANIBEL, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

Note 3. Deposits and Investments (Continued)

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

money market fund by Moody's; \$137,845 placed with Goldman Sachs Financial Square Treasury Obligations Fund, an AAAM rated money market fund by Standard & Poor's and an Aaa-mf rating by Moody's, and \$238,781 placed with Federated Inv Prime Obligations-IS, an AAAM rated money market fund by Standard & Poor's and Aaa-mf rated by Moody's.

Investment Portfolio

Each Board of Trustees of the City's Pension Funds adopted a comprehensive investment policy, pursuant to Florida Statutes Section 112.661, that established permitted investments, asset allocation limits, issuer limits, credit rating requirements, and maturity limits to protect the Pension Funds' cash and investment assets. As of September 30, 2012, the City's Pension Funds had the following investment types:

General Employees' Pension Investments				Maturities		
Investment Type	Percent of Portfolio	Fair Value	Equities	Less Than 1 Year	1-5 Years	Over 5 Years
Cash Equivalents:						
Money Market Funds	3.40%	\$ 632,754	\$ -	\$ 632,754	\$ -	\$ -
Investments:						
Domestic Equities	46.15%	8,591,296	8,591,296	-	-	-
International Equities	14.70%	2,737,663	2,737,663	-	-	-
Convertibles	4.65%	865,872	865,872	-	-	-
TIPS*	4.48%	835,032	-	-	434,352	400,680
Government Obligations	7.61%	1,416,083	-	-	23,579	1,392,504
Corporate Bonds	14.61%	2,720,983	-	490,546	548,552	1,681,885
Real Estate	4.40%	819,581	-	-	-	819,581
		<u>\$ 18,619,264</u>	<u>\$ 12,194,831</u>	<u>\$ 1,123,300</u>	<u>\$ 1,006,483</u>	<u>\$ 4,294,650</u>

*TIPS - Treasury Inflation Protection Securities

Municipal Police Officers' Pension Investments				Maturities		
Investment Type	Percent of Portfolio	Fair Value	Equities	Less Than 6 Months	6-12 Months	Over 1 Year
Cash Equivalents:						
Money Market Funds	2.11%	\$ 238,781	\$ -	\$ 238,781	\$ -	\$ -
Investments:						
Large Cap Growth Equities	10.92%	1,235,408	1,235,408	-	-	-
Large Cap Value Equities	10.91%	1,234,507	1,234,507	-	-	-
Mid-cap Equities	8.12%	918,569	918,569	-	-	-
Small-cap Equities	5.75%	649,896	649,896	-	-	-
Convertibles	9.23%	1,043,529	1,043,529	-	-	-
International Equities	14.98%	1,694,349	1,694,349	-	-	-
Fixed Income (bonds)	32.82%	3,712,817	-	3,712,817	-	-
Real Estate	5.16%	583,228	583,228	-	-	-
		<u>\$ 11,311,084</u>	<u>\$ 7,359,486</u>	<u>\$ 3,951,598</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF SANIBEL, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

Note 3. Deposits and Investments (Continued)

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

Credit Risk

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

Equity Securities

General: Equity securities must be listed on one or more of the recognized national stock exchanges. Investment in foreign equity securities which are traded on a national exchange or American Depository Receipts is limited to 20% of the total fund portfolio. Convertible bonds, convertible preferred issues, and preferred stock will be deemed as equity and shall not be held to the same rating standards as fixed income. Foreign securities convertibles are limited to those that settle in U.S. dollars and trade on one or more of the national exchanges or OTC.

Police: Investment in foreign equity securities is limited to 25% of total assets.

Fixed Income Securities

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

The General Employees' Pension Trust corporate bond holdings of \$2,720,983 were rated AAA to BAA by Barclay with an average quality rating of AA. Fifteen (15%) percent (\$612,868) of the total bond portfolio (\$4,137,066) was rated below A3/A-.

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

Custodial Credit Risk

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

As of September 30, 2012, the General Employees' Pension Trust Fund equity investments were held with a third-party custodian as required by Florida Statutes. Its investments in the external investment pools and in mutual funds are not exposed to custodial credit risks because their existence is not evidenced by securities that exist in physical or book entry form.

As of September 30, 2012, the Municipal Police Officers' Pension Trust Fund equity investments were held with a third-party custodian as required by Florida Statutes. Its investments in mutual funds are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form. Its investments in equity and equity index funds, equity mutual funds and fixed income funds securities are uninsured, are not registered in the name of the government, and are held by the counterparty.

CITY OF SANIBEL, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

Note 3. Deposits and Investments (Continued)

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

Concentration of Credit Risk

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

Equity Securities

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

Police: A maximum of 70% of the fund's total asset value may be invested in equity securities (including convertible bonds). Not more than 5% of the fund's total asset cost value may be invested in a single corporate issuer nor shall the aggregate investment in any one corporate issuer exceed 5% of the outstanding capital stock of the company. Foreign equity securities are limited to 25% of total assets value.

Fixed Income Securities

General: A target of 25% at fair value of the fund's total asset value may be invested in domestic fixed income securities. Non-government bond investments in any one issuing company shall be limited to 1.5% of the total bond portfolio. Foreign issued fixed-income securities may not exceed 5% of the market value of the total fund portfolio.

Police: A target of 32% at fair value of the fund's total asset value may be invested in fixed income securities. A maximum of 5% at cost of the fund's total asset value may be invested in the securities of any single issuer (excludes issues of the United States Government or any governmental agency).

See Note 14 for details of the Pension Funds concentration of investments at September 30, 2012.

Foreign Currency Risk

General: As of September 30, 2012, \$2,737,663 of the General Pension Fund's \$12,194,831 equity and equity index funds was invested in American Euro Pacific Growth Fund Class R6.

Police: As of September 30, 2012, \$870,756 of the Police Officers' Pension Fund's \$7,359,486 equity and equity index funds was invested in the American Euro Pacific Growth Fund Class R6 and \$823,593 was invested in WHV International Equity Fund.

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CITY OF SANIBEL, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

Note 3. Deposits and Investments (Continued)

D. Additional Information

As of September 30, 2012 the City had the following deposits and investments:

CASH AND CASH EQUIVALENTS AND INVESTMENTS	
Type	Fair Value
US Govt Agency Securities	\$ 8,936
Pension Investments	29,058,813
City Investments-Reserves Account	6,839,069
City Investments -Restricted Account	2,219,837
SBA Fund B	537,620
Total Investments	38,664,275
PLUS: Cash Equivalents	
Checking Accounts	5,430,616
SBA Florida PRIME	2,333,006
City Pool Investment-Operating Account	2,626,236
City Pool Investment-Surplus Account	5,208,468
City Money Market Funds	123,178
Pension Money Market Funds	871,535
Total Cash Equivalents	16,593,039
TOTAL Cash Equivalents and Investments	55,257,314
PLUS: Cash on Hand	1,085
TOTAL: Cash & Cash Equivalents and Investments	\$ 55,258,399

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CITY OF SANIBEL, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

Note 3. Deposits and Investments (Concluded)

D. Additional Information (Concluded)

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

	Unrestricted		Restricted		TOTAL
	Cash & Equivalents	Investments	Cash & Equivalents	Investments	Cash & Investments
GOVERNMENTAL ACTIVITIES					
General	\$ 4,903,403	\$ 6,841,817	\$ -	\$ -	\$ 11,745,220
Transportation	1,332,540	-	-	-	1,332,540
Recreation	1,559,177	-	-	-	1,559,177
2012 GO Debt	4,078	10,247	6,305	240,709	261,339
Other Gov't Funds	3,340,417	-	-	-	3,340,417
Total Governmental	<u>11,139,615</u>	<u>6,852,064</u>	<u>6,305</u>	<u>240,709</u>	<u>18,238,693</u>
BUSINESS-TYPE ACTIVITIES					
Sewer System	3,660,028	792,629	-	1,720,060	6,172,717
Beach Parking	842,246	-	-	-	842,246
Total Business-type	<u>4,502,274</u>	<u>792,629</u>	<u>-</u>	<u>1,720,060</u>	<u>7,014,963</u>
FIDUCIARY FUNDS					
OPEB Trust Fund	-	-	-	-	-
Pension Trust Funds	-	-	880,156	29,058,813	29,938,969
Agency Funds	-	-	65,774	-	65,774
Total Fiduciary	<u>-</u>	<u>-</u>	<u>945,930</u>	<u>29,058,813</u>	<u>30,004,743</u>
TOTAL	<u>\$ 15,641,889</u>	<u>\$ 7,644,693</u>	<u>\$ 952,235</u>	<u>\$ 31,019,582</u>	<u>\$ 55,258,399</u>

E. Restricted Cash and Investments

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

	Governmental Restricted		Business-Type Restricted	
	Cash & Equivalents	Investments	Cash & Equivalents	Investments
Debt service	\$ 6,305	\$ 240,709	\$ -	\$ 789,372
Debt reserves	-	-	-	650,688
Rate stabilization	-	-	-	80,000
Renewal and replacement	-	-	-	200,000
	<u>\$ 6,305</u>	<u>\$ 240,709</u>	<u>\$ -</u>	<u>\$ 1,720,060</u>

CITY OF SANIBEL, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

Note 4. Accounts Receivable

Accounts receivable reported in the general fund represent miscellaneous receivables for insurance, public works services, restitution, code enforcement violations, false alarm fees and special event services provided by the City. Accounts receivable in the transportation fund is for services provided. Accounts receivable in the recreation fund is for after school programs and financial assistance sponsorship donations. Accounts receivable in the other governmental funds is for services provided and other miscellaneous receivables. The general fund accounts receivables are net of a \$8,209 allowance for uncollectible accounts. No allowance for uncollectible accounts was needed in the other governmental funds. Receivables, net of allowance for uncollectibles, as of year-end for the City's governmental activities, individual major governmental fund and nonmajor funds in the aggregate are as follows:

	2002/2012					Total
	General	Transportation	Recreation	General	Other	
	Fund	Fund	Fund	Obligation Bonds	Governmental Funds	
Accounts receivable	\$ 162,615	\$ 6,356	\$ 2,166	\$ 37	\$ 509	\$ 171,683
Interest receivable	114,026	-	-	1,977	-	116,003
Due from other funds	2,488,472	-	-	-	-	2,488,472
Due from other governments	120,104	92,952	5,748	-	34,930	253,734
Total receivables	<u>\$ 2,885,217</u>	<u>\$ 99,308</u>	<u>\$ 7,914</u>	<u>\$ 2,014</u>	<u>\$ 35,439</u>	<u>\$ 3,029,892</u>

\$2,488,472 of the due from other funds receivable in the general fund was eliminated in the conversion from the governmental funds balance sheet to the government-wide statement of net assets. Also in the government-wide statement \$2,092 of receivables are reported as restricted assets for debt service (\$115 taxes receivable and \$1,977 interest receivable). Fiduciary funds are not included in the government-wide statements.

Accounts receivable reported in the enterprise funds represent fees for sewer services provided by the City (billed and unbilled). The accounts receivable are net of a \$10,790 allowance for uncollectible accounts. Receivables, net of allowance for uncollectibles, as of year-end for the City's business-type activities are as follows:

	Sanibel Sewer	Beach	Total
	System	Parking Fund	
Unrestricted			
Accounts receivable	\$ 305,955	\$ 1,889	\$ 307,844
Interest receivable	10,179	-	10,179
Due from other governments	1,099	457,484	458,583
Total unrestricted	<u>317,233</u>	<u>459,373</u>	<u>776,606</u>
Restricted			
Assessments receivable	<u>7,790,428</u>	<u>-</u>	<u>7,790,428</u>
Total net receivables	<u>\$ 8,107,661</u>	<u>\$ 459,373</u>	<u>\$ 8,567,034</u>

CITY OF SANIBEL, FLORIDA
 NOTES TO THE FINANCIAL STATEMENTS
 September 30, 2012

Note 4. Accounts Receivable (Concluded)

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

Note 5. Deferred Revenues

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds and business-type funds also defer revenue recognition in connection with resources that have been received, but not yet earned (unearned). As of September 30, 2012, the business-type funds did not have any deferred revenues; the various components of deferred revenue reported in the governmental funds were as follows:

Deferred Revenue	
<u>Governmental Funds:</u>	<u>Unearned</u>
Unearned revenues:	
Prepaid Verizon	\$ 2,488
Prepaid weight permits	2,606
Prepaid business tax receipts	224,806
Prepaid contractor license renewals	29,555
Rutland welcome center refund	402
Recreation center scholarship raffle tickets	60
Recreation center gift cards	209
Donations for FY2012 after school financial assistance program	24,020
Total deferred revenue for governmental funds	\$ 284,146

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CITY OF SANIBEL, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

Note 6. Accounts Payable and Other Accrued Liabilities

	General	Transportation Fund	Recreation Fund	2002/2012		Total
				General Obligation Bonds	Other Governmental Funds	
GOVERNMENTAL ACTIVITIES						
Accounts and retainages payable	\$ 246,449	\$ 682,117	\$ 28,092	\$ -	\$ 172,344	\$ 1,129,002
Due to other funds	-	-	-	-	13,472	13,472
Deposits	8,103	-	-	-	-	8,103
Accrued liabilities	314,771	25,551	44,671	-	21,413	406,406
Accrued interest payable	-	-	-	10,247	53,490	63,737
Total	\$ 569,323	\$ 707,668	\$ 72,763	\$ 10,247	\$ 260,719	\$ 1,620,720

	Sanibel		
	Sewer System	Beach Parking	Total
BUSINESS-TYPE ACTIVITIES			
Accounts and retainages payable	\$ 114,614	\$ 25,508	\$ 140,122
Accrued liabilities	50,220	36,020	86,240
Accrued interest payable	211,633	-	211,633
Due to other funds	<u>2,475,000</u>	<u>-</u>	<u>2,475,000</u>
Total	\$ 2,851,467	\$ 61,528	\$ 2,912,995

The due to other funds of \$2,475,000 in the Business-Type Activities and \$13,472 in the Governmental Activities were eliminated in the conversion from proprietary funds statement of net assets and governmental funds balance sheet, respectfully, to the government-wide statement of net assets. Accrued interest payable of \$63,737 will not be liquidated with current financial resources and is not included in the governmental funds balance sheet.

Note 7. Interfund Receivables, Payables and Transfers

The following schedule as of September 30, 2012, represents interfund receivables and payables in the fund financial statements:

Receivable Fund	Payable Fund	Purpose for Balance	Amount
General	School Ball Park Maintenance	Cash provided to fund to cover cash deficit until receivables of \$34,930 are collected.	\$ 13,472
General	Sanibel Sewer System	City's advance to the sewer system primarily related to effluent disposal/reuse as required by regulatory agencies. \$2,200,000 is not anticipated to be collected within the next fiscal year. \$275,000 repaid annually.	<u>2,475,000</u>
TOTAL			<u>\$ 2,488,472</u>

CITY OF SANIBEL, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

Note 7. Interfund Receivables, Payables and Transfers (Concluded)

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

Interfund Transfers	Governmental Funds				Total Governmental Funds
	Transfers In				
Transfers Out	General	Transportation	Recreation	Other Governmental	
General	\$ -	\$ 588,052	\$ 1,526,531	\$ 1,030,457	\$ 3,145,040
Other Governmental	509,067	-	-	696,184	1,205,251
Total	\$ 509,067	\$ 588,052	\$ 1,526,531	\$ 1,726,641	\$ 4,350,291
Source	Transfer to	Amount	Purpose		
General Fund	Transportation Fund	\$ 588,052	Budgeted for transportation maintenance		
General Fund	Special Revenue Fund	5,445	City match for Shell Harbor dredging		
General Fund	Special Revenue Fund	3,000	City match for Sanibel Isles canal trimming		
General Fund	Special Revenue Fund	5,000	City match for Sanibel Isles/Water Shadows dredging		
General Fund	Special Revenue Fund	1,526,531	Budgeted for recreation center program		
General Fund	Special Revenue Fund	53,423	Budgeted for ballpark maintenance		
General Fund	Capital Projects Fund	513,989	Budgeted for capital acquisition fund		
General Fund	Capital Projects Fund	449,600	Budgeted for transportation capital improvements		
Road Impact Fee Fund	Capital Projects Fund	577,314	Budgeted for Periwinkle Way shared-use path		
Periwinkle Way Fund	General Fund	160,000	Returned surplus funds to general fund, received additional impact fees		
Rabbit Road Fund	General Fund	220,178	Project completed; surplus funds returned		
Tarpon Bay Road Fund	General Fund	128,889	Project completed; surplus funds returned		
Tarpon Bay Road Fund	Transportation Capital	118,870	Budgeted for transportation capital improvements		
TOTAL		\$ 4,350,291			

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CITY OF SANIBEL, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

Note 8. Intergovernmental and Contribution Revenues

The following schedule as of September 30, 2012, represents intergovernmental and contribution revenues in the government-wide statement of activities:

	General	Transportation Fund	Recreation Fund	Other Governmental Funds	Total																																
<u>Governmental activities</u>																																					
Operating Grants & Contributions																																					
General government	\$ 7,500	\$ -	\$ -	\$ -	\$ 7,500																																
Public safety	48,611	-	-	2,266	50,877																																
Physical environment	93,416	-	-	-	93,416																																
Transportation	-	50,587	-	-	50,587																																
Culture/Recreation	13,514	-	24,632	120,860	159,006																																
Capital Grants & Contributions																																					
Public safety	1,000	-	-	-	1,000																																
Transportation	-	-	-	127,319	127,319																																
Culture/Recreation	-	-	-	14,908	14,908																																
General Revenues	581,420	-	-	-	581,420																																
Total	\$ 745,461	\$ 50,587	\$ 24,632	\$ 265,353	\$ 1,086,033																																
<table border="0" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 35%;"></th> <th style="width: 15%; text-align: center; border-bottom: 1px solid black;">Sanibel Sewer System</th> <th style="width: 15%; text-align: center; border-bottom: 1px solid black;">Beach Parking Fund</th> <th style="width: 10%; text-align: center; border-bottom: 1px solid black;">Total</th> </tr> </thead> <tbody> <tr> <td colspan="4"><u>Business-type activities</u></td> </tr> <tr> <td colspan="4">Operating Grants & Shared Revenues</td> </tr> <tr> <td>Transportation</td> <td style="text-align: right;">\$ -</td> <td style="text-align: right;">\$ 1,070,180</td> <td style="text-align: right;">\$ 1,070,180</td> </tr> <tr> <td colspan="4">Capital Grants & Contributions</td> </tr> <tr> <td>Physical Environment</td> <td style="text-align: right;">177,930</td> <td style="text-align: right;">-</td> <td style="text-align: right;">177,930</td> </tr> <tr> <td>Transportation</td> <td style="text-align: right;">-</td> <td style="text-align: right;">284,972</td> <td style="text-align: right;">284,972</td> </tr> <tr> <td style="text-align: right;">Total</td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">\$ 177,930</td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">\$ 1,355,152</td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">\$ 1,533,082</td> </tr> </tbody> </table>							Sanibel Sewer System	Beach Parking Fund	Total	<u>Business-type activities</u>				Operating Grants & Shared Revenues				Transportation	\$ -	\$ 1,070,180	\$ 1,070,180	Capital Grants & Contributions				Physical Environment	177,930	-	177,930	Transportation	-	284,972	284,972	Total	\$ 177,930	\$ 1,355,152	\$ 1,533,082
	Sanibel Sewer System	Beach Parking Fund	Total																																		
<u>Business-type activities</u>																																					
Operating Grants & Shared Revenues																																					
Transportation	\$ -	\$ 1,070,180	\$ 1,070,180																																		
Capital Grants & Contributions																																					
Physical Environment	177,930	-	177,930																																		
Transportation	-	284,972	284,972																																		
Total	\$ 177,930	\$ 1,355,152	\$ 1,533,082																																		

The intergovernmental revenues of \$123,126 in the Other Governmental Funds statement of revenues, expenditures and changes in fund balance were increased by \$142,227 for impact fees received from other governmental agencies which are reported as other revenues in the governmental fund financial statements.

