

CITY OF SANIBEL, FLORIDA

COMPREHENSIVE ANNUAL  
FINANCIAL REPORT

For the fiscal year ended September 30, 2017

INCORPORATED

1974



# COMPREHENSIVE ANNUAL FINANCIAL REPORT



## City of Sanibel, Florida

For the Fiscal Year Ended  
September 30, 2017

Prepared by the Finance Department

Steven C. Chaipel, CPA, CPFO  
Finance Director

CITY OF SANIBEL, FLORIDA  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

**TABLE OF CONTENTS**

**I. INTRODUCTORY SECTION**

Letter of Transmittal .....	7
Certificate of Achievement for Excellence in Financial Reporting .....	18
Organizational Chart .....	19
City Councilmembers .....	20
List of City Officials and Executive Staff .....	22

**II. FINANCIAL SECTION**

Independent Auditors' Report .....	25
Management's Discussion and Analysis .....	29

**BASIC FINANCIAL STATEMENTS**

Government-wide Financial Statements	
Statement of Net Position .....	50
Statement of Activities.....	51
Governmental Fund Financial Statements	
Balance Sheet – Governmental Funds .....	52
Reconciliation of the Balance Sheet – Governmental Funds to the Government-wide Statement of Net Position .....	53
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds .....	54
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds to the Government-wide Statement of Activities.....	55
Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual – General Fund .....	56
Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual – Other Major Funds .....	57
Proprietary Fund Financial Statements	
Statement of Net Position – Proprietary Funds .....	58
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds.....	60
Statement of Cash Flows – Proprietary Funds .....	61
Fiduciary Fund Financial Statements	
Statement of Net Position – Fiduciary Funds.....	63
Statement of Changes in Fiduciary Net Position – Fiduciary Funds .....	64
Notes to the Financial Statements.....	65

**REQUIRED SUPPLEMENTARY INFORMATION**

General Employees' Pension Plan .....	116
Municipal Police Officers' Pension Plan .....	118
Other Post-Employment Benefits Plan .....	120

**COMBINING FINANCIAL STATEMENTS AND SCHEDULES**

Nonmajor Governmental Funds	
Combining Balance Sheet – Nonmajor Governmental Funds .....	123
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds .....	125
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	
Road Impact Fees.....	127
Community Park Impact Fees .....	127
Building Department .....	128
Elementary School Ball Park Maintenance .....	129

CITY OF SANIBEL, FLORIDA  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

Shell Harbor Dredging .....	130
Sanibel Estates Canal Trimming .....	130
Sanibel Isles/Water Shadows Dredging .....	131
2012 \$2.97M General Obligation Refunding Bonds .....	132
2016 \$6.52M General Obligation Refunding Bonds .....	132
Capital Asset Acquisition .....	133
Transportation Capital Projects .....	134
Recreation Facility Sinking Fund .....	135
<b>Fiduciary Funds</b>	
Combining Statement of Net Position – Fiduciary Funds .....	138
Combining Statement of Changes in Net Position – Fiduciary Funds .....	139
Combining Statement of Changes in Assets and Liabilities – Agency Funds .....	140

**III. STATISTICAL SECTION**

<b>Financial Trends</b>	
Net Position by Component .....	142
Changes in Net Position .....	143
Fund Balances of Governmental Funds .....	145
Changes in Fund Balances of Governmental Funds .....	146
Tax Revenue by Source – Governmental Funds .....	147
<b>Revenue Capacity</b>	
Assessed and Estimated Actual Value of Taxable Property .....	148
Direct and Overlapping Property Tax Rates .....	149
Principal Property Taxpayers .....	150
Property Tax Levies and Collections .....	151
Sanibel Sewer System Sewer Rates .....	152
<b>Debt Capacity</b>	
Ratios of Outstanding Debt by Type .....	153
Ratios of General Bonded Debt Outstanding .....	154
Direct and Overlapping Governmental Activities Debt .....	155
Wastewater Revenue Bond Coverage .....	156
Wastewater Revenue Note Coverage .....	157
<b>Demographic and Economic Information</b>	
Demographic and Economic Statistics .....	158
Principal Employers .....	159
<b>Operating Information</b>	
Full-time Equivalent City Government Employees by Function/Program .....	160
Operating Indicators by Function/Program .....	161
Capital Assets Statistics by Function/Program .....	162
Schedule of Insurance Coverage .....	163

**IV. GOVERNMENT AUDITING STANDARDS**

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	167
---	-----

**V. MANAGEMENT LETTER AND RESPONSES**

Management Letter .....	171
City's Response to Management Letter .....	175
Independent Accountants' Report .....	177



**This section contains the following subsections:**

Letter of Transmittal.....7

Government Finance Officers Association  
Certificate of Achievement For Excellence in Financial Reporting..... 18

City of Sanibel Organizational Chart ..... 19

City Councilmembers.....20

City Officials and Executive Staff.....22





# City of Sanibel

800 Dunlop Road  
Sanibel, Florida 33957-4096

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

AREA CODE - 239

CITY COUNCIL	472-4135
ADMINISTRATIVE	472-3700
BUILDING	472-4555
EMERGENCY 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

March 22, 2018

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

We are pleased to submit this Comprehensive Annual Financial Report (CAFR) for the City of Sanibel, Florida (City) for the fiscal year ended September 30, 2017. The report fulfills the requirements set forth by law, in accordance with the Florida Statutes Section 166.241 and Chapter 10.500 Rules of the Auditor General which requires that all general-purpose local governments publish a complete set of financial statements each fiscal year presented in conformity with Generally Accepted Accounting Principles in the United States (GAAP) and audited in accordance with auditing standards generally accepted in the United States by a firm of licensed 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. As 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.

Florida Statutes require that an annual financial audit be performed by independent certified public accountants. This year, the audit was performed by CliftonLarsonAllen LLP. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended September 30, 2017, are free of material misstatements. 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 auditors expressed an opinion that the City's financial statements for the fiscal year ended September 30, 2017 are fairly stated in conformity with accounting principles in the United States. This is the most favorable conclusion and is commonly known as an "unmodified" or clean opinion. The Independent Auditor's Report is presented as the first component of the financial section of this report.

The CAFR is used to assist in making economic decisions, as well as assisting citizens and elected officials by:

- Assessing financial conditions and results of operations
- Comparing actual financial results with legally adopted budgets
- Assisting in determining compliance with finance related regulations
- Assisting in evaluating the efficiency and effectiveness of City operations

This report includes all funds of the City as well as criteria for defining the financial reporting entity of the City as required by the Governmental Accounting Standards Board (GASB). The GASB is the official standard setting body of the accounting principles generally accepted in the United States of America (GAAP) as they apply to local governmental entities.

The CAFR is presented in three (3) main sections: Introductory, Financial and Statistical.

The **Introductory Section** includes the Transmittal Letter, a copy of the Certificate of Achievement for Excellence in Financial Reporting awarded by the Government Finance Officers Association of the United States and Canada (GFOA) for fiscal year ended September 30, 2017, the City's organizational chart, and a list of City officials and executive staff.

The **Financial Section** is prepared in accordance with accounting principles generally accepted in the United States of America. This section of the CAFR includes the Independent Auditor's Report, Management's Discussion and Analysis (MD&A), Basic Financial Statements, Required Supplementary Information (RSI), Other Supplementary Information (OSI); and combining and individual fund statements for the nonmajor funds.

The MD&A provides a narrative introduction, overview, and analysis to accompany the Basic Financial Statements and should be read in conjunction with this Letter of Transmittal. The Basic Financial Statements include the Government-wide Financial Statements that present an overview of the City's entire operations, while the Fund Financial Statements present the financial information of each of the City's major funds and non-major funds.

The **Statistical Section** includes selected financial and demographic information, generally presented on a multi-year basis.

## **PROFILE OF THE CITY OF SANIBEL**

The City of Sanibel (City) incorporated on November 5, 1974 and is located on 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 is part of the Fort Myers-Cape Coral Metropolitan Statistical Area (MSA), which includes all of Lee County. The general concept of a metropolitan statistical area is one of a large population nucleus, together with adjacent communities that have a high degree of economic and social integration within that nucleus.

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 and one is selected among the council to serve as vice-mayor. The City Council is responsible for the governance of the City, including 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 Directors of the various City departments, the Chief of Police and the City Clerk.

The City provides a full range of municipal services for its citizens. These include public safety (fire protection is provided by an independent taxing district and emergency medical services are provided by Lee County), sewer utility, public works, parks and recreation facilities, code compliance, planning and zoning, and general and administrative services. A franchise contractor provides the City's sanitation services. Library services are provided by a separate independent taxing district, electric service is provided by a cooperative and water service is provided by a non-profit located on the island. 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 annual budget serves as the foundation for the City's financial planning and control. All departments of the City are required to submit requests for appropriation to the City Manager and these requests serve as the basis for developing a proposed budget. The City Manager, thereafter, proposes a budget to the Council for review. The Council is required to hold public hearings on the proposed budget and to adopt a final budget no later than September 30, the close of the City's fiscal year. The budget is legally enacted through the passage of resolutions. The appropriated budget is prepared by fund, function (e.g. public safety, and department (e.g., police). No department may legally expend in excess of amounts appropriated for that department within an individual fund. The City Manager may authorize appropriation transfers within departments of the general fund and within the fund as a whole for all other funds. All other revisions to the adopted budget require approval by the City Council. Budget-to-actual comparisons are provided in this report for the general fund and for each governmental fund for which an appropriated annual budget has been adopted. For the general fund and major governmental funds, this comparison is presented as part of the required supplementary information. For non-major funds, this comparison is presented as part of the combining statements and schedules.

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. 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.

#### **FACTORS AFFECTING FINANCIAL CONDITION**

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Sanibel operates.

**Local economy.** The City of Sanibel is a world class visitor destination with a mild winter climate, 15 miles of white sandy beaches that are habitat for numerous endangered and threatened species, over 25 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; and other designated conservation land brings the City's total land under conservation to 70 percent. The island is a world-renowned location for birding and shelling. Protection of the island's natural environment is the paramount priority of the City and residents as evidenced in the City's vision statement.

In the 1970's and 1980's, the City population grew significantly; however, since the 2000 census was taken, the number of permanent residents on the island has grown less than 9.0% to approximately 6,600 residents. Comparing these numbers to the almost 55.0% increase in population for Lee County as a whole during the same time frame, it is apparent that the City is very close to reaching maximum buildout and density.

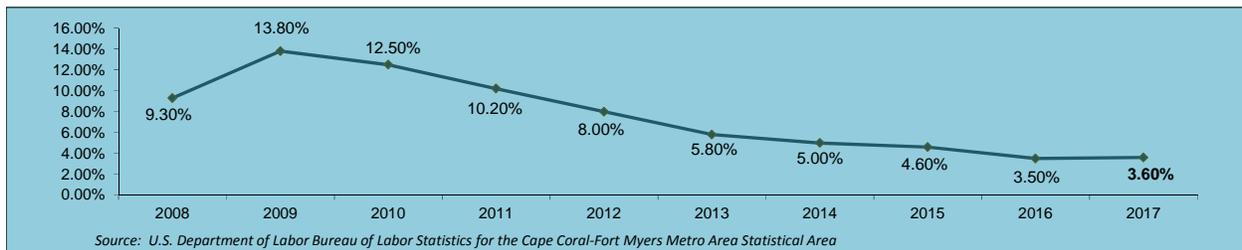
With a median age of 66.1 years, the City's population is significantly older than the Florida average of 41.4 years. In fact, according to 2015 estimates, 8.6% of the residents are under 20, 9.6% are between the ages of 20 and 45, 28.7% are between 45 and 65 and 53.1% of the residents are over 65.

While the City's resident population has become relatively steady over the last several years, tourism and seasonal rentals have continued to increase and have become the main economic driver of the local economy. In fact, according to the Lee County Visitor and Convention Bureau (VCB), tourism and related functions employ one out of every five people in Lee County. Additionally, according to the VCB, Lee County receives approximately five million visitors a year that generate over \$3 billion dollars in economic impact. In fiscal year 2017, Lee County's tourism industry generated \$39.8 million in tourist tax (bed tax). The City's beaches are a major destination for many of the tourists that visit Southwest Florida and the VCB aggressively markets the beautiful beaches around the nation.

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 the City. The number of visitors arriving at RSW hit a record number in calendar year 2017, with 8.8 million passengers, up from 8.6 million in 2016.

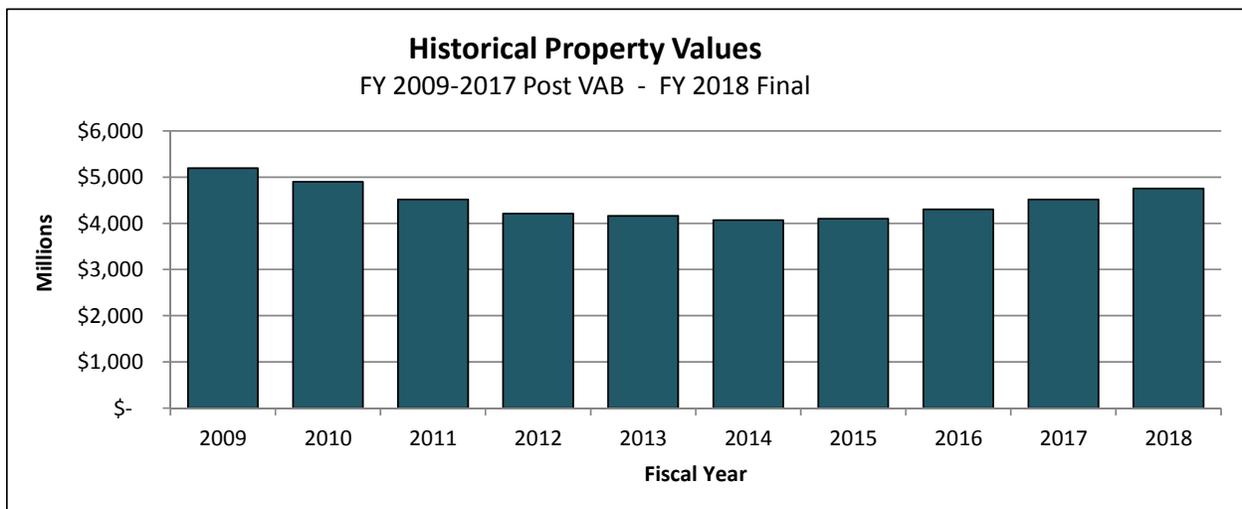
While the City's population increases dramatically during the winter months, Sanibel is considered one of the safest communities in Southwest Florida. In fact, the amount of federally reportable crimes decreased 31% from 105 in 2016 to 72 in 2017.

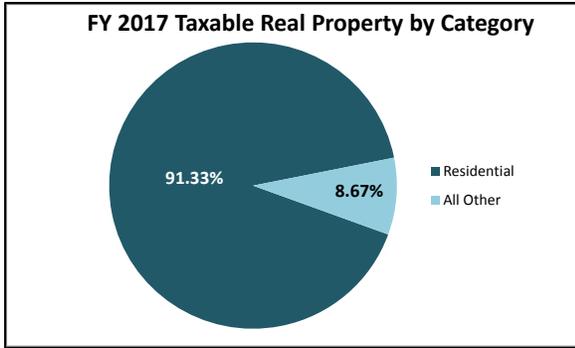
In the past decade Lee County has experienced the extremes of economic prosperity and economic decline. At the height of the economic recession, the County's unemployment level grew to 13.8%. As mentioned previously, tourism and related industries have boosted economic results in the region and as a result, unemployment has dropped to 3.6%. The graph below displays the unemployment rate for Lee County during the last ten years.



The sole means of vehicular access to Sanibel Island is a causeway owned and operated by Lee County. Total traffic vehicles entering Sanibel over the causeway decreased by 1.8% between 2016 (3.4 million) and 2017 (3.3 million), primarily due to the effect of Hurricane Irma (see additional discussion regarding the hurricane on page 11). An interlocal agreement with Lee County provides that the City receives 21% of net surplus toll revenue from Causeway operations. In fiscal year 2017, the City received \$1.7 million in toll revenue from Lee County to support transportation expenditures within the City limits.

Historically, in addition to tourism, real estate has been a major economic component of Southwest Florida, and the City is no exception. Sanibel's property values peaked in 2007 before beginning to decline as a result of the housing recession in Southwest Florida. In fiscal year 2014, property values began a slow rebound and increased 6.25% from fiscal year 2016 to fiscal year 2017. The ten year historical values are shown below.





The primary revenue source for the City is the collection of ad valorem property taxes levied based on the City's taxable property. By far the largest portion of property tax revenue is received from residential properties located on the island. Residential properties include single family home, condominiums and multi-family building (such as duplexes). The chart to the left illustrates the significant difference between residential and commercial property:

\*Source: Lee County Property Appraiser

**Long-term financial planning.** On September 30, 2017, unrestricted fund balance (the total of the committed, assigned, and unassigned components of fund balance) in the general fund comprised 91.9% of the total fund balance. Additionally, unassigned fund balance available to the City was 19.5% of general fund operating expenditures, well above the 17.0% as prescribed by the City's Fund Balance policy. The policy dictates that 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. The City does not anticipate any near term shortfalls in this area.

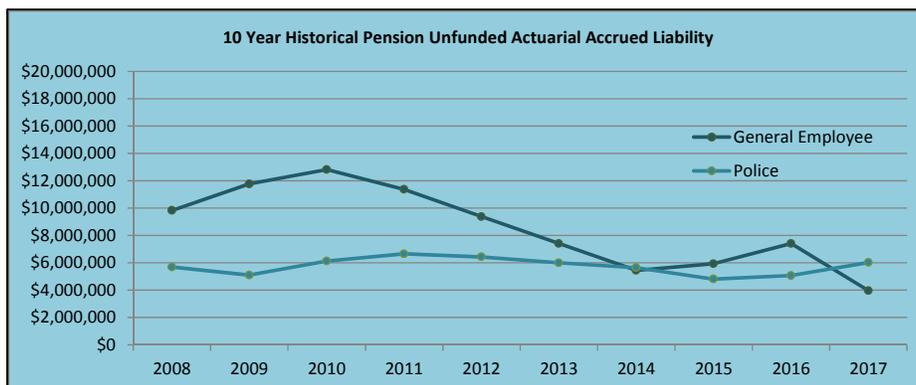
The City did not enter any new debt transactions in fiscal year 2017 and continues to reduce its outstanding debt. In the current year, the City paid all required debt service, including required contributions to the City's two defined benefit pension plans.

In September 2017, Hurricane Irma passed through Southwest Florida. The storm immediately affected the amounts of fund balances and reserves available for disasters in fiscal year 2018, as well as temporary disruptions to the local economy. However, the longer term economic effects, specifically in the areas of property values, toll revenue, and beach parking fee collections, are yet to be determined. Another significant area of possible impact lies in the island's labor forces, the majority of which resides off island and were more adversely affected by the storm.

The immediate financial pressures on the budget were addressed by delaying certain capital projects and reducing reserves; however, by nature these are short term fixes. The timing of the replenishment of reserves will be dependent on the ratio and timing of Federal and State reimbursements.

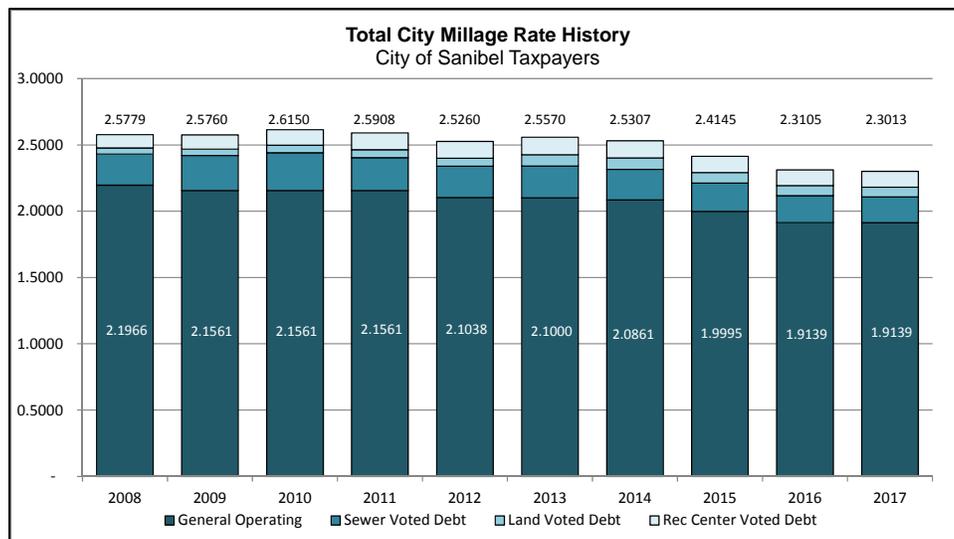
The final effects of Hurricane Irma on the City will not be determinable for several years.

Recognizing the long-term financial impacts of the pension plans, the City has focused efforts in the last several years to reduce the unfunded liability associated with the plans. The funded ratio of the City's General Employee's Pension Plan and its Municipal Police Officers' Pension plans are 86.4% and 79.7%, respectively. The following chart presents a historical perspective of the unfunded liabilities of both plans.

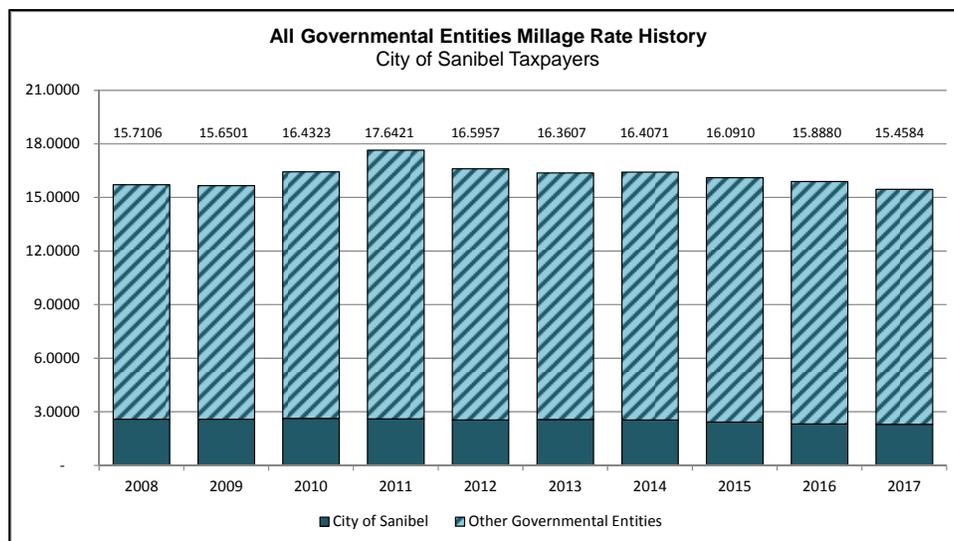


The City's priority is to maintain Sanibel as a world-class, safe, clean, environmentally and fiscally sound municipality. The City maintains its strong financial position through prudent long-term financial planning and fiscal actions to reduce or contain fixed costs. In the current year, while the City experienced modest increases in taxable property values, there remains concern how external forces will impact the City's values. Two items of significant concern are continuing issues surrounding possible changes to flood insurance rates and the impact of water quality on property values. Additionally, the City recognizes that as a barrier island in the sub-tropics, it 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 \$1.0 million for an environmental initiative reserve in fiscal year 2017.

The City Council is very focused on the tax burden for the City's residents. As a result, the City's general operating millage has reduced from 2.1966 mils in fiscal year 2008 to 1.9139 mils in fiscal year 2017.



Additionally, the City's overall taxing rate is a small portion of the total taxes levied to its citizens as shown in the chart below.



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.

Downward trends in the state and/or local economy would 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 or 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 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. In support of that goal, the City Council adopted the following goals for fiscal year 2018:

### **IMPROVE WATER QUALITY**

#### **LOCAL**

In August 2017, the Florida Department of Environmental Protection (FDEP) adopted a Total Maximum Daily Load (TMDL) for the Sanibel Slough. The TMDL specifies the amount of nitrogen and phosphorus that can enter the Sanibel Slough annually. Based on modeled nutrient loading data, the City will be required to significantly reduce nitrogen and phosphorus loading to the Slough to meet the adopted regulatory target.

In fiscal year 2017, the City completed the final phase of Sanibel Comprehensive Nutrient Management Plan. The Plan will guide nutrient load reductions to meet the TMDL. A number of other projects and programs were also completed towards the Council's on-island water quality goals, including: 1) Obtaining \$825,000 in funding from the State Legislature for design and engineering of the Donax Wastewater Treatment Plan Upgrades (design and engineering scheduled to be completed in December 2017); 2) Design and engineering of the Jordan Marsh Water Quality Treatment Park (scheduled to be completed in December 2017); 3) Implementation of the Community Lakes Best Management Practice (BMP) Program and launch of the Sanibel Communities for Clean Water website [www.Sanibelcleanwater.org](http://www.Sanibelcleanwater.org); and 4) Continued implementation of local and regional fertilizer education programs with Lee County and other partners.

#### **Fiscal Year 2018 On-Island Water Quality Improvement Goals**

- Implement the Donax Wastewater Reclamation Facility Denitrification modifications and Plant 1 upgrades to improve the quality of municipal reuse water.
- Complete construction of the Jordan Marsh Water Quality Treatment Park.
- Continued implementation of Community Lakes Best Management Practices (BMP) Education Program; Develop incentives for communities to implement BMPs.

- Continued implementation of regional fertilizer education program with Lee County and other partners.

## STATE/REGIONAL WATER QUALITY IMPROVEMENT GOALS

In fiscal year 2017, the City was successful on a number of fronts with regards to Council's state and regional water quality goals. It could be argued that our single-greatest legislative achievement was the passage of Senate Bill 10, which provided authorization and funding for a 240,000-360,000 acre-foot storage reservoir to be constructed south of Lake Okeechobee in the Everglades Agricultural Area. The bill signed by Governor Scott included a strict timeline for the project and up to \$800 million in bonded funds from Florida Forever proceeds for construction; \$30 million is allocated for fiscal year 2017 for additional land acquisition or lease buyouts for the project; \$64 million per year is allocated beginning in fiscal year 2019 to fund the project and for bond payments; \$3 million is allocated for fiscal year 2018 to draft the Post-Authorization Change Report for the Central Everglades Project.

During the Legislative Session \$106 million in funding was secured for construction of the C-43 Reservoir Project. Construction of Cell 1 is currently underway and the project is expected to be completed in 2022. In order for the project to stay on track, approximately \$100 million will need to be budgeted for the next three years, with \$25 million needed in year four.

The Florida Legislature allocated \$16.9 million during the 2016 Legislative Session to purchase an additional 2,454 acres of land on the north side of Lake Hicpochee for phase II of the project.

This land will be used as flow equalization basin (FEB) to store and treat water from the C-19 basin and help restore freshwater flows to Lake Hicpochee and the eastern Caloosahatchee sub-basin. Project construction began on Phase I in 2017. Additional funding of approximately \$50 million will be needed to complete phase II of the project.

### Fiscal Year 2018 State/Regional Water Quality Improvement Goals

- Support all legislative actions which reduce harmful freshwater releases from Lake Okeechobee to the Caloosahatchee River and estuary. A comprehensive strategy is outlined in the Caloosahatchee Regional Water Management Issues White Paper.
- Seek legislative funding for Regional Water Quality/Quantity Priorities.
  - *EAA Storage Reservoir Project.* Implement the Everglades Agricultural Area Reservoir Project plan adopted by the Florida Legislature and Governor in 2017.
  - *C-43 West Basin Reservoir Project.* The C-43 Reservoir is designed to store up to 170,000 acre-feet of water within the Caloosahatchee watershed. The reservoir is expected to supply enough water to meet the existing Minimum Flow and Level for the Caloosahatchee River 80% of the time. The estimated cost of the project is \$500 million. As currently designed, the Reservoir does not include a water quality treatment component to remove nutrients from the water prior to discharging it back into the River. Because the Caloosahatchee is currently "impaired" for nutrients, it is imperative that a water quality treatment component be incorporated into the project. The South Florida Water Management District should begin planning and design of a water quality treatment component immediately on land adjacent to the project site. This will ensure water being discharged to the Caloosahatchee does not contribute to existing water quality impairments. **Legislative Request: Dedicate a minimum of \$100 million in funding for C-43 Reservoir Project for FY19 and begin planning and design for a water quality treatment component for the reservoir.**
  - *Complete Construction of the Lake Hicpochee Restoration Project.* This project will provide critical storage and treatment needed within the eastern Caloosahatchee watershed. Phase I project construction began in 2017. **Legislative Request: Dedicate \$50 million towards Phase II construction.**

- *Lehigh Acres Municipal Services Improvement District GS-10 Caloosahatchee Cross Link Project.* The GS-10 Caloosahatchee Cross Link project is a regional, multi-agency initiative to provide water storage and treatment within the Caloosahatchee watershed. It involves the acquisition and development of a former mine area, known as Section 10, into a shallow reservoir while creating a flow way to the Greenbriar Swamp that would be used for water treatment while restoring hydroperiods within the natural system. The project establishes connections between Lee County-owned lands and the Lehigh Acres-Municipal Services Improvement District (LA-MSID) drainage system, which has multiple outfalls to the Caloosahatchee River. The project is a stand-alone regional initiative that may also provide water quality treatment for the C-43 Reservoir by taking discharge water released from the Reservoir and flowing it through the LA-MSID treatment system before final outfall to the Caloosahatchee River. **Legislative Request: The estimated cost for the project design and permitting is \$750,000.**

## FEDERAL WATER QUALITY IMPROVEMENT GOALS

In fiscal year 2017 progress was also made on a number of the City's top federal water quality improvement goals.

The City's top federal priority, the EAA Reservoir Project, was approved by the State during the 2017 Legislative Session in Senate Bill 10. The bill requires the US Army Corps of Engineers to begin the process of drafting a Post Authorization Change Report by August 2017. The legislation also requires that the report be completed and submitted to Congress by October 1, 2018 and approved by December 31, 2019. The City will need to work closely with our federal representatives to secure the federal cost share needed to complete the project.

On December 16, 2016, the Central Everglades Project (CEP), formerly known as CEPP, was signed into law by President Obama in the Water Infrastructure Improvements for the Nation (WIIN) Act. This was an important step towards implementing the project; however, funding needs to be appropriated before construction can begin. The City will need to continue to work closely with our federal representatives to secure funding for the project.