The general fund intergovernmental revenues of \$750,522 were decreased by \$5,061 for the net change in deferred revenues that did not meet the criteria for revenue availability under the *current financial resources measurement focus* for financial reporting in the governmental fund financial statements.

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CITY OF SANIBEL, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

Note 9. Capital Assets

Capital asset activity for the year ended September 30, 2012 was as follows:

<u>Governmental activities</u>	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets, not being depreciated:				
Land	\$24,964,425	\$ -	\$ -	\$24,964,425
Construction in progress	<u>796,888</u>	<u>56,167</u>	<u>(796,888)</u>	<u>56,167</u>
Total capital assets, not being depreciated	<u>25,761,313</u>	<u>56,167</u>	<u>(796,888)</u>	<u>25,020,592</u>
Capital assets, being depreciated:				
Buildings	19,099,230	10,350	-	19,109,580
Improvements other than buildings	4,661,906	38,750	-	4,700,656
Infrastructure	12,036,039	1,394,680	-	13,430,719
Vehicles and equipment	<u>4,701,900</u>	<u>317,920</u>	<u>(265,419)</u>	<u>4,754,401</u>
Total capital assets, being depreciated	<u>40,499,075</u>	<u>1,761,700</u>	<u>(265,419)</u>	<u>41,995,356</u>
Less accumulated depreciation for:				
Buildings	(4,336,137)	(668,935)	-	(5,005,072)
Improvements other than buildings	(3,598,599)	(113,134)	-	(3,711,733)
Infrastructure	(5,716,579)	(460,632)	-	(6,177,211)
Vehicles and equipment	<u>(3,162,939)</u>	<u>(406,460)</u>	<u>246,652</u>	<u>(3,322,747)</u>
Total accumulated depreciation	<u>(16,814,254)</u>	<u>(1,649,161)</u>	<u>246,652</u>	<u>(18,216,763)</u>
Total capital assets, being depreciated, net	<u>23,684,821</u>	<u>112,539</u>	<u>(18,767)</u>	<u>23,778,593</u>
Governmental activities capital assets, net	<u>\$49,446,134</u>	<u>\$ 168,706</u>	<u>\$ (815,655)</u>	<u>\$48,799,185</u>

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CITY OF SANIBEL, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

Note 9. Capital Assets (Concluded)

<u>Business-type activities</u>	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 1,852,477	\$ 2,000	\$ -	\$ 1,854,477
Construction in progress	37,740	11,866	(37,740)	11,866
Total capital assets, not being depreciated	<u>1,890,217</u>	<u>13,866</u>	<u>(37,740)</u>	<u>1,866,343</u>
Capital assets, being depreciated:				
Buildings	1,911,215	275,748	-	2,186,963
Improvements other than buildings	1,440,627	-	-	1,440,627
Infrastructure	68,764,569	92,450	-	68,857,019
Vehicles and equipment	2,867,499	272,212	(132,729)	3,006,982
Total capital assets, being depreciated	<u>74,983,910</u>	<u>640,410</u>	<u>(132,729)</u>	<u>75,491,591</u>
Less accumulated depreciation for:				
Buildings	(858,711)	(96,121)	-	(954,832)
Improvements other than buildings	(566,449)	(74,859)	-	(641,308)
Infrastructure	(21,485,952)	(2,285,956)	-	(23,771,908)
Vehicles and equipment	(1,874,733)	(187,581)	121,135	(1,941,179)
Total accumulated depreciation	<u>(24,785,845)</u>	<u>(2,644,517)</u>	<u>121,135</u>	<u>(27,309,227)</u>
Total capital assets, being depreciated, net	<u>50,198,065</u>	<u>(2,004,107)</u>	<u>(11,594)</u>	<u>48,182,364</u>
Business-type activities capital assets, net	<u>\$ 52,088,282</u>	<u>\$ (1,990,241)</u>	<u>\$ (49,334)</u>	<u>\$ 50,048,707</u>

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

<u>Governmental activities:</u>	
General government	\$ 135,478
Public safety	150,494
Physical environment	58,787
Transportation	554,582
Culture/recreation	749,820
Total depreciation expense-governmental activities	<u>\$ 1,649,161</u>
<u>Business-type activities:</u>	
Sanibel Sewer System	\$ 2,460,521
Beach Parking	183,996
Total depreciation expense-business-type activities	<u>\$ 2,644,517</u>

CITY OF SANIBEL, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

Note 10. Operating Leases

In the governmental funds rental expenditures under operating leases for the year ended September 30, 2012 amounted to \$30,971.

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

Fiscal Year Ending	Amount
September 30, 2013	25,125
September 30, 2014	23,849
September 30, 2015	20,194
September 30, 2016	2,666
September 30, 2017	1,562
TOTAL	\$ 73,396

Note 11. Long-term Debt

Governmental activities long-term debt at September 30, 2012, is comprised of the following:

General Obligation Bonds

\$2,970,000 General Obligation Refunding Bonds, Series 2012, issued to retire General Obligation Bonds, Series 2002 that were issued to purchase environmentally sensitive land. The 2012 GO Bonds have fixed interest rate of 2.07% due semiannually on August 1 and February 1, principal payments are due annually on August 1, collateralized with Voted Debt Service Ad Valorem Taxes, final payment is due August 2022. \$ 2,970,000

\$8,350,000 General Obligation Bonds, Series 2006, issued to construct a recreation facility, have interest payable varying from 4.0% to 4.35% due semiannually on August 1 and February 1, principal payments are due annually on August 1, collateralized with Voted Debt Service Ad Valorem Taxes, final payment is due February 2036. 7,340,000

10,310,000

Compensated absences 458,978

Other postemployment benefits obligation 140,086

Total Governmental Activities \$ 10,909,064

Current Refunding

The City issued \$2,970,000 in general obligations bonds, Series 2012, with a fixed interest rate of 2.07%. The proceeds were used to current refund \$2,970,000 of outstanding Series 2002 general obligation bonds which had interest rates ranging from 3.65% to 4.75%. The maturity date was accelerated from the year 2031 to the year 2022. On May 3, 2012 the net proceeds of the Series 2012 bonds, \$2,970,000, and accumulated debt service funds, \$169,553.75, were deposited with an escrow agent to redeem the refunded bonds and pay principal and accrued interest due on August 1, 2012. The City current refunded the 2002 Series to reduce its total debt service payments over 20 years by \$1,214,980 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$742,524. Issuance costs of \$36,500 were paid from accumulated debt service funds.

CITY OF SANIBEL, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

Note 11. Long-term Debt (Continued)

Business-type activities long-term debt at September 30, 2012, is comprised of the following:

Revenue Bonds Payable

\$5,620,000 Sanibel Sewer Utility Revenue Refunding Bonds, Series 2003, issued to realize interest savings and reduce coverage requirements from the 1993 bonds, collateralized by the net revenues of the sewer system, which are serial bonds with interest from 2.0% to 3.9% payable semi-annually, principal payable from 2004 through 2021.	\$ 3,155,000
<u>Less:</u>	
Unamortized issuance discounts	(11,082)
Deferred refunding loss	(172,023)
	2,971,895

Notes Payable

Disbursements, service fees and capitalized interest on the \$14,429,365 State of Florida revolving loan #835080, issued to finance the Phase 2 Plant capacity expansion, collateralized by the net revenues of the sewer system, accrued interest payable at 3.52%; due August, 2022.	8,718,624
Disbursements, service fees and capitalized interest for a \$5,424,184 State of Florida revolving loan #835090, issued to finance Phase 2B collection system expansion, collateralized by voted debt service ad valorem taxes, special assessments and net revenues of the sewer system, accrued interest payable at 3.08%; due December, 2022.	3,035,063
Disbursements, service fees and capitalized interest for a \$8,501,591 State of Florida revolving loans #WWG83510, issued to finance Phase 2C collection system expansion, collateralized by voted debt service ad valorem taxes, special assessments and net revenues of the sewer system, accrued interest payable at 3.11%; due June, 2023.	4,985,423
Disbursements, service fees and capitalized interest for a \$6,274,127 State of Florida revolving loans # WW83511, issued to finance Phase 3A collection system expansion, collateralized by voted debt service ad valorem taxes, special assessments and net revenues of the sewer system, accrued interest payable at 2.67%, due August, 2023.	3,656,465
Disbursements, service fees and capitalized interest for a \$5,353,820 State of Florida revolving loan # WW83512S, issued to finance Phase 3B collection system expansion, collateralized by voted debt service ad valorem taxes, special assessments and net revenues of the sewer system, accrued interest payable at 3.40% due December, 2026.	5,452,589

Compensated absences payable	78,355
Other postemployment benefits obligation	43,225
Total Business-Type Activities	\$ 28,941,639

CITY OF SANIBEL, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

Note 11. Long-term Debt (Continued)

**Changes in long-term debt and other long-term obligations for the year ended
September 30, 2012, are as follows:**

	<u>Beginning</u>			<u>Ending</u>	<u>Amounts</u>
	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>Due Within</u>
					<u>Year</u>
<u>Governmental Activities</u>					
General Obligation Bonds	\$ 10,595,000	\$ 2,970,000	\$ (3,255,000)	\$ 10,310,000	\$ 465,000
Compensated absences	521,659	214,728	(277,409)	458,978	324,568
Other postemployment benefits	-	140,086	-	140,086	-
Governmental Activities Totals	<u>\$ 10,595,000</u>	<u>\$ 3,324,814</u>	<u>\$ (3,532,409)</u>	<u>\$ 10,909,064</u>	<u>\$ 789,568</u>
<u>Business-type Activities</u>					
Revenue Bonds	\$ 3,455,000	\$ -	\$ (300,000)	\$ 3,155,000	\$ 305,000
Less:					
Issuance discounts	(12,348)	-	1,266	(11,082)	(1,266)
Loss on refunding	(191,682)	-	19,659	(172,023)	(19,660)
Net bonds payable	3,250,970	-	(279,075)	2,971,895	284,074
Notes Payable	27,752,296	-	(1,904,132)	25,848,164	1,966,003
Compensated absences	85,487	63,612	(70,745)	78,355	55,227
Other postemployment benefits	-	43,225	-	43,225	-
Business-type Activities Totals	<u>\$ 31,088,753</u>	<u>\$ 106,837</u>	<u>\$ (2,253,952)</u>	<u>\$ 28,941,639</u>	<u>\$ 2,305,304</u>

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CITY OF SANIBEL, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

Note 11. Long-term Debt (Concluded)

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

Governmental Activities		
Year ending	General Obligation Bonds	
September 30,	Principal	Interest
2013	\$ 465,000	\$ 373,279
2014	480,000	359,402
2015	490,000	345,106
2016	505,000	330,386
2017	520,000	315,136
2018-2022	2,865,000	1,332,552
2023-2027	1,600,000	943,004
2028-2032	1,980,000	571,590
2033-2036	1,405,000	129,087
Total	\$ 10,310,000	\$ 4,699,542

Business-type Activities						
Year ending	Revenue Bonds		Notes Payable		Total	
September 30,	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 305,000	\$ 110,266	\$ 1,966,002	\$ 817,029	\$ 2,271,002	\$ 927,295
2014	315,000	101,116	2,029,899	753,132	2,344,899	854,248
2015	325,000	91,273	2,135,479	647,552	2,460,479	738,825
2016	340,000	80,710	2,164,045	618,985	2,504,045	699,695
2017	350,000	69,320	2,234,436	548,593	2,584,436	617,913
2018-2022	1,520,000	147,200	12,311,555	1,603,597	13,831,555	1,750,797
2023-2026	-	-	3,006,748	177,969	3,006,748	177,969
Total	\$ 3,155,000	\$ 599,885	\$ 25,848,164	\$ 5,166,857	\$ 29,003,164	\$ 5,766,742

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

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

CITY OF SANIBEL, FLORIDA
 NOTES TO THE FINANCIAL STATEMENTS
 September 30, 2012

Note 12. Risk Management

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

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

The Florida League of Cities, Inc. published financial report for the year ended September 30, 2012, can be obtained from Florida League of Cities, Inc., Public Risk Service, 135 East Colonial Drive, Orlando, Florida 32853-0065.

Note 13. Restricted Assets

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

	<u>Governmental</u>	<u>Business-Type</u>
Debt service	\$ 249,106	\$ 8,579,800
Debt reserves	-	650,688
Rate stabilization	-	80,000
Renewal and replacement	-	200,000
Totals	\$ 249,106	\$ 9,510,488

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

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

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

The plans do not issue stand-alone financial reports and are not included in any other retirement system's or entity's financial report. The City accounts for both plans as pension trust funds; therefore, they are accounted for in substantially the same manner as proprietary funds with a capital maintenance measurement focus and employment of the accrual basis of accounting. Plan member contributions, employer contributions and contributions from other entities are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plans. For financial statement purposes, plan assets are

CITY OF SANIBEL, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

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

valued at market value for the General Employees' and Municipal Police Officers' plans, as reported within the annual trustee statements. Because the plans do not issue stand-alone GAAP financial reports, the following individual financial reports are presented for each of the plans:

STATEMENT OF FIDUCIARY NET ASSETS

	Pension Trust Funds		Total
	General Employees'	Municipal Police Officers'	Pension Trust Funds
ASSETS			
Cash and cash equivalents	\$ 641,375	\$ 238,781	\$ 880,156
Investments, at market value			
Treasury inflation protection securities	835,032	-	835,032
US government and agencies securities	1,416,083	-	1,416,083
Corporate stocks	7,309,184	-	7,309,184
Corporate bonds	2,720,983	-	2,720,983
Convertibles	865,872	1,043,529	1,909,401
Mutual Funds			
Fixed income	-	3,712,817	3,712,817
Equity	1,282,112	4,038,380	5,320,492
International equity	2,737,663	1,694,349	4,432,012
Real estate investments trusts	-	583,228	583,228
Real estate commingled fund	819,581	-	819,581
Total investments at fair value	17,986,510	11,072,303	29,058,813
Receivables - contributions	20	63,574	63,594
Receivables - interest & dividends	70,943	23,387	94,330
Total assets	18,698,848	11,398,045	30,096,893
LIABILITIES			
Accrued benefits and other liabilities	370,132	562,201	932,333
Total liabilities	370,132	562,201	932,333
NET ASSETS			
Held in trust for pension benefits	\$ 18,328,716	\$ 10,835,844	\$ 29,164,560

CITY OF SANIBEL, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

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

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

	Pension Trust Funds		Total Trust Funds
	General Employees'	Municipal Police Officers'	
ADDITIONS			
Contributions			
Employer	\$ 5,587,616	\$ 1,657,731	\$ 7,245,347
State of Florida	-	63,574	63,574
Plan members	66,143	107,723	173,866
Total contributions	5,653,759	1,829,028	7,482,787
Investment income			
Net appreciation in fair value of investments	1,920,823	1,265,725	3,186,548
Interest and dividends	371,839	302,472	674,311
Total investment earnings	2,292,662	1,568,197	3,860,859
Less investment expense	(89,135)	(42,588)	(131,723)
Net investment earnings	2,203,527	1,525,609	3,729,136
Total additions	7,857,286	3,354,637	11,211,923
DEDUCTIONS			
Benefits paid	1,036,767	789,747	1,826,514
Administrative expenses	27,360	41,976	69,336
Total deductions	1,064,127	831,723	1,895,850
Change in net assets	6,793,159	2,522,914	9,316,073
Net assets held in trust for pension benefits			
Net assets - beginning of year	11,535,557	8,312,930	19,848,487
Net assets - end of year	\$ 18,328,716	\$ 10,835,844	\$ 29,164,560

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

CITY OF SANIBEL, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

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

A. General Employees' Pension Plan

Current membership is comprised of the following:

Active employees	26
Retirees and beneficiaries of deceased retirees currently receiving benefits:	55
Deferred Retirement Option Plan (DROP) retirees	5
Terminated employees entitled to benefits but not yet receiving them	<u>74</u>
Total	<u>160</u>

Plan Description

On February 7, 2012 Council approved Ordinance 12-002 closing the plan to all employees hired on or after February 7, 2012. Prior to February 7, 2012 all full-time employees who were non-sworn police officers, and who had attained age 18 but not attained age 65, were required to participate in the City's General Employees' Defined Benefit Pension Plan. On March 1, 2011, Council adopted Ordinance No. 11-001 which provided current participants (excluding police dispatchers) a one-time opportunity to make an irrevocable election to opt out of the defined benefit plan and participate in a defined contribution plan. The irrevocable election had to be made by April 30, 2011 with May 1, 2011 effective date. Subsequently, on November 1, 2011, Council adopted Ordinance No. 11-011 which provided the police dispatchers the same option. The irrevocable election had to be made by December 31, 2011 with January 1, 2012 effective date. All general employees except police dispatchers who become participants after March 1, 2011 and police dispatchers after November 1, 2011 shall have a one-time, irrevocable option to opt out of the plan and participate in a defined contribution plan.

The General Employees' Pension Plan is broken down into two sub-plans, Plan A and Plan B. Both defined benefit plans provide retirement and pre-retirement death benefits to plan members and beneficiaries and provide 5-year cliff vesting for participants except police dispatchers with 5 or more years of vesting service on September 30, 2011 and police dispatchers with 5 or more years of vesting service on January 1, 2012. The plan provides 6-year cliff vesting for participants except police dispatchers with less than 5 years of vesting service on September 30, 2011 and police dispatchers with less than 5 years of vesting on January 1, 2012.

The annual retirement benefit shall be an amount equal to 3 percent of average compensation (as defined for Plan A and Plan B members) multiplied by the number of years of credited service prior to May 1, 2011 for all participants other than police dispatchers and prior to January 1, 2012 for police dispatchers, and 1.68 percent of average compensation (as defined for Plan A and Plan B members) multiplied by the number of years of credited service on and after May 1, 2011 for all participants other than police dispatchers and on and after January 1, 2012 for police dispatchers, with a combined maximum of 30 years of credited service.

However, average compensation is calculated differently for each Plan. Plan A, which is mandatory for all new hires beginning January 1, 2005 calculates average compensation as the highest five (5) years of compensation. Plan B, which was closed on January 1, 2005 to new participants, average compensation is based on career average.

Cost-of-living adjustments are provided to all normal and early retirees after October 17, 2006. For participants other than police dispatchers who retire or opt-out of the plan after October 17, 2006 and before May 1, 2011 who are 100% vested in the plan on April 30, 2011; and for police dispatchers

CITY OF SANIBEL, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

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

A. General Employees' Pension Plan (Continued)

who retire or opt-out of the plan after October 17, 2006 and before January 1, 2012 who are 100% vested on December 31, 2011 the cost-of-living adjustment is 2.75% per year beginning October 1 after receipt of 36 monthly retirement payments and continue for twenty-five (25) years thereafter or the length of the monthly retirement benefit period, whichever is less. For participants who elect to continue participating in the plan and all participants other than police dispatchers hired on or after May 1, 2011, and police dispatchers hired on or after January 1, 2012, the cost-of-living adjustment is 2.00% per year beginning October 1 after receipt of 60 monthly retirement payments and continue for twenty-five (25) years thereafter or the length of the monthly retirement benefit period, whichever is less.

During fiscal year 2007, the Plan was amended to provide a Deferred Retirement Option Plan (DROP) for participants having attained age 60 and having been a plan participant for a minimum of five (5) years. Ordinances 11-001 and 11-011 amends the age to 65 and the participant must be 100% vested with an effective date of May 1, 2011 for all participants other than police dispatchers and January 1, 2012 for police dispatchers. DROP is a program that provides an alternative method for payment of retirement benefits wherein an employee may retire and have their benefits accumulate, at 6% interest, while continuing to work for the City. Participation in the DROP does not change conditions of employment. When the DROP period ends, maximum of 60 months, employment must be terminated. At the time of termination of employment, the employee will receive payment of the accumulated DROP benefits and begin receiving their monthly retirement benefit in the same amount determined at retirement, plus annual cost-of-living increases.

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

Funding Policy

Active members of Plan A are required to contribute 5% of base wages to the Plan. Active members of Plan B are not required to contribute to the Plan. The City contributes the balance of the actuarially determined amount designated to accumulate sufficient assets to pay benefits when due. The City contribution rate as of September 30, 2012 was 100.59% 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 an actuarial impact statement dated June 8, 2011 (amending the October 1, 2010 actuarial valuation) using the entry age normal actuarial cost method. The actuarial assumptions included: (a) 7.5% investment rate of return and (b) projected salary increases per the following schedule:

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

CITY OF SANIBEL, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

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

A. General Employees' Pension Plan (Continued)

The projected salary increases also include an inflationary factor of 3.0%. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments. The Plan is valued under the entry age normal actuarial cost method. The amortization method is the level percentage of pay, closed and the remaining amortization period as of October 1, 2010 was 30 years. The City's Annual Required Contribution (ARC) for the fiscal year ended September 30, 2012 was \$1,397,764. The City contributed \$5,587,616. The three year trend information for the Annual Pension Cost (APC) follows:

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation(Asset)
September 30, 2012	\$ 1,404,270	397.9%	\$ (4,364,488)
September 30, 2011	1,468,410	98.7%	(181,142)
September 30, 2010	1,194,685	98.2%	(200,639)

Development of Net Pension Obligation (NPO)

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

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

General Pension Plan Annual Pension Cost and Net Pension Obligation(Asset)			
	9/30/10	9/30/11	9/30/12
Actuarially Determined Contribution (A)	\$ 1,173,397	\$ 1,448,913	\$ 1,397,764
Interest on Net Pension Obligation (Asset)	(16,645)	(15,048)	(13,586)
Adjustment to (A)	37,933	34,545	20,092
Annual Pension Cost (APC)	1,194,685	1,468,410	1,404,270
Contributions Made	1,173,397	1,448,913	5,587,616
Increase (decrease) in NPO	21,288	19,497	(4,183,346)
NPA Beginning of Year	(221,927)	(200,639)	(181,142)
NPA End of Year	\$ (200,639)	\$ (181,142)	\$ (4,364,488)

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

The funded status of the Plan as of September 30, 2012 was as follows:

Year Ended September 30	Annual Required Contribution	City Contribution	Percentage Contributed
2012	\$ 1,397,764	\$ 5,587,616	399.75%
2011	1,448,913	1,448,913	100.00%
2010	1,173,397	1,173,397	100.00%

CITY OF SANIBEL, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

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

A. General Employees' Pension Plan (Concluded)

The funding progress of the Plan as of September 30, 2012 was as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of covered Payroll ((b-a)/c)
10/1/2012	\$ 18,689,248	\$ 28,065,758	\$ 9,376,510	66.59%	\$ 1,325,935	707.16%
10/1/2011	12,026,112	23,391,936	11,365,824	51.41%	1,306,071	870.23%
10/1/2010	11,943,146	24,759,926	12,816,780	48.24%	4,706,046	272.35%

The schedule of funding progress is presented in the required supplementary information following the notes to the financial statements. The schedule presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Concentration of Investments

At September 30, 2012, the following are investments (other than U.S. Government and U.S. Government guaranteed obligations), in any one organization that represents five percent or more of net assets available for benefits:

American Euro Pacific Growth Fund Class R6	\$ 2,737,663	14.94%
FMI Common Stock Fund	1,282,112	7.00%
Frontier Mid Cap Growth Fund, L.P.	1,507,158	8.22%

Senate Bill 1128 Compliance

Senate Bill 1128 amended Section 112.63 of the Florida Statutes to require that each plan report the plan's accrued vested, non-vested, and total benefits, as adopted by the Financial Accounting Standards Board, using the Florida Retirement System's assumed rate of return, which is currently 7.75%. The bill states that this is to promote comparability of actuarial data between local law plans.

While these calculations are required for compliance purposes, there are many other assumptions inherent in the actuarial valuation, and they may differ widely from one plan to another. Additionally, benefit levels, funding policies, asset allocation, and the age of the plan itself all must be considered when comparing defined benefit plans.

The present value of accrued benefits at 7.75% interest is as follows:

Vested Accrued Benefits	
Inactives	\$22,503,031
Actives	1,650,917
Member Contributions	<u>391,766</u>
Total	24,545,714
Non-Vested Accrued Benefits	<u>101,858</u>
Total Present Value of Accrued Benefits	<u>\$24,647,572</u>

CITY OF SANIBEL, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

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

B. Municipal Police Officers' Pension Plan

Current membership is comprised of the following:

Active employees	18
Retirees and beneficiaries of deceased retirees currently receiving benefits:	18
Deferred Retirement Option Plan (DROP) retirees	3
Terminated employees entitled to benefits but not yet receiving them	<u>6</u>
Total	<u>45</u>

Plan Description

All full-time sworn police officers who have attained age 18 are required to participate in the City's Municipal Police Officers' Pension Plan. The Plan provides retirement, disability and pre-retirement benefits to plan members and beneficiaries. There is a 5-year cliff vesting in the Plan. The Normal Retirement Benefit of the Plan is 3% of average final compensation multiplied by the number of years of service (maximum 30 years).

Average compensation is calculated by taking the average of the total compensation paid during the 5 highest years of service. In 2011 the Florida Legislature amended Florida Statute 185, restricting overtime hours at a maximum of 300 per year and eliminating the payout of vacation and medical leave in the calculation of average compensation upon retirement. On November 1, 2011, Council approved Ordinance 11-010 amending the Municipal Police Officers' Pension Plan's average compensation calculation to coincide with the October 1, 2011 effective date of the new Fraternal Order of Police labor agreement. Effective with fiscal years on or after September 30, 2011 average compensation calculations includes overtime payments not to exceed 300 hours per fiscal year and excludes the payment for vacation and medical leave accrued at the time of retirement, except for the value of vacation and medical leave that was accrued and eligible for payout as of September 30, 2011, unless the actual value of the vacation and medical leave payout is less than the September 30, 2011 value, in which case the lesser value will be included.

Annual cost-of-living adjustments are provided at the rate of three (3.0%) percent annually. These increases occur October 1, and commence the October 1 following receipt of at least 12 monthly payments.

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

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

CITY OF SANIBEL, FLORIDA
 NOTES TO THE FINANCIAL STATEMENTS
 September 30, 2012

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

B. Municipal Police Officers' Pension Plan (Continued)

Funding Policy

Active members are required to contribute 8% of their compensation to this Plan until Normal Retirement Age and 4% thereafter. The State of Florida makes contributions from taxes on casualty insurance premiums. The State of Florida's contribution to the Municipal Police Officer's Plan for the year ended September 30, 2012, was \$63,574. The City recognized these on-behalf payments from the State as revenues and expenditures in the governmental fund financial statements.

The City contributes the remaining actuarially determined amount designated to accumulate sufficient assets to pay benefits when due. The City contribution rate as of September 30, 2012 was 43.21% of annual covered payroll. The City and State combined contribution rate as of September 30, 2012 was 46.21% of 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, 2010 actuarial valuation using the entry age normal actuarial cost method.

The actuarial assumptions included: (a) 8% investment rate of return, and (b) projected salary increases of 7%, which include an inflation component of 3.0%. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments. The unfunded actuarial accrued liability (UAAL) is being amortized as a level percentage of payroll on a closed basis. The remaining period as of October 1, 2010 was 25 years. The City's and State's Annual Required Contribution (ARC) for the fiscal year ended September 30, 2012 was \$687,550. The City contributed \$1,657,731; the State contributed \$63,574. The three year trend information for the Annual Pension Cost (APC) follows:

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC to Actuarially Determined Contribution</u>	<u>Net Pension Obligation(Asset)</u>
September 30, 2012	\$ 690,920	249%	\$(1,122,981)
September 30, 2011	552,269	103%	(92,596)
September 30, 2010	541,906	99%	(77,888)

Development of Net Pension Obligation (NPO)

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

CITY OF SANIBEL, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

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

B. Municipal Police Officers' Pension Plan (Continued)

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

Municipal Police Officers' Pension Plan Annual Pension Cost and Net Pension Obligation(Asset)				
	9/30/10	9/30/11	9/30/12	
Actuarially Determined Contribution (A)	\$ 538,345	\$ 548,612	\$ 687,550	
Interest on Net Pension Obligation (Asset)	(6,516)	(6,231)	(7,408)	
Adjustment to (A)	10,077	9,888	10,788	
Annual Pension Cost (APC)	541,906	552,269	690,920	
Contributions Made	538,345	566,977	1,721,305	
Increase (decrease) in NPO	3,561	(14,708)	(1,030,385)	
NPA Beginning of Year	(81,449)	(77,888)	(92,596)	
NPA End of Year	\$ (77,888)	\$ (92,596)	\$ (1,122,981)	

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

The funded status of the Plan as of September 30, 2012 was as follows:

Year Ended September 30	Annual Required Contribution	City Contribution	State Contribution	Percentage Contributed
2012	\$ 687,550	\$ 1,657,731	\$ 63,574	250.35%
2011	548,612	509,490	57,487	103.35%
2010	538,345	479,629	58,716	100.00%

The funding progress of the Plan as of September 30, 2012 was a follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of covered Payroll ((b-a)/c)
10/1/2012	\$ 11,069,940	\$ 17,500,154	\$ 6,430,214	63.26%	\$ 1,284,662	500.54%
10/1/2011	8,870,573	15,524,832	6,654,259	57.14%	1,527,468	435.64%
10/1/2010	8,863,410	14,990,803	6,127,393	59.13%	1,582,903	387.10%

The schedule of funding progress is presented in the required supplementary information following the notes to the financial statements. The schedule presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

CITY OF SANIBEL, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

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

B. Municipal Police Officers' Pension Plan (Concluded)

Concentration of Investments

At September 30, 2012, the following are investments at market value (other than U.S. Government and U.S. Government guaranteed obligations), in any one organization, that represents five percent or more of net assets available for benefits:

Ridgeworth Total Return Bd - I	\$ 2,794,669	25.79%
ING Investment Trust Co. - Growth Equity Fund Class 1	1,235,408	11.40%
Ridgeworth Large Cap Value Equity I	1,234,507	11.39%
Vanguard Index Tr - Mid-Cap EFT	918,569	8.48%
WHV International Equity Fund	823,593	7.60%
Ridgeworth Small Cap Value Equity-TR SHS	649,896	6.00%
American Euro Pacific Growth Fund Class R6	870,756	8.04%
Vanguard Index Tr - REIT ETF	583,228	5.38%

Senate Bill 1128 Compliance

Senate Bill 1128 amended Section 112.63 of the Florida Statutes to require that each plan report the plan's accrued vested, non-vested, and total benefits, as adopted by the Financial Accounting Standards Board, using the Florida Retirement System's assumed rate of return, which is currently 7.75%. The bill states that this is to promote comparability of actuarial data between local law plans.

While these calculations are required for compliance purposes, there are many other assumptions inherent in the actuarial valuation, and they may differ widely from one plan to another. Additionally, benefit levels, funding policies, asset allocation, and the age of the plan itself all must be considered when comparing defined benefit plans.

The present value of accrued benefits at 7.75% interest is as follows:

Vested Accrued Benefits	
Inactives	\$12,000,585
Actives	2,291,286
Member Contributions	<u>868,963</u>
Total	15,160,834
Non-Vested Accrued Benefits	<u>739,068</u>
Total Present Value of Accrued Benefits	<u>\$15,899,902</u>

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CITY OF SANIBEL, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

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

C. Other Post Employment Benefits

In 2007, by Ordinance, the City established a single employer OPEB Plan and Trust Fund to account for assets, liabilities, contributions, benefits and expenses of the OPEB Plan. In 2012, it was determined that the established OPEB Trust Fund failed to meet the Trust definition in that there was no real trust document. The assets were returned to the General Fund.

STATEMENT OF FIDUCIARY NET ASSETS

	OPEB
ASSETS	
Cash and cash equivalents	\$ -
LIABILITIES	
Accrued benefits and other liabilities	-
NET ASSETS	
Held in trust for OPEB benefits	\$ -

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

	OPEB
ADDITIONS	
Contributions	
Employer	\$ -
Total additions	-
DEDUCTIONS	
Benefits paid	153,507
Total deductions	153,507
Change in net assets	(153,507)
Net assets held in trust for OPEB benefits	
Net assets - beginning of year	153,507
Net assets - end of year	\$ -

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CITY OF SANIBEL, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

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

C. Other Post Employment Benefits (Continued)

Plan Description

In accordance with Chapter 112.0801, Florida Statutes, the City allows retirees the option of continuing to participate in the City's group health insurance coverage at a premium cost of no more than the premium cost applicable to active employees. Therefore, the City offers retirees the option of purchasing the City's group health, dental and/or vision insurance coverage at the cost applicable to active employees. Retirees participating in the group insurance plans offered by the City are required to contribute 100% of the active premiums. In future years, contributions are assumed to increase at the same rate as premiums. The projected employee contributions for the dental benefit are assumed to cover the entire cost of the program. The plan does not issue a publicly available financial report.

Current membership is comprised of the following:

Active employees (including DROP)	<u>104</u>
Retirees and covered spouses currently receiving benefits:	
Pre-Medicare	5
Post-Medicare	<u>0</u>
Total Retirees and covered spouses currently receiving benefits	<u>5</u>

Funding Policy

Required contributions are based on projected pay-as-you-go financing. For the 2011-2012 fiscal year, the City provided contributions of \$28,405 toward implicit benefits including administrative expenses payable during the year.

Annual OPEB Cost and Net OPEB Obligation

The City's annual OPEB cost for the current year was determined as part of the October 1, 2011 actuarial valuation using the entry age normal actuarial cost method. Select actuarial assumptions are listed in the table below:

Valuation date	October 1, 2011
Actuarial cost method	Entry Age Normal
Amortization method (funding method)	Level percentage of payroll, closed
Remaining amortization period	30 Years
Asset valuation method	Market value
Actuarial assumptions:	
Interest rate	8.0% per year, compounded annually
Health care inflation	
Pre-Medicare	9% in 2012, decreasing 1% each year until the ultimate rate of 5% in 2016
Post-Medicare	9% in 2012, decreasing 1% each year until the ultimate rate of 5% in 2016
Payroll growth/inflation assumption	4.0%

CITY OF SANIBEL, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

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

C. Other Post Employment Benefits (Continued)

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

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

The numbers shown below reflect a decision to no longer fund the program. All assets previously held in a separate trust fund have been transferred back to the City, resulting in a one-time adjustment to the Net OPEB Obligation as of September 30, 2012. For future years, the interest rate has also been lowered from 8% to 5% since the plan is no longer considered a funded plan.

The three year funding trend follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
9/30/2012	\$58,209	48.8%	\$183,311
9/30/2011	52,480	100.0%	-
9/30/2010	46,897	100.0%	-

Funded Status and Funding Progress

The funded status of the Plan as of September 30, 2012 was as follows:

Funded Status as of	<u>10/1/2010</u>	<u>10/1/2011</u>	<u>10/1/2012</u>
Actuarial Accrued Liability (AAL)	\$ 377,652	\$ 530,484	\$ 631,325
Actuarial Value of Assets (AVA)	<u>(129,012)</u>	<u>(153,507)</u>	<u>(-0-)</u>
Unfunded Actuarial Accrued Liability (UAAL)	\$ 248,640	\$ 376,977	\$ 631,325
Funded Ratio (actuarial value of plan assets/AAL)	34.16%	28.94%	0.0%
Covered Payroll	\$6,672,366	\$4,993,719	\$5,787,718
Ratio of UAAL to Covered Payroll	3.7%	7.5%	10.9%

The schedule of funding progress is presented in the required supplementary information following the notes to the financial statements. The schedule presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

CITY OF SANIBEL, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

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

C. Other Post Employment Benefits (Concluded)

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

Valuation date	10/01/09	10/01/10	10/01/11
Applicable for Fiscal Year Ending	9/30/10	9/30/11	9/30/12
Annual Required Contribution	\$ 46,897	\$ 52,480	\$ 58,209
Interest on Net OPEB Obligation	-	-	-
Adjustment to Annual Required Contribution	-	-	-
Annual OPEB Cost(Expense)	46,897	52,480	58,209
Net Contributions Made	46,897	52,480	(28,405)
Increase (Decrease) in Net OPEB Obligation	-	-	29,804
Net OPEB Obligation - Beginning of Year	-	-	-
Adjustment for Asset Transfer to City-End of Year	-	-	153,507
Net OPEB Obligation - End of Year	\$ -	\$ -	\$ 183,311

Note 15. Defined Contribution Plan

On March 1, 2011, City Council passed Resolution No. 11-020, which amended the City's governmental money purchase plan and trust known as City of Sanibel 401(a) Plan to include the City's general employees other than police dispatchers. On December 6, 2011, Council passed Resolution No. 11-110 which amended the Plan to include the police dispatchers and to comply with the Internal Revenue Service guidelines requiring the initial additional contribution decision by employees to be an irrevocable decision in order for the contribution to be considered a pre-tax contribution. The plan is administered by the ICMA Retirement Corporation an unrelated financial institution on behalf of the City.

Plan Description

The plan is a pre-tax defined contribution governmental money purchase plan in which participants contribute a percentage of their base pay to the plan each pay period and receive a matching contribution from the City as outlined in the plan. Participants are not taxed on the contributions until the funds are withdrawn, usually at retirement. The Plan was established on September 13, 2002 at which time the only participants were the City Manager and City Attorney. The Plan was revised by City of Sanibel Resolution 11-020 on March 1, 2011 and Resolution 11-110 on December 6, 2011 to extend the Plan to all regular, full-time employees, who are not sworn police officers and who are not participants of the General Employees' Retirement Plan, a defined benefit plan. When the plan was first established, new hires had 30 days from the date of initial employment to make an irrevocable decision whether or not to participate in this Plan. New regular, full-time employees, who are not sworn police officers, hired on or after February 7, 2012 will automatically be enrolled in this Plan.

The normal retirement age is 60.

CITY OF SANIBEL, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

Note 15. Defined Contribution Plan (Concluded)

Mandatory and Irrevocable Additional Contributions

All participants are required to contribute 5% of their base pay on a bi-weekly basis. Additional contributions of 1% to 10% may also be contributed to the Plan. The additional contribution amount initially selected is an irrevocable decision. Participants may not decrease the initial additional selected contribution. Increases are permitted after the initial selected contribution rate if the original contribution was less than the 15% maximum, however, the increased amount will be an after-tax contribution.