The US Army Corps has spent more than \$870 million to date on rehabilitation of the 143-mile Herbert Hoover Dike. It is estimated that it will take another \$800 million in funding to complete the project. During the 2017 Legislative Session, the State dedicated \$50 million in funding to accelerate the project. President Trump has identified the Herbert Hoover Dike as a national priority and promised to fast-track the project, with a target completion date of 2022. The President's 2018 draft budget allocates \$82 million for the project.

### Fiscal Year 2018 Federal Water Quality Improvement Goals

- Work with federal representatives to implement the EAA Storage Reservoir Project on the schedule approved by the Florida Legislature and Governor in 2017.
- Work with federal representatives and agencies to secure funding for implementation of the Central Everglades Project (CEP), the Lake Okeechobee Watershed Restoration Project and the Western Everglades Restoration Project. These projects will result in additional storage north and southwest of Lake Okeechobee, helping to reduce high flow discharges to the estuaries.
- Work with federal representatives to secure the funding needed to expedite repairs to the Herbert Hoover Dike to protect the communities adjacent to Lake Okeechobee and to provide the Corps additional operational flexibility when managing freshwater releases from the Lake.

Click [here](#) to view the Caloosahatchee Watershed Regional Water Management Issues adopted white paper.

### **SUSTAIN THE STRENGTH OF THE CITY'S FINANCIAL STABILITY**

To continue to develop and identify strategies that will support an equitable allocation of City resources in a manner which most cost effectively and efficiently accomplishes the City's mission.

- Evaluate financial resources needed and available to address hurricane recovery and funding for future disaster preparation
- Evaluate options and funding mechanisms to provide for future significant capital needs
  - Bridge Repair and Replacement Sinking Fund
  - Sewer System Renewal and Replacement Fund
- Review City provided healthcare plan that is offered to employees, retirees, and dependents
  - Evaluate current program and analyze historical trends
- Research and evaluate segregation of revenue and expense streams for storm water and related maintenance

### **IMPROVE CITIZEN SERVICE FOR THOSE INVESTING, MAINTAINING AND REDEVELOPING THEIR PROPERTIES WITHIN THE COMMUNITY**

Continue to review best practices of comparable local governments and evaluate current "Best Practices" to determine the appropriate organizational structure for quality and efficient services. Prepare a cost-analysis of options and present a report to the City Council for consideration.

Complete the existing projects in progress for amending the Land Development Code requirements for Formula Retail Stores, height exception for pitched roofs on redeveloped three-story buildings within the Resort Housing District and adoption of the State's Model Floodplain Ordinance.

Continue the City-wide redevelopment work plan by reviewing the current off-street parking requirements for shared, valet, bicycle and compact vehicles. Prepare such legislation essential to furthering the redevelopment goals for the Commercial District and recognizing opportunities to encourage shared parking amongst surrounding compatible land uses without the need of disturbing additional lands for the development of new off-street parking spaces.

Develop legislation to regulate Island tour based businesses and services to ensure that such activity does not negatively impact the natural environment or habitat of Sanibel's beaches and other publically owned lands.

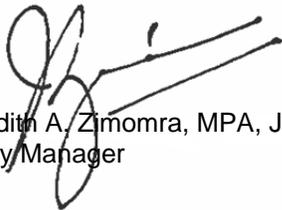
Draft legislation consistent with the Sanibel Plan to support locally owned and operated businesses by allowing businesses with food related sales to have a limited number of onsite seats for dining use without requiring additional off-street parking.

## AWARDS AND ACKNOWLEDGEMENTS

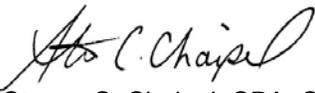
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Sanibel for its comprehensive annual financial report for the fiscal year ended September 30, 2016. This was the 32<sup>nd</sup> 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.

The preparation of this report would not have been possible without the skill, effort, and dedication of the entire staff of the Finance Department. We also wish to acknowledge all government departments for their assistance in providing the data necessary to prepare this report. Credit also is due to the Mayor and the Council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Sanibel finances.

Respectfully submitted,



Judith A. Zimomra, MPA, JD  
City Manager



Steven C. Chaipel, CPA, CPFO  
Finance Director



Government Finance Officers Association

**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

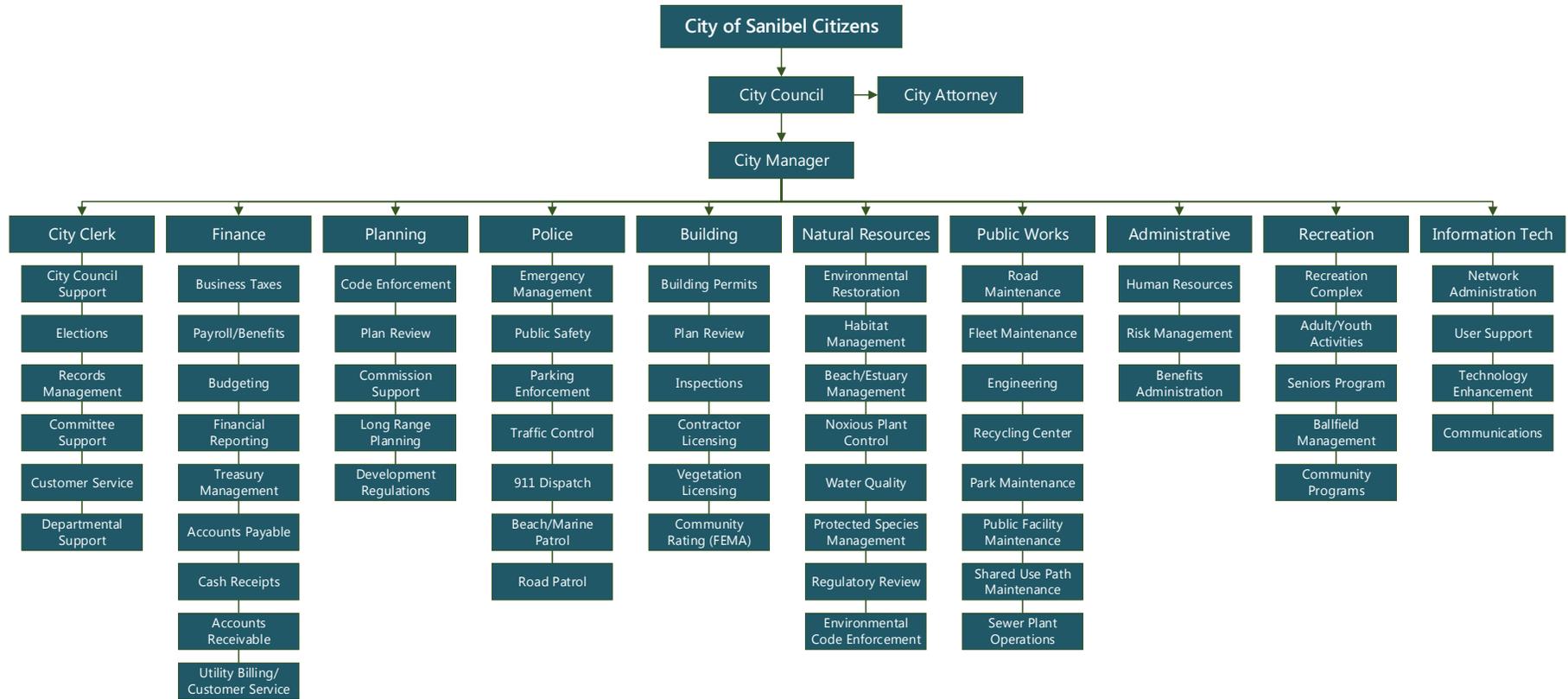
**September 30, 2016**

*Christopher P. Morill*  
Executive Director/CEO

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, 2016. This was the 32<sup>nd</sup> 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 requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

CITY OF SANIBEL, FLORIDA  
 CITY COUNCIL MEMBERS  
 SEPTEMBER 30, 2017



CITY OF SANIBEL, FLORIDA  
CITY COUNCIL MEMBERS  
SEPTEMBER 30, 2017

---

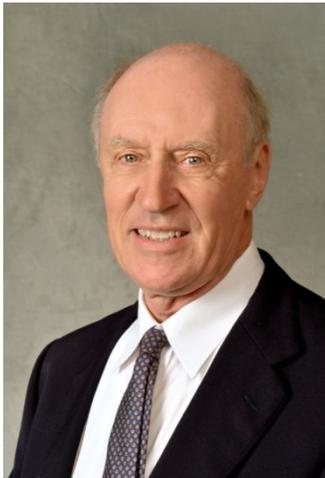


**Mayor Kevin Ruane**

Term of Office: March 2017 – March 2021

Mayor Ruane has served the citizens of Sanibel on the Council since 2007, and has served as Mayor since 2010. Mayor Ruane serves as the liaison to the Traffic Work Group, the Sanibel Seniors group, the Audit Committee (currently sunset), the Lee County Mayor's Council, and the Metropolitan Planning Organization Executive Committee. He serves on the board of the Florida League of Mayors, is a voting delegate for the Florida League of Cities, and serves on the League's Legislative Policy and Resolutions Committees and received the 2017 Florida League of Cities Home Rule Hero Award.

He is an intense advocate for the City in the area of water quality, having been appointed by Governor Scott to serve on the South Florida Ecosystem Restoration Task Force and is the recipient of the 2016 National Everglades Coalition James D. Webb award.



**Vice Mayor Mick Denham**

Term of Office: March 2017 – March 2021

Vice-Mayor Denham has served the citizens of Sanibel as a Council member since 2005, and has held the position of Mayor or Vice-Mayor since 2006. He is the City's liaison to B.I.G. Arts, the Regional Planning Council, the Metropolitan Planning Organization and serves on several committees for the Florida League of Cities. He also serves on the J.N. "Ding" Darling Wildlife Society Advocacy Committee.

As a strong advocate for local and state water quality, Vice Mayor Denham has worked with various local entities to achieve significant water quality improvements for Sanibel and the surrounding region. He has also served as the City's liaison to Lee County and the local municipalities working in concert to educate the public on water quality issues, particularly the use of fertilizer. In 2012 he was awarded the Florida League of Cities Hometown Hero Award and was the recipient of the 2008 Conservationist of the Year award from the Southwest Florida Audubon Society.



**Councilmember Chauncey Goss**

Term of Office: March 2015 – March 2019

Councilmember Goss has served on the City Council since 2015 and is the liaison to the Sanibel Planning Commission, Historical Committee and Museum and Village, Inc., and the Sanibel Captiva Chamber Governmental Affairs Committee. He also was appointed to the Florida League of Cities Land Use & Economic Development Committee.

CITY OF SANIBEL, FLORIDA  
CITY COUNCIL MEMBERS  
SEPTEMBER 30, 2017

---



**Councilmember Jim Jennings**

Term of Office: March 2015 – March 2019

Councilmember Jennings was first elected to serve the citizens of Sanibel in 2003. Councilman Jennings currently serves as City Council's liaison to the Employee Dependent Scholarship Committee, Recreation Financial Assistance Committee, the Vegetation Committee and the Contractor's Review Board. He also serves as the liaison to the Lee County Horizon Council.



**Councilmember Jason Maughan**

Term of Office: March 2017 – March 2021

Councilman Maughan was elected to the City Council in March 2017. Councilman Maughan currently serves as City Council's liaison to the General Employees' Pension Board of Trustees, the Sanibel Municipal Police Officers' Board of Trustees and Community Housing Resources, Inc., (CHR), the Coast & Island Community Land Trust and the Lee County School District.

Councilman Maughan previously has been recognized as the 2006 National Republican Congressional Committee (NRCC) Businessman of the Year and is the recipient of the 2006 Congressional Medal of Distinction and three separate Sanibel Independence Day parade float awards.



CITY OF SANIBEL, FLORIDA  
COUNCIL-MANAGER FORM GOVERNMENT  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

---



**ELECTED OFFICIALS**

Kevin Ruane ..... Mayor  
Mick Denham ..... Vice Mayor  
Chauncey Goss ..... Councilmember  
Jason Maughan ..... Councilmember  
Jim Jennings ..... Councilmember

**APPOINTED OFFICIALS**

Judith A. Zimomra, MPA, JD. .... City Manager  
Kenneth B. Cuyler, Esq. .... City Attorney

**EXECUTIVE STAFF**

Pamela Smith, MMC ..... City Clerk  
James R. Isom ..... Administrative Services Director  
Albert Smith, Jr. .... Information Technology Director  
Steven C. Chaipel, CPA, CPFO ..... Finance Director  
James C. Jordan ..... Planning Director  
Williams Dalton ..... Chief of Police  
R. Harold Law, Jr, CBO ..... Chief Building Official  
James T. Evans III, MS ..... Natural Resources Director  
Keith L. Williams II, PE ..... Public Works Director/City Engineer  
Andrea L. Miller, CPRP ..... Recreation Director

**Contact:**  
City of Sanibel  
800 Dunlop Road  
Sanibel, Florida 33957  
(239) 472-3700

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

**This section contains the following subsections:**

Independent Auditors' Report.....25  
Management's Discussion and Analysis .....29  
Basic Financial Statements .....49  
Notes to the Financial Statements.....65  
Required Supplementary Information.....115  
Combining Financial Statements and Schedules.....121



## INDEPENDENT AUDITORS' REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements 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 (the City), as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Community Housing and Resources, Inc., which represents 100% of the assets, net position, and revenues of the discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Community Housing and Resources, Inc., a discretely presented component unit, 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*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, based on our audit and the report of the 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 as of September 30, 2017, and the respective changes in financial position, and where applicable, cash flows thereof and the respective budgetary comparison for the general fund, the transportation and recreation special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedules of changes in the net pension liability and related ratios, schedule of investment returns, and schedule of contributions for the general employees' and the municipal police officers' pension plans, and the schedules of funding progress and schedule of contributions from the employer for the other post employment benefit plan on pages 29-47 and 116-120 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.

Honorable Mayor and City Council  
City of Sanibel, Florida

*Other Information*

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, introductory section, and statistical section, as listed in the table of contents, included under other supplementary information, 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 basic financial statements. Such 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have 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 them.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2018, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Fort Myers, Florida  
March 21, 2018



CITY OF SANIBEL, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)  
September 30, 2017

---

As management of the City of Sanibel, we offer readers of the City of Sanibel's financial statements this narrative overview and analysis of the financial activities of the City of Sanibel for the fiscal year ended September 30, 2017. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which begins on page 7 of this report.

### **HURRICANE IRMA**

On September 10, 2017, Hurricane Irma passed through Southwest Florida, affecting all communities in Lee County, including the City of Sanibel. Hurricane Irma was an extremely powerful and catastrophic storm that made landfall in Southwest Florida as a Category 3 storm. The City ordered a mandatory evacuation for all residents and visitors and sustained significant wind and rain that caused major vegetation debris throughout the island. The timing of the storm caused expenses related to storm preparation and storm recovery to be reflected in fiscal year 2017 as well as fiscal year 2018. More detailed discussions on the financial effects of Hurricane Irma are presented throughout this section.

### **FINANCIAL HIGHLIGHTS**

- At the close of fiscal year 2017, the City of Sanibel's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$83.6 million (net position). Governmental and business-type assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$43.8 million and \$39.8 million, respectively.
- The City's total net position increased by \$1.6 million in fiscal year 2017. The City's unrestricted net position, which may be used to meet the City's ongoing obligations to its citizens and creditors, decreased by \$65,274, (0.57%) from the prior year.
- The City's governmental activities reported a total net position of \$43.8 million, consistent with the previous year net position of \$43.9 million. Approximately 3.8% of the total (\$1.7 million) is unrestricted and may be used to meet the City's ongoing obligations to its citizens and creditors.
- The City's business-type activities reported a total net position of \$39.8 million, which is an increase of \$1.7 million, or 4.4%, in comparison to the prior year. Approximately 24.5% of the total, or \$9.8 million, is unrestricted and may be used to meet the City's ongoing obligations to its citizens and creditors.
- The City's total long-term liabilities decreased by \$6.3 million during the current fiscal year. This decrease is attributable to the required annual debt service payments on existing debt issuances and actuarially adjusted pension and OPEB liabilities.
- At the end of the current fiscal year, unrestricted fund balance (the total of the *committed*, *assigned*, and *unassigned* components of fund balance) for the general fund was \$7.7 million, or approximately 91.9% of the total fund balance.
- At the close of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$16.3 million, a decrease of approximately \$800,000 in comparison with the prior year. Approximately 16.4% of this amount (\$2.7 million) is available for spending at the City's discretion (*unassigned fund balance*). Approximately 61.8% of this amount (\$10.0 million) is *unrestricted fund balance*.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

The discussion and analysis provided here are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

CITY OF SANIBEL, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)  
September 30, 2017

---

**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 position* presents information on all of the City's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. The unrestricted portion of net position 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 50).

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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

The government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate non-profit operation for which the City is financially accountable. Financial information for Community Housing Resources, Inc. (CHR) is reported separately from the financial information presented for the primary government itself. CHR has issued separately audited financial statements for the year ended September 30, 2017.

The government-wide financial statements can be found on pages 50 and 51 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.

**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.

CITY OF SANIBEL, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)  
September 30, 2017

---

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 fifteen (15) 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, and the recreation fund, which are considered to be major funds in fiscal year 2017. Data for the other twelve 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 beginning on page 122 of this report.

The City adopts an annual appropriated budget for all major and non-major governmental funds. Budgetary comparison statements for the general fund and major special revenue funds are part of the basic financial statements and can be found beginning on page 56. Budgetary comparison schedules have also been provided for all other nonmajor governmental funds beginning on page 127.

The basic governmental fund financial statements can be found beginning on page 49 of this report.

**Proprietary funds.** The City maintains 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 and charges are the primary revenue sources for the proprietary funds. The City'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.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the sewer system utility fund and beach parking fund, both of which are considered to be major funds of the City.

The basic proprietary fund financial statements can be found beginning on page 58 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reported in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The City maintains two different types of fiduciary funds. The *Pension trust fund* is used to report resources held in trust for retirees and beneficiaries covered by the *General Employees* and *Municipal Police Officers' Pension Plans*. The *Agency fund* reports resources held by the City in a custodial capacity for individuals, private organizations and other governments.

The fiduciary fund financial statements can be found beginning on page 63 of this report.

CITY OF SANIBEL, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)  
September 30, 2017

**Notes to the financial statements.** The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 65 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 pension plans and other post-employment benefits (OPEB) plan. Required supplementary information can be found beginning on page 115 of this report.

**GOVERNMENT-WIDE FINANCIAL STATEMENT ANALYSIS**

**Statement of Net Position**

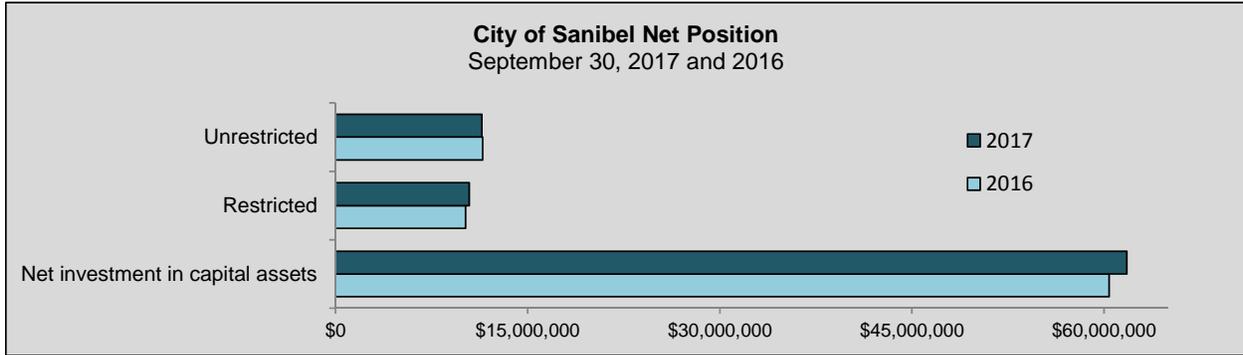
As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$83.6 million, at the close of the most recent fiscal year.

<b>Statement of Net Position (Summary)</b> as of September 30, 2017 and 2016						
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Current and other assets	\$18,266,223	\$18,424,301	\$16,959,843	\$17,032,318	\$35,226,066	\$35,456,619
Capital assets, net	44,392,181	44,990,841	41,056,432	42,115,699	85,448,613	87,106,540
<b>Total assets</b>	<b>\$62,658,404</b>	<b>63,415,142</b>	<b>58,016,275</b>	<b>59,148,017</b>	<b>120,674,679</b>	<b>122,563,159</b>
Deferred outflows of resources	373,011	1,802,019	115,366	412,648	488,377	2,214,667
Current and other liabilities	2,030,741	1,392,602	900,939	1,018,666	2,931,680	2,411,268
Long-term liabilities	16,538,618	19,732,555	17,268,957	20,385,518	33,807,575	40,118,073
<b>Total liabilities</b>	<b>18,569,359</b>	<b>21,125,157</b>	<b>18,169,896</b>	<b>21,404,184</b>	<b>36,739,255</b>	<b>42,529,341</b>
Deferred inflows of resources	644,675	196,282	145,161	19,412	789,836	215,694
Net position:						
Net investment in capital assets	36,654,567	36,620,841	25,118,198	23,771,834	61,772,765	60,392,675
Restricted	5,502,498	4,577,917	4,929,408	5,567,631	10,431,906	10,145,548
Unrestricted	1,660,316	2,696,964	9,768,978	8,797,604	11,429,294	11,494,568
<b>Total net position</b>	<b>\$43,817,381</b>	<b>\$43,895,722</b>	<b>\$39,816,584</b>	<b>\$38,137,069</b>	<b>\$83,633,965</b>	<b>\$82,032,791</b>

By far, the largest portion of the City's net position (73.9%) reflect its net 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 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.

An additional portion of the City's net position in the amount of \$10.4 million (12.5%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$11.4 million (13.6%) is unrestricted and may be used to meet the City's ongoing obligations to its citizens and creditors.

CITY OF SANIBEL, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)  
September 30, 2017



At the end of the current fiscal year, the City is able to report positive balances in all reported categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

**Governmental Activities**

**Revenues**

Total program revenues increased 9.8% (\$623,000) to \$7.0 million in fiscal year 2017 from \$6.4 million in fiscal year 2016. The most significant source of revenue in program services is received from charges for services, which increased 14.1% (\$582,000) from the previous year, primarily driven by increases in fees collected from the building and planning departments, as well as an increase in the amount recovered through the indirect cost study from the City's enterprise funds. Operating and Capital grants and contributions increased approximately 2.0% (\$41,000) in fiscal year 2017.

Total general revenues (excluding transfers) increased 3.5% to \$13.2 million compared to the previous year. The main driver of the increase was due to increased tax collections. The City's ad valorem tax receipts increased 5.2% to \$9.6 million in fiscal year 2017 as a result of increases in property values. The revenue generated from non-restricted ad valorem taxes decreased less than \$30,000 from the prior year. Additionally, \$477,000 was transferred from the City's business-type activities as payments in lieu of taxes, a 4.7% increase from fiscal year 2016, due to an increase in beach parking revenue.

**Expenses**

Total expenses remained relatively consistent with the previous year at \$20.8 million compared to \$21.0 million, a 1.3% decrease. As previously noted, Hurricane Irma significantly increased the City's expenses, with approximately \$1,000,000 expended at year end in response to the storm (see additional detail on hurricane expenses on page 40 of this section). However, overall governmental expenses at the end of the year were significantly affected from a reduction of the City's recognized pension expense for both pension plans.

In accordance with generally accepted accounting principles, pension expense is computed annually by an actuarial consultant. In fiscal year 2017, recognized governmental pension expense decreased 38.6% to \$1.7 million from \$2.8 million in fiscal year 2016. The positive results are due to favorable experiences in investment earnings in the General Employee's Pension, partially offset by unfavorable experiences in the Municipal Police Officer's Pension Plan.

The schedule on the next page summarizes the changes in net position for governmental activities for the year ended September 30, 2017.

CITY OF SANIBEL, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)  
September 30, 2017

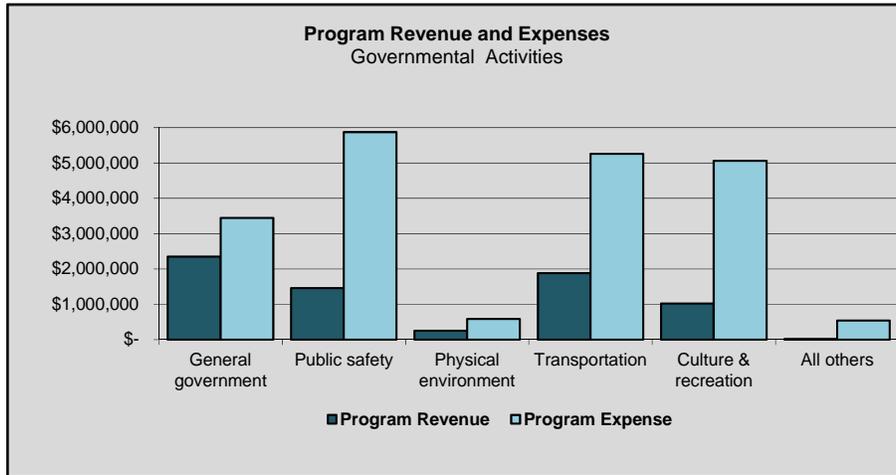
<b>Changes in Net Position (Summary)</b>						
<b>For the Year Ended September 30, 2017 and 2016</b>						
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
<b>Revenues:</b>						
Program revenues						
Charges for services	\$ 4,689,617	\$ 4,107,540	\$ 10,384,082	\$ 9,873,646	\$ 15,073,699	\$ 13,981,186
Operating grants and contributions	2,155,509	2,024,197	1,571,888	1,346,166	3,727,397	3,370,363
Capital grants and contributions	139,201	229,515	382,201	532,492	521,402	762,007
General revenues						
Property taxes	9,645,588	9,165,494	891,306	880,934	10,536,894	10,046,428
Other taxes	2,648,838	2,575,893	-	-	2,648,838	2,575,893
Intergovernmental revenues	732,672	721,892	-	-	732,672	721,892
Other	195,695	304,138	314,669	328,295	510,364	632,433
Total revenues	<u>20,207,120</u>	<u>19,128,669</u>	<u>13,544,146</u>	<u>12,961,533</u>	<u>33,751,266</u>	<u>32,090,202</u>
<b>Expenses (including indirect expense):</b>						
General government	3,440,910	3,852,797	-	-	3,440,910	3,852,797
Public safety	5,874,586	5,660,436	-	-	5,874,586	5,660,436
Physical environment	587,814	646,824	6,289,029	6,534,903	6,876,843	7,181,727
Public works/Transportation	5,260,537	5,215,574	-	-	5,260,537	5,215,574
Beach parking	-	-	4,644,671	4,160,279	4,644,671	4,160,279
Economic development	349,427	352,019	-	-	349,427	352,019
Human services	-	24,579	-	-	-	24,579
Culture/recreation	5,059,094	4,932,373	-	-	5,059,094	4,932,373
Interest on long-term debt	189,885	344,918	454,139	513,707	644,024	858,625
Total expenses	<u>20,762,253</u>	<u>21,029,520</u>	<u>11,387,839</u>	<u>11,208,889</u>	<u>32,150,092</u>	<u>32,238,409</u>
Increase (decrease) in net position before transfers	(555,133)	(1,900,851)	2,156,307	1,752,644	1,601,174	(148,207)
Transfers	476,792	455,467	(476,792)	(455,467)	-	-
Increase (decrease) in net position	(78,341)	(1,445,384)	1,679,515	1,297,177	1,601,174	(148,207)
Net position - beginning of year as previously reported	43,895,722	45,058,392	38,137,069	36,839,892	82,032,791	81,898,284
Adjustment	-	282,714	-	-	-	282,714
Net position - beginning of year	<u>43,895,722</u>	<u>45,341,106</u>	<u>38,137,069</u>	<u>36,839,892</u>	<u>82,032,791</u>	<u>82,180,998</u>
Net position - end of year	<u>\$ 43,817,381</u>	<u>\$ 43,895,722</u>	<u>\$ 39,816,584</u>	<u>\$ 38,137,069</u>	<u>\$ 83,633,965</u>	<u>\$ 82,032,791</u>

The table to the right 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.

<b>Program Revenues and Expenses</b>				
<b>Governmental Activities</b>				
	<b>Total Cost Of Services</b>		<b>Net (Cost) Earnings Of Services</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
General government	\$ 3,440,910	\$ 3,852,797	\$ (1,097,172)	\$ (1,671,792)
Public safety	5,874,586	5,660,436	(4,412,831)	(4,661,132)
Physical environment	587,814	646,824	(333,982)	(403,973)
PW/Transportation	5,260,537	5,215,574	(3,377,138)	(3,224,663)
Culture/Recreation	5,059,094	4,932,373	(4,034,258)	(4,005,172)
All others	539,312	721,516	(522,545)	(701,536)
Totals	<u>\$ 20,762,253</u>	<u>\$ 21,029,520</u>	<u>\$ (13,777,926)</u>	<u>\$ (14,668,268)</u>

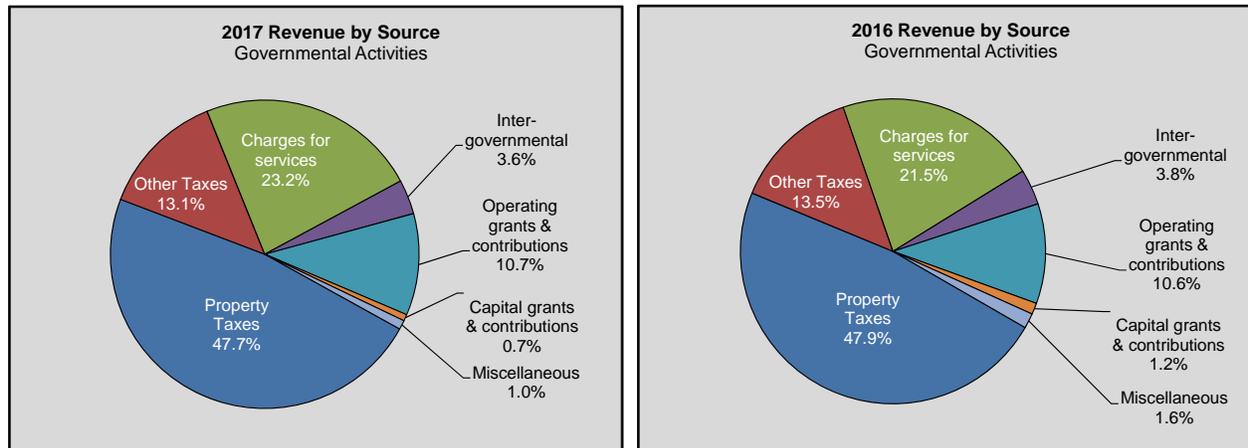
CITY OF SANIBEL, FLORIDA  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 (Unaudited)  
 September 30, 2017

The total cost of all governmental activities provided this fiscal year was approximately \$20.7 million, a 1.3% decrease from the prior year due to pension expense as previously discussed. As detailed in the statement of activities on page 51, the net cost ultimately paid through taxes and other general revenues was approximately \$13.8 million.



In comparing program expenses to program revenue, it can be easily seen that the majority of the funding for governmental activities is not from program revenues.

The following graphs compare the composition of revenues for the City's governmental activities for the period ending September 30, 2017 and 2016, respectively:



**Business-type activities**

**Revenues**

Revenues from the operations of the City's business-type activities totaled \$13.5 million in fiscal year 2017, a 4.5% increase from the previous year. Total expenses for 2017 were \$11.4 million, a 1.6% increase from fiscal year 2016. These results generated a 4.4% (\$1.7 million) increase in net position.

CITY OF SANIBEL, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)  
September 30, 2017

Total program revenues generated from the City's business-type activities increased 5.0% in fiscal year 2017, to a total of \$12.3 million. The largest component of program revenues is charges for services, which generated an increase of 5.2% in fiscal year 2017, primarily due to a scheduled increase in sewer rates and greater demand at the City's beach parking lots.

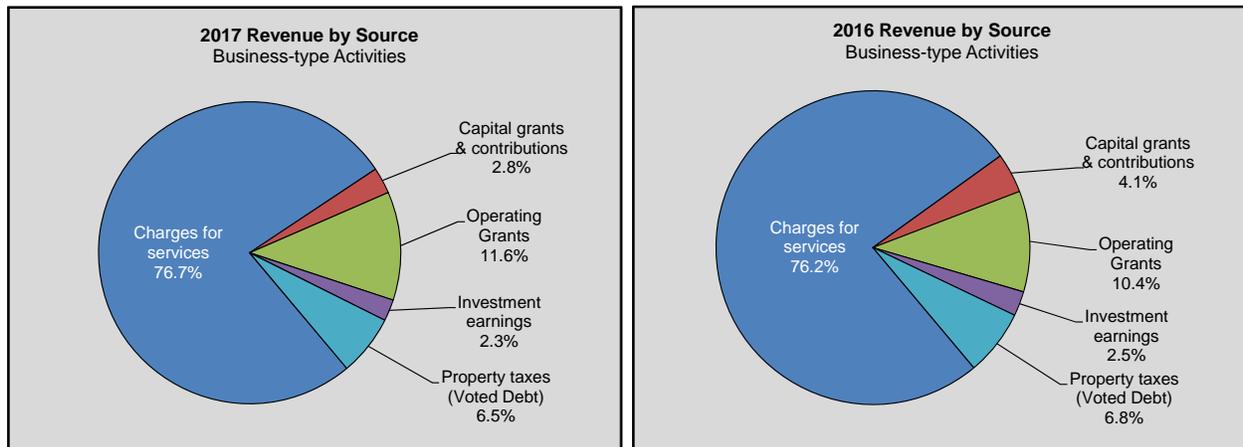
The City's primary operating grants and contributions are received pursuant to an interlocal agreement with the Lee County Tourist Development Council (TDC) and are accounted for in the Beach Parking fund. These funds increased approximately \$226,000 (16.8%) in fiscal year 2017 from fiscal year 2016. These grants mainly fund beach maintenance and prevention of erosion activities and routinely vary from year to year.

The City's sewer fund received a grant of \$825,000 from the State of Florida for design and engineering for the renovation of the main sewer plant. \$130,800 of this grant was utilized and recognized as revenue in fiscal year 2017.

Capital grants and contributions decreased \$150,300 in fiscal year 2017. In the Sewer fund, capital contributions from sewer connection fees increased approximately \$28,000 from the previous year. These contributions typically vary from year to year based on sewer connection activity and fluctuations are expected. Additionally, the Sewer fund received a \$130,800 capital grant as noted above. In the Beach Parking fund, capital contributions from the Lee County TDC decreased \$310,000 in fiscal year 2017. One significant capital project, a beach restroom, was delayed until fiscal year 2018. No other capital projects were funded in fiscal year 2017 by the TDC.

General revenues are received from two sources in the City's business-type activities. The majority of revenue comes from tax revenue received from voter-approved tax levies to pay debt service related to the Sewer fund capital expansion projects. Tax revenue received in 2017 totaled approximately \$891,000 based on debt service needs for the year. The second source of general revenues is received from the Sewer and Beach Parking fund's investment and banking activity. Revenue was down 4.2% in this area, primarily due to market fluctuations at year end.

The following graphs compare the composition of revenues for the City's business-type activities for the period ending September 30, 2017 and 2016, respectively:



CITY OF SANIBEL, FLORIDA  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 (Unaudited)  
 September 30, 2017

**Expenses**

Total business-type total expenses (operating, non-operating and transfers to General fund) increased 1.7% (\$200,000) in fiscal year 2017 compared to the same period in 2016. The Sewer fund decreased 4.4% and the Beach Parking fund increased 11.0%.

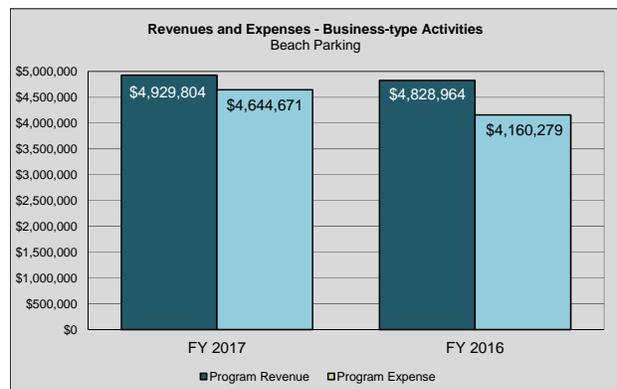
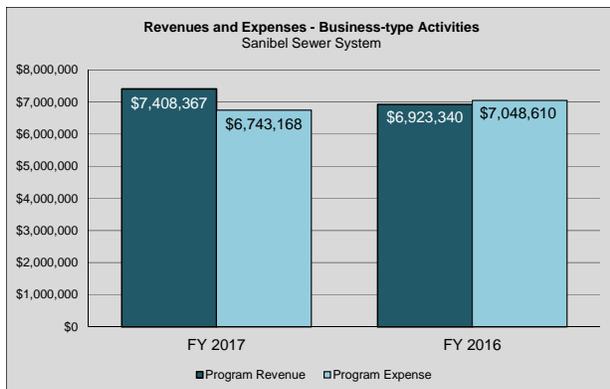
The Sewer fund's operating expense decrease is attributable to 1) a \$239,000 (25.4%) decrease in repair and maintenance expenses. The system is undergoing a large scale rehabilitation project that was delayed into fiscal year 2018, and 2) a 22.8% decrease in administrative expenses related to professional and contractual services for the plant renovation that was delayed. The previously mentioned decrease in pension expense was partially offset by increased wages in the sewer fund and total personnel expenses decreased approximately \$56,000.

Non-operating expenses and transfers were consistent with the prior year.

The Beach Parking fund's operating expenses increased \$510,000 (12.4%) in fiscal year 2017 from the previous year. The most notable details are noted below:

- **Public Safety:** Personnel expenses increased \$115,000 (13.0%) due to scheduled personnel wage increases as well as pension expense. As noted previously, the General Employee Pension Plan pension expense decreased significantly in fiscal year 2017; however, the savings in this fund were partially offset by an increase in pension expense for the Municipal Police Officers' Pension Plan. Operating expenses increased \$190,000 (30.5%) primarily due to a new contractual armored car service and an increase in the indirect cost recovery paid back to the General fund. Additionally, repair and maintenance expense increased approximately \$33,000.
- **Physical Environment:** The Natural Resources department expenses increased \$253,000 in fiscal year 2017 as the City continues to address water quality concerns in an around the island's public beaches, specifically around the timeframe that Hurricane Irma affected the island.
- **Public Works:** Personnel expenses decreased \$25,000 from the previous year, primarily due to the decreased pension expense in the General Employee Pension Plan. The majority of these personnel expenditures are funded by grants from the Lee County Tourism Development Council. Operating expenses decreased \$35,000, mainly due to reductions in repair and maintenance.
- **Interfund transfers to the General fund for payments in lieu of taxes** increased 4.8% due to increased revenues at the beach parking lots.

The following charts compare program expenses with program revenues for the City's business-type activities for fiscal years 2017 and 2016:



CITY OF SANIBEL, FLORIDA  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 (Unaudited)  
 September 30, 2017

**FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS**

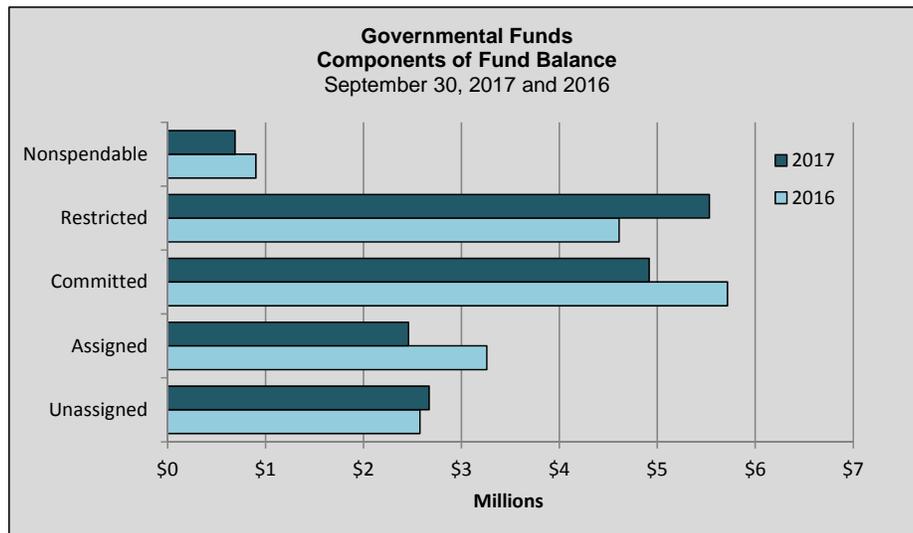
As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds**

The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City Council.

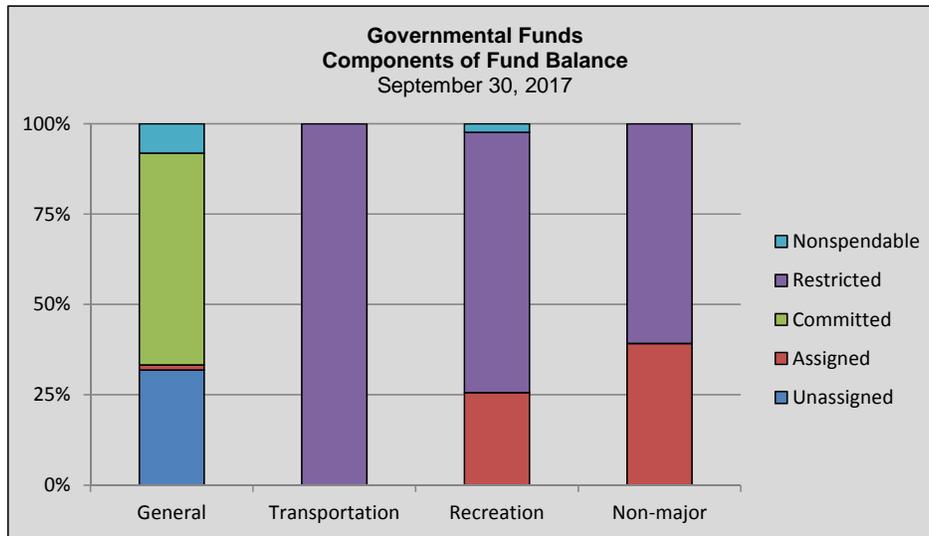
At September 30, 2017, the City's governmental funds reported combined fund balances of \$16.3 million, a decrease of approximately \$800,000 in comparison with the prior year. The primary reason for the decrease relates to increased expenditures for the preparation and recovery from Hurricane Irma. Approximately 16.4% of this amount (\$2.7 million) is comprised of unassigned fund balance, which is available for spending at the City's discretion. The remainder of the fund balance is not in spendable form, restricted for specific purposes, committed for specific purposes, or assigned to particular purposes.

The following chart compares the various components of governmental funds fund balance between fiscal year 2017 and 2016:



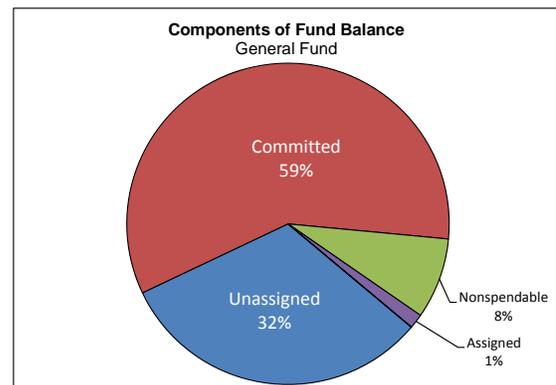
CITY OF SANIBEL, FLORIDA  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 (Unaudited)  
 September 30, 2017

A comparison of the allocation of fund balance as of September 30, 2017 for all major funds and non-major funds is presented below.



**General Fund**

The *General* fund is the chief operating fund of the City. It is used to account for all financial resources of the City except those required to be accounted for in another fund. At the end of fiscal year 2017, the unassigned fund balance of the general fund was \$2.7 million, while total fund balance was \$8.4 million. As a measure of the general fund's liquidity, it may be useful to compare both unrestricted (total of committed, assigned, and unassigned) fund balance and total fund balance to total general fund expenditures and other financing uses. Unrestricted fund balance represents approximately 56.4% of the total general fund expenditures, while total fund balance represents 61.4% of that same amount.



The fund balance of the general fund decreased \$2.0 million, or 19.1%, during fiscal year 2017 to a total of \$8.4 million. The decrease is almost entirely attributable to Hurricane Irma expenditures. Revenue in the general fund increased 6.4% while total operating expenditures increased 10.7%. Another contributing factor to the general fund performance was that transfers in were down 44.3% (in the prior year a one-time transfer from the Transportation fund was recorded), while transfers out to other funds increased 43.4%.

Key factors in the current year results are the net effect of the following items:

- Revenues increased 6.4% in the current year to \$14.5 million.
  - Collections of property taxes increased 5.3% to \$8.8 million in fiscal year 2017 due to a 5.6% increase in taxable property values;
  - Charges for services increased \$279,000 (11.8%) due to increases in the amounts recovered from other funds for indirect costs;

CITY OF SANIBEL, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)  
September 30, 2017

---

- Fines and forfeitures increased \$272,000 in the current year due to the settlement of a code enforcement case on a foreclosed property in the City.
- Expenditures in the general fund increased \$1.3 million (10.7%) in fiscal year 2017.
  - Approximately \$370,000 in additional personnel expenditures was required in response to the arrival of Hurricane Irma. These expenses were incurred during preparation for the storm, evacuation during the storm, and immediate recovery after the storm;
  - Approximately \$75,000 in expenditures were incurred for operational expenses involved with the evacuation of the island (temporary city hall location, emergency food and water, operating supplies);
  - The City expended approximately \$635,000 immediately after the storm to remove debris and clear streets;
  - Overall personnel costs increased due to a 2.0% cost of living adjustment and a possible 1.5% merit increase in staff wages that was agreed to between the City's labor unions and management. Also, the City's required cash contributions to its two defined benefit pension plans increased approximately \$215,000 based on actuarial analyses.
- Transfers
  - Transfers out from the General fund to other funds increased 43.4% in fiscal year 2017. \$100,000 was transferred to the Elementary School Ball Park Maintenance as part of three-way cost share to replace the aging field lights. Additionally, as a result of Hurricane Irma, the Recreation Center was closed and used as a public shelter. To support the operation of the shelter, the City transferred an additional \$170,000 to the Recreation Center fund.

For information on the General fund's budgetary performance for fiscal year 2017, see the discussion beginning on page 42.

***Transportation Fund***

The *Transportation* fund, a major special revenue fund, was established 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, fuel tax rebates and surplus toll revenues from the Sanibel Causeway. Per an interlocal agreement with Lee County, the City receives 21% of the surplus toll revenue that Lee County received from the Sanibel Causeway. The City receives these funds on a biannual basis. The City also receives gas tax revenue from the State of Florida. Both of these revenue sources are restricted for use for transportation related operational and capital expenditures. Revenue for fiscal year 2017 was consistent with revenue in fiscal year 2016 at \$3.6 million compared to \$3.5 million.

Operating expenditures decreased 10.0% in fiscal year 2017 primarily due to the postponement of the City's annual repaving program which normally takes place in late summer. Due to Hurricane Irma, the repaving program was extended into fiscal year 2018.

The ending fund balance of the Transportation fund is \$1.8 million and 100% restricted at September 30, 2017.

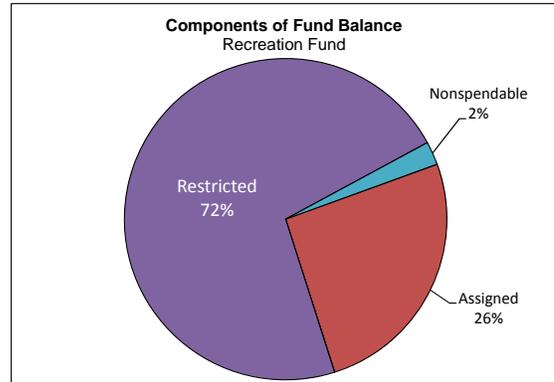
CITY OF SANIBEL, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)  
September 30, 2017

**Recreation Fund**

The *Recreation Fund*, a major special revenue fund, is used to account for the recreation center programs and the Center-4-Life senior programs. All activities necessary to provide recreation programs are accounted for in this fund. External revenues are received from membership fees and program fees.

The ending fund balance of the Recreation fund increased \$53,000 during 2017 to \$226,000. Key factors in this increase are the net effect of the following items:

- Total revenue decreased 6.7%, primarily due to the center being closed for approximately two weeks after Hurricane Irma;
- Total expenditures decreased 2.2% from fiscal year 2016 due to focus on expense reduction and reduction in operational expenses needed due to center closure;
- As previously mentioned, an additional \$170,000 was transferred to the Recreation fund as a result of Hurricane Irma recovery efforts.



The majority of the ending fund balance of the Recreation fund is restricted for the financial assistance program (\$162,000) received from donations.

**Other Governmental Funds**

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 increased \$1.2 million in 2017 from 2016 (25.8%) and total \$5.8 million.

Key factors in this increase are the net effect of the following items:

- Total revenue increased 14.1% in fiscal year 2017 to \$2.5 million;
- Voter approved debt service ad valorem tax receipts are based on anticipated debt service needs. Total tax collected was \$882,000 in 2017 compared to \$844,000 in 2016;
- Licenses and permits increased 22.7% in fiscal year 2017, primarily driven by an increase in building permit activity;
- Intergovernmental revenue increased \$157,000 (94.7%) due to receipts from a cost-share project with two local governmental entities to replace the lighting at the ball fields adjacent to the Sanibel School;
- Operating expenditures increased 27.5% in fiscal year 2017, primarily driven by increases in the Building Fund (personnel increases and new operating software acquisition) and the Recreation Center (personnel increases and increased expenditures due to Hurricane Irma shelter operations);
- Transfers in to these funds from other City funds increased significantly to \$2.2 million in fiscal year 2017 from \$892,000 in fiscal year 2016. Transfers are budgeted based on expected expenditures and several budgeted projects were not fully completed in fiscal year 2017 due to the storm. These projects are expected to be completed in fiscal year 2018.

For more detailed information, see the combining financial statements for the City's non-major governmental funds beginning on page 122.

CITY OF SANIBEL, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)  
September 30, 2017

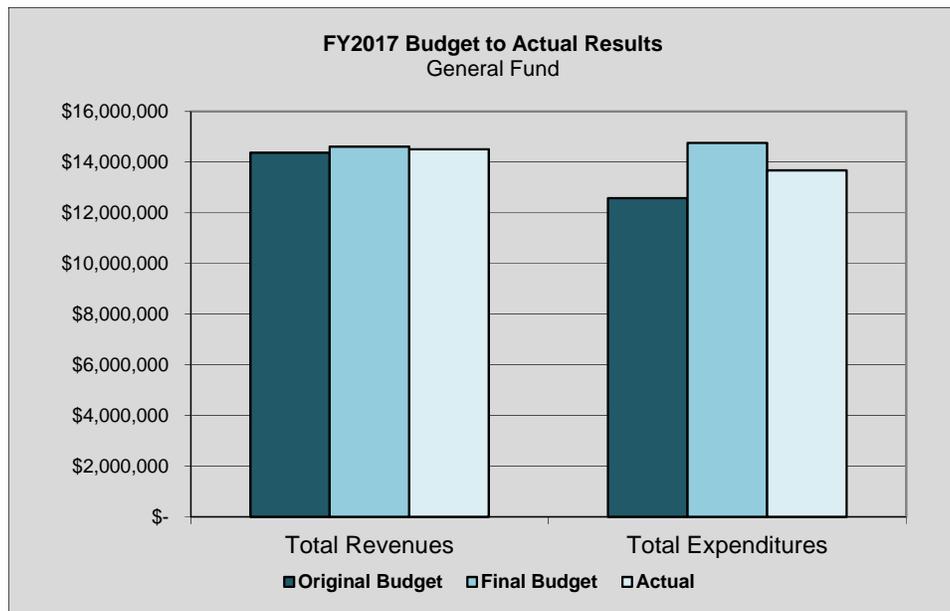
---

**Proprietary Funds**

The City's proprietary funds are comprised of enterprise funds. An enterprise fund is used to account for activities for which a fee is charged to external users for goods and services. These funds provide the same type of information found in the government-wide financial statements business-type activities. See the discussion of business-type activities beginning on page 35. For additional detail, see the propriety fund statements beginning on page 58.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

During fiscal year 2017, there was a \$238,000 (1.7%) increase in budgeted total revenue and a \$2.1 million (17.3%) increase in budgeted total expenditures between the original and final amended budget in the General fund.



Following are the key factors for the variance in revenues between the original and final budget:

- The revenue received from other funds based on the annual indirect cost recovery study increased \$212,000 (44.5%) in fiscal year 2017;
- A \$26,000 economic development grant was approved subsequent to the budget being adopted

Following are the key factors for the variance in expenditures between the original and final budget:

- Due to preparation and recovery efforts related to Hurricane Irma, \$1.7 million was transferred from reserves to operating expenditures in September of 2017;
- The Police Department personnel and operating budget was increased \$100,500 for additional police officers and related equipment;
- Transfers out to other funds increased \$263,000 to fund Police department vehicle purchases and equipment for additional officers.

During fiscal year 2017, there was a \$102,000 (-0.7%) negative variance between final budgeted total revenue and actual total revenue. The variances that comprised this small decrease were widespread and no specific line items were greatly decreased.

CITY OF SANIBEL, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)  
September 30, 2017

Final budget-to-actual expenditures show a \$1.1 million (7.3%) positive variance (actual less than budget). The majority of this variance was due to timing of payments to the City's debris management and hauling contractors. Reserve funds transferred into operating at year end were not fully needed and rolled into fiscal year 2018 to fund additional debris hauling expenditures.

Additional expenditure savings were uniform through most departments and reflect the continuation of cost containment efforts throughout the City.

A more detailed presentation of the general fund budget comparison can be found in the budgetary comparison statement found on page 56 of this report.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital assets.** The City's capital assets as of September 30, 2017 reflect an investment of \$85.4 million, 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 7 on page 91 of this report.

<b>Capital Assets (net of depreciation) as of September 30,</b>						
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Land	\$24,966,425	\$24,966,425	\$ 1,864,013	\$ 1,862,174	\$ 26,830,438	\$ 26,828,599
Buildings	11,014,621	11,629,254	1,694,668	1,832,614	12,709,289	13,461,868
Improvements	994,358	807,791	637,186	699,618	1,631,544	1,507,409
Vehicles and equipment	1,637,938	1,367,201	1,325,016	1,294,599	2,962,954	2,661,800
Infrastructure	5,717,966	6,220,170	35,037,954	36,329,051	40,755,920	42,549,221
Construction work in progress	60,873	-	497,595	97,643	558,468	97,643
Total capital assets	<u>\$44,392,181</u>	<u>\$44,990,841</u>	<u>\$41,056,432</u>	<u>\$42,115,699</u>	<u>\$ 85,448,613</u>	<u>\$ 87,106,540</u>

Notable capital asset events during the current fiscal year included the following:

<u>Description</u>	<u>Cost</u>
<i>Purchases/Acquisitions</i>	
Phase IV Sewer Expansion .....	\$1,055,353
Ballfield Lighting.....	\$303,128
Trucks/vehicles (15).....	\$451,665
Technology .....	\$100,791
Security Camera/Equipment.....	\$68,209
Tasers .....	\$37,310
Electronic Traffic Sign.....	\$17,855
Parking Pay Stations (11) .....	\$154,220
<i>Construction In Progress</i>	
Police Gate System .....	\$60,873
Tarpon Bay Restrooms.....	\$11,827
Donax Wastewater Treatment Plant.....	\$388,125

CITY OF SANIBEL, FLORIDA  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 (Unaudited)  
 September 30, 2017

*Disposals*

Parking Pay Stations (11) .....\$131,551

The above list is not all inclusive. Annually, the City disposes of equipment that is obsolete or non-functioning as part of routine operations.

**Long-term liabilities.** As of September 30, 2017, the City had \$33.8 million in outstanding long term liabilities. The following schedule provides a comparative summary of the City's outstanding long-term liabilities:

	<b>Long-term Liabilities as of September 30,</b>					
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Bonds						
General obligation	\$ 7,680,000	\$ 8,370,000	\$ -	\$ -	\$ 7,680,000	\$ 8,370,000
Revenue	-	-	5,187,282	6,438,561	5,187,282	6,438,561
Notes payable	-	-	10,622,989	12,004,703	10,622,989	12,004,703
Pension related	8,055,834	10,563,552	1,230,895	1,758,999	9,286,729	12,322,551
Compensated absences	603,693	615,271	160,219	122,890	763,912	738,161
OPEB	199,091	183,732	67,572	60,365	266,663	244,097
Total	<u>\$16,538,618</u>	<u>\$19,732,555</u>	<u>\$17,268,957</u>	<u>\$20,385,518</u>	<u>\$33,807,575</u>	<u>\$40,118,073</u>

The City's total long-term liabilities decreased \$6.3 million during the current fiscal year, primarily due to the reduction in the City's net pension liability. Outstanding debt related to bonds and notes payable decreased \$3.3 million during fiscal year 2017 due to annual scheduled debt service payments.

Long-term liability amounts for the City's pension and OPEB plans are actuarially calculated. The liability for compensated absences is based on the payable accrued leave time for employees at September 30, 2017.

Additional information about the City's long-term liabilities can be found in Note 9 beginning on page 93 of this report.



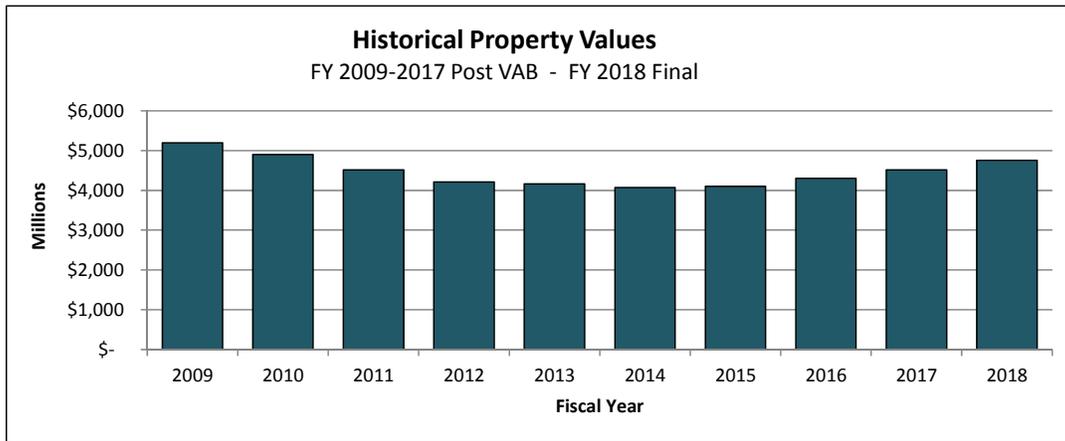
CITY OF SANIBEL, FLORIDA  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 (Unaudited)  
 September 30, 2017

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

The City's two most important economic factors that will affect its financial stability are property values (which are used to calculate the tax levy) and tourism revenues.

**Property Values**

Property values continue to increase and were valued at \$5.0 billion for fiscal year 2018 (the upcoming budget year). However, much like most of Southwest Florida, the City is still below its historical high values from fiscal year 2007. The following chart shows the history of property values since fiscal year 2009. Amounts prior to 2018 are final after any adjustment from the Value Adjustment Board (VAB).