City Matching

The City will match the participant's mandatory contribution of 5% of base pay at 100%. The first 1% to 5% of the voluntary contribution will be matched by the City at 50%. The additional 6% to 10% of the voluntary contribution permitted will not be matched by the City. The maximum City match is 7.5% of base pay. As of September 30, 2012, fifty-nine (59) participants were in the plan and the City contributed \$222,307 to the Plan in 2012.

Rollover Contributions by Participants

Participants may rollover funds contained in another qualified retirement plan or IRA to the Plan.

Accrued Leave Contributions by Participants

At initial enrollment participants may irrevocably elect to contribute 100% of accrued leave payout to the plan. Once elected, an employee's decision will remain in force and may not be revised or revoked.

Vesting Provisions

Former participants of the City of Sanibel General Employees' Defined Benefit Plan who opted out of that plan to participate in this Plan on or before April 30, 2011 and on or before December 31, 2011 for police dispatchers are vested immediately for the City's matching contributions. New hires are vested for the City's matching contributions at 20% per year of service.

Participants are eligible to withdraw the retirement funds when they are no longer employed by the City or reach age 60. Participants may choose distribution in a single payment, installment payments, life annuity or rollover to another qualified retirement account.

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CITY OF SANIBEL, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

Note 16. Other Revenues

Other revenue in the government fund types at September 30, 2012 is as follows:

	2002/2012					
	General Fund	Transportation Fund	Recreation Fund	General	Other	Total
				Obligation Bonds	Governmental Funds	
Investment earnings	\$ 165,513	\$ 21,514	\$ 22,640	\$ 27,116	\$ 66,829	\$ 303,612
Rents	64,314	-	-	-	-	64,314
Impact fees	-	-	-	-	142,227	142,227
Sale of surplus equipment	89,583	-	-	-	-	89,583
Contributions and donations	1,290	10,598	50,562	-	-	62,450
Refund of prior year expenditures	67,006	-	-	-	-	67,006
Other	15,895	983	6,640	-	34,983	58,501
Total Other Revenues	<u>\$ 403,601</u>	<u>\$ 33,095</u>	<u>\$ 79,842</u>	<u>\$ 27,116</u>	<u>\$ 244,039</u>	<u>\$ 787,693</u>

Note 17. 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.

The City is a defendant in a lawsuit. Although the outcome of the lawsuit is not presently determinable, in the opinion of the City's counsel the resolution of the case does not appear to present significant monetary exposure to the City in the event of an unfavorable outcome.

Note 18. Commitments

The City's commitments with contractors as of September 30, 2012, are as follows:

<u>GOVERNMENTAL ACTIVITIES</u>	<u>Total Contract</u>	<u>Spent to Date</u>	<u>Remaining Contract</u>
Capital Project Funds			
Dixie Beach/Bailey Road shared-use path	\$ 279,216	\$ 50,685	\$ 228,531
City Hall foot bridge	<u>24,154</u>	<u>5,482</u>	<u>18,672</u>
Total governmental activities	<u>\$ 303,370</u>	<u>\$ 56,167</u>	<u>\$ 247,203</u>

Required Supplementary Information Other
Than Management's Discussion & Analysis

REQUIRED SUPPLEMENTARY INFORMATION

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

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (*) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of covered Payroll ((b-a)/c)
10/1/2012	\$ 18,689,248	\$ 28,065,758	\$ 9,376,510	66.59%	\$ 1,325,935	707.16%
10/1/2011	12,026,112	23,391,936	11,365,824	51.41%	1,306,071	870.23%
10/1/2010	11,943,146	24,759,926	12,816,780	48.24%	4,706,046	272.35%
10/1/2009	11,708,363	23,478,995	11,770,632	49.87%	4,927,259	238.89%
10/1/2008	11,596,243	21,420,310	9,824,067	54.14%	5,448,952	180.29%
10/1/2007	11,333,284	18,698,244	7,364,960	60.61%	5,190,903	141.88%

SCHEDULE OF CONTRIBUTIONS FROM THE EMPLOYER

Year Ended September 30	Annual Required Contribution	City Contribution	Percentage Contributed
2012	\$ 1,397,764	\$ 5,587,616	399.75%
2011	1,448,913	1,448,913	100.00%
2010	1,173,397	1,173,397	100.00%
2009	858,029	975,816	113.73%
2008	824,863	824,863	100.00%
2007	635,605	635,605	100.00%

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) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of covered Payroll ((b-a)/c)
10/1/2012	\$ 11,069,940	\$ 17,500,154	6,430,214	63.26%	\$ 1,284,662	500.54%
10/1/2011	8,870,573	15,524,832	6,654,259	57.14%	1,527,468	435.64%
10/1/2010	8,863,410	14,990,803	6,127,393	59.13%	1,582,903	387.10%
10/1/2009	8,488,652	13,588,596	5,099,944	62.47%	1,727,615	295.20%
10/1/2008	8,049,862	13,735,278	5,685,416	58.61%	2,089,004	272.16%
10/1/2007	7,812,757	12,596,035	4,783,278	62.03%	2,047,406	233.63%

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

Year Ended September 30	Annual Required Contribution	City Contribution	State Contribution	Percentage Contributed
2012	\$ 687,550	\$ 1,657,731	\$ 63,574	250.35%
2011	548,612	509,490	57,487	103.35%
2010	538,345	479,629	58,716	100.00%
2009	554,158	503,432	57,459	101.21%
2008	438,927	388,259	53,654	100.68%
2007	401,295	352,088	50,726	100.38%

REQUIRED SUPPLEMENTARY INFORMATION

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

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date (*)	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of covered Payroll ((b-a)/c)
10/1/2012	\$ -	\$ 631,325	\$ 631,325	0.00%	\$ 5,787,718	10.91%
10/1/2011	153,507	530,484	376,977	28.94%	4,993,719	7.55%
10/1/2010	129,012	377,652	248,640	34.16%	6,672,366	3.73%
10/1/2009	109,079	326,631	217,552	33.40%	6,778,234	3.21%
10/1/2008	80,460	426,115	345,655	18.88%	6,443,331	5.36%
10/1/2007	26,579	479,981	453,402	5.54%	6,479,008	7.00%

SCHEDULE OF CONTRIBUTIONS FROM THE EMPLOYER

Year Ended September 30	Annual Required Contribution	City Contribution	Percentage Contributed
2012	\$ 58,209	\$ 28,405	48.80%
2011	52,480	52,480	100.00%
2010	46,897	46,897	100.00%
2009	70,235	70,235	100.00%
2008	86,071	86,071	100.00%
2007 (*)	54,339	54,339	100.00%

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

Combining Financial Statements and Schedules

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NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

- **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.
- **Road Impact Fees** - to account for revenue collected by the City at the time of building permit issuance based on a county-wide ordinance assessing road impact fees which funds are used to improve roads on Sanibel.
- **Community Park Impact Fees** - to account for revenue collected by the City at the time of building permit issuance based on a county-wide ordinance assessing community park impact fees which funds are used to improve community parks on Sanibel.
- **Federal Forfeiture Fund** – to account for confiscated funds received by the City on a pro-rata basis pursuant to Federal law enforcement.
- **Father Madden Estate** - to account for funds bequeathed to the City for the humane care of stray dogs and feral cats.
- **Building Department** – to account for the receipts and disbursements of building-type permit revenues and the associated inspection and operations expenditures related thereto.
- **Elementary School Ball Park Maintenance** - to account for the operation and maintenance of the ball fields, formerly Lee County School Board facilities, pursuant to interlocal operation and reimbursement agreements with Lee County and with the Lee County School Board.
- **Shell Harbor Dredging** – to account for financial resources including special assessments from benefiting property owners used to retain navigability for both property owners and public access.
- **Sanibel Estates Canal Trimming** – to account for financial resources including special assessments from benefiting property owners used to retain navigability and roadway drainage in canals.
- **Sanibel Isles/Water Shadows Dredging** – to account for financial resources including special assessments from benefiting property owners used to retain navigability for both property owners and public access.

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.

- **2006 \$8.35M General Obligation Bond** – (Construction of New Recreation Center) – to account for the payment of principal and interest of the \$8.35 million General Obligation Bonds, Series 2006 which bear interest from 4.0% to 4.35% to be fully repaid in February 2036.

CAPITAL PROJECTS FUNDS

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

- **Capital Asset Acquisition** - to account for financial resources to be used for on-going and/or routine capital acquisitions such as vehicle replacement and environmentally sensitive land.
- **Transportation Capital Projects** - to account for financial resources to be used for the maintenance and upgrading of roads and streets, including drainage, resurfacing, reshelling, shared-use paths and the professional engineering cost associated therewith.
- **Rabbit Road Capital Projects** – to account for financial resources to design and improve the shared-use path and roadway on Rabbit Road.
- **Periwinkle Bike Path & Road Maintenance** - to account for financial resources to be used for maintenance and improvements to the road and shared-use path on Periwinkle Way.
- **Tarpon Bay Road Repaving** - to account for financial resources to be used for repaving Tarpon Bay Road.

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FIDUCIARY FUNDS

TRUST FUNDS

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

Combining Statement of Fiduciary Net Assets.....	143
Combining Statement of Changes in Fiduciary Net Assets.....	144

AGENCY FUNDS

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

Combining Statement of Changes in Assets and Liabilities	145
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CITY OF SANIBEL, FLORIDA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 September 30, 2012

Special Revenue

	Historical Committee	Road Impact Fees	Community Park Impact Fees	Federal Forfeiture Fund	Father Madden Estate
ASSETS					
Cash and cash equivalents	\$ 140,608	\$ 52,442	\$ 62,700	\$ 10,248	\$ 27,369
Accounts receivable	-	-	-	-	-
Due from other governments	-	-	-	-	-
Total assets	<u>\$ 140,608</u>	<u>\$ 52,442</u>	<u>\$ 62,700</u>	<u>\$ 10,248</u>	<u>\$ 27,369</u>
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	\$ 2,950	\$ 1,000
Retainages payable	-	-	-	-	-
Due to other funds	-	-	-	-	-
Accrued liabilities	-	-	-	-	-
Deferred revenue	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,950</u>	<u>1,000</u>
FUND BALANCES					
Restricted for:					
Public safety	-	-	-	7,298	-
Capital projects	-	-	-	-	-
Debt service	-	-	-	-	-
Impact fees	-	52,442	62,700	-	-
Donations received	140,608	-	-	-	26,369
Other purposes	-	-	-	-	-
Assigned to:					
Parks and recreation	-	-	-	-	-
Other capital projects	-	-	-	-	-
Total fund balances	<u>140,608</u>	<u>52,442</u>	<u>62,700</u>	<u>7,298</u>	<u>26,369</u>
Total liabilities and fund balances	<u>\$ 140,608</u>	<u>\$ 52,442</u>	<u>\$ 62,700</u>	<u>\$ 10,248</u>	<u>\$ 27,369</u>

CITY OF SANIBEL, FL
 COMBINING BALANCE SHEET (Continued)
 NONMAJOR GOVERNMENTAL FUNDS
 September 30, 2012

	Special Revenue (Concluded)					
	Building Department	Elementary School Ball Park Maintenance	Shell Harbor Dredging	Sanibel Estates Canal Trimming	Sanibel Isles/ Water Shadows Dredging	Total
ASSETS						
Cash and cash equivalents	\$ 820,658	\$ -	\$ 23,217	\$ 15,665	\$ 48,523	\$ 1,201,430
Accounts receivable	58	-	252	68	53	431
Due from other governments	-	34,930	-	-	-	34,930
Total assets	<u>\$ 820,716</u>	<u>\$ 34,930</u>	<u>\$ 23,469</u>	<u>\$ 15,733</u>	<u>\$ 48,576</u>	<u>\$ 1,236,791</u>
LIABILITIES						
Accounts payable	\$ 1,429	\$ 11,408	\$ 267	\$ -	\$ -	\$ 17,054
Retainages payable	-	-	-	-	-	-
Due to other funds	-	13,472	-	-	-	13,472
Accrued liabilities	21,413	-	-	-	-	21,413
Deferred revenue	29,555	-	-	-	-	29,555
Total liabilities	<u>52,397</u>	<u>24,880</u>	<u>267</u>	<u>-</u>	<u>-</u>	<u>81,494</u>
FUND BALANCES						
Restricted for:						
Public safety	768,319	-	-	-	-	775,617
Capital projects	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Impact fees	-	-	-	-	-	115,142
Donations received	-	-	-	-	-	166,977
Other purposes	-	-	23,202	15,733	48,576	87,511
Assigned to:						
Parks and recreation	-	10,050	-	-	-	10,050
Other capital projects	-	-	-	-	-	-
Total fund balances	<u>768,319</u>	<u>10,050</u>	<u>23,202</u>	<u>15,733</u>	<u>48,576</u>	<u>1,155,297</u>
Total liabilities and fund balances	<u>\$ 820,716</u>	<u>\$ 34,930</u>	<u>\$ 23,469</u>	<u>\$ 15,733</u>	<u>\$ 48,576</u>	<u>\$ 1,236,791</u>

CITY OF SANIBEL, FL
 COMBINING BALANCE SHEET (Continued)
 NONMAJOR GOVERNMENTAL FUNDS
 September 30, 2012

	Debt Service	
	2006 \$8.35M	
	General	
	Obligation	
	Bond	Total
ASSETS		
Cash and cash equivalents	\$ 53,412	\$ 53,412
Accounts receivable	78	78
Due from other governments	-	-
Total assets	\$ 53,490	\$ 53,490
LIABILITIES		
Accounts payable	\$ 4,000	\$ 4,000
Retainages payable	-	-
Due to other funds	-	-
Accrued liabilities	-	-
Deferred revenue	-	-
Total liabilities	4,000	4,000
FUND BALANCES		
Restricted for:		
Public safety	-	-
Capital projects	-	-
Debt service	49,490	49,490
Impact fees	-	-
Donations received	-	-
Other purposes	-	-
Assigned to:		
Parks and recreation	-	-
Other capital projects	-	-
Total fund balances	49,490	49,490
Total liabilities and fund balances	\$ 53,490	\$ 53,490

CITY OF SANIBEL, FLORIDA
 COMBINING BALANCE SHEET (Concluded)
 NONMAJOR GOVERNMENTAL FUNDS
 September 30, 2012

	Capital Projects					TOTAL	
	Capital Asset Acquisition	Transportation Capital Projects	Rabbit Road Capital Projects	Periwinkle Bike Path & Road Project	Tarpon Bay Road Repaving		Total
ASSETS							
Cash and cash equivalents	\$ 841,082	\$ 622,662	\$ 13,516	\$ 608,315	\$ -	\$ 2,085,575	\$ 3,340,417
Accounts receivable	-	-	-	-	-	-	509
Due from other governments	-	-	-	-	-	-	34,930
Total assets	<u>\$ 841,082</u>	<u>\$ 622,662</u>	<u>\$ 13,516</u>	<u>\$ 608,315</u>	<u>\$ -</u>	<u>\$ 2,085,575</u>	<u>\$ 3,375,856</u>
LIABILITIES							
Accounts payable	\$ 71,614	\$ 61,092	\$ 13,516	\$ -	\$ -	\$ 146,222	\$ 167,276
Retainages payable	-	5,068	-	-	-	5,068	5,068
Due to other funds	-	-	-	-	-	-	13,472
Accrued liabilities	-	-	-	-	-	-	21,413
Deferred revenue	-	-	-	-	-	-	29,555
Total liabilities	<u>71,614</u>	<u>66,160</u>	<u>13,516</u>	<u>-</u>	<u>-</u>	<u>151,290</u>	<u>236,784</u>
FUND BALANCES							
Restricted for:							
Public safety	-	-	-	-	-	-	775,617
Capital projects	-	247,203	-	577,314	-	824,517	824,517
Debt service	-	-	-	-	-	-	49,490
Impact fees	-	-	-	-	-	-	115,142
Donations received	-	-	-	-	-	-	166,977
Other purposes	-	-	-	-	-	-	87,511
Assigned to:							
Parks and recreation	-	-	-	-	-	-	10,050
Other capital projects	<u>769,468</u>	<u>309,299</u>	<u>-</u>	<u>31,001</u>	<u>-</u>	<u>1,109,768</u>	<u>1,109,768</u>
Total fund balances	<u>769,468</u>	<u>556,502</u>	<u>-</u>	<u>608,315</u>	<u>-</u>	<u>1,934,285</u>	<u>3,139,072</u>
Total liabilities and fund balances	<u>\$ 841,082</u>	<u>\$ 622,662</u>	<u>\$ 13,516</u>	<u>\$ 608,315</u>	<u>\$ -</u>	<u>\$ 2,085,575</u>	<u>\$ 3,375,856</u>

CITY OF SANIBEL, FLORIDA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 For the Year Ended September 30, 2012

	Special Revenue				
	Historical Committee	Road Impact Fees	Community Park Impact Fees	Federal Forfeiture Fund	Father Madden Estate
REVENUES					
Taxes					
Property	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-
Intergovernmental revenues	-	-	-	-	-
Charges for services	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-
Other revenue	2,239	133,223	15,765	425	488
Total revenues	<u>2,239</u>	<u>133,223</u>	<u>15,765</u>	<u>425</u>	<u>488</u>
EXPENDITURES					
Current					
General government	-	-	-	-	-
Public safety	-	-	-	86	-
Transportation	-	-	-	-	-
Human services	-	-	-	-	1,000
Culture/recreation	-	-	-	-	-
Debt Service					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Capital outlay	-	-	-	43,057	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>43,143</u>	<u>1,000</u>
Excess (deficiency) of revenue over (under) expenditures	<u>2,239</u>	<u>133,223</u>	<u>15,765</u>	<u>(42,718)</u>	<u>(512)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	-
Transfers out	-	(577,314)	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>(577,314)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	2,239	(444,091)	15,765	(42,718)	(512)
Fund balances, beginning of year	<u>138,369</u>	<u>496,533</u>	<u>46,935</u>	<u>50,016</u>	<u>26,881</u>
Fund balances, end of year	<u>\$ 140,608</u>	<u>\$ 52,442</u>	<u>\$ 62,700</u>	<u>\$ 7,298</u>	<u>\$ 26,369</u>

CITY OF SANIBEL, FLORIDA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (Continued)
 NONMAJOR GOVERNMENTAL FUNDS
 For the Year Ended September 30, 2012