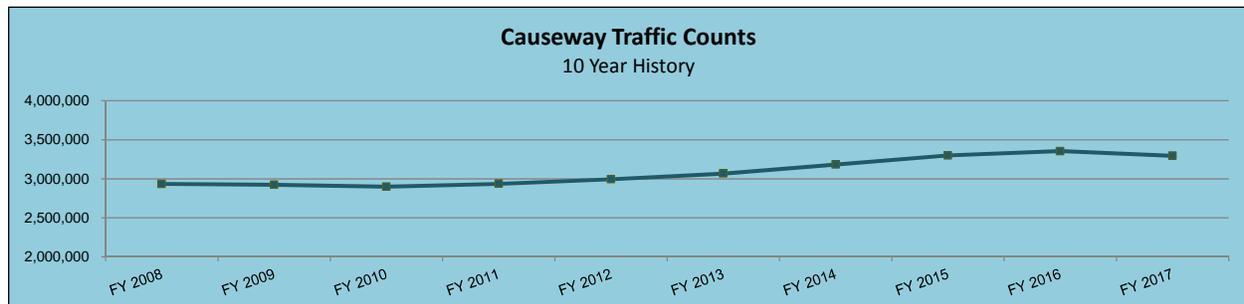
Property values remain uncertain in the upcoming year; however, the City is cautiously optimistic that taxable values will continue to trend upwards. As the City relies on ad valorem tax revenue for the majority of its revenue, there is significant focus placed annually on the following year's values.

**Tourism**

Based on information from the Lee County Toll system's (LeeWay) traffic reports, the Sanibel causeway's fiscal year 2017 vehicle total decreased 1.8% from fiscal year 2016. Due to Hurricane Irma, tolls were suspended between September 7, 2017 and September 19, 2017. During this time, traffic counts were not recorded. Recorded traffic in September 2017 decreased 41.3% to 91,109.

As the causeway is the only entrance to the City, using traffic counts is a good indicator of trends in tourism. Additionally, per an interlocal agreement with Lee County, the City receives a portion of each toll that is paid for transportation purposes.

The following graph shows the traffic trend over the last ten years. While Hurricane Irma was a relatively short term event as it relates to causeway traffic, the City is paying close attention to the long term effects of the storm and its aftermath.



CITY OF SANIBEL, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)  
September 30, 2017

---

**Other Economic Factors**

According to the U.S. Department of Labor Bureau of Labor Statistics (USBLS), the unemployment rate for the Cape Coral-Fort Myers Metropolitan Area (that includes the City) for September 2017 was 3.3%, a slight decline from the September 2016 rate of 4.7%.

The Southwest Florida economy is very dependent on tourism, and the City of Sanibel is a premier tourist destination for the area. According to data from the Lee County Business Development Office, Lee County's 20% of local jobs are tied to tourism and direct visitor spending increased to \$3.0 billion in 2016 (latest data available), a 1.3% increase from the prior year.

**Next Year's Budget and Rates**

The following items were considerations in developing the fiscal year 2018 budget:

- The July 1st real and personal property value for the City of Sanibel was preliminarily assessed at \$5.04 billion by the Lee County Property Appraiser. This represents a 6.17% increase in value from the fiscal year 2017 final valuation;
- A millage rate of 1.9139 was used to calculate the ad valorem tax levy in the General Fund. This is the same millage rate that was adopted by the City Council for the fiscal year 2017 budget;
- The budget assumes approximately \$1.74 million of the City's disaster reserves will be expended in fiscal year 2017 for recovery efforts related to Hurricane Irma. Until such time that the City begins receiving Federal and State reimbursement for hurricane recovery expenditures, the fiscal year 2018 disaster reserves budget has been reduced from \$4.5 million to \$3.7 million. The City has already begun the process of claiming disaster funds from the Federal and State governments;
- The budget includes an approximate 11.4% increase in total pension costs that includes both defined pension plans and the defined contribution 401(a) plan. The City is still in a transition phase with its defined contribution plan – as employees retire out of the General Employees' (GE) Pension Plan (which has been closed to new employees since 2012) the 401(a) plan expenses are expected to continue to increase. The benefit to the City from the defined contribution plan is the expenses are "pay as you go" and therefore there is no future liability associated with this expenditure. The City's annual contribution to the existing GE pension plan will increase 22.1% and the contribution to the Municipal Police Officers' pension plan will decrease 3.3% in fiscal year 2018. The GE pension plan includes legacy costs resulting from early retirement buyouts the City approved in the 1990's that were not fully funded at the time. Both plans had actuarial studies completed to determine the required funding levels;
- The fiscal year 2018 budgeted manpower allocation is increased by one FTE for the Building Department to provide additional support for permitting projects. This position is fully funded by the Building Fund;
- To protect our citizens and our officers the increased Police Department staffing levels approved in Fiscal Year 2017 are continued through fiscal year 2018;
- The budget for the Sanibel Recreation Center is consistent with the City Council authorized cap previously established at \$1.4 million. Programs and operations are adjusted to operate within the pre-approved support;
- The budget includes the \$225,000 annual transfer to the recreation complex sinking fund established by City Council in FY2013 to proactively fund capital repairs at the Recreation Center facility.
- The budget removed \$100,000 from the IT capital budget for technology changes that was not completed in FY 2017. Staff recommends that significant IT upgrades to MacKenzie Hall should be completed when major renovations to the entire room are required;

CITY OF SANIBEL, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)  
September 30, 2017

---

- In the Transportation Fund, the budget includes \$1.523 million in causeway tolls to be received pursuant to the interlocal agreement with Lee County for the Sanibel causeway. This amount is lower than the estimated collections in FY2017 based on projections considering Hurricane Irma and possible effects on island traffic. Additionally, an expected \$1.825 million in gas taxes are expected to be received. These two major revenue sources will fund budgeted transportation expenditures fully in fiscal year 2018, requiring no transfer from the General fund;
- A 4% increase in sewer and reclaimed water fees is included in the Sewer Fund budget based on the completed Revenue Sufficiency Study to provide funds for operating expenses and approved sewer related capital projects;
- The budget includes \$200,000 in funding for the design and permitting of the Center 4 Life.
- The City continues to reduce its total debt, through annual debt service payments and opportunities for refinancing at more favorable interest rates;
- Funding for the City's supported non-profits (Community Housing Resources and the Historical Village and Museum) remain at the fiscal year 2017 levels as contract negotiations continue;
- A reserve for the Dunes Community road resurfacing was established last year. The project is expected to cost \$1 million and \$200,000 is being reserved annually in the Transportation Fund to fund the project when necessary. Current level of the reserve in the fiscal year 2018 budget is \$600,000 and is expected to increase to \$800,000 by the beginning of fiscal year 2019;
- The budget includes a 2% general cost of living wage increase for employees effective October 1, 2017, as agreed to during union negotiations with the City's two labor unions. Additionally, the agreements provide for a possible 1% merit increase for an employee based on their annual evaluation;
- The Transportation Fund budget includes \$125,000 to continue to expand the traffic mitigation and education initiatives in fiscal year 2018;
- \$1.8 million is included for capital projects in the governmental funds. This includes certain special revenue funds and the capital project funds. The total includes \$887,000 that is budgeted to rollover from unfinished projects in fiscal year 2017 and approximately \$923,000 is new funding requested;
- \$5.8 million is included for capital projects in the Sewer Fund. Of this total, \$750,000 is projected to rollover from fiscal year 2017 and \$5.1 million is new funding requested. Included in these amounts is \$5.1 million in funding for the previously approved sewer plant renovation project (the City has received funding in the State of Florida's fiscal year 2018 budget for these projects as a reimbursement grant for a total of \$825,000 – these funds are included in the sewer revenue budget);
- \$1.9 million is included for capital projects in the Beach Parking Fund, of which approximately \$680,000 will be reimbursed by the Tourism Development Council. Of the total capital project total, \$1.2 million is projected to rollover from fiscal year 2017 and \$692,000 is new funding requested. \$402,250 is included in the Beach Parking Fund budget for the rehabilitation of the two lighthouse cottages, which is scheduled to be completed during the latter half of fiscal year 2018.

### **Requests for Information**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City of Sanibel's finances and to demonstrate the City's accountability.

Questions concerning any of the information provided in this report or requests for additional financial information may be addressed to the Finance Director, City of Sanibel, 800 Dunlop Road, Sanibel, Florida 33957. Information is also available on the City's website at [www.mysanibel.com](http://www.mysanibel.com).



The Basic Financial Statements section incorporates the governmental, business-type and fiduciary fund transactions for the City and the activity of its component unit.

**This section contains the following subsections:**

Statement of Net Position .....50

Statement of Activities .....51

Balance Sheet – Governmental Funds.....52

Reconciliation of the Balance Sheet of Governmental Funds  
to the Statement of Net Position.....53

Statement of Revenues, Expenditures and Changes in Fund Balances -  
Governmental Funds .....54

Reconciliation of the Statement of Revenues, Expenditures, and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities .....55

Statement of Revenues, Expenditures, and Changes in Fund Balance  
Budget and Actual – General Fund .....56

Statement of Revenues, Expenditures, and Changes in Fund Balance  
Budget and Actual – Other Major Funds .....57

Statement of Net Position – Proprietary Funds .....58

Statement of Revenues, Expenses, and Changes in Net Position –  
Proprietary Funds .....60

Statement of Cash Flows – Proprietary Funds.....61

Statement of Net Position – Fiduciary Funds .....63

Statement of Changes in Net Position – Fiduciary Funds.....64

CITY OF SANIBEL, FLORIDA  
STATEMENT OF NET POSITION  
September 30, 2017

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Community Housing & Resources, Inc.
<b>ASSETS</b>				
Cash and cash equivalents	\$ 10,216,062	\$ 11,223,240	\$ 21,439,302	\$ 403,018
Investments	5,354,133	1,357	5,355,490	-
Receivables (net of allowance for uncollectibles)				-
Accounts	388,645	491,822	880,467	464
Interest	102,127	-	102,127	-
Due from other governments	932,695	853,888	1,786,583	-
Internal balance with related party	247,714	-	247,714	-
Internal balances	550,000	(550,000)	-	-
Inventories	12,183	2,506	14,689	-
Prepays	179,677	7,622	187,299	41,180
Restricted assets:				
Cash and cash equivalents	282,728	980,704	1,263,432	138,874
Interest & taxes receivable	259	-	259	-
Assessments receivable	-	3,948,704	3,948,704	-
Capital assets (net of accumulated depreciation, where applicable):				
Land	24,966,425	1,864,013	26,830,438	768,913
Buildings	11,014,621	1,694,668	12,709,289	3,557,383
Improvements other than buildings	994,358	637,186	1,631,544	-
Vehicles and equipment	1,637,938	1,325,016	2,962,954	10,310
Infrastructure	5,717,966	35,037,954	40,755,920	-
Construction in progress	60,873	497,595	558,468	184,186
Total Assets	<u>62,658,404</u>	<u>58,016,275</u>	<u>120,674,679</u>	<u>5,104,328</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows related to pensions	373,011	36,893	409,904	-
Deferred charge on refunding	-	78,473	78,473	-
Total deferred outflows of resources	<u>\$ 373,011</u>	<u>\$ 115,366</u>	<u>\$ 488,377</u>	<u>\$ -</u>
<b>LIABILITIES</b>				
Accounts payable and other accrued liabilities	1,763,680	768,910	2,532,590	93,727
Accrued interest payable	29,044	108,285	137,329	-
Unearned revenue	238,017	23,744	261,761	7,000
Long-term liabilities:				
Due within one year	1,157,770	2,813,838	3,971,608	60,404
Due in more than one year	15,380,848	14,455,119	29,835,967	1,855,835
Total Liabilities	<u>18,569,359</u>	<u>18,169,896</u>	<u>36,739,255</u>	<u>2,016,966</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows related to pensions	644,675	145,161	789,836	-
Total deferred inflows of resources	<u>\$ 644,675</u>	<u>\$ 145,161</u>	<u>\$ 789,836</u>	<u>\$ -</u>
<b>NET POSITION</b>				
Net investment in capital assets	36,654,567	25,118,198	61,772,765	3,158,621
Restricted for:				
Public safety	1,082,994	-	1,082,994	-
Transportation	1,836,951	-	1,836,951	-
Capital projects	2,019,805	-	2,019,805	-
Debt service	282,987	4,929,408	5,212,395	-
Donations received	162,628	-	162,628	101,074
Special Assessments	117,133	-	117,133	-
Unrestricted	1,660,316	9,768,978	11,429,294	(172,333)
Total Net Position	<u>\$ 43,817,381</u>	<u>\$ 39,816,584</u>	<u>\$ 83,633,965</u>	<u>\$ 3,087,362</u>

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

CITY OF SANIBEL, FLORIDA  
STATEMENT OF ACTIVITIES  
For the Fiscal Year Ended September 30, 2017

Functions/Programs	Program Revenues					Net (Expense) Revenue and Changes in Net Position			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		
<b>Primary government:</b>									
Governmental activities:									
General government	\$ 5,872,474	\$ (2,431,564)	\$ 2,343,738	\$ -	\$ -	\$ (1,097,172)		\$ (1,097,172)	
Public safety	5,334,559	540,027	1,420,555	41,200	-	(4,412,831)		(4,412,831)	
Physical environment	581,104	6,710	224,130	29,702	-	(333,982)		(333,982)	
Public works/Transportation	5,209,782	50,755	34,144	1,724,874	124,381	(3,377,138)		(3,377,138)	
Economic environment	328,461	20,966	-	16,767	-	(332,660)		(332,660)	
Culture/recreation	4,230,882	828,212	667,050	342,966	14,820	(4,034,258)		(4,034,258)	
Interest on long-term debt	189,885	-	-	-	-	(189,885)		(189,885)	
Total governmental activities	<u>21,747,147</u>	<u>(984,894)</u>	<u>4,689,617</u>	<u>2,155,509</u>	<u>139,201</u>	<u>(13,777,926)</u>		<u>(13,777,926)</u>	
Business-type activities:									
Sewer system	6,302,807	440,361	7,089,913	-	318,454	-	\$ 665,199	665,199	
Beach parking	4,100,138	544,533	3,294,169	1,571,888	63,747	-	285,133	285,133	
Total business-type activities	<u>10,402,945</u>	<u>984,894</u>	<u>10,384,082</u>	<u>1,571,888</u>	<u>382,201</u>	<u>-</u>	<u>950,332</u>	<u>950,332</u>	
Total primary government	<u>32,150,092</u>	<u>-</u>	<u>15,073,699</u>	<u>3,727,397</u>	<u>521,402</u>	<u>(13,777,926)</u>	<u>950,332</u>	<u>(12,827,594)</u>	
<b>Component unit:</b>									
Community Housing & Resources, Inc.	\$ 1,201,500	\$ -	\$ 600,655	\$ 646,093	\$ -				\$ 45,248
<b>General revenues:</b>									
Property taxes, levied for general purpose						8,763,435	-	8,763,435	-
Property taxes, levied for debt service						882,153	891,306	1,773,459	-
Gas taxes						1,793,496	-	1,793,496	-
Local business taxes						291,040	-	291,040	-
Communications taxes						564,302	-	564,302	-
Intergovernmental revenues, not restricted to specific programs						732,672	-	732,672	-
Investment earnings						82,228	314,669	396,897	882
Gain on disposal of assets						20	-	20	-
Miscellaneous						113,447	-	113,447	64,856
						<u>476,792</u>	<u>(476,792)</u>	<u>-</u>	<u>-</u>
<b>Transfers</b>									
Total general revenues						<u>13,699,585</u>	<u>729,183</u>	<u>14,428,768</u>	<u>65,738</u>
Change in net position						(78,341)	1,679,515	1,601,174	110,986
Net position - beginning of year						<u>43,895,722</u>	<u>38,137,069</u>	<u>82,032,791</u>	<u>2,976,376</u>
Net position - end of year						<u>\$ 43,817,381</u>	<u>\$ 39,816,584</u>	<u>\$ 83,633,965</u>	<u>\$ 3,087,362</u>

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

CITY OF SANIBEL, FLORIDA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
September 30, 2017

	General	Transportation	Recreation	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 2,883,948	\$ 1,376,239	\$ 272,192	\$ 5,966,411	\$ 10,498,790
Investments	5,354,133	-	-	-	5,354,133
Receivables (net of allowance for uncollectibles)					
Accounts	374,911	1,240	12,435	59	388,645
Interest	102,386	-	-	-	102,386
Due from other funds	618,914	-	-	-	618,914
Due from other governments	98,092	700,510	4,495	129,598	932,695
Due from related party	247,714	-	-	-	247,714
Inventories	6,870	-	5,313	-	12,183
Prepaid expenses	173,395	1,818	3,252	1,212	179,677
Total assets	<u>\$ 9,860,363</u>	<u>\$ 2,079,807</u>	<u>\$ 297,687</u>	<u>\$ 6,097,280</u>	<u>\$ 18,335,137</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 964,741	\$ 207,454	\$ 33,606	\$ 197,975	\$ 1,403,776
Retainages payable	-	21,973	-	13,580	35,553
Due to other funds	-	-	-	68,914	68,914
Due to other governments	-	-	-	5	5
Deposits	7,450	-	100	-	7,550
Accrued liabilities	274,609	13,429	22,743	6,015	316,796
Unearned revenue	222,631	-	15,386	-	238,017
Total liabilities	<u>1,469,431</u>	<u>242,856</u>	<u>71,835</u>	<u>286,489</u>	<u>2,070,611</u>
Fund balances:					
Nonspendable:					
Inventories	6,870	-	5,313	-	12,183
Prepaid expenditures	173,395	-	-	-	173,395
Long-term loans to other funds	275,000	-	-	-	275,000
Long-term loans to related party	227,715	-	-	-	227,715
Restricted for:					
Building permits/operations	-	-	-	1,082,994	1,082,994
Transportation capital projects	-	1,836,951	-	-	1,836,951
Other capital projects	-	-	-	2,019,805	2,019,805
Debt service	-	-	-	312,031	312,031
Donations received	-	-	162,628	-	162,628
Canal dredging and trimming	-	-	-	117,133	117,133
Committed to:					
Disaster reserve	3,700,000	-	-	-	3,700,000
Environmental initiative reserve	1,000,000	-	-	-	1,000,000
Insurance deductible reserve	215,000	-	-	-	215,000
Assigned to:					
Parks and recreation	-	-	57,911	58,247	116,158
Other capital projects	-	-	-	2,221,046	2,221,046
Other post employment benefits	122,705	-	-	-	122,705
Unassigned:	2,670,247	-	-	(465)	2,669,782
Total fund balances	<u>8,390,932</u>	<u>1,836,951</u>	<u>225,852</u>	<u>5,810,791</u>	<u>16,264,526</u>
Total liabilities and fund balances	<u>\$ 9,860,363</u>	<u>\$ 2,079,807</u>	<u>\$ 297,687</u>	<u>\$ 6,097,280</u>	<u>\$ 18,335,137</u>

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

CITY OF SANIBEL, FLORIDA  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
September 30, 2017

---

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

Total fund balances - governmental funds		\$ 16,264,526
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		44,392,181
Debt interest payable that will not be liquidated with current financial resources, is not reported in the funds.		(29,044)
Deferred outflows of resources related to pension earnings are not recognized in the governmental funds; however, they are recorded in the statement of net position under full accrual accounting.		373,011
Deferred inflows of resources related to pension earnings are not recognized in the governmental funds; however, they are recorded in the statement of net position under full accrual accounting.		(644,675)
Other postemployment benefits are not due and payable in the current period and, therefore, are not reported in the funds.		(199,091)
Net pension liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		(8,055,834)
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	\$ (7,680,000)
	Compensated absences	(603,693)
		<u>(8,283,693)</u>
Net position of governmental activities		<u>\$ 43,817,381</u>

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

CITY OF SANIBEL, FLORIDA  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For the Fiscal Year Ended September 30, 2017

	General	Transportation	Recreation	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Taxes					
Property	\$ 8,763,435	\$ -	\$ -	\$ 882,153	\$ 9,645,588
Gas	-	1,793,496	-	-	1,793,496
Business tax receipts	291,040	-	-	-	291,040
Communications services	564,302	-	-	-	564,302
Casualty insurance premium	82,263	-	-	-	82,263
Permits, fees, special assessments	952,893	-	-	1,045,370	1,998,263
Intergovernmental revenues	820,341	1,724,875	20,589	322,376	2,888,181
Charges for services	2,648,623	-	667,050	13,896	3,329,569
Fines and forfeitures	327,599	-	-	19,080	346,679
Other revenue	56,699	35,719	27,758	214,720	334,896
Total revenues	<u>14,507,195</u>	<u>3,554,090</u>	<u>715,397</u>	<u>2,497,595</u>	<u>21,274,277</u>
<b>EXPENDITURES</b>					
<b>Current</b>					
General government	5,981,496	-	-	-	5,981,496
Public safety	4,680,303	-	-	917,149	5,597,452
Physical environment	537,534	-	-	-	537,534
Public works/Transportation	1,402,736	3,171,403	-	130,340	4,704,479
Economic environment	328,461	-	-	-	328,461
Culture/recreation	724,427	-	2,230,610	584,235	3,539,272
<b>Debt service</b>					
Principal retirement	-	-	-	690,000	690,000
Interest and fiscal charges	-	-	-	193,397	193,397
<b>Capital outlay</b>					
Total expenditures	<u>17,422</u>	<u>-</u>	<u>1,849</u>	<u>959,436</u>	<u>978,707</u>
Total expenditures	<u>13,672,379</u>	<u>3,171,403</u>	<u>2,232,459</u>	<u>3,474,557</u>	<u>22,550,798</u>
Excess (deficiency) of revenues over (under) expenditures	<u>834,816</u>	<u>382,687</u>	<u>(1,517,062)</u>	<u>(976,962)</u>	<u>(1,276,521)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	476,792	-	1,570,000	2,167,054	4,213,846
Transfers out	<u>(3,287,054)</u>	<u>(450,000)</u>	<u>-</u>	<u>-</u>	<u>(3,737,054)</u>
Total other financing sources (uses)	<u>(2,810,262)</u>	<u>(450,000)</u>	<u>1,570,000</u>	<u>2,167,054</u>	<u>476,792</u>
Net change in fund balances	(1,975,446)	(67,313)	52,938	1,190,092	(799,729)
Fund balances - beginning of year	<u>10,366,378</u>	<u>1,904,264</u>	<u>172,914</u>	<u>4,620,699</u>	<u>17,064,255</u>
Fund balances - end of year	<u>\$ 8,390,932</u>	<u>\$ 1,836,951</u>	<u>\$ 225,852</u>	<u>\$ 5,810,791</u>	<u>\$ 16,264,526</u>

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

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, 2017

---

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

Net change in fund balances - total governmental funds		\$ (799,729)
<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 \$ 978,707	
	Depreciation <u>(1,573,888)</u>	(595,181)
Net effect of various miscellaneous transactions involving capital assets (i.e. disposals, transfers, donations) which decrease net position.		(3,479)
<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 has any effect on net position.</p>		
Principal debt payments made during the fiscal year		690,000
<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 are not reported as expenditures in the governmental funds.</p>		
	Current year change in accrued other postemployment benefits (15,359)	
	Current year change in accrued compensated absences 11,578	
	Current year change in accrued interest payable <u>3,512</u>	(269)
Cash pension contributions reported in the funds were less than the calculated pension expense on the statement of activities and therefore decreased net position.		<u>630,317</u>
Change in net position of governmental activities		<u>\$ (78,341)</u>

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

CITY OF SANIBEL, FLORIDA  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL – GENERAL FUND  
For the Fiscal Year Ended September 30, 2017

	Budgets		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
<b>Taxes</b>				
Property, net	\$ 8,751,797	\$ 8,751,797	\$ 8,763,435	\$ 11,638
Communications services	540,000	540,000	564,302	24,302
Business tax receipts	290,000	290,000	291,040	1,040
Casualty insurance premium	80,000	80,000	82,263	2,263
Permits, fees, special assessments	988,000	988,000	952,893	(35,107)
Intergovernmental revenues	1,265,258	1,291,678	820,341	(471,337)
Charges for services	2,321,018	2,532,768	2,648,623	115,855
Fines and forfeitures	45,000	45,000	327,599	282,599
Other revenue	90,000	90,000	56,699	(33,301)
Total revenues	<u>14,371,073</u>	<u>14,609,243</u>	<u>14,507,195</u>	<u>(102,048)</u>
<b>Expenditures</b>				
<b>Current</b>				
<b>General Government</b>				
Legislative	513,529	520,667	554,945	(34,278)
Administrative	722,701	753,399	781,494	(28,095)
Information technology	1,180,125	1,201,234	1,235,229	(33,995)
Finance	1,031,095	1,049,702	1,106,307	(56,605)
Legal	573,634	598,455	533,761	64,694
Planning	1,111,376	1,066,376	938,172	128,204
Other General Government	668,600	2,489,600	831,588	1,658,012
Total General Government	<u>5,801,060</u>	<u>7,679,433</u>	<u>5,981,496</u>	<u>1,697,937</u>
<b>Public Safety</b>				
Police	4,029,876	4,193,064	4,472,078	(279,014)
SEMP	240,720	232,748	208,225	24,523
Total Public Safety	<u>4,270,596</u>	<u>4,425,812</u>	<u>4,680,303</u>	<u>(254,491)</u>
<b>Physical Environment</b>				
Garbage recycling	62,840	62,840	65,117	(2,277)
Natural resources management	475,350	480,684	472,417	8,267
Total Physical Environment	<u>538,190</u>	<u>543,524</u>	<u>537,534</u>	<u>5,990</u>
<b>Public Works</b>				
	<u>823,929</u>	<u>854,692</u>	<u>1,402,736</u>	<u>(548,044)</u>
<b>Economic Environment</b>				
	<u>302,781</u>	<u>338,209</u>	<u>328,461</u>	<u>9,748</u>
<b>Culture/Recreation</b>				
Public facilities	695,847	749,630	553,636	195,994
Museum	132,992	132,992	152,013	(19,021)
Performing arts facility	16,638	16,638	18,778	(2,140)
Total Culture/Recreation	<u>845,477</u>	<u>899,260</u>	<u>724,427</u>	<u>174,833</u>
<b>Capital Outlay</b>				
	-	12,000	17,422	(5,422)
Total Expenditures	<u>12,582,033</u>	<u>14,752,930</u>	<u>13,672,379</u>	<u>1,080,551</u>
Excess revenues over expenditures	<u>1,789,040</u>	<u>(143,687)</u>	<u>834,816</u>	<u>978,503</u>
<b>Other financing sources (uses)</b>				
Transfers in	-	-	476,792	476,792
Reserves	(6,035,000)	(4,049,000)	-	4,049,000
Transfers out	(2,851,359)	(3,117,054)	(3,287,054)	(170,000)
Total other financing sources (uses)	<u>(8,886,359)</u>	<u>(7,166,054)</u>	<u>(2,810,262)</u>	<u>4,355,792</u>
Net change in fund balance	(7,097,319)	(7,309,741)	(1,975,446)	5,334,295
Fund balance - beginning of year	10,420,758	10,366,378	10,366,378	-
Fund balance - end of year	<u>\$ 3,323,439</u>	<u>\$ 3,056,637</u>	<u>\$ 8,390,932</u>	<u>\$ 5,334,295</u>

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

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

CITY OF SANIBEL, FLORIDA  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL – OTHER MAJOR FUNDS  
For the Fiscal Year Ended September 30, 2017

	Transportation Fund			Variance with Final Budget
	Budgets		Actual	
	Original	Final		
Revenues				
Taxes				
Gas	\$ 1,665,000	\$ 1,665,000	\$ 1,793,496	\$ 128,496
Intergovernmental revenues	1,677,000	1,677,000	1,724,875	47,875
Other revenue	18,000	29,282	35,719	6,437
Total revenues	<u>3,360,000</u>	<u>3,371,282</u>	<u>3,554,090</u>	<u>182,808</u>
Expenditures				
<b>Current</b>				
Public Works/Transportation	3,535,739	4,045,527	3,171,403	874,124
Excess revenues (under) expenditures	<u>(175,739)</u>	<u>(674,245)</u>	<u>382,687</u>	<u>1,056,932</u>
Other financing sources (uses)				
Transfers out	(450,000)	(450,000)	(450,000)	-
Reserves	(414,500)	(400,000)	-	400,000
Total other financing sources (uses)	<u>(864,500)</u>	<u>(850,000)</u>	<u>(450,000)</u>	<u>400,000</u>
Net change in fund balance	(1,040,239)	(1,524,245)	(67,313)	1,456,932
Fund balance - beginning of year	1,433,922	1,904,264	1,904,264	-
Fund balance - end of year	<u>\$ 393,683</u>	<u>\$ 380,019</u>	<u>\$ 1,836,951</u>	<u>\$ 1,456,932</u>

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

	Recreation Fund			Variance with Final Budget
	Budgets		Actual	
	Original	Final		
Revenues				
Intergovernmental revenues	\$ 26,000	\$ 26,000	\$ 20,589	\$ (5,411)
Charges for services	850,000	850,000	667,050	(182,950)
Other revenue	58,000	58,000	27,758	(30,242)
Total revenues	<u>934,000</u>	<u>934,000</u>	<u>715,397</u>	<u>(218,603)</u>
Expenditures				
<b>Current</b>				
Culture/Recreation	2,378,792	2,411,792	2,230,610	181,182
<b>Capital Outlay</b>	-	-	1,849	(1,849)
Total expenditures	<u>2,378,792</u>	<u>2,411,792</u>	<u>2,232,459</u>	<u>179,333</u>
Excess revenues (under) expenditures	<u>(1,444,792)</u>	<u>(1,477,792)</u>	<u>(1,517,062)</u>	<u>(39,270)</u>
Other financing sources (uses)				
Transfers in	1,400,000	1,400,000	1,570,000	170,000
Reserves	(33,000)	-	-	-
Total other financing sources (uses)	<u>1,367,000</u>	<u>1,400,000</u>	<u>1,570,000</u>	<u>170,000</u>
Net change in fund balances	(77,792)	(77,792)	52,938	130,730
Fund balance - beginning of year	247,017	172,914	172,914	-
Fund balance - end of year	<u>\$ 169,225</u>	<u>\$ 95,122</u>	<u>\$ 225,852</u>	<u>\$ 130,730</u>

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

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

CITY OF SANIBEL, FLORIDA  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
September 30, 2017

	Business-type activities - Enterprise Funds		
	Sanibel Sewer System	Beach Parking	Total
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	\$ 9,735,831	\$ 1,487,409	\$ 11,223,240
Receivables (net of allowance for uncollectibles)			
Accounts	491,822	-	491,822
Restricted assessments receivable	466,886	-	466,886
Due from other governments	979	852,909	853,888
Prepaid expenses	3,465	4,157	7,622
Inventories	2,506	-	2,506
Total current assets	<u>10,701,489</u>	<u>2,344,475</u>	<u>13,045,964</u>
<b>Noncurrent assets</b>			
Investments	1,357	-	1,357
Restricted assets:			
Cash and cash equivalents	980,704	-	980,704
Assessments receivable	3,481,818	-	3,481,818
Total noncurrent assets	<u>4,463,879</u>	<u>-</u>	<u>4,463,879</u>
Capital assets			
Land	1,474,795	389,218	1,864,013
Buildings	1,419,054	1,840,077	3,259,131
Improvements other than buildings	-	1,588,248	1,588,248
Vehicles and equipment	2,169,975	2,004,156	4,174,131
Infrastructure	70,378,233	-	70,378,233
Construction in progress	448,699	48,896	497,595
Less accumulated depreciation	<u>(38,484,762)</u>	<u>(2,220,157)</u>	<u>(40,704,919)</u>
Total capital assets, net	<u>37,405,994</u>	<u>3,650,438</u>	<u>41,056,432</u>
Total noncurrent assets	<u>41,869,873</u>	<u>3,650,438</u>	<u>45,520,311</u>
Total assets	<u>52,571,362</u>	<u>5,994,913</u>	<u>58,566,275</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions	-	36,893	36,893
Deferred charge on bond refunding	78,473	-	78,473
Total deferred outflows of resources	<u>\$ 78,473</u>	<u>\$ 36,893</u>	<u>\$ 115,366</u>

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

CITY OF SANIBEL, FLORIDA  
STATEMENT OF NET POSITION (CONTINUED)  
PROPRIETARY FUNDS  
September 30, 2017

	Business-type activities - Enterprise Funds		
	Sanibel Sewer System	Beach Parking	Total
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Account payable and other current liabilities	\$ 454,478	\$ 164,934	\$ 619,412
Accrued liabilities	98,505	50,993	149,498
Unearned Revenue	23,244	500	23,744
Accrued interest payable	108,285	-	108,285
Due to other funds	275,000	-	275,000
Compensated absences	62,847	57,317	120,164
Debt:			
Revenue bonds	1,269,236	-	1,269,236
Notes Payable	1,424,438	-	1,424,438
Total debt	<u>2,693,674</u>	<u>-</u>	<u>2,693,674</u>
Total current liabilities	<u>3,716,033</u>	<u>273,744</u>	<u>3,989,777</u>
<b>Noncurrent liabilities</b>			
Due to other funds	275,000	-	275,000
Net pension liability	559,027	671,868	1,230,895
Compensated absences	20,949	19,106	40,055
Other post employment benefits	35,386	32,186	67,572
Debt:			
Revenue bonds	3,918,046	-	3,918,046
Notes Payable	9,198,551	-	9,198,551
Total debt	<u>13,116,597</u>	<u>-</u>	<u>13,116,597</u>
Total noncurrent liabilities	<u>14,006,959</u>	<u>723,160</u>	<u>14,730,119</u>
Total liabilities	<u>17,722,992</u>	<u>996,904</u>	<u>18,719,896</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions	86,421	58,740	145,161
Total deferred inflows of resources	<u>86,421</u>	<u>58,740</u>	<u>145,161</u>
<b>NET POSITION</b>			
Net investment in capital assets	21,488,628	3,629,570	25,118,198
Restricted for:			
Debt service	4,929,408	-	4,929,408
Unrestricted	8,422,386	1,346,592	9,768,978
Total net position	<u>\$ 34,840,422</u>	<u>\$ 4,976,162</u>	<u>\$ 39,816,584</u>

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

CITY OF SANIBEL, FLORIDA  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
For the Fiscal Year Ended September 30, 2017

	Business-type activities - Enterprise Funds		
	Sanibel Sewer System	Beach Parking	Total
<b>OPERATING REVENUES</b>			
Charges for services	\$ 6,932,341	\$ 2,955,012	\$ 9,887,353
Licenses and permits	-	162,816	162,816
Fines and forfeitures	24,900	167,125	192,025
Other revenue	132,672	9,216	141,888
Total operating revenues	<u>7,089,913</u>	<u>3,294,169</u>	<u>10,384,082</u>
<b>OPERATING EXPENSES</b>			
Personnel services	1,597,288	1,944,407	3,541,695
Professional and Contractual services	388,816	646,084	1,034,900
Materials and supplies	217,058	237,876	454,934
Utilities	316,003	77,836	393,839
Depreciation	2,491,939	341,012	2,832,951
Insurance	20,449	42,137	62,586
Administrative charges	555,567	823,208	1,378,775
Repairs and maintenance	702,726	515,950	1,218,676
Total operating expenses	<u>6,289,846</u>	<u>4,628,510</u>	<u>10,918,356</u>
Operating income (loss)	<u>800,067</u>	<u>(1,334,341)</u>	<u>(534,274)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Taxes	891,306	-	891,306
Investment earnings	130,384	26,646	157,030
Special assessment interest income	157,639	-	157,639
Intergovernmental	-	1,571,888	1,571,888
Gain (loss) on disposition of equipment	817	(16,161)	(15,344)
Interest expense and fiscal charges	(454,139)	-	(454,139)
Total non-operating revenues (expenses)	<u>726,007</u>	<u>1,582,373</u>	<u>2,308,380</u>
Income before capital contributions and transfers	1,526,074	248,032	1,774,106
<b>CAPITAL CONTRIBUTIONS</b>			
Capital contributions	187,644	-	187,644
Capital contributions intergovernmental	130,810	63,747	194,557
Total capital contributions	<u>318,454</u>	<u>63,747</u>	<u>382,201</u>
<b>TRANSFERS</b>			
Transfers out to other funds	(7,500)	(469,292)	(476,792)
Change in net position	1,837,028	(157,513)	1,679,515
Net position - beginning of year	33,003,394	5,133,675	38,137,069
Net position - end of year	<u>\$ 34,840,422</u>	<u>\$ 4,976,162</u>	<u>\$ 39,816,584</u>

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

CITY OF SANIBEL, FLORIDA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
For the Fiscal Year Ended September 30, 2017

	Business-type activities - Enterprise Funds		
	Sanibel Sewer System	Beach Parking	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from customers	\$ 6,883,366	\$ 3,294,669	\$ 10,178,035
Cash payments to suppliers for goods and services	(2,144,805)	(2,745,616)	(4,890,421)
Cash payments to employees for services	(1,638,491)	(1,958,009)	(3,596,500)
Net cash provided (used) by operating activities	<u>3,100,070</u>	<u>(1,408,956)</u>	<u>1,691,114</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Advance annual payment	(275,000)	-	(275,000)
Transfers to other funds	(7,500)	(469,292)	(476,792)
Subsidy from intergovernmental grants	-	1,459,888	1,459,888
Net cash provided (used) by noncapital financing activities	<u>(282,500)</u>	<u>990,596</u>	<u>708,096</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Collection of taxes for bond debt service	890,892	-	890,892
Capital contributions from intergovernmental grants	130,810	63,747	194,557
Capital contributions	187,644	-	187,644
Collection of special assessments	638,223	-	638,223
Acquisition/construction of capital assets	(1,271,373)	(312,036)	(1,583,409)
Principal paid on capital debt	(2,632,993)	-	(2,632,993)
Interest paid on capital debt	(448,832)	-	(448,832)
Proceeds from sales of capital assets	817	-	817
Net cash used by capital and related financing activities	<u>(2,504,812)</u>	<u>(248,289)</u>	<u>(2,753,101)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from maturity of investments	827	-	827
Interest and investment earnings	288,023	26,646	314,669
Net cash provided by investing activities	<u>288,850</u>	<u>26,646</u>	<u>315,496</u>
Net increase (decrease) in cash and cash equivalents	601,608	(640,003)	(38,395)
Cash and equivalents, beginning of year	10,114,927	2,127,412	12,242,339
Cash and equivalents, end of year	<u>\$ 10,716,535</u>	<u>\$ 1,487,409</u>	<u>\$ 12,203,944</u>

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

CITY OF SANIBEL, FLORIDA  
STATEMENT OF CASH FLOWS (CONTINUED)  
PROPRIETARY FUNDS  
For the Fiscal Year Ended September 30, 2017

	Business-type activities - Enterprise Funds		
	Sanibel Sewer System	Beach Parking	Total
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>			
Operating income (loss)	\$ 800,067	\$ (1,334,341)	\$ (534,274)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation	2,491,939	341,012	2,832,951
Non-cash pension expense	(71,999)	(54,000)	(125,999)
Net (increase) decrease in assets:			
Accounts receivables	(209,956)	-	(209,956)
Inventories	22	-	22
Other assets	(3,465)	(4,157)	(7,622)
Net increase (decrease) in liabilities:			
Accounts payable/other current liabilities	62,666	(397,868)	(335,202)
Accrued liabilities/compensated absences	27,728	36,259	63,987
Other postemployment benefits	3,068	4,139	7,207
Net cash provided (used) by operating activities	<u>\$ 3,100,070</u>	<u>\$ (1,408,956)</u>	<u>\$ 1,691,114</u>
Capital acquisitions at year end included in accounts payable and paid subsequent to year end	<u>\$ 185,568</u>	<u>\$ 20,868</u>	<u>\$ 206,436</u>
Cash trade-in value of disposed capital assets on purchase of new capital assets	<u>\$ -</u>	<u>\$ 21,998</u>	<u>\$ 21,998</u>

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

CITY OF SANIBEL, FLORIDA  
STATEMENT OF NET POSITION  
FIDUCIARY FUNDS  
September 30, 2017

	<u>Pension Trust Funds</u>	<u>Agency Funds</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,362,504	\$ 27,512
Investments, at fair value		
Treasury inflation protection securities	536,235	-
US government and agencies securities	1,734,487	-
Corporate stocks	8,919,233	-
Collateralized mortgage obligations	-	-
Corporate bonds	3,962,188	-
Convertibles	4,719,112	-
Master limited partnerships	1,949,820	-
Mutual funds:		
Fixed income	5,119,646	-
Equity	8,545,892	-
International equity	7,185,391	-
Real estate investments trusts	817,356	-
Real estate commingled fund	2,361,342	-
Total investments at fair value	<u>45,850,702</u>	<u>-</u>
Receivables - contributions	177,869	-
Receivables - interest and dividends	103,081	-
Total assets	<u>47,494,156</u>	<u>\$ 27,512</u>
<b>LIABILITIES</b>		
Accrued benefits and other liabilities	25,071	-
Due to other governments	-	27,512
Total liabilities	<u>25,071</u>	<u>\$ 27,512</u>
<b>NET POSITION</b>		
Net position restricted for pensions	<u>\$ 47,469,085</u>	

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

CITY OF SANIBEL, FLORIDA  
STATEMENT OF CHANGES IN NET POSITION  
FIDUCIARY FUNDS  
For the Fiscal Year Ended September 30, 2017

	<u>Pension Trust Funds</u>
<b>ADDITIONS</b>	
Contributions	
Employer	\$ 2,720,218
State of Florida	82,263
Plan members	<u>186,789</u>
Total contributions	<u>2,989,270</u>
Investment income	
Net appreciation in fair value of investments	3,598,106
Interest and dividends	<u>1,747,455</u>
Total investment earnings	5,345,561
Less investment expense	<u>(221,481)</u>
Net investment earnings	<u>5,124,080</u>
Total additions	<u>8,113,350</u>
<b>DEDUCTIONS</b>	
Benefits paid	2,600,020
Lump sum DROP distributions	1,018,253
Refunds of contributions	8,494
Administrative expenses	<u>81,363</u>
Total deductions	<u>3,708,130</u>
Change in net position	4,405,220
Net position - beginning of year	<u>43,063,865</u>
Net position - end of year	<u><u>\$ 47,469,085</u></u>

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

The Notes to the Financial Statements include a summary of significant accounting principles and other disclosures necessary for a clear understanding of the City of Sanibel's financial transactions and position. The Notes to the Financial Statement are an integral part of the financial statements and should be considered together when reading.

**This section contains the following subsections:**

Note 1	Summary of Significant Accounting Policies.....	66
Note 2	Stewardship, Compliance and Accountability.....	76
Note 3	Deposits and Investments.....	77
Note 4	Receivables.....	88
Note 5	Unearned Revenues.....	89
Note 6	Interfund Receivables, Payables, and Transfers.....	89
Note 7	Capital Assets.....	91
Note 8	Operating Leases.....	92
Note 9	Long-term Debt.....	93
Note 10	Risk Management.....	96
Note 11	Restricted Assets.....	96
Note 12	Defined Benefit Pension Plans.....	97
Note 13	Defined Contribution Plan.....	110
Note 14	Other Post-Employment Benefits.....	111
Note 15	Other Revenues.....	114
Note 16	Contingencies.....	114
Note 17	Commitments.....	114

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

**A. Reporting Entity**

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 prescribed by the GASB, 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 by the GASB 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 the GASB, 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 and CHR is such that excluding CHR from the City's financial statements would be misleading and incomplete. Additionally, the support that the City provides to CHR is a significant financial component of its overall operations. CHR has issued separate financial statements for the year ended September 30, 2017, which may be obtained at the entity's administrative offices located at 2401 Library Way, Sanibel, Florida, 33957.

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

**B. Basis of Presentation – Government-Wide Financial Statements**

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the City's enterprise funds. 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.

As discussed earlier, the City has a discretely presented component unit. While CHR is not considered to be a major component unit, it is nevertheless shown in a separate column in the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the City's sewer and beach parking functions 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.

The Statement of Net Position 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 the legally separate component unit 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*.

**C. Basis of Presentation – Fund Financial Statements**

The fund financial statements provide information about the City's funds, including its fiduciary funds and agency funds. Separate statements for each fund category (governmental, proprietary, and fiduciary) are presented. The emphasis of fund financial statements is on major governmental and enterprise funds. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

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

Proprietary funds distinguish operating revenues and expenses from non-operating items.

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

**C. Basis of Presentation – Fund Financial Statements (Continued)**

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.

The emphasis in fund financial statements is on the major funds. The GASB 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 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. Additionally, an interlocal agreement with Lee County provides the City with 21% of the Causeway's surplus tolls.
- **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. Additionally, the general fund provides financial support in the form of an interfund transfer on an annual basis.

The City reports the following major proprietary funds:

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

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

**C. Basis of Presentation – Fund Financial Statements (Continued)**

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. The City collects and remits funds to the Sanibel Fire Rescue District, the Lee County School Board and various departments within Lee County.

During the course of operations the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

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

**D. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. 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.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

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 with the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end).

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end).

The proprietary and pension funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The agency fund has no measurement focus but utilizes the *accrual basis of accounting* for reporting its assets and liabilities. They are merely clearing accounts for assets held by the City as an agent for individuals, private organizations and other governmental entities.

**E. 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.

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

**E. Cash and Cash Equivalents and Investments (Continued)**

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 pension trust funds, investments consist 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 superior investment grade ratings, investment grade obligations of state and local governments and public authorities with a maturity greater than three months and are carried at fair value. In addition, investments in the City's pension funds include U.S. Government securities, corporate bonds, equity securities, comingled real estate fund and mutual funds.

Investments for the City are reported at fair value. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. See note 3 for more information on fair value measurements. 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.

**F. 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".

**G. Inventories**

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

**H. 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. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

CITY OF SANIBEL, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2017

---

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

**I. 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 Position 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. Additionally, there are restricted assets in capital project funds and special revenue funds that are to be used only for specific purposes.

**J. 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 acquisition value at the date of donation. The difference between the acquisition 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 acquisition value and the capital expenditure is reported as capital contribution revenue in the government-wide financial statement. The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend asset lives are not capitalized.

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.

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

**K. 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.

**L. 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 position.

Bond premiums and discounts, as well as bond insurance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bond issuance costs are expensed in the current period.

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.

**M. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then.

The City has two items that qualify for reporting in this category. In the government-wide statement of net position and the proprietary funds' statement of net position a deferred charge on refunding is reported, resulting from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized using the straight line method over the shorter of the life of the refunded or refunding debt. Additionally, the City is reporting a deferred outflow related to pensions in three components (for the net differences between actual and projected earnings, differences between expected and actual experience, and a change in assumptions) in both the government-wide statement of net position and the proprietary funds' statement of net position. The deferred net differences between actual and projected earnings are amortized over five years using the straight-line method. The deferred difference between expected and actual experience is amortized over 4 years using the straight line method in the Municipal Police Officers' pension plan. See note 12 for more information.

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

**M. Deferred Outflows/Inflows of Resources (Continued)**

The deferred difference related to changes in assumptions is amortized over 4 years using the straight line method in the Municipal Police Officers' pension plan.

In addition to liabilities, the statement of net position and governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has one item that qualifies for reporting in this category. Deferred inflows related to pensions for the differences between actual and expected experience are reported on the government-wide statement of net position and the proprietary funds' statement of net position in the City's basic financial statements. The deferred difference between expected and actual experience is recognized in the current year in the General Employees' Pension Plan and amortized over 4-5 years using the straight line method in the Municipal Police Officers' pension plan. See note 12 for more information.

**N. 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.

**O. 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.

**P. Unearned Revenue**

Receipts that do not meet the criteria for revenue recognition, such as business tax receipts collected in advance, are reported as unearned revenues for both the government-wide and the fund financial statements.

**Q. Intragovernmental Allocation of Administrative Expenses**

The general fund incurs certain administrative expenses for other funds, including accounting, legal, information technology, personnel administration, and other administrative services. The governmental activities that received these services were charged \$1,446,670 and the business-type activities that received these services were charged \$984,894.

Administrative expenses not directly charged to a fund are allocated as indirect expenses on the Statement of Activities.

**R. 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.

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

**R. Fund Balance (Continued)**

“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 or City Manager 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.

*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.

**S. Net Position**

The net positions reported in the government-wide and proprietary funds’ are categorized as net investment in capital assets, restricted or unrestricted. The first category represents property, plant, equipment and infrastructure, less outstanding debt related to the acquisition of those assets. The restricted category represents the balance of assets restricted by requirements of revenue bonds and other externally or legislatively imposed constraints in excess of the related liabilities payable from restricted assets. The unrestricted category represents all other resources that do not meet the definition of “restricted” or “net investment in capital assets”.

CITY OF SANIBEL, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2017

---

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

**A. Budgets - Legal Compliance**

Budgets are adopted on a basis consistent with U.S. Generally Accepted Accounting Principles.

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 31<sup>st</sup> a public hearing is held at which a proposed budget is presented to the City Council and, by resolution, the City Council establishes a proposed millage (property tax) rate for the subsequent fiscal year, which begins on October 1<sup>st</sup>.

Based on the State of Florida Truth in Millage (TRIM) calendar, the City holds two public hearings on the tentative millage rate and tentative budget during the month of September. State statutes require that on or before September 30<sup>th</sup> of each year the budget should be legally adopted by resolution. However, the arrival of Hurricane Irma in September of 2017 necessitated State, County, and City states of emergency and an extension of the budget adoption was permitted. The fiscal year 2018 budget was adopted on October 5, 2017. Five-year financial plans are also adopted for all capital project funds.

Budget amounts are presented as originally adopted and as amended by the City Council. Budget amendments, which are adopted by resolution of the 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, 2017, various supplemental appropriations were approved by the City Council in accordance with this policy.

**B. Budgeted Excess of Expenditures over Appropriations**

For the year ended September 30, 2017, expenditures exceeded appropriations in the Water Shadows Dredging fund (by \$2,364) and the 2006/2016 \$6.52M General Obligation Bonds fund (by \$3,350). In both funds, the excess was provided by ending fund balance.

**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 bills and collects all property taxes levied with 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.

CITY OF SANIBEL, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2017

---

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

**C. Property Taxes (Continued)**

Key dates in the property tax cycle (latest date, where appropriate) are as follows:

July 1	Assessment roll certified, unless extension granted by the 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 generally permitted by the State of Florida 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, 2017 (tax year 2016) for the general governmental operations, voted debt service for the sewer expansion project, the 2012 series general obligation refunding bonds used to purchase environmentally sensitive land, and the 2006 series general obligation refunding bonds used to construct a recreational facility were 1.9139 mills, 0.1947 mills, 0.0720 mills, and 0.1207 mills, respectively, per \$1,000 of assessed property valuation.

**Note 3. Deposits and Investments**

**A. Deposits**

At September 30, 2017, the carrying amount of cash on hand and on deposit with banks and investment accounts, including interest-bearing deposits, was \$14,284,197.

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 of the City's deposits are held in qualified public depositories pursuant to State of Florida Statutes, Chapter 280, *Florida Security for Public Deposits Act*. Under the Act, every qualified public depository shall deposit with the Treasurer eligible collateral of the depository to be held subject to his or her order. The Treasurer, by rule, shall establish minimum required collateral pledging levels. The pledging level may range from 25% to 200% of the average monthly balance of public deposits depending upon the depository's financial condition and establishment period. All collateral must be deposited with an approved financial institution. Any potential losses to public depositors are covered by applicable deposit insurance, sale of securities pledged as collateral and, if necessary, assessments against other qualified public depositories of the same type as the depository in default.

**B. City Investments**

By Florida Statutes 218.415 and by Ordinance No. 15-008, 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.

CITY OF SANIBEL, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2017

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

**B. City Investments (Continued)**

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. The investments of the Pension Trust Funds are held separately from those of other City funds and are governed by individual boards of trustees. 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 following tables provide a summary of the City's investments in pooled and non-pooled investments as of September 30, 2017.

Pooled Investments						
Investment Type	Percent of Portfolio	Fair Value	Investment Maturities			
			Less Than 3 Months	3-12 Months	1-3 Years	Over 3 Years
SBA Florida PRIME	3.11%	253,141	253,141	-	-	-
Federated Treasury Obligation	0.06%	5,189	5,189	-	-	-
US Gov Obligations	1.47%	119,523	-	44,728	74,795	-
Taxable Municipal Obligations	84.08%	6,853,075	1,099,985	1,693,236	2,003,049	2,056,805
Corporate Bonds	11.28%	919,251	90,000	-	309,091	520,160
		<u>\$ 8,150,179</u>	<u>\$ 1,448,315</u>	<u>\$ 1,737,964</u>	<u>\$ 2,386,935</u>	<u>\$ 2,576,965</u>

Non-Pooled Investments						
Investment Type	Percent of Portfolio	Fair Value	Investment Maturities			
			Less Than 3 Months	3-12 Months	1-3 Years	Over 3 Years
GNMA	0.02%	1,033	-	-	-	1,033
<sup>(1)</sup> FHLMC	0.02%	1,357	-	-	-	1,357
SBA Florida PRIME	5.10%	288,451	288,451	-	-	-
Federated Treasury Obligation	0.13%	7,608	7,608	-	-	-
US Gov Obligations	2.37%	134,183	-	134,183	-	-
Taxable Municipal Obligations	86.55%	4,891,195	1,000,352	3,642,420	248,423	-
Corporate Bonds	5.81%	327,722	327,722	-	-	-
		<u>\$ 5,651,549</u>	<u>\$ 1,624,133</u>	<u>\$ 3,776,603</u>	<u>\$ 248,423</u>	<u>\$ 2,390</u>

<sup>(1)</sup> The FHLMC investment has a "no rating" (NR) by Standard's & Poor and Moody's. Original investment of \$595,000 was made in 1993.

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

**B. City Investments (Continued)**

The City and both pension plans categorize their fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The City has the following recurring fair value measurements as of September 30, 2017:

- Investments in the U.S. government securities of \$253,706 are valued based on the closing prices reported in the active market in which the individual securities are traded (Level 1 inputs).
- Taxable municipal obligations of \$11.7 million and corporate bonds of \$1.2 million are valued using a matrix pricing model (Level 2 inputs).

The Florida State Board of Administration's (SBA) Florida PRIME 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) and the weighted average life (WAL) of the Florida PRIME at September 30, 2017, was 51 and 80 days, respectively. The Florida PRIME is rated by Standard & Poor's as AAAM and is administered by the State Board of Administration under the regulatory oversight of the State of Florida, Chapter 19-7 of the Florida Administrative Code.

With regard to redemption gates relating to the SBA trust fund, Florida Statutes, Chapter 218.409(8)(a), provides that the principal, and any part thereof, of each account constituting the trust fund is subject to payment at any time from the moneys in the trust fund. However, the Executive Director may, in good faith, on the occurrence of an event that has a material impact on liquidity or operations of the trust fund, for 48 hours limit contributions to or withdrawals from the trust fund to ensure that the Board can invest moneys entrusted to it in exercising its fiduciary responsibility. Such action must be immediately disclosed to all participants, the Trustees, the Joint Legislative Auditing Committee, the Investment Advisory Council, and the Participant Local Government Advisory Council. The Trustees shall convene an emergency meeting as soon as practicable from the time the Executive Director has instituted such measures and review the necessity of those measures. If the Trustees are unable to convene an emergency meeting before the expiration of the 48-hour moratorium on contributions and withdrawals, the moratorium may be extended by the Executive Director until the Trustees are able to meet to review the necessity for the moratorium. If the Trustees agree with such measures, the Trustees shall vote to continue the measures for up to an additional 15 days. The Trustees must convene and vote to continue any such measures before the expiration of the time limit set, but in no case may the time limit set by the Trustees exceed 15 days.

With regard to liquidity fees, Florida Statute 218.409(4) provides authority for the SBA to impose penalties for early withdrawal, subject to disclosure in the enrollment materials of the amount and purpose of such fees. At present, no such disclosure has been made.

As of September 30, 2017, there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit a participant's daily access to 100 percent of their account value. Florida PRIME did not participate in a securities lending program in the period October 1, 2016 through September 30, 2017. Florida PRIME meets all of the necessary criteria to elect to measure all of the investments in Florida PRIME at amortized cost.

CITY OF SANIBEL, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2017

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

**B. City Investments (Continued)**

The Federated Treasury Obligations Fund is rated AAAm and Aaa-mf with Standard & Poor's, and Moody's, respectively. 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, 2017, was 32 days.

All the municipal bonds and notes that are rated with Standard and Poor's are investment grade with ratings of A to AAA. With the exception of one investment that is rated Baa1 in the reserves portfolio, all municipal bonds and notes that are rated with Moody's have a rating of A2 to Aa3. All municipal bonds and notes are rated by at least one of the rating companies.

Except for one investment in the surplus portfolio with a rating of BBB+, all investments in corporate bonds are rated A- to AAA by Standard and Poor's. All corporate bonds are rated by Moody's between Aaa to A3, with the exception of two investments in the surplus portfolio that are rated Baa2. All investments are investment grade.

PORTFOLIO	Portfolio Characteristics at 9/30/2017			Investment Policy		
	% Invested in Corporate Bonds	Average Credit Rating	Average Maturity	Maximum % in Corp. Bonds	Minimum Credit Rating	Average Maximum Maturity
<b>Pooled Investments</b>						
Operating Portfolio	4.0%	AA	0.3	Short term	A- / A3	High Liquidity
Surplus Portfolio	14.6%	AA-	2.5	15.0%	A- / A3	3 years
<b>Non-Pooled Investments</b>						
Reserves Portfolio	4.0%	AA+	0.5	10.0%	A- / A3	1 year
<i>Prepared by City's investment adviser, Integrity Fixed Income Management, LLC</i>						
<i>Minimum credit rating shown as Standard &amp; Poor's / Moody's</i>						

**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 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. All of the City's investments are rated as investment grade.

**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 operating portfolio is limited to demand deposits, money market funds and other highly liquid, short-term investments. The allowable concentration in corporate bonds is up to ten (10%) percent in the reserve investment portfolio and up to fifteen (15%) percent in the surplus investment portfolio. In addition, no more than two (2%) percent of the reserve or surplus portfolios may be invested with any one corporate bond issuer. Due to cash flow requirements and liquidation of certain investments in the aftermath of Hurricane Irma, an investment in Berkshire Hathaway was 2.2% of the portfolio and an investment with Mission Health was 3.9% of the portfolio at September 30, 2017. The Mission Health investment was corrected upon maturity on October 1, 2017. The Berkshire Hathaway investment was corrected in fiscal year 2018 when the City invested a portion of its tax proceeds.

CITY OF SANIBEL, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2017

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

**B. City Investments (Continued)**

*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. All of the City's investment portfolios are 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, 2017, the carrying amount of the Pension Funds' cash and cash equivalents was \$1.4 million.

*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.

The tables below show the General Employees' Pension Plan investment types at September 30, 2017:

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	2.98%	\$ 861,798	\$ -	\$ 861,798	\$ -	\$ -
Investments:						
Domestic Equities	37.65%	10,903,753	10,903,753	-	-	-
International Equities	15.82%	4,580,764	4,580,764	-	-	-
Convertibles	10.09%	2,923,489	2,923,489	-	-	-
Master Limited Partnerships	3.79%	1,099,000	1,099,000	-	-	-
TIPS*	1.85%	536,235	-	-	315,411	220,824
Government Obligations	4.71%	1,362,957	-	70,031	1,292,926	-
Mortgage Backed Securities	1.28%	371,530	-	-	12,177	359,353
Corporate Bonds	13.68%	3,962,188	-	788,173	3,174,015	-
Real Estate	8.15%	2,361,342	-	-	-	2,361,342
		<u>\$28,963,056</u>	<u>\$19,507,006</u>	<u>\$1,720,002</u>	<u>\$4,794,529</u>	<u>\$2,941,519</u>

\*TIPS - Treasury Inflation-Protection Securities

CITY OF SANIBEL, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2017

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

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

The General Employees' Pension Plan has the following recurring fair value measurements as of September 30, 2017:

Investments	Fair Value	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Measured by fair value level:</b>				
Equity Securities	\$ 18,408,006	\$ 18,408,006	\$ -	\$ -
Master Limited Partnerships	1,099,000	1,099,000	-	-
Treasury Inflation-Protected Securities	536,235	-	536,235	-
Government Obligations	1,362,957	-	1,362,957	-
Mortgage Backed Securities	371,530	-	371,530	-
Corporate Bonds	3,962,188	-	3,962,188	-
Real Estate	2,361,342	-	-	2,361,342
	<u>\$ 28,101,258</u>	<u>\$ 19,507,006</u>	<u>\$ 6,232,910</u>	<u>\$ 2,361,342</u>

*Level 1 Inputs*

Investments in the money market mutual funds (or mutual funds) are valued at the daily closing price as reported by the fund. Mutual funds held are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset (NAV) and to transact at that price. The mutual funds held are deemed to be actively traded.