	Special Revenue (Concluded)					
	Building Department	Elementary School Ball Park Maintenance	Shell Harbor Dredging	Sanibel Estates Canal Trimming	Sanibel Isles/ Water Shadows Dredging	Total
REVENUES						
Taxes						
Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	731,243	-	-	-	-	731,243
Intergovernmental revenues	-	120,860	-	-	-	120,860
Charges for services	11,923	-	-	-	-	11,923
Fines and forfeitures	29,549	-	-	-	-	29,549
Other revenue	14,726	178	18,203	7,139	10,502	202,888
Total revenues	<u>787,441</u>	<u>121,038</u>	<u>18,203</u>	<u>7,139</u>	<u>10,502</u>	<u>1,096,463</u>
EXPENDITURES						
Current						
General government	-	-	-	-	-	-
Public safety	885,906	-	-	-	-	885,992
Transportation	-	-	1,179	10,615	244	12,038
Human services	-	-	-	-	-	1,000
Culture/recreation	-	214,088	-	-	-	214,088
Debt Service						
Principal retirement	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Capital outlay	<u>-</u>	<u>4,782</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>47,839</u>
Total expenditures	<u>885,906</u>	<u>218,870</u>	<u>1,179</u>	<u>10,615</u>	<u>244</u>	<u>1,160,957</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(98,465)</u>	<u>(97,832)</u>	<u>17,024</u>	<u>(3,476)</u>	<u>10,258</u>	<u>(64,494)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	53,423	5,445	3,000	5,000	66,868
Transfers out	-	-	-	-	-	(577,314)
Total other financing sources (uses)	<u>-</u>	<u>53,423</u>	<u>5,445</u>	<u>3,000</u>	<u>5,000</u>	<u>(510,446)</u>
Net change in fund balances	(98,465)	(44,409)	22,469	(476)	15,258	(574,940)
Fund balances, beginning of year	<u>866,784</u>	<u>54,459</u>	<u>733</u>	<u>16,209</u>	<u>33,318</u>	<u>1,730,237</u>
Fund balances, end of year	<u>\$ 768,319</u>	<u>\$ 10,050</u>	<u>\$ 23,202</u>	<u>\$ 15,733</u>	<u>\$ 48,576</u>	<u>\$ 1,155,297</u>

CITY OF SANIBEL, FLORIDA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES *(Continued)*
 NONMAJOR GOVERNMENTAL FUNDS
 For the Year Ended September 30, 2011

	Debt Service	
	2006 \$8.35M General Obligation Bond	Total
REVENUES		
Taxes		
Property	\$ 507,764	\$ 507,764
Licenses and permits	-	-
Intergovernmental revenues	-	-
Charges for services	-	-
Fines and forfeitures	-	-
Other revenue	8,393	8,393
Total revenues	516,157	516,157
EXPENDITURES		
Current		
General government	-	-
Public safety	-	-
Transportation	-	-
Human services	-	-
Culture/recreation	-	-
Debt Service		
Principal retirement	185,000	185,000
Interest and fiscal charges	323,971	323,971
Capital outlay		
Total expenditures	508,971	508,971
Excess (deficiency) of revenue over (under) expenditures	7,186	7,186
OTHER FINANCING SOURCES (USES)		
Transfers in	-	-
Transfers out	-	-
Total other financing sources (uses)	-	-
Net change in fund balances	7,186	7,186
Fund balances, beginning of year	42,304	42,304
Fund balances, end of year	\$ 49,490	\$ 49,490

CITY OF SANIBEL, FLORIDA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (Concluded)
 NONMAJOR GOVERNMENTAL FUNDS
 For the Year Ended September 30, 2012

	Capital Projects					Total	TOTAL
	Capital Asset Acquisition	Transportation Capital Projects	Rabbit Road Capital Projects	Periwinkle Bike Path & Road Project	Tarpon Bay Road Repaving		
REVENUES							
Taxes							
Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 507,764
Licenses and permits	-	-	-	-	-	-	731,243
Intergovernmental revenues	2,266	-	-	-	-	2,266	123,126
Charges for services	-	-	-	-	-	-	11,923
Fines and forfeitures	-	-	-	-	-	-	29,549
Other revenue	14,224	8,170	1,894	5,950	2,520	32,758	244,039
Total revenues	<u>16,490</u>	<u>8,170</u>	<u>1,894</u>	<u>5,950</u>	<u>2,520</u>	<u>35,024</u>	<u>1,647,644</u>
EXPENDITURES							
Current							
General government	287,033	-	-	-	-	287,033	287,033
Public safety	8,534	-	-	-	-	8,534	894,526
Transportation	-	93,716	20,275	-	4,900	118,891	130,929
Human services	-	-	-	-	-	-	1,000
Culture/recreation	25,104	-	-	-	-	25,104	239,192
Debt Service							
Principal retirement	-	-	-	-	-	-	185,000
Interest and fiscal charges	-	-	-	-	-	-	323,971
Capital outlay	<u>279,389</u>	<u>320,475</u>	<u>113,663</u>	<u>-</u>	<u>185,534</u>	<u>899,061</u>	<u>946,900</u>
Total expenditures	<u>600,060</u>	<u>414,191</u>	<u>133,938</u>	<u>-</u>	<u>190,434</u>	<u>1,338,623</u>	<u>3,008,551</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(583,570)</u>	<u>(406,021)</u>	<u>(132,044)</u>	<u>5,950</u>	<u>(187,914)</u>	<u>(1,303,599)</u>	<u>(1,360,907)</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	513,989	568,470	-	577,314	-	1,659,773	1,726,641
Transfers out	-	-	(220,179)	(160,000)	(247,758)	(627,937)	(1,205,251)
Total other financing sources (uses)	<u>513,989</u>	<u>568,470</u>	<u>(220,179)</u>	<u>417,314</u>	<u>(247,758)</u>	<u>1,031,836</u>	<u>521,390</u>
Net change in fund balances	(69,581)	162,449	(352,223)	423,264	(435,672)	(271,763)	(839,517)
Fund balances, beginning of year	839,049	394,053	352,223	185,051	435,672	2,206,048	3,978,589
Fund balances, end of year	<u>\$ 769,468</u>	<u>\$ 556,502</u>	<u>\$ -</u>	<u>\$ 608,315</u>	<u>\$ -</u>	<u>\$ 1,934,285</u>	<u>\$ 3,139,072</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, 2012

	Budgets		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Other revenue	\$ 15	\$ 744	\$ 2,239	\$ 1,495
Total revenues	<u>15</u>	<u>744</u>	<u>2,239</u>	<u>1,495</u>
EXPENDITURES				
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenue over (under) expenditures	<u>15</u>	<u>744</u>	<u>2,239</u>	<u>1,495</u>
Net change in fund balances	<u>15</u>	<u>744</u>	<u>2,239</u>	<u>1,495</u>
Fund balances, beginning of year	<u>137,514</u>	<u>138,369</u>	<u>138,369</u>	<u>-</u>
Fund balances, end of year	<u>\$ 137,529</u>	<u>\$ 139,113</u>	<u>\$ 140,608</u>	<u>\$ 1,495</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, 2012

	Budgets		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Other revenue	\$ 51,000	\$ 129,999	\$ 133,223	\$ 3,224
Total revenues	<u>51,000</u>	<u>129,999</u>	<u>133,223</u>	<u>3,224</u>
EXPENDITURES				
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenue over (under) expenditures	<u>51,000</u>	<u>129,999</u>	<u>133,223</u>	<u>3,224</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(417,314)	(577,314)	(577,314)	-
Total other financing sources (uses)	<u>(417,314)</u>	<u>(577,314)</u>	<u>(577,314)</u>	<u>-</u>
Net change in fund balances	<u>(366,314)</u>	<u>(447,315)</u>	<u>(444,091)</u>	<u>3,224</u>
Fund balances, beginning of year	<u>480,134</u>	<u>496,533</u>	<u>496,533</u>	<u>-</u>
Fund balances, end of year	<u>\$ 113,820</u>	<u>\$ 49,218</u>	<u>\$ 52,442</u>	<u>\$ 3,224</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, 2012

	Budgets		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Other revenue	\$ 4,050	\$ 15,162	\$ 15,765	\$ 603
Total revenues	<u>4,050</u>	<u>15,162</u>	<u>15,765</u>	<u>603</u>
EXPENDITURES				
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenue over (under) expenditures	<u>4,050</u>	<u>15,162</u>	<u>15,765</u>	<u>603</u>
Net change in fund balances	<u>4,050</u>	<u>15,162</u>	<u>15,765</u>	<u>603</u>
Fund balances, beginning of year	<u>45,077</u>	<u>46,935</u>	<u>46,935</u>	<u>-</u>
Fund balances, end of year	<u>\$ 49,127</u>	<u>\$ 62,097</u>	<u>\$ 62,700</u>	<u>\$ 603</u>

CITY OF SANIBEL FLORIDA
FEDERAL FORFEITURE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Year Ended September 30, 2012

	Budgets		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Other revenue	\$ -	\$ 269	\$ 425	\$ 156
Total revenues	<u>-</u>	<u>269</u>	<u>425</u>	<u>156</u>
EXPENDITURES				
Current				
Public safety	-	-	86	(86)
Capital Outlay	<u>50,000</u>	<u>50,000</u>	<u>43,057</u>	<u>6,943</u>
Total expenditures	<u>50,000</u>	<u>50,000</u>	<u>43,143</u>	<u>6,857</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(50,000)</u>	<u>(49,731)</u>	<u>(42,718)</u>	<u>7,013</u>
Net change in fund balances	<u>(50,000)</u>	<u>(49,731)</u>	<u>(42,718)</u>	<u>7,013</u>
Fund balances, beginning of year	<u>50,000</u>	<u>50,016</u>	<u>50,016</u>	<u>-</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ 285</u>	<u>\$ 7,298</u>	<u>\$ 7,013</u>

CITY OF SANIBEL FLORIDA
 FATHER MADDEN ESTATE
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 For the Year Ended September 30, 2012

	Budgets		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Other revenue	\$ 100	\$ 198	\$ 488	\$ 290
Total revenues	<u>100</u>	<u>198</u>	<u>488</u>	<u>290</u>
EXPENDITURES				
Current				
Human Services	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>-</u>
Total expenditures	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>-</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(900)</u>	<u>(802)</u>	<u>(512)</u>	<u>290</u>
Net change in fund balances	<u>(900)</u>	<u>(802)</u>	<u>(512)</u>	<u>290</u>
Fund balances, beginning of year	<u>26,690</u>	<u>26,881</u>	<u>26,881</u>	<u>-</u>
Fund balances, end of year	<u>\$ 25,790</u>	<u>\$ 26,079</u>	<u>\$ 26,369</u>	<u>\$ 290</u>

CITY OF SANIBEL FLORIDA
BUILDING DEPARTMENT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Year Ended September 30, 2012

	Budgets		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Licenses & Permits	\$ 507,602	\$ 731,273	\$ 731,243	\$ (30)
Charges for services	5,000	11,923	11,923	-
Fines and forfeitures	14,850	30,145	29,549	(596)
Other revenue	<u>3,500</u>	<u>5,179</u>	<u>14,726</u>	<u>9,547</u>
Total revenues	<u>530,952</u>	<u>778,520</u>	<u>787,441</u>	<u>8,921</u>
EXPENDITURES				
Current				
Public safety	640,647	882,631	885,906	(3,275)
Capital Outlay	<u>30,000</u>	<u>30,000</u>	<u>-</u>	<u>30,000</u>
Total expenditures	<u>670,647</u>	<u>912,631</u>	<u>885,906</u>	<u>26,725</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(139,695)</u>	<u>(134,111)</u>	<u>(98,465)</u>	<u>35,646</u>
Net change in fund balances	<u>(139,695)</u>	<u>(134,111)</u>	<u>(98,465)</u>	<u>35,646</u>
Fund balances, beginning of year	<u>632,847</u>	<u>866,784</u>	<u>866,784</u>	<u>-</u>
Fund balances, end of year	<u>\$ 493,152</u>	<u>\$ 732,673</u>	<u>\$ 768,319</u>	<u>\$ 35,646</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, 2012

	Budgets		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ 117,125	\$ 117,125	\$ 120,860	\$ 3,735
Other revenue	<u>175</u>	<u>175</u>	<u>178</u>	<u>3</u>
Total revenues	<u>117,300</u>	<u>117,300</u>	<u>121,038</u>	<u>3,738</u>
EXPENDITURES				
Current				
Culture/recreation	220,160	213,431	214,088	(657)
Capital Outlay	<u>-</u>	<u>6,000</u>	<u>4,782</u>	<u>1,218</u>
Total expenditures	<u>220,160</u>	<u>219,431</u>	<u>218,870</u>	<u>561</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(102,860)</u>	<u>(102,131)</u>	<u>(97,832)</u>	<u>4,299</u>
OTHER FINANCING SOURCES (USES)				
Transfer in	<u>47,073</u>	<u>53,423</u>	<u>53,423</u>	<u>-</u>
Total other financing sources (uses)	<u>47,073</u>	<u>53,423</u>	<u>53,423</u>	<u>-</u>
Net change in fund balances	<u>(55,787)</u>	<u>(48,708)</u>	<u>(44,409)</u>	<u>4,299</u>
Fund balances, beginning of year	<u>55,787</u>	<u>54,459</u>	<u>54,459</u>	<u>-</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ 5,751</u>	<u>\$ 10,050</u>	<u>\$ 4,299</u>

CITY OF SANIBEL FLORIDA
SHELL HARBOR DREDGING
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Year Ended September 30, 2012

	Budgets		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Other revenue	\$ 17,434	\$ 17,743	\$ 18,203	\$ 460
Total revenues	<u>17,434</u>	<u>17,743</u>	<u>18,203</u>	<u>460</u>
EXPENDITURES				
Current				
Transportation	-	1,179	1,179	0
Total expenditures	<u>-</u>	<u>1,179</u>	<u>1,179</u>	<u>0</u>
Excess (deficiency) of revenue over (under) expenditures	<u>17,434</u>	<u>16,564</u>	<u>17,024</u>	<u>460</u>
OTHER FINANCING SOURCES (USES)				
Transfer in	5,445	5,445	5,445	-
Total other financing sources (uses)	<u>5,445</u>	<u>5,445</u>	<u>5,445</u>	<u>-</u>
Net change in fund balances	<u>22,879</u>	<u>22,009</u>	<u>22,469</u>	<u>460</u>
Fund balances, beginning of year	<u>1,000</u>	<u>733</u>	<u>733</u>	<u>-</u>
Fund balances, end of year	<u>\$ 23,879</u>	<u>\$ 22,742</u>	<u>\$ 23,202</u>	<u>\$ 460</u>

CITY OF SANIBEL FLORIDA
SANIBEL ESTATES CANAL TRIMMING
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Year Ended September 30, 2012

	Budgets		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Other revenue	\$ 5,760	\$ 6,838	\$ 7,139	\$ 301
Total revenues	<u>5,760</u>	<u>6,838</u>	<u>7,139</u>	<u>301</u>
EXPENDITURES				
Current				
Transportation	10,000	10,615	10,615	-
Total expenditures	<u>10,000</u>	<u>10,615</u>	<u>10,615</u>	<u>-</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(4,240)</u>	<u>(3,777)</u>	<u>(3,476)</u>	<u>301</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	3,000	3,000	3,000	-
Total other financing sources (uses)	<u>3,000</u>	<u>3,000</u>	<u>3,000</u>	<u>-</u>
Net change in fund balances	(1,240)	(777)	(476)	301
Fund balances, beginning of year	<u>15,875</u>	<u>16,209</u>	<u>16,209</u>	<u>-</u>
Fund balances, end of year	<u>\$ 14,635</u>	<u>\$ 15,432</u>	<u>\$ 15,733</u>	<u>\$ 301</u>

CITY OF SANIBEL FLORIDA
SANIBEL ISLES/WATER SHADOWS DREDGING
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Year Ended September 30, 2012

	Budgets		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Other revenue	\$ 9,600	\$ 9,958	\$ 10,502	\$ 544
Total revenues	<u>9,600</u>	<u>9,958</u>	<u>10,502</u>	<u>544</u>
EXPENDITURES				
Current				
Transportation	15,000	15,245	244	15,001
Total expenditures	<u>15,000</u>	<u>15,245</u>	<u>244</u>	<u>15,001</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(5,400)</u>	<u>(5,287)</u>	<u>10,258</u>	<u>15,545</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	5,000	5,000	5,000	-
Total other financing sources (uses)	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>	<u>-</u>
Net change in fund balances	(400)	(287)	15,258	15,545
Fund balances, beginning of year	<u>32,988</u>	<u>33,318</u>	<u>33,318</u>	<u>-</u>
Fund balances, end of year	<u>\$ 32,588</u>	<u>\$ 33,031</u>	<u>\$ 48,576</u>	<u>\$ 15,545</u>

CITY OF SANIBEL FLORIDA
2002/2012 GENERAL OBLIGATION BONDS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Year Ended September 30, 2012

	Budgets		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 242,029	\$ 240,787	\$ 240,794	\$ 7
Other revenue	400	18,937	27,116	8,179
Total revenues	<u>242,429</u>	<u>259,724</u>	<u>267,910</u>	<u>8,186</u>
EXPENDITURES				
Debt Service				
Principal retirement	100,000	3,070,000	3,070,000	-
Interest and fiscal charges	139,508	154,136	154,136	-
Bond issuance costs	-	36,500	36,500	-
Total expenditures	<u>239,508</u>	<u>3,260,636</u>	<u>3,260,636</u>	<u>-</u>
Excess (deficiency) of revenue over (under) expenditures	<u>2,921</u>	<u>(3,000,912)</u>	<u>(2,992,726)</u>	<u>8,186</u>
OTHER FINANCING SOURCES (USES)				
Refunding bonds issued	-	2,970,000	2,970,000	-
Total other financing sources (uses)	<u>-</u>	<u>2,970,000</u>	<u>2,970,000</u>	<u>-</u>
Net change in fund balances	<u>2,921</u>	<u>(30,912)</u>	<u>(22,726)</u>	<u>8,186</u>
Fund balances, beginning of year	<u>262,404</u>	<u>286,079</u>	<u>286,079</u>	<u>-</u>
Fund balances, end of year	<u>\$ 265,325</u>	<u>\$ 255,167</u>	<u>\$ 263,353</u>	<u>\$ 8,186</u>

CITY OF SANIBEL FLORIDA
2006 \$8.35M GENERAL OBLIGATION BOND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Year Ended September 30, 2012

	Budgets		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 509,912	\$ 507,748	\$ 507,764	\$ 16
Other revenue	750	1,166	8,393	7,227
Total revenues	<u>510,662</u>	<u>508,914</u>	<u>516,157</u>	<u>7,243</u>
EXPENDITURES				
Debt Service				
Principal retirement	185,000	185,000	185,000	-
Interest and fiscal charges	319,600	323,971	323,971	-
Total expenditures	<u>504,600</u>	<u>508,971</u>	<u>508,971</u>	<u>-</u>
Excess (deficiency) of revenue over (under) expenditures	<u>6,062</u>	<u>(57)</u>	<u>7,186</u>	<u>7,243</u>
OTHER FINANCING SOURCES (USES)				
Transfer in	600,000	-	-	-
Total other financing sources (uses)	<u>600,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>606,062</u>	<u>(57)</u>	<u>7,186</u>	<u>7,243</u>
Fund balances, beginning of year	<u>25,425</u>	<u>42,304</u>	<u>42,304</u>	<u>-</u>
Fund balances, end of year	<u>\$ 631,487</u>	<u>\$ 42,247</u>	<u>\$ 49,490</u>	<u>\$ 7,243</u>

CITY OF SANIBEL FLORIDA
CAPITAL ASSET ACQUISITION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Year Ended September 30, 2012