Investments in equity securities include domestic and international equities, convertibles, and master limited partnerships and are valued based on closing prices reported on the active market on which the individual securities are listed.

*Level 2 Inputs*

Mortgage securities and obligations and corporate bonds are valued using a matrix pricing model.

Investments in level 2 equity securities are valued based on the fair market value of the underlying assets

Investments in U.S. government obligations are valued based on the closing prices reported in the active market in which the individual securities are traded.

*Level 3 Inputs*

Investments in private real estate are valued based on independent appraisals performed for assets held by the open-end fund annually, with restricted-scope appraisals conducted on a quarterly basis for those assets not receiving a full appraisal. The fair value of real estate is determined as the price that the Fund would expect to receive if the asset was sold to a market participant assuming the highest and best use of each asset at the date of the Consolidated Statement of Net Assets.

CITY OF SANIBEL, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2017

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

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

As of September 30, 2017, the City's Municipal Police Officers' Pension Plan had the following investment types:

Investment Type	Percent of Portfolio	Fair Value	Equities	Maturities		
				Less Than 1 Year	1-5 Years	Over 5 Years
<b>Municipal Police Officers' Pension Investments</b>						
Cash Equivalents:						
Money Market Funds	2.74%	\$ 500,654	\$ -	\$ 500,654	\$ -	\$ -
Investments:						
Large Cap Growth Equities	9.96%	1,817,587	1,817,587	-	-	-
Large Cap Value Equities	10.09%	1,841,735	1,841,735	-	-	-
Mid Cap Equities	8.03%	1,465,296	1,465,296	-	-	-
Small Cap Equities	7.17%	1,308,208	1,308,208	-	-	-
Convertibles	9.84%	1,795,623	1,795,623	-	-	-
Master Limited Partnerships	4.66%	850,820	850,820	-	-	-
International Equities	14.98%	2,733,173	2,733,173	-	-	-
Fixed Income (bonds)	28.05%	5,119,646	-	5,119,646	-	-
Real Estate Investment Trust	4.48%	817,356	817,356	-	-	-
		<u>\$ 18,250,098</u>	<u>\$ 12,629,798</u>	<u>\$ 5,620,300</u>	<u>\$ -</u>	<u>\$ -</u>

The Municipal Police Officers' Pension Plan has the following recurring fair value measurements as of September 30, 2017:

Investments	Fair Value	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Measured by fair value level:</b>				
Equity Securities	\$ 10,961,622	\$ 10,961,622	\$ -	\$ -
Fixed Income (bonds)	5,119,646	-	5,119,646	-
Real Estate Investment Trust	817,356	817,356	-	-
	<u>16,898,624</u>	<u>\$ 11,778,978</u>	<u>\$ 5,119,646</u>	<u>\$ -</u>
<b>Measured at net asset value (NAV):</b>				
Master Limited Partnerships	850,820			
Total investments measured at fair value:	<u>\$ 17,749,444</u>			

*Level 1 Inputs*

Investments in the money market mutual funds (or mutual funds) are valued at the daily closing price as reported by the fund. Mutual funds held are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset (NAV) and to transact at that price. The mutual funds held are deemed to be actively traded.

Investments in equity securities include domestic and international equities, and convertibles and are valued based on closing prices reported on the active market on which the individual securities are listed.

*Level 2 Inputs*

Investments in fixed income securities (bonds) are valued using a matrix pricing model.

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

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

*Master limited partnerships* – This type of investment consists of a common trust fund that is a private investment vehicle comprised of commingled investments held in trusts that are valued using the net asset value (NAV) calculated by the administrator of the Fund. The NAV is calculated using indirectly observed inputs, as the unit price is based on the market value of the underlying investments traded on an active market. Withdrawals from the Fund may transact on a daily basis as needed for liquidity and there are no restrictions on redemptions as of September 30, 2017.

***Credit Risk***

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

**Equity Securities**

*General:* Domestic equity investments (common stocks, Master Limited Partnerships, convertible bonds, convertible preferred issues, and preferred stock) issued by a corporation organized under the laws of the United States or the District of Columbia provided the corporation is listed on one or more of the recognized national exchanges or OTC. 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. Domestic equity managers may only invest in foreign securities designated as American Depository Receipts (ADR).

*Police:* Equity investments include publicly traded REITS, common stock, Master Limited Partnerships, convertible bonds, convertible preferred issues, and preferred stock in a corporation listed on one or more of the recognized national exchanges or on the National Market System of the NASDAQ stock market or the OTC. Convertible securities will be deemed as equity and shall not be held to the rating standards of fixed-income. Foreign convertibles are limited to those that settle in U.S. dollars and trade on one or more of the recognized national exchanges or on the National Market System of the NASDAQ stock market or the OTC.

**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 fair 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 20% of the total bond portfolio.

*Police:* Bonds or other evidences of indebtedness issued or guaranteed by a corporation organized under the laws of the United States or the District of Columbia.

***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.

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

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

The General Employees' Pension Trust Fund equity investments are 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.

The Municipal Police Officers' Pension Trust Fund equity investments are 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.

***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 38% at fair value of its fund's total asset value may be invested in domestic equity securities, a target of 10% at fair value of its fund's total asset may be invested in convertibles, a target of 5% at fair value of its fund's total asset value may be invested in master limited partnerships 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 fair value. Not more than 5% of the Fund assets, based on fair value, shall be invested 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). A target of 10% of the fund's total asset value may be invested in convertibles and a target of 5% of the fund's total asset value may be invested in Master Limited Partnerships. 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 23% 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 2.0% of the total bond portfolio. Foreign issued fixed-income securities may not exceed 10% of the fair value of the total fund portfolio.

*Police:* A target of 30% 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 fixed income issuer (excludes issues of the United States Government or any governmental agency).

CITY OF SANIBEL, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2017

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

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

Investment Policy:

The following tables detail the respective pension Board's adopted asset allocation policy and actual allocations as of September 30, 2017:

Asset Class	General Employees'			
	Actual	Target	Range	
	Allocation	Allocation	Min	Max
Domestic Equity	38.0%	38.0%	26.0%	47.0%
International Equity	14.3%	15.0%	7.0%	25.0%
Fixed Income (Bonds)	20.8%	23.0%	20.0%	64.0%
Treasury Inflation-Protected Securities	2.1%	2.0%	0.0%	5.0%
Convertibles	10.0%	10.0%	0.0%	12.0%
Private Real Estate	7.6%	5.0%	0.0%	10.0%
Master Limited Partnerships	4.0%	5.0%	3.0%	8.0%
Cash	3.2%	2.0%	N/A	N/A
	100.0%	100.0%		

Asset Class	Municipal Police Officers'			
	Actual	Target	Range	
	Allocation	Allocation	Min	Max
Domestic Equity	35.3%	35.0%	26.0%	47.0%
International Equity	14.1%	15.0%	7.0%	25.0%
Fixed Income (Bonds)	29.0%	30.0%	20.0%	60.0%
Convertibles	9.7%	10.0%	7.0%	13.0%
Private Real Estate	4.9%	5.0%	0.0%	10.0%
Master Limited Partnerships	5.0%	5.0%	0.0%	10.0%
Cash	2.0%	0.0%	0.0%	10.0%
	100.0%	100.0%		

Concentration

The General Employee and Police Officers' Plans did not hold investments in any one organization that represent 5 percent or more of the individuals pension plan's fiduciary net position.

*Rate of Return*

The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. For the year ended September 30, 2017 the annual money-weighted rate of return on the General Employees' and Municipal Police Officers' Pension Plans investments, net of pension plan investment expense, was 13.2% and 9.8%, respectively.

**D. Restricted Cash and Investments**

As of September 30, 2017, \$282,728 and \$804,112 in cash and cash equivalents was restricted for debt service in governmental and business-type activities, respectively. Additionally, \$176,592 is restricted for debt reserves for business-type activities.

There were no restricted investments at September 30, 2017.

CITY OF SANIBEL, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2017

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

**E. Additional Information**

The following table details the City's total deposits and investments, including those held in fiduciary funds, at September 30, 2017.

<b>CASH AND CASH EQUIVALENTS AND INVESTMENTS</b>	
<b>Type</b>	<b>Fair Value</b>
US Govt Agency Securities	\$ 2,390
Pension Investments	45,850,702
City Investments-Reserves Account	5,353,101
Total Investments	51,206,193
<b>PLUS: Cash Equivalents</b>	
Checking Accounts	14,275,887
SBA Florida PRIME	541,592
City Pool Investment-Operating Account	2,234,439
City Pool Investment-Surplus Account	5,657,410
City Money Market Funds	12,799
Pension Money Market Funds	1,362,312
Total Cash Equivalents	24,084,439
<b>TOTAL Cash Equivalents and Investments</b>	75,290,632
<b>PLUS: Cash on Hand</b>	8,310
<b>TOTAL: Cash &amp; Cash Equivalents and Investments</b>	\$ 75,298,942

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

	<b>Unrestricted</b>		<b>Restricted</b>		<b>Total</b>
	Cash & Equivalents	Investments	Cash & Equivalents	Investments	Cash & Investments
<b>GOVERNMENTAL ACTIVITIES</b>					
General Fund	\$ 2,883,948	\$ 5,354,133	\$ -	\$ -	\$ 8,238,081
Other Gov'l Funds	7,332,114	-	282,728	-	7,614,842
<b>Total Governmental</b>	10,216,062	5,354,133	282,728	-	15,852,923
<b>BUSINESS-TYPE ACTIVITIES</b>					
Sewer System	9,735,831	1,357	980,704	-	10,717,892
Beach Parking	1,487,409	-	-	-	1,487,409
<b>Total Business-type</b>	11,223,240	1,357	980,704	-	12,205,301
<b>FIDUCIARY FUNDS</b>					
Pension Trust Fund	-	-	1,362,504	45,850,702	47,213,206
Agency Funds	-	-	27,512	-	27,512
<b>Total Fiduciary</b>	-	-	1,390,016	45,850,702	47,240,718
<b>TOTAL</b>	<b>\$21,439,302</b>	<b>\$ 5,355,490</b>	<b>\$ 2,653,448</b>	<b>\$45,850,702</b>	<b>\$75,298,942</b>

CITY OF SANIBEL, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2017

**Note 4. Receivables**

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. Accounts receivable in the other governmental funds is for services provided and other miscellaneous receivables. The general fund accounts receivables are net of a \$2,360 allowance for uncollectible accounts. No allowance for uncollectible accounts was considered necessary in the other governmental funds.

Due from other governments are generally tax revenues and reimbursement grants not received at year end. The due from related party is a receivable from the City's component unit, Community Housing Resources, Inc.

Receivables, net of allowance for uncollectibles, as of year-end for the City's governmental funds are as follows:

	General Fund	Transportation Fund	Recreation Fund	Other Governmental Funds	Total
Accounts receivable	\$ 374,911	\$ 1,240	\$ 12,435	\$ 59	\$ 388,645
Interest receivable	102,386	-	-	-	102,386
Due from other governments	98,092	700,510	4,495	129,598	932,695
Due from related party	247,714	-	-	-	247,714
Total receivables	<u>\$ 823,103</u>	<u>\$ 701,750</u>	<u>\$ 16,930</u>	<u>\$ 129,657</u>	<u>\$ 1,671,440</u>

Accounts receivable reported in the enterprise funds represent fees for sewer services provided by the City (billed and unbilled). No allowance for uncollectible accounts is considered necessary and all receivables are presumed to be fully collectible. Receivables as of year-end for the City's business-type activities are as follows:

	Sanibel Sewer System	Beach Parking Fund	Total
<b>Unrestricted</b>			
Accounts receivable	\$ 491,822	\$ -	\$ 491,822
Due from other governments	979	852,909	853,888
Total unrestricted	<u>492,801</u>	<u>852,909</u>	<u>1,345,710</u>
<b>Restricted</b>			
Assessments receivable	3,948,704	-	3,948,704
Total net receivables	<u>\$ 4,441,505</u>	<u>\$ 852,909</u>	<u>\$ 5,294,414</u>

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.

CITY OF SANIBEL, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2017

**Note 5. Unearned Revenues**

Governmental funds and business-type funds delay revenue recognition for resources that have been received but not yet earned. The various components of unearned revenue reported in the governmental and business-type funds were as follows:

<b><u>Governmental Funds:</u></b>	<b><u>Unearned</u></b>
Unearned revenues:	
Prepaid business tax receipts	\$ 220,631
Prepaid lease for Farmer's Market	2,000
Recreation center gift cards	26
FY2018 revenue received for sign sponsorships	15,360
<b>Subtotal Governmental Funds</b>	<b>238,017</b>
<b><u>Business-type Funds:</u></b>	
Unearned revenues:	
Prepaid sewer services	23,244
Prepaid police services	500
<b>Subtotal Business-type Funds</b>	<b>23,744</b>
	<b>\$ 261,761</b>

**Note 6. Interfund Receivables, Payables and Transfers**

The following schedule details the interfund receivables and payables in the fund financial statements at September 30, 2017:

Receivable Fund	Payable Fund	Purpose for Balance	Amount
General	Sanibel Sewer System	City's advance to the sewer system primarily related to effluent disposal/reuse as initially required by regulatory agencies. \$275,000 is not anticipated to be collected within the next fiscal year. \$275,000 repaid annually.	\$ 550,000
General	Ball Park Maintenance Fund	Short term loan to ball park maintenance fund. Entire balance expected to be collected in FY 2018.	68,102
General	Shell Harbor Dredging Fund	Short term loan to Shell Harbor dredging fund. Entire balance expected to be collected in FY 2018.	812
TOTAL			<b>\$ 618,914</b>

CITY OF SANIBEL, FLORIDA  
 NOTES TO THE FINANCIAL STATEMENTS  
 September 30, 2017

**Note 6. Interfund Receivables, Payables and Transfers (Continued)**

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

Transfers Out	Transfers In			
	General	Recreation Fund	Other Governmental Funds	Total Funds
General Fund	\$ -	\$ 1,570,000	\$ 1,717,054	\$ 3,287,054
Transportation Fund	-	-	450,000	450,000
Sewer Fund	7,500	-	-	7,500
Beach Parking Fund	469,292	-	-	469,292
Total	<u>\$ 476,792</u>	<u>\$ 1,570,000</u>	<u>\$ 2,167,054</u>	<u>\$ 4,213,846</u>

Source	Transfer to Fund	Amount	Purpose
General Fund	Special Revenue	\$ 5,445	City expense for Shell Harbor dredging
General Fund	Special Revenue	3,000	Sanibel Estates canal trimming
General Fund	Special Revenue	5,000	Sanibel Isles/Water Shadows dredging
General Fund	Recreation Fund	1,400,000	To support Recreation Center operations
General Fund	Recreation Fund	170,000	To support Recreation Center during hurricane
General Fund	Special Revenue	257,645	City share of ball park maintenance expenditures
General Fund	Capital Projects	1,220,964	Funding for acquisition of capital assets
General Fund	Capital Projects	225,000	Annual transfer to Recreation Center sinking fund
Transportation Fund	Capital Projects	450,000	Transportation expenditures
Sewer Fund	General Fund	7,500	Payment in lieu of taxes
Beach Parking Fund	General Fund	469,292	Payment in lieu of taxes
TOTAL		<u>\$ 4,213,846</u>	



CITY OF SANIBEL, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2017

**Note 7. Capital Assets**

Capital asset activity for the year ended September 30, 2017 was as follows:

<b>Governmental activities</b>	Beginning			Ending
	Balances	Increases	Decreases	Balances
Capital assets, not being depreciated:				
Land	\$24,966,425	\$ -	\$ -	\$24,966,425
Construction in progress	-	60,873	-	60,873
Total capital assets not being depreciated	<u>24,966,425</u>	<u>60,873</u>	<u>-</u>	<u>25,027,298</u>
Capital assets, being depreciated:				
Buildings	19,129,160	-	-	19,129,160
Improvements other than buildings	5,034,954	331,842	-	5,366,796
Infrastructure	14,413,694	-	-	14,413,694
Vehicles and equipment	5,026,213	585,992	(11,091)	5,601,114
Total capital assets being depreciated	<u>43,604,021</u>	<u>917,834</u>	<u>(11,091)</u>	<u>44,510,764</u>
Less accumulated depreciation for:				
Buildings	(7,499,906)	(614,633)	-	(8,114,539)
Improvements other than buildings	(4,227,163)	(145,275)	-	(4,372,438)
Infrastructure	(8,193,524)	(502,204)	-	(8,695,728)
Vehicles and equipment	(3,659,012)	(311,776)	7,612	(3,963,176)
Total accumulated depreciation	<u>(23,579,605)</u>	<u>(1,573,888)</u>	<u>7,612</u>	<u>(25,145,881)</u>
Total capital assets being depreciated, net	<u>20,024,416</u>	<u>(656,054)</u>	<u>(3,479)</u>	<u>19,364,883</u>
Governmental activities capital assets, net	<u>\$44,990,841</u>	<u>\$ (595,181)</u>	<u>\$ (3,479)</u>	<u>\$44,392,181</u>

<b>Business-type activities</b>	Beginning			Ending
	Balances	Increases	Decreases	Balances
Capital assets, not being depreciated:				
Land	\$ 1,862,174	\$ 1,839	\$ -	\$ 1,864,013
Construction in progress	97,643	399,952	-	497,595
Total capital assets, not being depreciated	<u>1,959,817</u>	<u>401,791</u>	<u>-</u>	<u>2,361,608</u>
Capital assets, being depreciated:				
Buildings	3,259,131	-	-	3,259,131
Improvements other than buildings	1,588,248	-	-	1,588,248
Infrastructure	69,322,880	1,055,353	-	70,378,233
Vehicles and equipment	3,950,983	354,699	(131,551)	4,174,131
Total capital assets, being depreciated	<u>78,121,242</u>	<u>1,410,052</u>	<u>(131,551)</u>	<u>79,399,743</u>
Less accumulated depreciation for:				
Buildings	(1,426,517)	(137,946)	-	(1,564,463)
Improvements other than buildings	(888,630)	(62,432)	-	(951,062)
Infrastructure	(32,993,829)	(2,346,450)	-	(35,340,279)
Vehicles and equipment	(2,656,384)	(286,123)	93,392	(2,849,115)
Total accumulated depreciation	<u>(37,965,360)</u>	<u>(2,832,951)</u>	<u>93,392</u>	<u>(40,704,919)</u>
Total capital assets, being depreciated, net	<u>40,155,882</u>	<u>(1,422,899)</u>	<u>(38,159)</u>	<u>38,694,824</u>
Business-type activities capital assets, net	<u>\$42,115,699</u>	<u>\$ (1,021,108)</u>	<u>\$ (38,159)</u>	<u>\$41,056,432</u>

CITY OF SANIBEL, FLORIDA  
 NOTES TO THE FINANCIAL STATEMENTS  
 September 30, 2017

**Note 7. Capital Assets (Continued)**

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

<b><u>Governmental activities:</u></b>	
General government	\$ 57,165
Public safety	132,436
Physical environment	58,678
Transportation	581,348
Culture/recreation	744,261
Total governmental activities	\$ 1,573,888
<b><u>Business-type activities:</u></b>	
Sanibel Sewer System	\$ 2,491,939
Beach Parking	341,012
Total business-type activities	\$ 2,832,951

**Note 8. Operating Leases**

In the governmental funds, rental expenditures under operating leases for the year ended September 30, 2017 was \$27,434.

The schedule to the right details the future minimum lease payments for the governmental funds under non-cancellable long-term operating leases as of September 30, for the years presented.

Fiscal Year	Amount
2018	\$ 26,706
2019	17,622
2020	3,840
2021	923
TOTAL	\$ 49,091



CITY OF SANIBEL, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2017

**Note 9. Long-term Debt**

Changes in long-term debt and other long-term obligations for the year ended September 30, 2017, are as follows:

<b>Governmental Activities</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
General Obligation bonds	\$ 8,370,000	\$ -	\$ (690,000)	\$ 7,680,000	\$ 705,000
Net pension liability	10,563,552	865,579	(3,373,297)	8,055,834	-
Compensated absences	615,271	371,656	(383,234)	603,693	452,770
Other postemployment benefits	183,732	15,359	-	199,091	-
Governmental activities totals	<u>\$ 19,732,555</u>	<u>\$ 1,252,594</u>	<u>\$ (4,446,531)</u>	<u>\$ 16,538,618</u>	<u>\$ 1,157,770</u>
<b>Business-type Activities</b>					
Revenue Bonds	\$ 6,438,561	\$ -	\$ (1,251,279)	\$ 5,187,282	\$ 1,269,236
Notes payable	12,004,703	-	(1,381,714)	10,622,989	1,424,438
Net pension liability	1,758,999	85,606	(613,710)	1,230,895	-
Compensated absences	122,890	135,709	(98,380)	160,219	120,164
Other postemployment benefits	60,365	7,207	-	67,572	-
Business-type Activities Totals	<u>\$ 20,385,518</u>	<u>\$ 228,522</u>	<u>\$ (3,345,083)</u>	<u>\$ 17,268,957</u>	<u>\$ 2,813,838</u>

**Liquidation**

*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.

*Net Pension Liability* – In the governmental funds, the liability for the net pension liability is typically liquidated from the general fund. In the proprietary funds, the liability for the net pension liability is typically liquidated from the Sanibel Sewer System fund and Beach Parking fund.

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

*Other Post-Employment Benefits* – In the governmental funds, the OPEB liability is typically liquidated from the general fund. In the proprietary funds, the liability for the other post-employment benefits is liquidated from the Sanibel Sewer System fund and Beach Parking fund.

CITY OF SANIBEL, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2017

**Note 9. Long-term Debt (Continued)**

**Governmental Activities**

Governmental activities long-term debt at September 30, 2017, 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.

\$ 1,565,000

\$6,515,000 General Obligation Bonds, Series 2016, issued to refund bonds that were used to construct a recreation facility, have interest rate of 2.32% 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 2030.

6,115,000

7,680,000

Net pension liability

8,055,834

Compensated absences

603,693

Other postemployment benefits obligation

199,091

Total Governmental Activities

\$ 16,538,618

Annual debt service requirements for governmental activities by debt classification are detailed below:

Governmental Activities		
Year ending	General Obligation Bonds	
September 30,	Principal	Interest
2018	\$ 705,000	\$ 174,264
2019	720,000	158,658
2020	740,000	142,716
2021	755,000	126,336
2022	770,000	109,618
2023-2027	2,405,000	353,684
2028-2030	1,585,000	74,124
Total	<u>\$ 7,680,000</u>	<u>\$ 1,139,400</u>

CITY OF SANIBEL, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2017

**Note 9. Long-term Debt (Continued)**

**Business-type Activities**

Business-type activities long-term debt at September 30, 2017, is comprised of the following:

Revenue Bonds Payable

\$9,493,598 Sanibel Sewer System Refunding Revenue Bonds, Series 2014, issued to realize debt service savings from the 2003 Refunding bonds and the State of Florida revolving loan for the Phase 2 expansion notes payable, collateralized by the net revenues of the sewer system, with a fixed interest rate of 1.43% payable semi-annually, and principal payments payable annually from 2014 through 2021.

\$ 5,187,282

Notes Payable

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.

1,633,264

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.

2,924,066

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.

2,272,834

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 June 2026.

3,792,825

10,622,989

Net pension liability

1,230,895

Compensated absences payable

160,219

Other postemployment benefits obligation

67,572

Total Business-Type Activities

\$ 17,268,957

CITY OF SANIBEL, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2017

**Note 9. Long-term Debt (Continued)**

Annual debt service requirements for business-type activities by debt classification are detailed below:

Year ending September 30,	Business-type Activities					
	Revenue Bonds		Notes Payable		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 1,269,236	\$ 69,657	\$ 1,424,438	\$ 318,495	\$ 2,693,674	\$ 388,152
2019	1,287,451	51,442	1,468,490	274,441	2,755,941	325,883
2020	1,305,927	32,965	1,513,914	229,018	2,819,841	261,983
2021	1,324,668	14,224	1,560,755	182,178	2,885,423	196,402
2022	-	-	1,609,054	133,878	1,609,054	133,878
2023-2026	-	-	3,046,338	177,967	3,046,338	177,967
Total	<u>\$ 5,187,282</u>	<u>\$ 168,288</u>	<u>\$ 10,622,989</u>	<u>\$ 1,315,977</u>	<u>\$ 15,810,271</u>	<u>\$ 1,484,265</u>

**Note 10. 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, 2017, can be obtained from Florida League of Cities, Inc., Public Risk Service, 135 East Colonial Drive, Orlando, Florida 32853-0065.

**Note 11. Restricted Assets**

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

	<u>Governmental</u>	<u>Business-Type</u>
Debt service	\$ 282,987	\$ 4,929,408
Total Restricted	<u>\$ 282,987</u>	<u>\$ 4,929,408</u>

**Note 12. Defined Benefit Pension Plans**

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

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

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

For financial statement purposes, plan assets are valued at fair value for the General Employees' and Municipal Police Officers' plans, as reported within the annual trustee statements. The plans do not issue stand-alone GAAP financial reports. Therefore, the individual financial reports are presented for each of the plans in this section.



CITY OF SANIBEL, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2017

**Note 12. Defined Benefit Pension Plans (Continued)**

	Pension Trust Funds		
	General Employees'	Municipal Police Officers'	Total Trust Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 861,850	\$ 500,654	\$ 1,362,504
Investments, at fair value			
Treasury inflation protection securities	536,235	-	536,235
US government and agencies securities	1,734,487	-	1,734,487
Corporate stocks	8,919,233	-	8,919,233
Corporate bonds	3,962,188	-	3,962,188
Convertibles	2,923,489	1,795,623	4,719,112
Master Limited Partnerships	1,099,000	850,820	1,949,820
Mutual Funds			
Fixed income	-	5,119,646	5,119,646
Equity	2,113,066	6,432,826	8,545,892
International equity	4,452,218	2,733,173	7,185,391
Real estate investments trusts	-	817,356	817,356
Real estate commingled fund	2,361,342	-	2,361,342
Total investments at fair value	<u>28,101,258</u>	<u>17,749,444</u>	<u>45,850,702</u>
Contributions receivable	2,423	175,446	177,869
Interest and dividends receivable	77,970	25,111	103,081
Total receivables	<u>80,393</u>	<u>200,557</u>	<u>280,950</u>
Total assets	<u>29,043,501</u>	<u>18,450,655</u>	<u>47,494,156</u>
<b>LIABILITIES</b>			
Accrued benefits and other liabilities	15,111	9,960	25,071
Total liabilities	<u>15,111</u>	<u>9,960</u>	<u>25,071</u>
<b>NET POSITION</b>			
Net position restricted for pensions	<u>\$ 29,028,390</u>	<u>\$ 18,440,695</u>	<u>\$ 47,469,085</u>

CITY OF SANIBEL, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2017

**Note 12. Defined Benefit Pension Plans (Continued)**

	Pension Trust Funds		
	General Employees'	Municipal Police Officers'	Total Trust Funds
<b>ADDITIONS</b>			
Contributions			
Employer	\$ 1,595,492	\$ 1,124,726	\$ 2,720,218
State of Florida	-	82,263	82,263
Plan members	52,815	133,974	186,789
Total contributions	<u>1,648,307</u>	<u>1,340,963</u>	<u>2,989,270</u>
Investment income			
Net appreciation in fair value of investments	2,666,007	932,099	3,598,106
Interest, dividends and other	929,273	818,182	1,747,455
Total investment earnings	<u>3,595,280</u>	<u>1,750,281</u>	<u>5,345,561</u>
Less investment expense	<u>(154,041)</u>	<u>(67,440)</u>	<u>(221,481)</u>
Net investment earnings	<u>3,441,239</u>	<u>1,682,841</u>	<u>5,124,080</u>
Total additions	<u>5,089,546</u>	<u>3,023,804</u>	<u>8,113,350</u>
<b>DEDUCTIONS</b>			
Benefits paid	1,583,256	1,016,764	2,600,020
Lump sum DROP disbursement	-	1,018,253	1,018,253
Refunds of contributions	-	8,494	8,494
Administrative expenses	36,157	45,206	81,363
Total deductions	<u>1,619,413</u>	<u>2,088,717</u>	<u>3,708,130</u>
Change in net position	<u>3,470,133</u>	<u>935,087</u>	<u>4,405,220</u>
Net position - beginning of year	<u>25,558,257</u>	<u>17,505,608</u>	<u>43,063,865</u>
Net position - end of year	<u>\$ 29,028,390</u>	<u>\$ 18,440,695</u>	<u>\$ 47,469,085</u>

In addition to other disclosures, the GASB requires a schedule of changes in the net pension liability and related ratios; a schedule of contributions; and a schedule of investment returns that include historical trend information. These schedules are included as required supplementary information to the financial statements.

CITY OF SANIBEL, FLORIDA  
 NOTES TO THE FINANCIAL STATEMENTS  
 September 30, 2017

**Note 12. Defined Benefit Pension Plans (Continued)**

**A. General Employees' Pension Plan**

The Plan 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 plan are paid from plan assets.

<u>Plan Membership as of October 1, 2016:</u>	
Active Plan member	17
Inactive Plan members	59
Retirees receiving benefits	73
Active DROP members	2
Beneficiaries receiving benefits	3
	<u>154</u>

**Plan Description**

On February 7, 2012 the City 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, the City 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, the City 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 plan is administered by a Board of Trustees comprised of the following: two employee members of the Plan (one with under 15 years of service, one with 15 years of service or more) elected by the Plan members, one Department Director appointed by the City Manager, five Council appointees, and one chosen by the other eight members of the Board and appointed by Council.

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.

CITY OF SANIBEL, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2017

---

**Note 12. Defined Benefit Pension Plans (Continued)**

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

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.

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.

Normal retirement is the attainment of age 65 with 6 years of credited service. For members with 15 years or more of credited service as of September 30, 2011 (December 31, 2011 for police dispatchers), it is the attainment of age 60 with 5 years of credited service.

Early retirement is the attainment of age 60 with 6 years of credited service. For members with 15 years or more of credited service as of September 30, 2011 (December 31, 2011 for police dispatchers), it is the attainment of age 55. Accrued benefit on early retirement date is reduced by 5 percent for each year that early retirement date precedes the normal retirement date. Notwithstanding the preceding sentence, the early retirement benefit for an employee with 15 or more years of city service on September 30, 2011 the accrued benefit will be reduced by 2.5 percent for each year that the early retirement date precedes age 60; and the benefit will not be reduced if the employee has attained age 60 at the time of retirement.