	Budgets		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ 2,266	\$ 2,266	\$ 2,266	\$ -
Other revenue	250	4,439	14,224	9,785
Total revenues	<u>2,516</u>	<u>6,705</u>	<u>16,490</u>	<u>9,785</u>
EXPENDITURES				
Current				
General government	-	237,991	287,033	(49,042)
Public safety	-	-	8,534	(8,534)
Culture/recreation	-	-	25,104	(25,104)
Capital Outlay	<u>1,193,929</u>	<u>635,453</u>	<u>279,389</u>	<u>356,064</u>
Total expenditures	<u>1,193,929</u>	<u>873,444</u>	<u>600,060</u>	<u>273,384</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(1,191,413)</u>	<u>(866,739)</u>	<u>(583,570)</u>	<u>283,169</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>489,474</u>	<u>513,989</u>	<u>513,989</u>	<u>-</u>
Total other financing sources (uses)	<u>489,474</u>	<u>513,989</u>	<u>513,989</u>	<u>-</u>
Net change in fund balances	(701,939)	(352,750)	(69,581)	283,169
Fund balances, beginning of year	<u>780,939</u>	<u>839,049</u>	<u>839,049</u>	<u>-</u>
Fund balances, end of year	<u>\$ 79,000</u>	<u>\$ 486,299</u>	<u>\$ 769,468</u>	<u>\$ 283,169</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, 2012

	Budgets		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Other revenue	\$ 250	\$ 2,058	\$ 8,170	\$ 6,112
Total revenues	<u>250</u>	<u>2,058</u>	<u>8,170</u>	<u>6,112</u>
EXPENDITURES				
Current				
Transportation	-	-	93,716	(93,716)
Capital Outlay	<u>845,000</u>	<u>750,950</u>	<u>320,475</u>	<u>430,475</u>
Total expenditures	<u>845,000</u>	<u>750,950</u>	<u>414,191</u>	<u>336,759</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(844,750)</u>	<u>(748,892)</u>	<u>(406,021)</u>	<u>342,871</u>
OTHER FINANCING SOURCES (USES)				
Transfer in	<u>568,470</u>	<u>568,470</u>	<u>568,470</u>	<u>-</u>
Total other financing sources (uses)	<u>568,470</u>	<u>568,470</u>	<u>568,470</u>	<u>-</u>
Net change in fund balances	<u>(276,280)</u>	<u>(180,422)</u>	<u>162,449</u>	<u>342,871</u>
Fund balances, beginning of year	<u>276,280</u>	<u>394,053</u>	<u>394,053</u>	<u>-</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ 213,631</u>	<u>\$ 556,502</u>	<u>\$ 342,871</u>

CITY OF SANIBEL FLORIDA
RABBIT ROAD CAPITAL PROJECTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Year Ended September 30, 2012

	Budgets		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Other revenue	\$ -	\$ 1,894	\$ 1,894	\$ -
Total revenues	<u>-</u>	<u>1,894</u>	<u>1,894</u>	<u>-</u>
EXPENDITURES				
Current				
Transportation	-	-	20,275	(20,275)
Capital Outlay				
Total expenditures	<u>296,500</u>	<u>133,938</u>	<u>113,663</u>	<u>20,275</u>
	<u>296,500</u>	<u>133,938</u>	<u>133,938</u>	<u>-</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(296,500)</u>	<u>(132,044)</u>	<u>(132,044)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	-	(220,179)	(220,179)	-
Total other financing sources (uses)	<u>-</u>	<u>(220,179)</u>	<u>(220,179)</u>	<u>-</u>
Net change in fund balances	<u>(296,500)</u>	<u>(352,223)</u>	<u>(352,223)</u>	<u>-</u>
Fund balances, beginning of year	<u>344,391</u>	<u>352,223</u>	<u>352,223</u>	<u>-</u>
Fund balances, end of year	<u>\$ 47,891</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF SANIBEL FLORIDA
 PERIWINKLE BIKE PATH & ROAD PROJECT
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 For the Year Ended September 30, 2012

	Budgets		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Other revenue	\$ -	\$ 998	\$ 5,950	\$ 4,952
Total revenues	<u>-</u>	<u>998</u>	<u>5,950</u>	<u>4,952</u>
EXPENDITURES				
Capital Outlay	600,000	-	-	-
Total expenditures	<u>600,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(600,000)</u>	<u>998</u>	<u>5,950</u>	<u>4,952</u>
OTHER FINANCING SOURCES (USES)				
Transfer in	417,314	577,314	577,314	-
Transfers out	-	(160,000)	(160,000)	-
Total other financing sources (uses)	<u>417,314</u>	<u>417,314</u>	<u>417,314</u>	<u>-</u>
Net change in fund balances	<u>(182,686)</u>	<u>418,312</u>	<u>423,264</u>	<u>4,952</u>
Fund balances, beginning of year	<u>182,686</u>	<u>185,051</u>	<u>185,051</u>	<u>-</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ 603,363</u>	<u>\$ 608,315</u>	<u>\$ 4,952</u>

CITY OF SANIBEL FLORIDA
TARPON BAY ROAD REPAVING
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Year Ended September 30, 2012

	Budgets		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Other revenue	\$ -	\$ 2,521	\$ 2,520	\$ (1)
Total revenues	<u>-</u>	<u>2,521</u>	<u>2,520</u>	<u>(1)</u>
EXPENDITURES				
Current				
Transportation	-	-	4,900	(4,900)
Capital Outlay				
Total expenditures	<u>250,000</u>	<u>190,435</u>	<u>185,534</u>	<u>4,901</u>
Total expenditures	<u>250,000</u>	<u>190,435</u>	<u>190,434</u>	<u>1</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(250,000)</u>	<u>(187,914)</u>	<u>(187,914)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(118,870)</u>	<u>(247,758)</u>	<u>(247,758)</u>	<u>-</u>
Total other financing sources (uses)	<u>(118,870)</u>	<u>(247,758)</u>	<u>(247,758)</u>	<u>-</u>
Net change in fund balances	<u>(368,870)</u>	<u>(435,672)</u>	<u>(435,672)</u>	<u>-</u>
Fund balances, beginning of year	<u>368,870</u>	<u>435,672</u>	<u>435,672</u>	<u>-</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF SANIBEL, FLORIDA
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 September 30, 2012

	Pension and OPEB Trust Funds			Total Trust Funds
	OPEB	General Employees'	Municipal Police Officers'	
ASSETS				
Cash and cash equivalents	\$ -	\$ 641,375	\$ 238,781	\$ 880,156
Investments, at market value				
Treasury inflation protection securities	-	835,032	-	835,032
US government and agencies securities	-	1,416,083	-	1,416,083
Corporate stocks	-	7,309,184	-	7,309,184
Corporate bonds	-	2,720,983	-	2,720,983
Convertibles	-	865,872	1,043,529	1,909,401
Mutual Funds				
Fixed income	-	-	3,712,817	3,712,817
Equity	-	1,282,112	4,038,380	5,320,492
International equity	-	2,737,663	1,694,349	4,432,012
Real estate investments trusts	-	-	583,228	583,228
Real estate commingled fund	-	819,581	-	819,581
Total investments at fair value	-	17,986,510	11,072,303	29,058,813
Receivables - contributions	-	20	63,574	63,594
Receivables - interest & dividends	-	70,943	23,387	94,330
 Total assets	 -	 18,698,848	 11,398,045	 30,096,893
LIABILITIES				
Accrued benefits and other liabilities	-	370,132	562,201	932,333
 Total liabilities	 -	 370,132	 562,201	 932,333
NET ASSETS				
Held in trust for pension and OPEB benefits	\$ -	\$ 18,328,716	\$ 10,835,844	\$ 29,164,560

CITY OF SANIBEL, FLORIDA
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 For the Fiscal Year Ended September 30, 2012

	Pension and OPEB Trust Funds			Total Trust Funds
	OPEB	General Employees'	Municipal Police Officers'	
ADDITIONS				
Contributions				
Employer	\$ -	\$ 5,587,616	\$ 1,657,731	\$ 7,245,347
State of Florida	-	-	63,574	63,574
Plan members	-	66,143	107,723	173,866
Total contributions	-	5,653,759	1,829,028	7,482,787
Investment income				
Net appreciation in fair value of investments	-	1,920,823	1,265,725	3,186,548
Interest, dividends and other	-	371,839	302,472	674,311
Total investment earnings	-	2,292,662	1,568,197	3,860,859
Less investment expense	-	(89,135)	(42,588)	(131,723)
Net investment earnings	-	2,203,527	1,525,609	3,729,136
Total additions	-	7,857,286	3,354,637	11,211,923
DEDUCTIONS				
Benefits paid	153,507	1,036,767	789,747	1,980,021
Administrative expenses	-	27,360	41,976	69,336
Total deductions	153,507	1,064,127	831,723	2,049,357
Change in net assets	(153,507)	6,793,159	2,522,914	9,162,566
Net assets held in trust for pension and OPEB benefits				
Net assets - beginning of year	153,507	11,535,557	8,312,930	20,001,994
Net assets - end of year	\$ -	\$ 18,328,716	\$ 10,835,844	\$ 29,164,560

CITY OF SANIBEL, FLORIDA
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 AGENCY FUNDS
 For the Fiscal Year Ended September 30, 2012

	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	
ASSETS								
Cash and cash equivalents - October 1, 2011	\$ 2,061	\$ 691	\$ 94	\$ 2,699	\$ 678	\$ -	\$ 4,240	\$ 10,463
Additions								
Collections	-	13,756	3,630	13,106	19,444	225	78,032	128,193
Deductions								
Remittances to other governmental agencies	-	(6,910)	(3,042)	(10,124)	(14,496)	(150)	(38,160)	(72,882)
Cash and cash equivalents - September 30, 2012	<u>\$ 2,061</u>	<u>\$ 7,537</u>	<u>\$ 682</u>	<u>\$ 5,681</u>	<u>\$ 5,626</u>	<u>\$ 75</u>	<u>\$ 44,112</u>	<u>\$ 65,774</u>
LIABILITIES								
Due to other governments - October 1, 2011	\$ 2,061	\$ 691	\$ 94	\$ 2,699	\$ 678	\$ -	\$ 4,240	\$ 10,463
Additions								
Collections	-	13,756	3,630	13,106	19,444	225	78,032	128,193
Deductions								
Remittances to other governmental agencies	-	(6,910)	(3,042)	(10,124)	(14,496)	(150)	(38,160)	(72,882)
Total due to other governments - September 30, 2012	<u>\$ 2,061</u>	<u>\$ 7,537</u>	<u>\$ 682</u>	<u>\$ 5,681</u>	<u>\$ 5,626</u>	<u>\$ 75</u>	<u>\$ 44,112</u>	<u>\$ 65,774</u>

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STATISTICAL SECTION

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STATISTICAL SECTION

(Unaudited)

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

Financial Trends

Page(s)

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

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Changes in Net Assets.....	152
Fund Balances of Governmental Funds.....	154
Changes in Fund Balances of Governmental Funds.....	155
Tax Revenue by Source – Governmental Funds.....	156

Revenue Capacity

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

Assessed and Estimated Actual Value of Taxable Property.....	157
Direct and Overlapping Property Tax Rates.....	158
Principal Property Taxpayers.....	159
Property Tax Levies and Collections.....	160
Sewer Rates.....	161

Debt Capacity

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

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

Ratios of Outstanding Debt by Type.....	162
Ratios of General Bonded Debt Outstanding.....	163
Direct and Overlapping Governmental Activities Debt.....	164
Wastewater Revenue Bond Coverage.....	165
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Demographic and Economic Information

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

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

Demographic and Economic Statistics.....	167
Principal Employers.....	168

Operating Information

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

Full-time Equivalent City Government Employees by Function/Program.....	169
Operating Indicators by Function/Program.....	170
Capital Assets Statistics by Function/Program.....	171
Schedule of Insurance in Force.....	172

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

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

	FISCAL YEAR									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Governmental activities										
Invested in capital assets, net of related debt	\$ 38,489,185	\$ 38,851,134	\$ 38,368,735	\$ 35,796,393	\$ 36,345,476	\$ 34,442,658	\$ 22,258,204	\$ 28,657,933	\$ 28,706,225	\$ 24,424,842
Restricted	2,321,002	2,276,723	1,924,988	4,045,391	4,544,823	6,406,164	11,904,294	5,887,726	3,195,021	3,141,031
Unrestricted	<u>22,207,926</u>	<u>21,852,858</u>	<u>21,568,122</u>	<u>19,867,426</u>	<u>16,086,510</u>	<u>14,871,818</u>	<u>11,072,686</u>	<u>7,490,429</u>	<u>7,577,186</u>	<u>9,640,866</u>
Total governmental activities net assets	<u>63,018,113</u>	<u>62,980,715</u>	<u>61,861,845</u>	<u>59,709,210</u>	<u>56,976,809</u>	<u>55,720,640</u>	<u>45,235,184</u>	<u>42,036,088</u>	<u>39,478,432</u>	<u>37,206,739</u>
Business-type activities										
Invested in capital assets, net of related debt	21,228,648	21,085,016	17,991,148	17,037,477	10,783,538	8,052,663	7,616,345	8,262,922	8,397,260	7,309,318
Restricted	9,510,488	10,441,174	11,678,522	12,672,286	16,000,958	20,479,404	21,177,136	23,593,619	20,264,636	20,418,017
Unrestricted	<u>3,124,595</u>	<u>1,693,021</u>	<u>2,792,034</u>	<u>1,810,124</u>	<u>2,796,975</u>	<u>360,675</u>	<u>(1,224,515)</u>	<u>(3,497,749)</u>	<u>(4,020,796)</u>	<u>(1,741,650)</u>
Total business-type activities net assets	<u>33,863,731</u>	<u>33,219,211</u>	<u>32,461,704</u>	<u>31,519,887</u>	<u>29,581,471</u>	<u>28,892,742</u>	<u>27,568,966</u>	<u>28,358,792</u>	<u>24,641,100</u>	<u>25,985,685</u>
Primary government										
Invested in capital assets, net of related debt	59,717,833	59,936,150	56,359,883	52,833,870	47,129,014	42,495,321	29,874,549	36,920,855	37,103,485	31,734,160
Restricted	11,831,490	12,717,897	13,603,510	16,717,677	20,545,781	26,885,568	33,081,430	29,481,345	23,459,657	23,559,048
Unrestricted	<u>25,332,521</u>	<u>23,545,879</u>	<u>24,360,156</u>	<u>21,677,550</u>	<u>18,883,485</u>	<u>15,232,493</u>	<u>9,848,171</u>	<u>3,992,680</u>	<u>3,556,390</u>	<u>7,899,216</u>
Total primary government	<u>\$ 96,881,844</u>	<u>\$ 96,199,926</u>	<u>\$ 94,323,549</u>	<u>\$ 91,229,097</u>	<u>\$ 86,558,280</u>	<u>\$ 84,613,382</u>	<u>\$ 72,804,150</u>	<u>\$ 70,394,880</u>	<u>\$ 64,119,532</u>	<u>\$ 63,192,424</u>

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

	FISCAL YEAR									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Expenses										
Governmental activities										
General government	\$ 1,060,457	\$ 1,247,993	\$ 1,049,655	\$ 1,187,925	\$ 2,485,498	\$ 2,894,264	\$ 1,035,168	\$ (572,367)	\$ 1,444,933	\$ 2,328,532
Public safety	4,943,006	5,110,249	5,236,888	5,475,170	5,509,270	5,392,051	7,852,510	7,518,900	4,821,904	3,617,809
Physical environment	693,096	757,467	919,446	1,280,829	1,020,976	1,160,444	1,918,079	3,664,027	3,601,032	358,821
Transportation	4,654,009	3,452,975	4,290,481	3,956,588	4,598,819	2,935,517	4,520,624	4,612,148	2,600,998	996,553
Economic development	303,739	288,989	279,107	314,639	272,751	274,498	263,794	753,531	805,318	295,924
Human services	1,000	1,000	1,000	1,000	1,000	974	976	580	-	1,083
Culture/recreation	4,219,856	4,173,267	4,295,854	3,871,583	4,406,463	2,785,049	4,167,383	5,109,649	5,028,692	4,044,387
Interest on long-term debt	477,463	435,469	563,139	635,752	672,858	782,008	632,718	611,077	410,016	373,017
Total governmental activities expenses	<u>16,352,626</u>	<u>15,467,409</u>	<u>16,635,570</u>	<u>16,723,486</u>	<u>18,967,635</u>	<u>16,224,805</u>	<u>20,391,252</u>	<u>21,697,545</u>	<u>18,712,893</u>	<u>12,016,126</u>
Business-type activities										
Sewer	7,659,796	7,182,495	7,352,404	7,864,277	8,110,872	6,967,022	6,710,986	6,309,686	6,232,816	4,194,016
Beach parking	2,552,587	2,316,959	2,058,331	2,079,582	2,169,757	1,966,248	1,929,278	1,405,652	1,195,117	908,928
Total business-type activities expenses	<u>10,212,383</u>	<u>9,499,454</u>	<u>9,410,735</u>	<u>9,943,859</u>	<u>10,280,629</u>	<u>8,933,270</u>	<u>8,640,264</u>	<u>7,715,338</u>	<u>7,427,933</u>	<u>5,102,944</u>
Total primary government expenses	<u>26,565,008</u>	<u>24,966,863</u>	<u>26,046,305</u>	<u>26,667,345</u>	<u>29,248,264</u>	<u>25,158,075</u>	<u>29,031,516</u>	<u>29,412,883</u>	<u>26,140,826</u>	<u>17,119,070</u>
Program Revenues										
Governmental activities										
Charges for services										
General government	1,521,597	1,416,763	1,452,266	1,482,245	1,635,314	999,764	1,267,079	797,778	648,644	1,199,521
Public safety	854,433	825,845	735,832	810,180	903,086	921,349	991,618	1,455,164	649,979	503,239
Other activities	780,585	742,762	710,602	705,738	688,248	593,704	909,978	864,783	711,551	1,170,964
Operating grants and contributions	361,386	477,869	821,483	2,016,163	905,018	620,099	3,834,920	4,074,297	6,908,629	2,439,931
Capital grants and contributions	143,227	208,811	1,640,519	248,455	577,958	5,530,390	1,399,228	1,818,965	1,038,591	2,468,263
Total governmental activities program revenues	<u>3,661,228</u>	<u>3,672,050</u>	<u>5,360,702</u>	<u>5,262,781</u>	<u>4,709,624</u>	<u>8,665,306</u>	<u>8,402,823</u>	<u>9,010,987</u>	<u>9,957,394</u>	<u>7,781,918</u>
Business-type activities										
Charges for services										
Sewer	6,130,374	5,937,048	5,850,009	5,694,967	5,445,307	5,051,569	4,096,335	3,713,482	3,068,264	2,658,452
Beach Parking	1,574,009	1,469,464	1,312,588	1,380,026	1,279,665	1,046,651	907,121	846,969	977,516	880,671
Operating grants and contributions	1,070,180	957,377	1,172,047	1,347,248	1,619,340	1,621,097	478,983	673,888	158,257	149,960
Capital grants and contributions	462,902	289,561	61,500	1,912,990	686,775	100,952	134,637	4,801,626	200,578	4,290,064
Total business-type activities program revenue:	<u>9,237,465</u>	<u>8,653,450</u>	<u>8,396,144</u>	<u>10,335,232</u>	<u>9,031,087</u>	<u>7,820,269</u>	<u>5,617,076</u>	<u>10,035,965</u>	<u>4,404,615</u>	<u>7,979,147</u>
Total primary government program revenues	<u>12,898,693</u>	<u>12,325,500</u>	<u>13,756,846</u>	<u>15,598,013</u>	<u>13,740,711</u>	<u>16,485,575</u>	<u>14,019,899</u>	<u>19,046,952</u>	<u>14,362,009</u>	<u>15,761,065</u>
Net (Expense) Revenue										
Governmental activities	(12,691,398)	(11,795,359)	(11,274,868)	(11,460,705)	(14,258,011)	(7,559,499)	(11,988,429)	(12,686,558)	(8,755,499)	(4,234,208)
Business-type activities	(974,918)	(846,004)	(1,014,591)	391,372	(1,249,542)	(1,113,001)	(3,023,188)	2,320,627	(3,023,318)	2,876,203
Total primary government net expense	<u>\$ (13,666,316)</u>	<u>\$ (12,641,363)</u>	<u>\$ (12,289,459)</u>	<u>\$ (11,069,333)</u>	<u>\$ (15,507,553)</u>	<u>\$ (8,672,500)</u>	<u>\$ (15,011,617)</u>	<u>\$ (10,365,931)</u>	<u>\$ (11,778,817)</u>	<u>\$ (1,358,005)</u>