Termination of Employment Vesting Schedule:

<u>Years of Service</u>	<u>Vested</u>
Less than 6	0%
6 or more	100%

Additionally, members with at least 5 years of credited service as of September 30, 2011 (December 31, 2011 for police dispatchers), are 100% vested in their accrued benefit. Vested accrued benefit payable at the normal retirement date (unreduced) or the early retirement date (reduced).

Pre-retirement Death Benefits: If a vested participant dies while in the service of the city before he or she has taken early, normal or late retirement, one-half of the actuarially reduced accrued benefit payable for the life of the spouse or beneficiary beginning at the member's otherwise early retirement date.

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 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.

CITY OF SANIBEL, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2017

---

**Note 12. Defined Benefit Pension Plans (Continued)**

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

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.

The Plan provides 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 amended 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.

As of September 30, 2017, there were two members in the DROP program with a combined balance of \$19,036.

Contributions

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 remaining amount required in order to pay current costs and amortize unfunded past service cost, if any, as provided in Chapter 112, Florida Statutes.

Net Pension Liability of the City

The City's net pension liability was measured as of September 30, 2017. The total pension liability used to calculate the net pension liability was determined as of that date. The components of the net pension liability of the City at September 30, 2017 were as follows:

Total pension liability	\$ 33,617,627
Total plan fiduciary net position	(29,028,390)
City's net pension liability	<u>\$ 4,589,237</u>
Plan fiduciary net position as a % of total pension liability	86.35%

CITY OF SANIBEL, FLORIDA  
 NOTES TO THE FINANCIAL STATEMENTS  
 September 30, 2017

**Note 12. Defined Benefit Pension Plans (Continued)**

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

*Actuarial Assumptions:*

The total pension liability was determined by an actuarial valuation as of October 1, 2016 updated to September 30, 2017 using the following actuarial assumptions applied to all measurement periods.

Inflation .....	2.70%
Salary Increases .....	4.80% - 7.80%
Discount Rate .....	6.75%
Investment Rate of Return.....	6.75%

*Mortality Rate Healthy Lives*

RP2000 Fully Generational mortality table with Scale BB sex distinct as follows  
 Males – 50% annuitant white collar, 50% annuitant blue collar  
 Females – 100% annuitant white collar

*Mortality Rate Disabled Lives*

RP2000 without projection mortality table sex distinct as follows  
 Males – 100% disabled male with four year setback  
 Females – 100 disabled female with two year set forward

The most recent actuarial experience study used to review the other significant assumptions was dated December 4, 2008.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class.

These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2017 are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Domestic Equity	38.00%	7.00%
International Equity	15.00%	3.70%
Bonds	23.00%	4.00%
TIPS	2.00%	2.90%
Convertibles	10.00%	6.00%
Private Real Estate	5.00%	4.80%
MLPs	5.00%	9.70%
Cash	2.00%	0.80%

CITY OF SANIBEL, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2017

**Note 12. Defined Benefit Pension Plans (Continued)**

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

*Discount Rate:*

The discount rate used to measure the total pension liability was 6.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that city contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the net pension liability to changes in the discount rate:*

The following presents the net pension liability of the City, calculated using the discount rate of 6.75 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75 percent) or 1-percentage-point higher (7.75 percent) than the current rate:

	1% Decrease 5.75%	Current Discount Rate 6.75%	1% Increase 7.75%
City's net pension liability	\$ 8,457,242	\$ 4,589,237	\$ 1,348,882

<b>CHANGES IN NET PENSION LIABILITY</b>			
	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at September 30, 2016	\$ 32,289,257	\$ 25,558,257	\$ 6,731,000
Changes for the year:			
Service cost	161,673	-	161,673
Interest	2,136,997	-	2,136,997
Differences between expected and actual experience	612,956	-	612,956
Changes of assumptions	-	-	-
Contributions - employer	-	1,595,492	(1,595,492)
Contributions - employee	-	52,815	(52,815)
Projected net investment income	-	1,726,160	(1,726,160)
Difference between projected and actual earnings on pension plan investments	-	1,715,079	(1,715,079)
Benefit payments, including refunds of employee contributions	(1,583,256)	(1,583,256)	-
Administrative expense	-	(36,157)	36,157
Net changes	<u>1,328,370</u>	<u>3,470,133</u>	<u>(2,141,763)</u>
Balances at September 30, 2017	<u>\$ 33,617,627</u>	<u>\$ 29,028,390</u>	<u>\$ 4,589,237</u>

CITY OF SANIBEL, FLORIDA  
 NOTES TO THE FINANCIAL STATEMENTS  
 September 30, 2017

**Note 12. Defined Benefit Pension Plans (Continued)**

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

Pension Expense and Deferred Inflows/Outflows of Resources Related to Pensions

For the year ended September 30, 2017 the City has recognized a pension expense of \$1,094,981. On September 30, 2017 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Actual investment earnings different than assumed	\$ -	\$ 617,296
Differences between actual and expected experience	-	-
Total	\$ -	\$ 617,296

Amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Total year ended September 30,	
2018	\$ (73,835)
2019	119,876
2020	(320,321)
2021	(343,016)

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

This plan and all 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.

<u>Plan Membership as of October 1, 2016:</u>	
Active Plan members	24
Inactive Plan members	7
Retirees receiving benefits	20
Active DROP members	2
Beneficiaries receiving benefits	2
Disability retirees	3
	58

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, termination, disability and death benefits to plan members and beneficiaries.

The Plan is administered by a Board of Trustees comprised of: two City Council appointees, two members of the Plan elected by a majority of the other covered Police Officers, and a fifth (5<sup>th</sup>) member elected by the other four and appointed by City Council. There is a 5-year cliff vesting in the Plan. Members terminating with less than five years of credited service receive a refund of their contribution. Members terminating with 5 years or more accrued benefits are payable at early retirement date (reduced) or normal retirement date (unreduced).

**Note 12. Defined Benefit Pension Plans (Continued)**

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

The Normal Retirement Benefit of the Plan is three percent 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, the City 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.

Normal retirement eligibility is the earlier of 1) age 60 with 5 years vesting credits, or 2) age 55 with 10 years vesting credits, or 3) 25 years vesting credits regardless of age. Early retirement eligibility is age 50 and attainment of 5 years vesting credits. Accrued benefits will be reduced 2.5 percent for each year prior to normal retirement date.

Disability eligibility is ten years of contributing service for non-service related; coverage from date of hire for service-incurred. Benefit amount is three (3.0%) percent of average final compensation times credited service, but not less than forty-two (42%) percent of average final compensation for service related disabilities.

Death benefits for a vested member the accrued pension is paid to the beneficiary at otherwise early retirement date (reduced basis) or normal retirement date (unreduced). Benefits are paid for ten years only. Beneficiary receives a refund of the member's contribution for non-vested member. Supplemental benefit of \$36.00 times credited service paid monthly to age 67. Minimum payment period is five years.

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.

The Plan provides 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 four (4%) percent 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. The DROP balance at September 30, 2017 is \$197,064, with two members participating.

CITY OF SANIBEL, FLORIDA  
 NOTES TO THE FINANCIAL STATEMENTS  
 September 30, 2017

**Note 12. Defined Benefit Pension Plans (Continued)**

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

Contributions

Active members are required to contribute eight (8%) percent of their compensation to this Plan until Normal Retirement Age and four (4%) percent 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, 2017, was \$82,263. 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 amount required in order to pay current costs and amortize unfunded past service cost, if any, as provided in Chapter 112, Florida Statutes.

Net Pension Liability of the City

The City's net pension liability was measured as of September 30, 2017. The total pension liability used to calculate the net pension liability was determined as of that date. The components of the net pension liability of the City at September 30, 2017 were as follows:

Total pension liability	\$ 23,138,187
Total plan fiduciary net position	(18,440,695)
City's net pension liability	\$ 4,697,492
Plan fiduciary net position as a % of total pension liability	79.70%

*Actuarial Assumptions:*

The total pension liability was determined by an actuarial valuation as of October 1, 2016 updated to September 30, 2017 using the following actuarial assumptions applied to all measurement periods.

Inflation .....	2.70%
Salary Increases .....	Service based
Discount Rate .....	7.5%
Investment Rate of Return .....	7.5%

*Mortality Rate Healthy Lives*

RP2000 Fully Generational mortality table with Scale BB sex distinct as follows  
 Males – 10% annuitant white collar / 90% annuitant blue collar  
 Females – 100% annuitant white collar

*Mortality Rate Disabled Lives*

RP2000 without projection mortality table sex distinct as follows  
 Males – 60% disabled male setback 4 years / 40% annuitant white collar no setback  
 Females – 60% disabled female set forward 2 years/40% annuitant white collar no setback

CITY OF SANIBEL, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2017

**Note 12. Defined Benefit Pension Plans (Continued)**

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

The most recent actuarial experience study used to review the other significant assumptions was dated May 2, 2012.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class.

These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2017 are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Domestic Equity	35.00%	7.00%
International Equity	15.00%	3.70%
Bonds	30.00%	4.00%
Convertibles	10.00%	6.00%
REITS	5.00%	6.80%
MLPs	5.00%	9.70%

*Discount Rate:*

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that city contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the net pension liability to changes in the discount rate:*

The following presents the net pension liability of the City, calculated using the discount rate of 7.50 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
City's net pension liability	\$ 7,774,385	\$ 4,697,492	\$ 2,186,916

CITY OF SANIBEL, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2017

**Note 12. Defined Benefit Pension Plans (Continued)**

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

CHANGES IN NET PENSION LIABILITY			
	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at September 30, 2016	\$ 23,097,159	\$ 17,505,608	\$ 5,591,551
Changes for the year:			
Service cost	432,384	-	432,384
Interest	1,688,084	-	1,688,084
Change in excess State funds	-	-	-
Differences between expected and actual experience	(35,929)	-	(35,929)
Changes of assumptions	-	-	-
Contributions - employer	-	1,124,726	(1,124,726)
Contributions - state	-	82,263	(82,263)
Contributions - employee	-	133,974	(133,974)
Projected net investment income	-	1,285,367	(1,285,367)
Difference between projected and actual earnings on pension plan investments	-	397,474	(397,474)
Benefit payments, including refunds of employee contributions	(2,043,511)	(2,043,511)	-
Administrative expense	-	(45,206)	45,206
Net changes	41,028	935,087	(894,059)
Balances at September 30, 2017	\$ 23,138,187	\$ 18,440,695	\$ 4,697,492

Pension Expense and Deferred Inflows/Outflows of Resources Related to Pensions

For the year ended September 30, 2017 the City has recognized a pension expense of \$951,186. On September 30, 2017 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Actual investment earnings different than assumed	\$ 98,201	\$ -
Changes of assumptions	297,064	-
Differences between actual and expected experience	14,639	172,540
Total	\$ 409,904	\$ 172,540

Amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Total year ended September 30,	
2018	\$ 204,855
2019	291,453
2020	(172,263)
2021	(86,681)

CITY OF SANIBEL, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2017

---

**Note 13. Defined Contribution Plan**

On March 1, 2011, the 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.

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. Regular, full-time employees, who are not sworn police officers, hired on or after February 7, 2012 are automatically enrolled in this Plan.

The normal retirement age is 60.

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. The City's contributions to the Plan for the years ended September 30, 2017 and 2016 were \$301,404 and \$305,495, respectively.

Forfeitures

A participant who separates from service prior to obtaining full vesting shall forfeit that percentage of his/her employer contribution account balance which has not vested as of the date such participant incurs a break in service of five (5) consecutive years or, if earlier, the date such participant receives, or is deemed to have received, distribution of the entire non-forfeitable interest in his/her employer contribution account.

All amounts forfeited by terminated participants shall be allocated to a suspense account and used to reduce dollar for dollar employer contributions otherwise required under the Plan for the current plan year and succeeding plan years, if necessary. Forfeitures may first be used to pay the reasonable administrative expenses of the Plan, with any remainder being applied to reduce employer contributions. The amount of forfeitures available at September 30, 2017 was \$7,700.

CITY OF SANIBEL, FLORIDA  
 NOTES TO THE FINANCIAL STATEMENTS  
 September 30, 2017

**Note 13. Defined Contribution Plan (Continued)**

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 participant 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.

**Note 14. Other Post-Employment Benefits (OPEB)**

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)	126
Retirees and covered spouses currently receiving benefits:	
Pre-Medicare	3
Post-Medicare	3
Total Retirees and covered spouses currently receiving benefits	6

Funding Policy

Required contributions are based on projected pay-as-you-go financing. For the fiscal year ended September 30, 2017, the City provided contributions of \$23,932 toward implicit benefits including administrative expenses payable during the year.

CITY OF SANIBEL, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2017

**Note 14. Other Post-Employment Benefits (OPEB) (Continued)**

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, 2016 actuarial valuation using the entry age normal actuarial cost method. Select actuarial assumptions are listed in the table below:

Valuation date	October 1, 2016
Funding method	Entry Age Normal (Level Percent of Pay)
Amortization of UAAL	Level Dollar (Closed amortization over 30 years)
Remaining amortization period	30 years
Asset valuation method	Market value
Actuarial assumptions:	
Interest rate	4.0%
Health care inflation	8.75% in fiscal year 2017, trending to 5.5% in fiscal year 2027, and an ultimate trend rate of 4.0% in 2073
Salary increase – General Employees	Age 20 – 7.8% average salary increase Age 30 – 6.3% average salary increase Age 40 – 5.4% average salary increase Age 50 – 4.8% average salary increase
Salary increase – Police	Age 20 – 7.3% average salary increase Age 30 – 6.8% average salary increase Age 40 – 6.0% average salary increase Age 50 – 5.3% average salary increase
Inflation Rate	3.0% per year
Mortality Rate <i>General Employees</i>	Female (Healthy) – RP2000 Generational, 100% annuitant white collar, Scale BB Male (Healthy) – RP2000 Generational, 50% annuitant white collar / 50% annuitant blue collar, Scale BB Disabled – 100% RP2000 disabled set forward two years (female) or four years (male)
<i>Police Pension Employees</i>	Female (Healthy) – RP2000 Generational, 100% annuitant white collar, Scale BB Male (Healthy) – RP2000 Generational, 10% annuitant white collar / 90% annuitant blue collar, Scale BB Disabled – 60% RP2000 disabled set forward two years (female) and setback four years (male), 40% annuitant white collar (female and male) with no setback, no projection scale

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.

CITY OF SANIBEL, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2017

**Note 14. Other Post-Employment Benefits (Continued)**

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.

Funded Status and Funding Progress

The funded status and the three year funding trend of the Plan as of September 30, 2017 are presented below and reflect a decision to no longer fund the program:

Funded status as of:	10/01/2014	10/01/2015	10/01/2016
Actuarial Accrued Liability (AAL)	\$ 353,709	\$ 287,836	\$ 286,003
Actuarial Value of Assets (AVA)	-	-	-
Unfunded Actuarial Accrued Liability (UAAL)	353,709	287,836	286,003
Funded Ratio (actuarial value of assets/AAL)	0.00%	0.00%	0.00%
Covered Payroll	5,365,337	5,490,360	7,450,266
Ratio of UAAL to Covered Payroll	6.59%	5.24%	3.84%

Fiscal Year Ending	Annual	% of Annual	Net OPEB
	OPEB Cost	OPEB Cost Contributed	Obligation
September 30, 2017	\$ 46,498	51.5%	\$ 266,663
September 30, 2016	38,961	69.4%	244,097
September 30, 2015	48,233	88.4%	232,194

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.

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	10/01/2014	10/01/2015	10/01/2016
Applicable for Fiscal Year Ending	09/30/2015	09/30/2016	09/30/2017
Annual Required Contribution	\$ 47,726	\$ 43,814	\$ 51,846
Interest on Net OPEB Obligation	11,329	9,288	9,763
Adjustment to Annual Required Contribution	(10,822)	(14,141)	(15,111)
Annual OPEB Cost (Expense)	48,233	38,961	46,498
Net Contributions Made	(42,622)	(27,058)	(23,932)
Increase (Decrease) in Net OPEB Obligation	5,611	11,903	22,566
Net OPEB Obligation - Beginning of Year	226,583	232,194	244,097
Net OPEB Obligation - End of Year	\$ 232,194	\$ 244,097	\$ 266,663

CITY OF SANIBEL, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2017

**Note 15. Other Revenues**

Other revenue in the government fund types at September 30, 2017 is as follows:

	General Fund	Transportation Fund	Recreation Fund	Other Governmental Funds	Total
Investment earnings (loss)	\$ (9,854)	\$ 19,426	\$ 937	\$ 71,719	\$ 82,228
Rents & Royalties	6,726	-	-	-	6,726
Impact fees	-	-	-	139,201	139,201
Sale of surplus equipment	20	-	-	-	20
Contributions and donations	17,700	16,282	24,465	2,438	60,885
Other Miscellaneous Revenues	42,107	11	2,356	1,362	45,836
Total Other Revenues	<u>\$ 56,699</u>	<u>\$ 35,719</u>	<u>\$ 27,758</u>	<u>\$ 214,720</u>	<u>\$ 334,896</u>

**Note 16. 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 lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's counsel the resolution of the cases do not appear to present significant monetary exposure to the City in the event of unfavorable outcomes.

**Note 17. Commitments**

The City's commitments with contractors as of September 30, 2017, are as follows:

	Total Contract	Spent to Date	Remaining
<b><u>GOVERNMENTAL ACTIVITIES</u></b>			
Transportation Fund			
2017 Boardwalk Dune Walkover Rpl Project	\$ 165,426	\$ 137,119	\$ 28,307
2017 Shared Use Path Repair Project	444,416	68,217	376,199
2017 Street Resurfacing Project	309,000	-	309,000
Phase 3 Watershed Management Plan	151,500	52,540	98,960
Capital Projects Fund			
Police Department Gate Project	70,290	60,873	9,417
Total governmental activities	<u>1,140,632</u>	<u>318,749</u>	<u>821,883</u>
<b><u>BUSINESS-TYPE ACTIVITIES</u></b>			
Beach Parking Fund			
Jordan Marsh Water Quality Treatment Design	165,031	88,395	76,636
City Wide Beach Management Plan	125,000	-	125,000
2017 Boat Ramp Rehabilitation Project	285,532	156,476	129,056
Total business-type activities	<u>575,563</u>	<u>244,871</u>	<u>330,692</u>
<b>Total construction commitments</b>	<b><u>\$ 1,716,195</u></b>	<b><u>\$ 563,620</u></b>	<b><u>\$ 1,152,575</u></b>

The Required Supplementary Information (RSI) section contains supporting information to the Basic Financial Statements.

**This section contains the following subsections:**

General Employees' Pension Plan

- Schedule of Changes in the Net Pension Liability and Related Ratios.....116
- Schedule of Investment Returns .....116
- Schedule of Contributions .....117

Municipal Police Officers' Pension Plan

- Schedule of Changes in the Net Pension Liability and Related Ratios.....118
- Schedule of Investment Returns .....118
- Schedule of Contributions .....119

Other Post Employment Benefit Plan

- Schedule of Funding Progress .....120
- Schedules of Contributions from the Employer .....120

CITY OF SANIBEL, FLORIDA  
REQUIRED SUPPLEMENTARY INFORMATION  
September 30, 2017

**GENERAL EMPLOYEES' PENSION PLAN**  
**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS**  
Last Five Fiscal Years

	2017	2016	2015	2014	2013
Total pension liability					
Service cost	\$ 161,673	\$ 174,843	\$ 191,061	\$ 196,178	\$ 183,773
Interest	2,136,997	1,993,132	1,945,199	1,895,908	1,851,553
Differences between expected and actual experience	612,956	(230,237)	48,718	-	-
Changes of assumptions	-	1,738,848	-	-	-
Benefit payments, including refunds of member contributions	(1,583,256)	(1,480,738)	(1,436,535)	(1,276,944)	(1,504,296)
Net change in total pension liability	1,328,370	2,195,848	748,443	815,142	531,030
Total pension liability - beginning	32,289,257	30,093,409	29,344,966	28,529,824	27,998,794
Total pension liability - ending (a)	<u>\$ 33,617,627</u>	<u>\$ 32,289,257</u>	<u>\$ 30,093,409</u>	<u>\$ 29,344,966</u>	<u>\$ 28,529,824</u>
Plan fiduciary net position					
Contributions - employer	\$ 1,595,492	\$ 1,457,338	\$ 1,795,876	\$ 1,681,948	\$ 1,691,261
Contributions - employee	52,815	60,710	63,855	65,431	64,908
Net investment income	3,441,239	1,509,708	(553,543)	2,424,391	2,436,581
Benefit payments, including refunds of member contributions	(1,583,256)	(1,480,738)	(1,436,535)	(1,276,944)	(1,504,296)
Administrative expense	(36,157)	(34,576)	(37,648)	(27,489)	(31,229)
Net change in plan fiduciary net position	3,470,133	1,512,442	(167,995)	2,867,337	2,657,225
Plan fiduciary net position - beginning	25,558,257	24,045,815	24,213,810	21,346,473	18,689,248
Plan fiduciary net position - ending (b)	<u>\$ 29,028,390</u>	<u>\$ 25,558,257</u>	<u>\$ 24,045,815</u>	<u>\$ 24,213,810</u>	<u>\$ 21,346,473</u>
City's net pension liability - ending (a) - (b)	<u>\$ 4,589,237</u>	<u>\$ 6,731,000</u>	<u>\$ 6,047,594</u>	<u>\$ 5,131,156</u>	<u>\$ 7,183,351</u>
Plan fiduciary net position as a percentage of the total pension liability	86.35%	79.15%	79.90%	82.51%	74.82%
Covered payroll*	\$ 1,056,286	\$ 1,214,204	\$ 1,396,431	\$ 1,308,625	\$ 1,298,166
City's net position liability as a percentage of covered payroll	434.47%	554.35%	433.08%	392.10%	553.35%

Notes to Schedule:

\*The covered payroll numbers shown are in compliance with GASB 82, except for the 09/30/2015 measurement period which includes DROP payroll.

\* Schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

**GENERAL EMPLOYEES' PENSION PLAN**  
**SCHEDULE OF INVESTMENT RETURNS**  
Last Five Fiscal Years

	2017	2016	2015	2014	2013
Annual money-weighted rate of return, net of investment expenses	13.22%	6.17%	-2.23%	11.00%	12.96%

\* Schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

CITY OF SANIBEL, FLORIDA  
 REQUIRED SUPPLEMENTARY INFORMATION  
 September 30, 2017

**GENERAL EMPLOYEES' PENSION PLAN**  
**SCHEDULE OF CONTRIBUTIONS**  
 Last Ten Fiscal Years

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Actuarially determined contribution	\$ 1,595,492	\$ 1,457,341	\$ 1,629,315	\$ 1,659,991	\$ 1,668,403	\$ 1,397,764	\$ 1,448,913	\$ 1,173,397	\$ 858,029	\$ 824,863
Contributions in relation to the actuarially determined contributions	1,595,492	1,457,341	1,795,876	1,681,948	1,691,261	5,587,616	1,448,913	1,173,397	975,816	824,863
Contribution deficiency (Excess)	\$ -	\$ -	\$ (166,561)	\$ (21,957)	\$ (22,858)	\$ (4,189,852)	\$ -	\$ -	\$ (117,787)	\$ -
<b>Covered payroll*</b>	<b>\$ 1,056,286</b>	<b>\$ 1,214,204</b>	<b>\$ 1,396,431</b>	<b>\$ 1,308,625</b>	<b>\$ 1,298,166</b>	<b>\$ 1,325,935</b>	<b>\$ 1,306,071</b>	<b>\$ 4,706,046</b>	<b>\$ 4,927,259</b>	<b>\$ 5,448,952</b>
<b>Contributions as a percentage of covered payroll</b>	151.05%	120.02%	128.60%	128.53%	130.28%	421.41%	110.94%	24.93%	19.80%	15.14%

**Notes to Schedule**

The covered payroll numbers shown are in compliance with GASB 82, except for the 09/30/2015 measurement period which includes DROP payroll.

Valuation Date: 10/01/2016 updated to 09/30/2017

Actuarially determined contribution rates are calculated as of October 1, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Funding method	Entry age normal actuarial cost method. The following loads are applied for determination of the sponsor dollar funding requirement: Interest: A half year, based on the current 6.75% assumption. Salary: A full year, based on the current 3.47% assumption.
Amortization method	Level percentage of pay, closed
Remaining amortization period	11 years (as of 10/01/2015)
Asset smoothing methodology	Fair market value, net of investment-related expenses.
Inflation	2.7% per year
Salary increases	See Table below.
Interest rate	6.75% per year, compounded annually, net of investment related expenses.
Payroll increase	None
Cost-of-living adjustment	2% for 25 years, beginning 5 years after retirement, payable to normal and early retirees. For members who retired prior to May 1, 2011, the adjustments are 3% annually for 25 years, beginning 3 years after retirement.
Retirement age	One year following satisfaction of the Plan's requirement for normal retirement.
Early retirement	Commencing upon eligibility for early retirement, members are assumed to retire with an immediate benefit at the rate of 5% per year.
Termination rates	See Table below. (These rates reflect the new assumption; rates for valuations prior to October 1, 2013 were double those shown on the table below.)
Disability rates	See Table below.
Mortality	RP2000 Combined Healthy Mortality Tables (see note 12 for more detailed information)

Other Information

Age	Termination, Disability and Salary Rate Tables		
	% Terminating During the Year	% Becoming Disabled During the Year	Average Salary Increase
20	9.30%	0.14%	7.80%
30	5.50%	0.18%	6.30%
40	4.60%	0.30%	5.40%
50	4.10%	1.00%	4.80%

CITY OF SANIBEL, FLORIDA  
 REQUIRED SUPPLEMENTARY INFORMATION  
 September 30, 2017

**MUNICIPAL POLICE OFFICERS' PENSION PLAN**  
**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS**  
 Last Five Fiscal Years

	2017	2016	2015	2014	2013
Total pension liability					
Service cost	\$ 432,384	\$ 492,835	\$ 469,734	\$ 509,101	\$ 473,582
Interest	1,688,084	1,620,290	1,528,830	1,445,430	1,373,741
Change in excess State funds	-	(27,317)	-	-	-
Differences between expected and actual experience	(35,929)	(287,593)	58,554	-	-
Changes of assumptions	-	594,128	-	-	-
Benefit payments, including refunds of member contributions	(2,043,511)	(867,064)	(854,438)	(751,882)	(1,102,107)
Net change in total pension liability	41,028	1,525,279	1,202,680	1,202,649	745,216
Total pension liability - beginning	23,097,159	21,571,880	20,369,200	19,166,551	18,421,335
Total pension liability - ending (a)	<u>\$ 23,138,187</u>	<u>\$ 23,097,159</u>	<u>\$ 21,571,880</u>	<u>\$ 20,369,200</u>	<u>\$ 19,166,551</u>
Plan fiduciary net position					
Contributions - employer	\$ 1,124,726	\$ 1,050,106	\$ 1,138,692	\$ 961,952	\$ 2,072,711
Contributions - state	82,263	85,154	77,754	65,862	62,542
Contributions - employee	133,974	117,033	108,536	114,679	105,628
Net investment income	1,682,841	1,607,425	(730,080)	1,564,849	1,435,540
Benefit payments, including refunds of member contributions	(2,043,511)	(867,064)	(854,438)	(751,882)	(1,102,107)
Administrative expense	(45,206)	(42,535)	(41,503)	(38,332)	(32,304)
Net change in plan fiduciary net position	935,087	1,950,119	(301,039)	1,917,128	2,542,010
Plan fiduciary net position - beginning	17,505,608	15,555,489	15,856,528	13,939,400	11,397,390
Plan fiduciary net position - ending (b)	<u>\$ 18,440,695</u>	<u>\$ 17,505,608</u>	<u>\$ 15,555,489</u>	<u>\$ 15,856,528</u>	<u>\$ 13,939,400</u>
City's net pension liability - ending (a) - (b)	<u>\$ 4,697,492</u>	<u>\$ 5,591,551</u>	<u>\$ 6,016,391</u>	<u>\$ 4,512,672</u>	<u>\$ 5,227,151</u>
Plan fiduciary net position as a percentage of the total pension liability	79.70%	75.79%	72.11%	77.85%	72.73%
Covered payroll*	\$ 1,680,575	\$ 1,462,915	\$ 1,599,122	\$ 1,433,491	\$ 1,320,347
City's net position liability as a percentage of covered payroll	279.52%	382.22%	376.23%	314.80%	395.89%

Notes to Schedule:

\*The covered payroll numbers shown are in compliance with GASB 82, except for the 09/30/2015 measurement period which includes DROP payroll.

\* Schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

**MUNICIPAL POLICE OFFICERS' PENSION PLAN**  
**SCHEDULE OF INVESTMENT RETURNS**  
 Last Five Fiscal Years

	2017	2016	2015	2014	2013
Annual money-weighted rate of return, net of investment expenses	9.83%	10.07%	-4.50%	10.91%	12.01%

\* Schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

CITY OF SANIBEL, FLORIDA  
 REQUIRED SUPPLEMENTARY INFORMATION  
 September 30, 2017

**MUNICIPAL POLICE OFFICERS' PENSION PLAN**  
**SCHEDULE OF CONTRIBUTIONS**  
 Last Ten Fiscal Years

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Actuarially determined contribution	\$ 1,206,989	\$ 1,162,579	\$ 967,464	\$ 1,027,813	\$ 729,756	\$ 687,550	\$ 548,612	\$ 538,345	\$ 554,158	\$ 438,927
From excess State money reserve	-	27,317	-	-	-	-	-	-	-	-
Contributions in relation to the actuarially determined contributions	1,206,989	1,135,262	1,216,446	1,027,813	2,135,253	1,721,305	566,977	538,345	560,891	441,913
Contribution deficiency (Excess)	\$ -	\$ -	\$ (248,982)	\$ -	\$ (1,405,497)	\$ (1,033,755)	\$ (18,365)	\$ -	\$ (6,733)	\$ (2,986)
<b>Covered payroll*</b>	\$ 1,680,575	\$ 1,462,915	\$ 1,599,122	\$ 1,433,491	\$ 1,320,347	\$ 1,284,662	\$ 1,527,468	\$ 1,582,903	\$ 1,727,615	\$ 2,089,004
<b>Contributions as a percentage of covered payroll</b>	71.82%	77.60%	76.07%	71.70%	161.72%	133.99%	37.12%	34.01%	32.47%	21.15%

**Notes to Schedule**

The covered payroll numbers shown are in compliance with GASB 82, except for the 09/30/2015 measurement period which includes DROP payroll.