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

	FISCAL YEAR									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
General Revenues and Other										
Changes in Net Assets										
Governmental activities										
Taxes										
Property taxes, levied for general purpose	\$ 8,460,871	\$ 8,742,177	\$ 9,372,184	\$ 10,175,612	\$ 11,004,197	\$ 11,973,525	\$ 9,716,569	\$ 10,198,461	\$ 6,671,663	\$ 6,101,279
Property taxes, levied for debt service	748,558	755,021	753,285	737,735	735,097	775,976	239,383	248,668	229,587	367,188
Gas taxes	1,408,442	1,418,333	1,433,690	1,480,460	1,524,191	1,632,569	1,639,149	1,574,183	1,476,980	1,355,397
Local business taxes	289,220	290,214	291,395	293,393	290,066	656,936	583,452	478,475	500,304	478,854
Communications taxes	550,011	540,080	558,375	529,114	599,970	556,781	523,691	511,747	461,392	412,137
Casualty insurance premium tax	63,574	57,487	58,716	57,459	53,654	50,726	98,026	-	46,642	43,516
Intergovernmental revenues	581,420	554,641	526,046	676,646	825,679	945,322	1,031,166	873,700	1,209,139	1,354,821
Investment earnings	303,612	251,382	196,471	(15,420)	319,991	1,329,759	1,022,009	515,342	189,163	162,279
Gain (Loss) on Disposal of Assets	-	-	-	-	(11,581)	-	-	-	-	-
Miscellaneous	323,088	304,894	237,341	258,107	347,918	192,710	334,080	843,638	242,322	183,524
Transfers	-	-	-	-	(175,002)	(69,349)	-	-	-	-
Total governmental activities	12,728,796	12,914,229	13,427,503	14,193,106	15,514,180	18,044,955	15,187,525	15,244,214	11,027,192	10,458,995
Business-type activities										
Taxes										
Property taxes, levied for debt service	949,140	1,007,540	1,241,407	1,244,143	1,175,625	1,131,789	1,019,678	925,113	1,263,404	1,344,129
Investment earnings	670,298	582,775	715,001	302,901	576,004	730,259	1,213,684	471,952	391,104	341,051
Gain (Loss) on Disposal of Assets	-	-	-	-	11,640	-	-	-	-	-
Miscellaneous	-	13,196	-	-	-	505,380	-	-	24,225	10,694
Transfers	-	-	-	-	175,002	69,349	-	-	-	-
Total business-type activities	1,619,438	1,603,511	1,956,408	1,547,044	1,938,271	2,436,777	2,233,362	1,397,065	1,678,733	1,695,874
Total primary government	14,348,234	14,517,740	15,383,911	15,740,150	17,452,451	20,481,732	17,420,887	16,641,279	12,705,925	12,154,869
Change in Net Assets										
Governmental activities	37,398	1,118,870	2,152,635	2,732,401	1,256,169	10,485,456	3,199,096	2,557,656	2,271,693	6,224,787
Business-type activities	644,520	757,507	941,817	1,938,416	688,729	1,323,776	(789,826)	3,717,692	(1,344,585)	4,572,077
Total primary government	\$ 681,918	\$ 1,876,377	\$ 3,094,452	\$ 4,670,817	\$ 1,944,898	\$ 11,809,232	\$ 2,409,270	\$ 6,275,348	\$ 927,108	\$ 10,796,864

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

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

	Post-GASB 54			
	2012	2011	2010	2009
General Fund				
Non Spendable				
Non Spendable	\$ 2,305,341	\$ 2,477,715	\$ 1,780,050	\$ 2,106,410
Spendable				
Restricted	-	-	-	-
Committed	6,115,000	6,115,000	6,115,000	6,015,000
Assigned	1,467,261	4,692,583	275,000	275,000
Unassigned	<u>4,048,953</u>	<u>4,125,963</u>	<u>8,222,172</u>	<u>9,847,395</u>
Total General Fund	<u><u>13,936,555</u></u>	<u><u>17,411,261</u></u>	<u><u>16,392,222</u></u>	<u><u>18,243,805</u></u>
All Other Governmental Funds				
Non Spendable				
Non Spendable	5,776	3,605	4,224	-
Spendable				
Restricted	2,384,739	2,355,723	1,924,988	4,045,391
Committed	-	-	-	-
Assigned	<u>3,211,503</u>	<u>4,500,043</u>	<u>5,323,162</u>	<u>2,615,240</u>
Total All Other Governmental Funds	<u><u>\$ 5,602,018</u></u>	<u><u>\$ 6,859,371</u></u>	<u><u>\$ 7,252,374</u></u>	<u><u>\$ 16,508,026</u></u>

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

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

	FISCAL YEAR									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Revenues										
Taxes	\$ 11,520,676	\$ 11,803,312	\$ 12,467,645	\$ 13,273,773	\$ 14,207,175	\$ 15,646,513	\$ 12,800,270	\$ 13,011,534	\$ 9,386,568	\$ 8,758,371
Licenses and permits	1,707,053	1,708,807	1,646,764	1,663,887	1,766,263	1,223,080	1,586,168	2,001,221	984,398	1,111,087
Intergovernmental	948,867	1,143,026	1,520,872	2,831,634	1,947,650	6,949,347	6,165,314	10,827,692	4,590,263	6,121,007
Charges for services	2,236,711	2,167,400	2,184,329	2,213,391	2,378,285	2,024,869	2,148,659	1,523,794	1,465,388	1,595,561
Fines and forfeits	70,208	80,127	83,542	102,626	80,831	265,828	176,406	149,853	181,987	132,084
Miscellaneous	787,693	730,766	596,761	415,098	827,817	1,668,933	1,456,089	1,861,138	869,470	522,803
Total revenues	<u>17,271,208</u>	<u>17,633,438</u>	<u>18,499,913</u>	<u>20,500,409</u>	<u>21,208,021</u>	<u>27,778,570</u>	<u>24,332,906</u>	<u>29,375,232</u>	<u>17,478,074</u>	<u>18,240,913</u>
Expenditures										
Current										
General government	8,411,612	4,180,658	4,028,742	4,057,299	5,147,088	4,702,270	4,769,110	4,039,229	3,762,180	2,698,274
Public safety	4,514,438	4,050,699	4,096,086	4,353,428	4,672,683	4,515,664	4,084,478	3,802,872	4,074,250	2,974,639
Physical environment	619,264	691,637	854,615	1,214,970	960,151	1,038,602	1,806,296	3,581,602	3,507,094	271,995
Transportation	3,550,891	2,491,009	3,354,809	2,995,026	3,674,417	1,911,468	3,616,655	3,751,208	1,804,155	1,664,664
Economic environment	269,328	261,087	254,451	296,234	246,383	246,319	241,477	739,460	794,495	285,701
Human services	1,000	1,000	1,000	1,000	1,000	974	976	580	-	1,083
Culture/recreation	2,816,149	2,725,028	2,905,317	2,654,431	3,264,112	2,205,471	3,927,874	4,403,550	4,632,737	3,755,872
Debt service										
Principal	3,255,000	275,000	3,206,752	720,742	767,695	2,442,791	4,928,740	4,483,667	463,043	4,191,981
Interest and fiscal charges	514,607	469,438	625,259	635,498	664,630	774,882	474,685	608,750	422,192	614,030
Capital outlay	1,020,979	1,861,846	432,722	581,497	2,824,732	13,529,139	3,833,700	1,108,388	4,512,984	2,696,909
Total expenditures	<u>24,973,268</u>	<u>17,007,402</u>	<u>19,759,753</u>	<u>17,510,125</u>	<u>22,222,891</u>	<u>31,367,580</u>	<u>27,683,991</u>	<u>26,519,306</u>	<u>23,973,130</u>	<u>19,155,148</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(7,702,060)</u>	<u>626,036</u>	<u>(1,259,840)</u>	<u>2,990,284</u>	<u>(1,014,870)</u>	<u>(3,589,010)</u>	<u>(3,351,085)</u>	<u>2,855,926</u>	<u>(6,495,056)</u>	<u>(914,235)</u>
Other financing sources (uses)										
Transfers in	4,350,291	3,327,756	8,162,213	4,399,068	7,315,101	6,536,706	7,478,160	4,571,126	2,888,282	3,109,100
Transfers out	(4,350,291)	(3,327,756)	(8,162,213)	(4,399,068)	(7,490,103)	(6,606,056)	(7,478,160)	(4,571,126)	(2,888,282)	(3,109,100)
Capital lease proceeds	-	-	-	-	88,817	-	-	-	-	252,842
Debt proceeds/bond refunding	2,970,000	-	-	-	-	-	8,350,000	-	11,082,000	3,825,000
Discount on bonds issued	-	-	-	-	-	-	-	-	-	(38,862)
Total other financing sources (uses)	<u>2,970,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(86,185)</u>	<u>(69,350)</u>	<u>8,350,000</u>	<u>-</u>	<u>11,082,000</u>	<u>4,038,980</u>
Net change in fund balances	<u>\$ (4,732,060)</u>	<u>\$ 626,036</u>	<u>\$ (1,259,840)</u>	<u>\$ 2,990,284</u>	<u>\$ (1,101,055)</u>	<u>\$ (3,658,360)</u>	<u>\$ 4,998,915</u>	<u>\$ 2,855,926</u>	<u>\$ 4,586,944</u>	<u>\$ 3,124,745</u>
Debt service as a percentage of noncapital expenditures	15.74%	4.92%	19.83%	8.01%	7.38%	18.04%	22.66%	20.04%	4.55%	29.20%

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

Fiscal Year	Property Taxes		Franchise*	Local Business Tax Receipts*	Local Option Gas Tax	Communications Services Tax	Casualty Insurance Premium Tax	Total
	Operating	Voted Debt						
2003	6,101,279	367,188	478,854	-	1,355,397	412,137	43,516	8,758,371
2004	6,671,663	229,587	500,304	-	1,476,980	461,392	46,642	9,386,568
2005	10,198,461	248,668	478,475	-	1,574,183	511,747	-	13,011,534
2006	8,716,569	239,383	583,452	-	1,639,149	523,691	98,026	11,800,270
2007	11,973,525	775,976	656,936	-	1,632,569	556,781	50,726	15,646,513
2008	11,004,197	735,097	-	290,066	1,524,191	599,970	53,654	14,207,175
2009	10,175,612	737,735	-	293,393	1,480,460	529,114	57,459	13,273,773
2010	9,372,184	753,285	-	291,395	1,433,690	558,375	58,716	12,467,645
2011	8,742,177	755,021	-	290,214	1,418,333	540,080	57,487	11,803,312
2012	8,460,871	748,558	-	289,220	1,408,442	550,011	63,574	11,520,676
Change 2003-2012	39%	104%	N/A	N/A	4%	33%	46%	32%

*Changes implemented by Florida Department of Financial Services reclassified Franchise Taxes as Franchise Fees and Occupational Licenses Fees as Local Business Taxes.

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

Fiscal Year Ended Sept. 30,	Real Property	Personal Property	Less: Tax Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate (1)	Estimated Actual Market Value	Assessed Value (2) as a Percentage of Actual Value
2003	4,038,369,770	59,040,410	441,644,840	3,655,765,340	2.2192	4,858,369,459	84.34%
2004	4,448,531,430	60,153,060	509,050,680	3,999,633,810	2.1161	5,342,935,588	84.39%
2005	4,714,001,920	57,094,640	547,114,100	4,223,982,460	2.7893	5,649,693,048	84.45%
2006	4,586,849,680	59,633,370	553,577,510	4,092,905,540	2.8019	5,504,718,050	84.41%
2007	5,747,239,780	54,496,590	811,376,000	4,990,360,370	2.8983	6,860,543,274	84.57%
2008	5,977,655,900	62,636,940	843,579,870	5,196,712,970	2.5779	7,146,421,698	84.52%
2009	5,592,986,580	75,483,630	770,226,060	4,898,244,150	2.5760	6,717,227,175	84.39%
2010	5,104,417,100	79,639,690	669,557,780	4,514,499,010	2.6150	6,149,996,025	84.29%
2011	4,641,799,875	81,951,085	511,635,339	4,212,115,621	2.5908	5,609,943,002	84.20%
2012	4,624,238,049	74,419,950	537,197,157	4,161,460,842	2.5260	5,575,589,058	84.27%

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

(2) Includes tax exempt property.

Source: Lee County Property Appraiser

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

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

	Fiscal Year Taxes Are Payable									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
DIRECT RATES										
CITY OF SANIBEL										
General Operating	1.7291	1.7291	2.5000	2.4801	2.5000	2.1966	2.1561	2.1561	2.1561	2.1038
Voted Debt Service-Sewer	0.3838	0.3275	0.2268	0.2607	0.2363	0.2346	0.2636	0.2856	0.2484	0.2360
Voted Debt Service-Land	0.1063	0.0595	0.0625	0.0611	0.0475	0.0456	0.0483	0.0561	0.0595	0.0599
Voted Debt-Recreation Facility	-	-	-	-	0.1145	0.1011	0.1080	0.1172	0.1268	0.1263
Total direct rates	2.2192	2.1161	2.7893	2.8019	2.8983	2.5779	2.5760	2.6150	2.5908	2.5260
OVERLAPPING RATES										
LEE COUNTY:										
General Revenue	4.3277	4.3277	4.2612	3.9332	3.5216	3.6506	3.6506	3.6506	3.6506	3.6506
Capital Improvements	1.0124	1.0124	1.0124	1.0124	0.9536	0.5000	0.5000	0.5000	0.5000	0.5000
DEPENDENT DISTRICTS:										
Library	0.9630	0.9630	0.6055	0.6055	-	-	-	-	-	-
INDEPENDENTS DISTRICTS:										
Sanibel Public Library	-	-	-	-	0.4200	0.3900	0.3750	0.3750	0.3750	0.3750
Hyacinth Control	0.0327	0.0295	0.0295	0.0295	0.0223	0.0214	0.0214	0.0277	0.0310	0.0310
Mosquito Control	0.3294	0.2984	0.2718	0.2247	0.1695	0.1636	0.1636	0.2132	0.2388	0.2388
Fire Control District	0.8381	0.8258	0.8300	0.9370	0.8258	0.7736	0.8114	0.8794	0.9446	0.9446
WATER MANAGEMENT DISTRICTS										
South Florida Water Management	0.5970	0.5970	0.5970	0.5970	0.5970	0.5346	0.5346	0.5346	0.5346	0.3739
S. FL Water Management Everglades	0.1000	0.1000	0.1000	0.1000	0.1000	0.0894	0.0894	0.0894	0.0894	0.0624
West Coast Inland Waterway	0.0400	0.0400	0.0400	0.0400	0.0400	0.0394	0.0394	0.0394	0.0394	0.0394
SCHOOL BOARD:										
General Operating	8.5720	8.3460	8.0650	7.8820	7.0120	6.9600	6.8680	7.5080	8.0150	7.8540
Total Direct and Overlapping Rates	19.0315	18.6559	18.6017	18.1632	16.5601	15.7005	15.6294	16.4323	17.0092	16.5957

Source: Lee County Tax Collector

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

Taxpayer	Fiscal Year 2011-12			Fiscal Year 2002-03		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Casa Ybel Beach Resort	\$ 32,733,846	1	0.79%	\$ 34,112,820	1	0.93%
Sanibel Cottages	20,286,158	2	0.49%	18,625,320	2	0.51%
BRE/Sanibel Inn Owners, LLC	17,227,725	3	0.41%	-		-
Tortuga Beach Club	15,923,061	4	0.38%	17,871,190	3	0.49%
1231 Middle Gulf Drive, LLC	14,270,119	5	0.34%	-		-
Shell Island Beach Club	12,025,134	6	0.29%	13,966,130	4	0.38%
West Wind Association of Sanibel	10,310,742	7	0.25%	12,508,040	5	0.34%
RLR Investments, LLC	10,156,148	8	0.24%	-		-
Periwinkle Park Limited	9,545,067	9	0.23%	-		-
Dahlmann Periwinkle Partners	9,343,087	10	0.22%	10,027,950	8	0.27%
Meristar H + R Operating Company	-		-	8,765,800	10	0.24%
Carroll, James P & Patricia	-		-	10,889,620	7	0.30%
Miller, Tanya B.	-		-	11,991,000	6	0.33%
Sanibel Beach Club Association	-		-	9,339,530	9	0.26%
	<u>\$ 151,821,087</u>		<u>3.65%</u>	<u>\$ 148,097,400</u>		<u>4.05%</u>

Source: Lee County Property Appraiser

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

Fiscal year Ended Sept. 30	Taxes Levied for the Fiscal Year	Collections within the Fiscal Year of the Levy*		Collections of Previous Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2003	6,321,184	6,094,384	96.41%	6,895	6,101,279	96.52%
2004	6,915,767	6,670,628	96.46%	1,035	6,671,663	96.47%
2005	10,559,956	10,181,864	96.42%	16,597	10,198,461	96.58%
2006	10,150,815	9,716,287	95.72%	281	9,716,569	95.72%
2007	12,475,901	11,627,012	93.20%	346,513	11,973,525	95.97%
2008	11,415,100	10,537,141	92.31%	467,056	11,004,197	96.40%
2009	10,579,884	9,882,269	93.41%	293,343	10,175,612	96.18%
2010	9,751,355	9,084,499	93.16%	287,685	9,372,184	96.11%
2011	9,081,742	8,485,790	93.44%	256,387	8,742,177	96.26%
2012	8,754,881	8,437,584	96.38%	23,012	8,460,596	96.64%

(*) Includes discount taken for early payment.

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

Fiscal Year	Monthly Rates							
	Residential	Commercial						Consumption Per 1,000 gallons
	Flat Fee	Meter Size						
	5/8"	1"	1-1/2"	2"	3"	4"		
2003	32.46	18.85	47.10	94.17	134.98	301.24	472.33	4.75
2004	33.44	19.41	48.52	97.00	139.03	310.28	486.52	4.90
2005	38.46	22.33	55.79	111.55	159.89	356.82	559.48	5.62
2006	39.61	23.00	57.47	114.89	164.68	367.53	576.26	5.96
2007	47.53	27.60	68.96	137.87	197.62	441.03	691.52	7.15
2008	48.96	28.43	71.03	142.01	203.55	454.26	712.27	7.36
2009	50.43	29.29	73.16	146.27	209.65	467.88	733.63	7.58
2010	51.94	30.17	75.35	150.66	215.94	481.92	755.64	7.81
2011	51.94	30.17	75.35	150.66	215.94	481.92	755.64	7.81
2012	53.50	31.08	77.61	155.18	222.42	496.38	778.31	8.04

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

Fiscal year Ended Sept. 30	Governmental Activities				Business-Type Activities		Total Primary Government	Percentage of	
	General Obligation Bonds	Capital Revenue Bonds	Capital Revenue Notes	Capital Leases	Wastewater Revenue Bonds	Wastewater Revenue Notes		Personal Income	Per Capita
2003	3,775,000	2,112,265	2,222,505	252,842	5,620,000	38,366,668	52,349,280	N/A	8,411
2004	1,695,000	2,030,111	13,055,893	200,565	5,370,000	41,933,215	64,284,784	N/A	10,148
2005	3,610,000	1,944,149	8,791,081	152,672	5,110,000	43,675,528	63,283,430	N/A	10,090
2006	11,875,000	1,854,401	4,087,980	101,781	4,845,000	46,395,287	69,159,449	14.26%	10,978
2007	11,640,000	1,759,388	2,026,093	50,891	4,575,000	45,797,920	65,849,292	N/A	10,457
2008	11,390,000	1,659,639	1,659,038	88,817	4,305,000	43,522,246	62,624,740	N/A	9,825
2009	11,135,000	1,555,151	1,306,432	80,169	4,030,000	35,492,474	53,599,226	11.55%	8,469
2010	10,870,000	-	-	-	3,745,000	32,855,365	47,470,365	9.20%	7,338
2011	10,595,000	-	-	-	3,455,000	27,752,296	41,802,296	N/A	6,461
2012	10,310,000	-	-	-	3,155,000	25,848,164	39,313,164	N/A	6,058

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

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

Fiscal year Ended Sept. 30	General Bonded Debt Outstanding			Percentage of Estimated Actual Value of Taxable Property	Per Capita
	General Obligation Bonds	Less: Amounts Available in Debt Service (1)	Net General Bonded Debt		
2003	3,775,000	236,333	3,538,667	0.07%	569
2004	1,695,000	228,307	1,466,693	0.03%	232
2005	3,610,000	247,094	3,362,906	0.06%	536
2006	11,875,000	256,429	11,618,571	0.21%	1,844
2007	11,640,000	271,549	11,368,451	0.17%	1,805
2008	11,390,000	268,025	11,121,975	0.16%	1,745
2009	11,135,000	262,885	10,872,115	0.16%	1,718
2010	10,870,000	294,179	10,575,821	0.17%	1,635
2011	10,595,000	249,383	10,345,617	0.18%	1,599
2012	10,310,000	249,106	10,060,894	0.18%	1,550

(1) This is the amount restricted for debt service principal payments.

CITY OF SANIBEL, FLORIDA
 DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
 September 30, 2012

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
DIRECT:			
City of Sanibel	\$ 10,310,000	100%	\$ 10,310,000
OVERLAPPING			
Lee County	-	N/A	-
TOTAL:	<u>\$ 10,310,000</u>		<u>\$ 10,310,000</u>

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

Fiscal Year	2003 Sewer Refunding Bonds										
	Gross Revenue ⁽¹⁾	Operating Expenses ⁽²⁾	Net Revenue Available for Debt Service Excluding		Net Revenue Available for Debt Service Including		Debt Service Requirements			Coverage Calculation ⁽³⁾	
			Connection Fees	Connection Fees	Connection Fees	Connection Fees	Principal	Interest	Total	Excluding Connection Fees	Including Connection Fees
2003	\$ 2,716,205	\$ 2,013,369	\$ 702,836	\$ 47,529	\$ 750,365	\$ -	\$ 257,469	\$ 257,469	2.73	2.91	
2004	2,698,613	2,281,204	417,409	200,578	617,987	250,000	152,625	402,625	1.04	1.53	
2005	2,761,877	2,297,228	464,649	78,014	542,663	260,000	162,408	422,408	1.10	1.28	
2006	3,126,129	2,563,785	562,344	65,437	627,781	265,000	157,409	422,409	1.33	1.49	
2007	3,774,479	2,445,784	1,328,695	45,731	1,374,426	270,000	151,909	421,909	3.15	3.26	
2008	3,855,217	3,363,667	491,550	28,770	520,320	270,000	146,509	416,509	1.18	1.25	
2009	4,061,376	3,380,295	681,081	58,335	739,416	285,000	134,651	419,651	1.62	1.76	
2010	3,767,290	3,114,777	652,513	35,102	687,615	290,000	127,241	417,241	1.56	1.65	
2011	3,562,210	3,035,214	526,996	60,321	587,317	300,000	119,266	419,266	1.26	1.40	
2012	4,374,694	3,780,265	594,430	113,409	707,839	305,000	110,266	415,266	1.43	1.70	

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

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

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

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

Fiscal Year	State Revolving Loan Notes						Coverage Calculation
	Net Revenue (1)	Special Assessments, Transmission Main and Connection Fees (2)	Net Revenue Available for Debt Service Including Assessments and Fees	Debt Service Requirements			
				Principal	Interest	Total	
2003	\$ 1,633,631	\$ 4,195,441	\$ 5,829,072	\$ 1,794,084	\$ 407,579	\$ 2,201,663	2.65
2004	2,023,019	-	2,023,019	1,741,564	1,325,531	3,067,095	0.66
2005	2,341,656	1,365,838	3,707,494	2,081,276	1,359,777	3,441,053	1.08
2006	3,194,855	1,251,893	4,446,748	2,053,489	1,384,175	3,437,664	1.29
2007	3,137,159	1,523,528	4,660,687	2,525,200	1,416,310	3,941,510	1.18
2008	3,509,318	940,711	4,450,029	2,275,673	1,579,017	3,854,690	1.15
2009	3,179,638	972,918	4,152,556	2,124,134	1,191,171	3,315,305	1.25
2010	4,038,140	971,582	5,009,722	2,143,013	1,040,306	3,183,319	1.57
2011	3,959,164	999,710	4,958,874	1,904,133	878,896	2,783,029	1.78
2012	3,362,132	994,733	4,356,865	1,966,002	817,029	2,783,031	1.57

⁽¹⁾Includes 35% of gross user rate revenues, interest earnings on special assessments financed and ad valorem tax revenue from Voted Debt Service property tax levy pledged specifically to the repayment of the Wastewater Expansion State Revolving Loan Notes.

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

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

Year	City Population	City Personal Income	Per Capita Personal Income	Unemployment Rate
2003	6,224	N/A	N/A	4.4%
2004	6,335	N/A	N/A	3.8%
2005	6,272	N/A	N/A	2.9%
2006	6,300	\$ 485,024,400	\$ 76,988	3.1%
2007	6,297	N/A	N/A	5.2%
2008	6,374	N/A	N/A	9.3%
2009	6,329	463,909,371	73,299	13.8%
2010*	6,469	515,850,998	79,742	12.5%
2011	6,470	N/A	N/A	10.2%
2012	6,489	N/A	N/A	8.0%

Source: Population data provided by Bureau of Economic and Business Research, University of Florida. Unemployment data from the U.S. Department of Labor. Per Capita income data for 2006 and 2009 is from the Lee County Office of Economic Development and for 2010 from the US Census Bureau.

*2010 Population updated from 6,211 to 6,469 to reflect US Census Bureau 2010 Report

Notes: Unemployment rate is for the Cape Coral-Fort Myers, FL Metropolitan Statistical Area as of December 2012

N/A means that statistical information is not available

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

Employer	2012			2003		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Lee Memorial Health System	10,425	1	4.08%	4,750	2	2.10%
Lee County School District	10,333	2	4.05%	7,369	1	3.25%
Publix Super Markets	4,404	3	1.72%	2,314	3	1.02%
Lee County Administration	2,358	4	0.92%	1,901	5	0.84%
Wal-Mart Corporation	1,967	5	0.77%	1,912	4	0.84%
Chico's FAS, Inc.	1,703	6	0.67%			
Lee County Sheriff's Office	1,535	7	0.60%			
U.S. Postal Service	1,477	8	0.58%	1,128	9	0.50%
Florida Gulf Coast University	1,323	9	0.52%			
City of Cape Coral	1,197	10	0.47%	1,411	8	0.62%
Interstate Hotels and Resorts				1,413	7	0.62%
Southwest Regional Medical Center				1,500	6	0.66%
Bonita Bay Group				1,076	10	0.47%
Total	36,722		14.38%	24,774		10.93%

⁽¹⁾ Information listed is for Lee County as statistics for the City of Sanibel are not available.

Source: Lee County's Economic Development Office
 Total County employment for 2012 255,425
 Total County employment for 2003 226,688

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

Function/Program	Full-time Equivalent Employees as of September 30,									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
General Government										
Legislative	2.76	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Administrative	4.75	4.75	5.00	5.00	5.00	5.00	5.00	4.00	4.00	4.00
MIS	4.00	4.00	4.00	4.00	4.00	3.00	3.00	2.00	2.00	2.00
Finance	8.00	7.00	7.50	7.50	7.50	7.50	7.50	6.50	5.50	5.50
Legal	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Planning	8.85	7.95	6.00	7.00	10.00	10.80	10.80	9.00	9.00	9.00
Public Safety										
Police	33.22	35.72	37.50	38.25	41.25	40.25	38.25	38.25	39.83	38.83
Emergency Management	-	-	-	-	-	-	-	-	-	-
Building	4.35	4.25	4.00	4.00	5.00	7.50	8.00	7.00	6.00	6.00
Vehicle Weight Permits	-	-	-	-	-	1.00	1.58	1.58	-	-
Physical Environment	2.96	3.00	3.00	3.00	3.00	3.00	3.00	2.00	2.00	2.00
Transportation	13.28	14.24	15.51	17.00	19.00	19.00	19.00	18.00	18.00	18.00
Culture/Recreation										
Recreation Facility	24.24	24.06	22.81	21.81	18.92	14.42	14.42	14.42	14.42	12.82
Public Facilities	3.00	3.00	3.00	3.00	3.00	3.00	3.00	2.00	4.00	4.00
Senior Programs	1.57	1.57	1.57	1.62	1.62	1.62	1.62	1.62	1.62	1.62
Museum/Historical Village	-	-	-	-	-	1.00	0.20	0.20	0.20	0.20
Ball Park Maintenance	-	-	-	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Wastewater	18.29	18.33	16.57	17.00	17.00	17.25	18.00	20.00	21.00	19.00
Beach Parking	14.58	13.18	13.92	13.50	14.50	14.50	14.50	13.50	11.01	10.23
TOTAL	145.85	145.05	144.38	148.68	155.79	154.84	153.87	146.07	144.58	139.20

Source: Annual Budget

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

Function/Program	FISCAL YEAR									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Police										
Calls for Service	23,161	23,542	27,564	27,041	32,424	26,076	24,975	22,323	23,510	22,494
Parking Citations	2,439	2,583	2,649	3,561	3,859	3,412	2,716	2,341	2,807	1,252
Traffic Citations	1,113	1,081	1,055	782	1,283	1,478	1,066	1,447	1,334	1,944
Total Arrests	116	249	260	357	174	153	157	174	130	107
General Government										
Building permits issued	2,828	2,430	2,418	2,200	2,165	2,624	2,870	4,888	3,310	2,469
Building inspections conducted	6,726	6,266	6,554	5,849	6,036	8,592	9,498	13,514	7,249	7,538
Dwelling units permitted	23	17	15	10	13	15	17	27	37	41
Transportation										
Streets resurfaced/reconstructed (miles)	5.80	5.93	6.71	6.45	3.03	1.01	1.92	1.38	-	0.44
Shared-use Paths Constructed (linear feet)	6,758	4,730	-	-	1,200	-	-	-	-	-
Road and Shared-use Path Miles Swept	59	491	465	447	274	281	166	170	-	-
Wastewater										
Average daily sewage treatment (thousands of gallons)	1,038	1,122	1,515	1,396	1,506	1,355	1,356	1,478	1,242	1,116
Placement of new collection pipe (linear feet)	-	1,120	-	-	-	3,960	43,000	40,570	-	67,000
Sewer equivalent residential units (ERU) ¹	9,344	9,323	9,302	8,864	8,835	8,517	8,466	8,371	7,879	7,106
Recreation										
After-school program participants	138	147	147	158	215	154	130	155	140	140
Senior Program membership	712	746	748	702	662	745	683	563	573	560
Senior Aerobics participants	9,023	8,196	8,464	6,584	5,470	5,271	5,194	4,276	4,562	4,117
RecCenter annual memberships ²	1,093	1,005	990	989	1,183	-	-	-	-	-
RecCenter six-month memberships ²	744	729	731	780	1,112	-	-	-	-	-
Sanibel Harbor Canal Trimming Assessment District										
Mangroves trimmed (linear feet)	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	-

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

² New RecCenter opened in December 2007

Source: Various City departments annual reports

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

Function/Program	FISCAL YEAR									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Vehicle Patrol Units										
Patrol cars	9	9	10	10	10	11	10	10	10	10
Motorcycles	2	2	2	2	2	2	2	2	2	2
Unmarked vehicles	7	6	7	7	7	7	7	7	7	7
Patrol boats	2	2	2	2	2	2	2	2	2	2
Natural Resources										
Environmentally Sensitive Land (acres)	622	622	622	622	622	622	622	622	642	640
Transportation										
Paved Public Streets (miles)	53.67	53.56	53.56	53.56	53.34	53.34	52.96	52.96	52.75	52.00
Unpaved Public Streets (miles)	8.16	8.27	8.27	8.27	8.41	8.41	8.79	8.79	9.00	9.00
Shared Use Paths (miles)	25.03	23.75	22.85	22.85	22.85	22.62	22.62	22.62	22.62	22.62
Wastewater										
Treatment Capacity (thousands)	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500
Recreation										
Number of Parks (non-beach facilities)	2	2	2	2	2	2	2	2	2	2
Recreation centers/gymnasiums	1	1	1	1	1	0	1	1	1	1
Senior centers	1	1	1	1	1	1	1	1	1	1
Swimming pools	3	3	3	3	3	0	1	1	1	1
Baseball/softball diamonds	3	3	3	3	3	3	3	3	3	3
Beach Parking										
Number of Beach Parking Facilities	7	7	7	7	7	7	7	8	8	8
Parking Spaces	637	610	610	610	610	610	586	657	657	657
Restrooms	8	6	6	6	6	6	6	6	6	6
Fishing Piers	1	1	1	1	1	1	1	1	1	1
Boat ramps	1	1	1	1	1	1	1	1	1	1

Source: Various City departments annual reports

CITY OF SANIBEL, FLORIDA
SCHEDULE OF INSURANCE IN FORCE
SEPTEMBER 30, 2012

Type of policy and Type of coverage	Limits of Liability	Company	Expiration Date	Annual Premium
Property (1)		Florida Municipal Insurance Trust	10/01/12	\$ 90,438
Real	\$ 46,917,276			
Personal	9,427,934			
Business Income	2,000,000			
Inland Marine	1,096,709			
General Liability	5,000,000	Florida Municipal Insurance Trust	10/01/12	118,553
Extra Contractual Legal Expense	25,000			
Fire Legal Liability	500,000			
Errors and Omissions Liability	5,000,000			
Law Enforcement Liability	5,000,000			
Faithful Performance Blanket Bond	250,000			
Honesty Blanket Bond	250,000			
Crime	100,000			
Equipment Breakdown Limit	50,000,000			
Workers' Compensation	1,000,000	Florida Municipal Insurance Trust	10/01/12	128,402
Automobile Liability and Automobile Physical Damage	5,000,000	Florida Municipal Insurance Trust	10/01/12	27,057
Statutory Accidental Death & Disability	67,340 / 191,660	National Union Fire Insurance Co of Pitt, PA	10/01/12	1,117
Pollution Liability	2,000,000	Zurich North America (\$1,000,000 maximum per claim)	08/24/13	3,278
Flood	10,186,400	American Bankers Insurance Co	Various	70,663
Windstorm	12,244,938	Citizens	Various	73,127

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

GOVERNMENT AUDITING STANDARDS

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sanibel, Florida (the "City"), as of and for the year ended September 30, 2012, which, together with the aggregate discretely presented component unit, collectively comprise the City's basic financial statements and have issued our report thereon dated March 22, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of Community Housing Resources, Inc., a component unit, as described in our report on City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above.

Honorable Mayor and City Council
City of Sanibel, Florida

Compliance and Other Matters

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

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



CliftonLarsonAllen LLP

Fort Myers, Florida
March 22, 2013

MANAGEMENT LETTER

This section contains:

Independent Auditors' Management Letter

Management Letter Comments

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MANAGEMENT LETTER

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

We have audited the financial statements of the City of Sanibel, Florida (the "City") as of and for the fiscal year ended September 30, 2012, and have issued our report thereon dated March 22, 2013.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. We have issued our Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which is dated March 22, 2013, should be considered in conjunction with this management letter.

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

- Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report. The status of significant findings and recommendations made in the preceding annual financial audit report are listed in Appendix A.
- Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the City complied with Section 218.415, Florida Statutes.
- Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.
- Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations provisions of contracts or grant agreements, fraud, illegal acts, or abuse that occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

Honorable Mayor and City Council
City of Sanibel, Florida

- Section 10.554(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) deficiencies in internal control that are not significant deficiencies. In connection with our audit, we did not have any such findings.
- Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The City discloses this information in the notes to the financial statements.
- Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the City did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the City for the fiscal year ended September 30, 2012, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2012. In connection with our audit, we determined that these two reports were in agreement.
- Pursuant to Sections 10.554(1)(i)7.c. and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the City's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.



CliftonLarsonAllen LLP

Fort Myers, Florida
March 22, 2013

CITY OF SANIBEL, FLORIDA

MANAGEMENT LETTER

SEPTEMBER 30, 2012

APPENDIX A – PRIOR YEAR FINDINGS AND RECOMMENDATIONS

Prior Year Findings		Current Year Status		
		Cleared	Partially Cleared	Not Cleared
Finding Reference #	Comment			
2010-03	Information Technology Controls		X	

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City of Sanibel

800 Dunlop Road
Sanibel, Florida 33957-4096

www.mvсанibel.com

AREA CODE – 239

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

March 26, 2013

Office of the Auditor General
Local Government Audits/342
Claude Pepper Building, Room 401
111 West Madison Street
Tallahassee, FL 32399-1450

RE: Response to Management Letter comments made during review of fiscal year 2012 Financial Statements

Dear Sir or Madam:

Pursuant to Chapter 10.550, "Rules of the Auditor General – Local Governmental Entity Audits", the City's auditors, CliftonLarsonAllen LLP, made the following recommendation to the City's management based on their audit of the City's general purpose financial statements for the fiscal year ended September 30, 2012.

PRIOR YEAR FINDINGS AND RECOMMENDATIONS

2010-03 Information Technology Controls

In support of the financial statement audit for the City, CliftonLarsonAllen's IT auditors reviewed the internal controls related to application system(s) and supporting technical infrastructure. The audit was performed using a high-level risk based approach and was not intended to be a full scope network security review of the City's information technology infrastructure. The scope was created specifically to identify internal controls and security features implemented by management to protect the integrity of transactions and data, with potential direct impact to the City's financial reporting.

The results of this review indicated that information security policies should be enhanced for organization and management controls as should user access and applicable reviews for application security administration and access controls.

Current Year Status

The City's IT department has partially cleared some of the findings.

RESPONSE: During the current year staff implemented corrective action for a number of the prior year's findings. Staff is finalizing the development of a written change management policy and a comprehensive set of written information technology policies. A number of the procedures included in the policies being developed have been placed in practice.

City management appreciates the recommendations of CliftonLarsonAllen, LLP and intends to follow through with expeditious implementation of these improvements to the City's management of financial and internal control matters.

Sincerely,

Judith A. Zimomra
City Manager



Sanibel Island