Valuation Date: 10/01/2016 updated to 09/30/2017

Actuarially determined contribution rates are calculated as of October 1, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Funding method	Entry age normal actuarial cost method
Amortization method	Level percentage of pay, closed
Remaining amortization period	20 years (as of 10/01/2015)
Actuarial asset method	Each year, the prior actuarial value of assets is brought forward utilizing the historical geometric 4-year average market value returns, net of fees. It is possible that over time this technique will produce an insignificant bias above or below market value.
Inflation	2.7% per year
Salary increases	7% per year until the assumed retirement age. Projected salary in the year of retirement is increased 10% for members who had 10 or more years of credited service as of September 30, 2011 and 5% for members who had less than 10 years of credited service as of September 30, 2011. These increases are to account for non-regular compensation.
Interest rate	7.5% per year compounded annually, net of investment related expenses.
Payroll growth assumption	None.
Cost-of-living adjustment	3.0% automatic COLA to normal and early retirees, beginning one year after retirement.
Retirement age	Two years after the earlier of age 60 with 5 years of service, age 55 with 10 years of service, or 25 years of service regardless of age. Also, any member who has reached normal retirement plus two years is assumed to continue employment for one additional year.
Early retirement	Commencing at eligibility for early retirement (age 50), members are assumed to retire with an immediate benefit at the rate of 2% per year.
Termination rates	See Table below.
Disability rates	See Table below. It is assumed that 75% of disablements and active member deaths are service related.
Mortality	RP2000 Combined Healthy mortality tables - see note 12 for more information

Other Information	Disability Rate Table		Termination Rate Table	
	Age	% Becoming Disabled During the Year	Credited Service	Termination Probability
	20	0.051%	0-1	15%
	30	0.058%	2-4	10%
	40	0.121%	5+	0%
	50	0.429%		

CITY OF SANIBEL, FLORIDA  
OTHER SUPPLEMENTARY INFORMATION  
September 30, 2017

**OTHER POST EMPLOYMENT BENEFITS PLAN  
SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date (*)	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll ( c )	UAAL as a % of covered Payroll ((b-a)/c)
10/01/2016	\$ -	\$ 286,003	286,003	0.00%	7,450,266	3.84%
10/01/2015	-	287,836	287,836	0.00%	5,490,360	5.24%
10/01/2014	-	353,709	353,709	0.00%	5,365,337	6.59%
10/01/2013	-	397,234	397,234	0.00%	5,572,096	7.13%
10/01/2012	-	631,325	631,325	0.00%	5,787,718	10.91%
10/01/2011	153,507	530,484	376,977	28.94%	4,993,719	7.55%
10/01/2010	129,012	377,652	248,640	34.16%	6,672,366	3.73%
10/01/2009	109,079	326,631	217,552	33.40%	6,778,234	3.21%
10/01/2008	80,460	426,115	345,655	18.88%	6,443,331	5.36%
10/01/2007	26,579	479,981	453,402	5.54%	6,479,008	7.00%

**OTHER POST EMPLOYMENT BENEFITS PLAN  
SCHEDULE OF CONTRIBUTIONS FROM THE EMPLOYER**

Year Ended September 30	Annual Required Contribution	City Contribution	Percentage Contributed
2017	\$ 46,498	\$ 23,932	51.47%
2016	38,961	27,058	69.45%
2015	48,233	42,622	88.37%
2014	49,406	39,706	80.37%
2013	72,120	38,548	53.45%
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 Combining Financial Statements and Schedules include the non-major governmental funds. The non-major governmental funds include special revenue funds, debt service funds, and capital project funds.

**This section contains the following subsections:**

Description of Non-major Governmental Funds .....	122
Combining Balance Sheet – Non-major Governmental Funds .....	123
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Non-major Governmental Funds .....	125
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual	
Road Impact Fees.....	127
Community Park Impact Fees.....	127
Building Department.....	128
Elementary School Ball Park Maintenance.....	129
Shell Harbor Dredging.....	130
Sanibel Estates Canal Trimming.....	130
Sanibel Isles/Water Shadows Dredging.....	131
2012 \$2.97M General Obligation Refunding Bonds .....	132
2016 \$6.52M General Obligation Refunding Bonds .....	132
Capital Asset Acquisition.....	133
Transportation Capital Projects.....	134
Recreation Facility Sinking Fund .....	135

## SPECIAL REVENUE FUNDS

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

- **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.
- **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.

- **2012 \$2.97M General Obligation Bonds** – 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.
- **2006/2016 \$6.52M General Obligation Bonds** – (Construction of New Recreation Center) – to account for the debt service payments and administrative costs of the \$6.52 million General Obligation Bonds issued in 2016 that refunded the original 2006 issue.

## 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.
- **Recreation Facility Sinking Fund** – sinking fund to accumulate funds necessary for the rehabilitation and replacement of components and equipment at the Recreation Complex.

CITY OF SANIBEL, FLORIDA  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 September 30, 2017

	Special Revenue Funds							
	Road Impact Fees	Community Park Impact Fees	Building Department	Elementary School Ball Park Maintenance	Shell Harbor Dredging	Sanibel Estates Canal Trimming	Sanibel Isles/ Water Shadows Dredging	Total
<b>ASSETS</b>								
Cash and cash equivalents	\$ 891,424	\$ 148,873	\$ 1,103,117	\$ -	\$ 27	\$ 26,977	\$ 90,120	\$ 2,260,538
Prepaid expenses	-	-	1,212	-	-	-	-	1,212
Accounts receivable	-	-	-	-	56	3	-	59
Due from other governments	-	-	-	128,954	264	68	53	129,339
Total assets	<u>\$ 891,424</u>	<u>\$ 148,873</u>	<u>\$ 1,104,329</u>	<u>\$ 128,954</u>	<u>\$ 347</u>	<u>\$ 27,048</u>	<u>\$ 90,173</u>	<u>\$ 2,391,148</u>
<b>LIABILITIES</b>								
Accounts payable	\$ -	\$ -	\$ 15,403	\$ 2,605	\$ -	\$ -	\$ -	\$ 18,008
Retainages payable	-	-	-	-	-	-	-	-
Due to other funds	-	-	-	68,102	812	-	-	68,914
Due to other governments	-	-	5	-	-	-	-	5
Accrued liabilities	-	-	5,927	-	-	-	88	6,015
Total liabilities	<u>-</u>	<u>-</u>	<u>21,335</u>	<u>70,707</u>	<u>812</u>	<u>-</u>	<u>88</u>	<u>92,942</u>
<b>FUND BALANCES</b>								
<b>Restricted:</b>								
Building permits/operations	-	-	1,082,994	-	-	-	-	1,082,994
Capital projects	891,424	148,873	-	-	-	-	-	1,040,297
Debt service	-	-	-	-	-	-	-	-
Canal dredging and trimming	-	-	-	-	-	27,048	90,085	117,133
<b>Assigned:</b>								
Parks and recreation	-	-	-	58,247	-	-	-	58,247
Other capital projects	-	-	-	-	-	-	-	-
<b>Unassigned:</b>	-	-	-	-	(465)	-	-	(465)
Total fund balances	<u>891,424</u>	<u>148,873</u>	<u>1,082,994</u>	<u>58,247</u>	<u>(465)</u>	<u>27,048</u>	<u>90,085</u>	<u>2,298,206</u>
Total liabilities and fund balances	<u>\$ 891,424</u>	<u>\$ 148,873</u>	<u>\$ 1,104,329</u>	<u>\$ 128,954</u>	<u>\$ 347</u>	<u>\$ 27,048</u>	<u>\$ 90,173</u>	<u>\$ 2,391,148</u>

CITY OF SANIBEL, FLORIDA  
 COMBINING BALANCE SHEET (CONTINUED)  
 NONMAJOR GOVERNMENTAL FUNDS  
 September 30, 2017

	Debt Service			Capital Projects				Total Nonmajor Governmental Funds
	2012 \$2.97M General Obligation Bonds	2016 \$6.52M General Obligation Bond	Total	Capital Asset Acquisition	Transportation Capital Projects	Recreation Facility Sinking Fund	Total	
<b>ASSETS</b>								
Cash and cash equivalents	\$ 298,847	\$ 12,925	\$ 311,772	\$ 1,490,555	\$ 979,508	\$ 924,038	\$ 3,394,101	\$ 5,966,411
Prepaid expenses	-	-	-	-	-	-	-	1,212
Accounts receivable	-	-	-	-	-	-	-	59
Due from other governments	97	162	259	-	-	-	-	129,598
Total assets	<u>\$ 298,944</u>	<u>\$ 13,087</u>	<u>\$ 312,031</u>	<u>\$ 1,490,555</u>	<u>\$ 979,508</u>	<u>\$ 924,038</u>	<u>\$ 3,394,101</u>	<u>\$ 6,097,280</u>
<b>LIABILITIES</b>								
Accounts payable	\$ -	\$ -	\$ -	\$ 168,819	\$ -	\$ 11,148	\$ 179,967	\$ 197,975
Retainages payable	-	-	-	13,580	-	-	13,580	13,580
Due to other funds	-	-	-	-	-	-	-	68,914
Due to other governments	-	-	-	-	-	-	-	5
Accrued liabilities	-	-	-	-	-	-	-	6,015
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>182,399</u>	<u>-</u>	<u>11,148</u>	<u>193,547</u>	<u>286,489</u>
<b>FUND BALANCES</b>								
<b>Restricted:</b>								
Building permits/operations	-	-	-	-	-	-	-	1,082,994
Capital projects	-	-	-	-	979,508	-	979,508	2,019,805
Debt service	298,944	13,087	312,031	-	-	-	-	312,031
Canal dredging and trimming	-	-	-	-	-	-	-	117,133
<b>Assigned:</b>								
Parks and recreation	-	-	-	-	-	-	-	58,247
Other capital projects	-	-	-	1,308,156	-	912,890	2,221,046	2,221,046
<b>Unassigned:</b>								
	-	-	-	-	-	-	-	(465)
Total fund balances	<u>298,944</u>	<u>13,087</u>	<u>312,031</u>	<u>1,308,156</u>	<u>979,508</u>	<u>912,890</u>	<u>3,200,554</u>	<u>5,810,791</u>
Total liabilities and fund balances	<u>\$ 298,944</u>	<u>\$ 13,087</u>	<u>\$ 312,031</u>	<u>\$ 1,490,555</u>	<u>\$ 979,508</u>	<u>\$ 924,038</u>	<u>\$ 3,394,101</u>	<u>\$ 6,097,280</u>

CITY OF SANIBEL, FLORIDA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 For the Year Ended September 30, 2017

	Special Revenue Funds							
	Road Impact Fees	Community Park Impact Fees	Building Department	Elementary School Ball Park Maintenance	Shell Harbor Dredging	Sanibel Estates Canal Trimming	Sanibel Isles/ Water Shadows Dredging	Total
<b>REVENUES</b>								
Taxes - Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Permits/Fee/Special Assessments	-	-	1,011,226	-	17,609	6,774	9,761	1,045,370
Intergovernmental revenue	-	-	-	322,376	-	-	-	322,376
Charges for services	-	-	13,896	-	-	-	-	13,896
Fines and forfeitures	-	-	19,080	-	-	-	-	19,080
Other revenue	135,171	16,670	12,857	691	375	394	1,292	167,450
Total revenues	<u>135,171</u>	<u>16,670</u>	<u>1,057,059</u>	<u>323,067</u>	<u>17,984</u>	<u>7,168</u>	<u>11,053</u>	<u>1,568,172</u>
<b>EXPENDITURES</b>								
<b>Current</b>								
Public safety	-	-	866,524	-	-	-	-	866,524
Public Works/Transportation	-	-	-	-	63,868	1,627	37,454	102,949
Culture/recreation	-	-	-	259,702	-	-	-	259,702
<b>Debt Service</b>								
Principal retirement	-	-	-	-	-	-	-	-
Interest & fiscal charges	-	-	-	-	-	-	-	-
<b>Capital outlay</b>								
Total expenditures	<u>-</u>	<u>-</u>	<u>866,524</u>	<u>563,965</u>	<u>63,868</u>	<u>1,627</u>	<u>37,454</u>	<u>1,533,438</u>
Excess (deficiency) of revenue over (under) expenditures	<u>135,171</u>	<u>16,670</u>	<u>190,535</u>	<u>(240,898)</u>	<u>(45,884)</u>	<u>5,541</u>	<u>(26,401)</u>	<u>34,734</u>
<b>OTHER FINANCING SOURCES (USES)</b>								
Transfers in	-	-	-	257,645	5,445	3,000	5,000	271,090
Net change in fund balances	135,171	16,670	190,535	16,747	(40,439)	8,541	(21,401)	305,824
Fund balances:								
Beginning of year	756,253	132,203	892,459	41,500	39,974	18,507	111,486	1,992,382
End of year	<u>\$ 891,424</u>	<u>\$ 148,873</u>	<u>\$ 1,082,994</u>	<u>\$ 58,247</u>	<u>\$ (465)</u>	<u>\$ 27,048</u>	<u>\$ 90,085</u>	<u>\$ 2,298,206</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, 2017

	Debt Service Funds			Capital Projects				Total Nonmajor Governmental Funds
	2012 \$2.97M General Obligation Bonds	2016 \$6.52M General Obligation Bonds	Total	Capital Asset Acquisition	Transportation Capital Projects	Recreation Facility Sinking Fund	Total	
<b>REVENUES</b>								
Taxes - Property	\$ 329,605	\$ 552,548	\$ 882,153	\$ -	\$ -	\$ -	\$ -	\$ 882,153
Permits/Fee/Special Assessments	-	-	-	-	-	-	-	1,045,370
Intergovernmental revenue	-	-	-	-	-	-	-	322,376
Charges for services	-	-	-	-	-	-	-	13,896
Fines and forfeitures	-	-	-	-	-	-	-	19,080
Other revenue	5,466	3,435	8,901	17,360	9,751	11,258	38,369	214,720
Total revenues	<u>335,071</u>	<u>555,983</u>	<u>891,054</u>	<u>17,360</u>	<u>9,751</u>	<u>11,258</u>	<u>38,369</u>	<u>2,497,595</u>
<b>EXPENDITURES</b>								
<b>Current</b>								
Public safety	-	-	-	50,625	-	-	50,625	917,149
Public Works/Transportation	-	-	-	4,128	23,263	-	27,391	130,340
Culture/recreation	-	-	-	287,271	-	37,262	324,533	584,235
<b>Debt Service</b>								
Principal retirement	290,000	400,000	690,000	-	-	-	-	690,000
Interest & fiscal charges	38,399	154,998	193,397	-	-	-	-	193,397
<b>Capital outlay</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>561,208</u>	<u>41,696</u>	<u>52,269</u>	<u>655,173</u>	<u>959,436</u>
Total expenditures	<u>328,399</u>	<u>554,998</u>	<u>883,397</u>	<u>903,232</u>	<u>64,959</u>	<u>89,531</u>	<u>1,057,722</u>	<u>3,474,557</u>
Excess (deficiency) of revenue over (under) expenditures	<u>6,672</u>	<u>985</u>	<u>7,657</u>	<u>(885,872)</u>	<u>(55,208)</u>	<u>(78,273)</u>	<u>(1,019,353)</u>	<u>(976,962)</u>
<b>OTHER FINANCING SOURCES (USES)</b>								
Transfers in	-	-	-	1,220,964	450,000	225,000	1,895,964	2,167,054
Net change in fund balances	6,672	985	7,657	335,092	394,792	146,727	876,611	1,190,092
Fund balances:								
Beginning of year	292,272	12,102	304,374	973,064	584,716	766,163	2,323,943	4,620,699
End of year	<u>\$ 298,944</u>	<u>\$ 13,087</u>	<u>\$ 312,031</u>	<u>\$ 1,308,156</u>	<u>\$ 979,508</u>	<u>\$ 912,890</u>	<u>\$ 3,200,554</u>	<u>\$ 5,810,791</u>

CITY OF SANIBEL, FLORIDA  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL – NON-MAJOR FUNDS  
For the Fiscal Year Ended September 30, 2017

Road Impact Fees Fund				
	Budgets		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Other revenue	\$ 145,000	\$ 145,000	\$ 135,171	\$ (9,829)
<b>EXPENDITURES</b>				
Total expenditures	-	-	-	-
Net change in fund balances	145,000	145,000	135,171	(9,829)
Fund balances, beginning of year	690,653	756,253	756,253	-
Fund balances, end of year	<u>\$ 835,653</u>	<u>\$ 901,253</u>	<u>\$ 891,424</u>	<u>\$ (9,829)</u>

Community Park Impact Fees Fund				
	Budgets		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Other revenue	\$ 15,750	\$ 15,750	\$ 16,670	\$ 920
<b>EXPENDITURES</b>				
Total expenditures	-	-	-	-
Net change in fund balances	15,750	15,750	16,670	920
Fund balances, beginning of year	123,591	132,203	132,203	-
Fund balances, end of year	<u>\$ 139,341</u>	<u>\$ 147,953</u>	<u>\$ 148,873</u>	<u>\$ 920</u>

CITY OF SANIBEL, FLORIDA  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL – NON-MAJOR FUNDS (CONTINUED)  
For the Fiscal Year Ended September 30, 2017

	Building Department Fund			
	Budgets		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Licenses & Permits	\$ 650,000	\$ 650,000	\$ 1,011,226	\$ 361,226
Charges for services	10,000	10,000	13,896	3,896
Fines and forfeitures	20,000	20,000	19,080	(920)
Other revenue	12,000	12,000	12,857	857
Total revenues	<u>692,000</u>	<u>692,000</u>	<u>1,057,059</u>	<u>365,059</u>
<b>EXPENDITURES</b>				
<b>Current</b>				
Public safety	839,762	854,749	866,524	(11,775)
<b>Capital Outlay</b>	-	45,000	-	45,000
Total expenditures	<u>839,762</u>	<u>899,749</u>	<u>866,524</u>	<u>33,225</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(147,762)</u>	<u>(207,749)</u>	<u>190,535</u>	<u>398,284</u>
<b>OTHER FINANCING USES</b>				
Reserves for wage adjustments	(10,000)	-	-	-
Net change in fund balances	<u>(157,762)</u>	<u>(207,749)</u>	<u>190,535</u>	<u>398,284</u>
Fund balances, beginning of year	<u>740,367</u>	<u>892,459</u>	<u>892,459</u>	<u>-</u>
Fund balances, end of year	<u>\$ 582,605</u>	<u>\$ 684,710</u>	<u>\$ 1,082,994</u>	<u>\$ 398,284</u>

CITY OF SANIBEL, FLORIDA  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL – NON-MAJOR FUNDS (CONTINUED)  
For the Fiscal Year Ended September 30, 2017

	Elementary School Ball Park Maintenance Fund			
	Budgets		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 350,000	\$ 350,182	\$ 322,376	\$ (27,806)
Other revenue	100	100	691	591
Total revenues	<u>350,100</u>	<u>350,282</u>	<u>323,067</u>	<u>(27,215)</u>
<b>EXPENDITURES</b>				
<b>Current</b>				
Culture/recreation	312,508	315,335	259,702	55,633
<b>Capital Outlay</b>	<u>305,000</u>	<u>305,000</u>	<u>304,263</u>	<u>737</u>
Total expenditures	<u>617,508</u>	<u>620,335</u>	<u>563,965</u>	<u>56,370</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(267,408)</u>	<u>(270,053)</u>	<u>(240,898)</u>	<u>29,155</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer in	<u>255,000</u>	<u>257,645</u>	<u>257,645</u>	<u>-</u>
Net change in fund balances	<u>(12,408)</u>	<u>(12,408)</u>	<u>16,747</u>	<u>29,155</u>
Fund balances, beginning of year	<u>14,233</u>	<u>41,500</u>	<u>41,500</u>	<u>-</u>
Fund balances, end of year	<u>\$ 1,825</u>	<u>\$ 29,092</u>	<u>\$ 58,247</u>	<u>\$ 29,155</u>

CITY OF SANIBEL, FLORIDA  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL – NON-MAJOR FUNDS (CONTINUED)  
For the Fiscal Year Ended September 30, 2017

Shell Harbor Dredging Fund				
	Budgets		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Permits/Fee/Special Assessments	\$ 17,434	\$ 17,434	\$ 17,609	\$ 175
Other revenue	500	500	375	(125)
Total revenues	<u>17,934</u>	<u>17,934</u>	<u>17,984</u>	<u>50</u>
<b>EXPENDITURES</b>				
<b>Current</b>				
Public Works	<u>1,200</u>	<u>63,899</u>	<u>63,868</u>	<u>31</u>
Excess (deficiency) of revenue over (under) expenditures	<u>16,734</u>	<u>(45,965)</u>	<u>(45,884)</u>	<u>81</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer in	<u>5,445</u>	<u>5,445</u>	<u>5,445</u>	<u>-</u>
Net change in fund balances	<u>22,179</u>	<u>(40,520)</u>	<u>(40,439)</u>	<u>81</u>
Fund balances, beginning of year	<u>40,520</u>	<u>39,974</u>	<u>39,974</u>	<u>-</u>
Fund balances, end of year	<u>\$ 62,699</u>	<u>\$ (546)</u>	<u>\$ (465)</u>	<u>\$ 81</u>

Sanibel Estates Canal Trimming Fund				
	Budgets		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Permits/Fee/Special Assessments	\$ 6,720	\$ 6,720	\$ 6,774	\$ 54
Other revenue	300	300	394	94
Total revenues	<u>7,020</u>	<u>7,020</u>	<u>7,168</u>	<u>148</u>
<b>EXPENDITURES</b>				
<b>Current</b>				
Public Works	<u>10,000</u>	<u>10,000</u>	<u>1,627</u>	<u>8,373</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(2,980)</u>	<u>(2,980)</u>	<u>5,541</u>	<u>8,521</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	<u>3,000</u>	<u>3,000</u>	<u>3,000</u>	<u>-</u>
Net change in fund balances	<u>20</u>	<u>20</u>	<u>8,541</u>	<u>8,521</u>
Fund balances, beginning of year	<u>18,777</u>	<u>18,507</u>	<u>18,507</u>	<u>-</u>
Fund balances, end of year	<u>\$ 18,797</u>	<u>\$ 18,527</u>	<u>\$ 27,048</u>	<u>\$ 8,521</u>

CITY OF SANIBEL, FLORIDA  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL – NON-MAJOR FUNDS (CONTINUED)  
For the Fiscal Year Ended September 30, 2017

Sanibel Isles/Water Shadows Dredging Fund				
	Budgets		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Permits/Fee/Special Assessments	\$ 9,696	\$ 9,696	\$ 9,761	\$ 65
Other revenue	700	700	1,292	592
Total revenues	<u>10,396</u>	<u>10,396</u>	<u>11,053</u>	<u>657</u>
<b>EXPENDITURES</b>				
<b>Current</b>				
Public Works	240	35,090	37,454	(2,364)
Excess (deficiency) of revenue over (under) expenditures	<u>10,156</u>	<u>(24,694)</u>	<u>(26,401)</u>	<u>(1,707)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	5,000	5,000	5,000	-
Net change in fund balances	15,156	(19,694)	(21,401)	(1,707)
Fund balances, beginning of year	<u>75,876</u>	<u>111,486</u>	<u>111,486</u>	<u>-</u>
Fund balances, end of year	<u>\$ 91,032</u>	<u>\$ 91,792</u>	<u>\$ 90,085</u>	<u>\$ (1,707)</u>

CITY OF SANIBEL, FLORIDA  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL – NON-MAJOR FUNDS (CONTINUED)  
For the Fiscal Year Ended September 30, 2017

2012 \$2.97M General Obligation Refunding Bonds Fund				
	Budgets		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 329,239	\$ 329,239	\$ 329,605	\$ 366
Other revenue	2,500	2,500	5,466	2,966
Total revenues	<u>331,739</u>	<u>331,739</u>	<u>335,071</u>	<u>3,332</u>
<b>EXPENDITURES</b>				
<b>Debt Service</b>				
Principal retirement	290,000	290,000	290,000	-
Interest and fiscal charges	38,399	38,399	38,399	-
Total expenditures	<u>328,399</u>	<u>328,399</u>	<u>328,399</u>	<u>-</u>
Net change in fund balances	<u>3,340</u>	<u>3,340</u>	<u>6,672</u>	<u>3,332</u>
Fund balances, beginning of year	<u>286,973</u>	<u>292,272</u>	<u>292,272</u>	<u>-</u>
Fund balances, end of year	<u>\$ 290,313</u>	<u>\$ 295,612</u>	<u>\$ 298,944</u>	<u>\$ 3,332</u>

2016 \$6.52M General Obligation Refunding Bonds Fund				
	Budgets		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 551,932	\$ 551,932	\$ 552,548	\$ 616
Other revenue	2,000	2,000	3,435	1,435
Total revenues	<u>553,932</u>	<u>553,932</u>	<u>555,983</u>	<u>2,051</u>
<b>EXPENDITURES</b>				
<b>Debt Service</b>				
Principal retirement	400,000	400,000	400,000	-
Interest and fiscal charges	151,648	151,648	154,998	(3,350)
Total expenditures	<u>551,648</u>	<u>551,648</u>	<u>554,998</u>	<u>(3,350)</u>
Net change in fund balances	<u>2,284</u>	<u>2,284</u>	<u>985</u>	<u>(1,299)</u>
Fund balances, beginning of year	<u>7,700</u>	<u>12,102</u>	<u>12,102</u>	<u>-</u>
Fund balances, end of year	<u>\$ 9,984</u>	<u>\$ 14,386</u>	<u>\$ 13,087</u>	<u>\$ (1,299)</u>

CITY OF SANIBEL, FLORIDA  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL – NON-MAJOR FUNDS (CONTINUED)  
For the Fiscal Year Ended September 30, 2017

	Capital Asset Acquisition Fund			
	Budgets		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Other revenue	\$ 13,500	\$ 13,500	\$ 17,360	\$ 3,860
<b>EXPENDITURES</b>				
<b>Current</b>				
Public safety	-	-	50,625	(50,625)
Public Works/Transportation	-	-	4,128	(4,128)
Culture/recreation	-	-	287,271	(287,271)
<b>Capital Outlay</b>	1,585,300	2,198,146	561,208	1,636,938
Total expenditures	<u>1,585,300</u>	<u>2,198,146</u>	<u>903,232</u>	<u>1,294,914</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(1,571,800)</u>	<u>(2,184,646)</u>	<u>(885,872)</u>	<u>1,298,774</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	957,914	1,220,964	1,220,964	-
Net change in fund balances	(613,886)	(963,682)	335,092	1,298,774
Fund balances, beginning of year	<u>613,886</u>	<u>1,183,434</u>	<u>973,064</u>	<u>(210,370)</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ 219,752</u>	<u>\$ 1,308,156</u>	<u>\$ 1,088,404</u>

CITY OF SANIBEL, FLORIDA  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL – NON-MAJOR FUNDS (CONTINUED)  
For the Fiscal Year Ended September 30, 2017

	Transportation Capital Projects Fund			
	Budgets		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Other revenue	\$ 9,000	\$ 9,000	\$ 9,751	\$ 751
Total revenues	<u>9,000</u>	<u>9,000</u>	<u>9,751</u>	<u>751</u>
<b>EXPENDITURES</b>				
<b>Current</b>				
Transportation	-	-	23,263	(23,263)
<b>Capital Outlay</b>	<u>625,000</u>	<u>625,000</u>	<u>41,696</u>	<u>583,304</u>
Total expenditures	<u>625,000</u>	<u>625,000</u>	<u>64,959</u>	<u>560,041</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(616,000)</u>	<u>(616,000)</u>	<u>(55,208)</u>	<u>560,792</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer in	<u>450,000</u>	<u>450,000</u>	<u>450,000</u>	<u>-</u>
Net change in fund balances	<u>(166,000)</u>	<u>(166,000)</u>	<u>394,792</u>	<u>560,792</u>
Fund balances, beginning of year	<u>360,961</u>	<u>584,716</u>	<u>584,716</u>	<u>-</u>
Fund balances, end of year	<u>\$ 194,961</u>	<u>\$ 418,716</u>	<u>\$ 979,508</u>	<u>\$ 560,792</u>

CITY OF SANIBEL, FLORIDA  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL – NON-MAJOR FUNDS (CONTINUED)  
For the Fiscal Year Ended September 30, 2017

	Recreation Facility Sinking Fund			
	Budgets		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Other revenue	\$ 8,000	\$ 8,000	\$ 11,258	\$ 3,258
<b>EXPENDITURES</b>				
<b>Current</b>				
Culture/recreation	-	-	37,262	(37,262)
<b>Capital Outlay</b>	327,200	327,200	52,269	274,931
Total expenditures	<u>327,200</u>	<u>327,200</u>	<u>89,531</u>	<u>237,669</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(319,200)</u>	<u>(319,200)</u>	<u>(78,273)</u>	<u>240,927</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer in	225,000	225,000	225,000	-
Reserves	(250,000)	(250,000)	-	250,000
Total other financing sources (uses)	<u>(25,000)</u>	<u>(25,000)</u>	<u>225,000</u>	<u>250,000</u>
Net change in fund balances	<u>(344,200)</u>	<u>(344,200)</u>	<u>146,727</u>	<u>490,927</u>
Fund balances, beginning of year	<u>727,057</u>	<u>766,163</u>	<u>766,163</u>	<u>-</u>
Fund balances, end of year	<u>\$ 382,857</u>	<u>\$ 421,963</u>	<u>\$ 912,890</u>	<u>\$ 490,927</u>



Fiduciary Funds are funds held in trust by the City of Sanibel for employees' retirement or funds held in an agency capacity for other organizations.

**Trust funds are used to account for the assets of the public employee retirement systems**

Combining Statement of Net Position – Fiduciary Funds ..... 138  
Combining Statement of Changes in Net Position – Fiduciary Funds ..... 139

**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 –  
Agency Funds ..... 140

CITY OF SANIBEL, FLORIDA  
 COMBINING STATEMENT OF NET POSITION  
 FIDUCIARY FUNDS  
 September 30, 2017

	Pension Trust Funds		
	General Employees'	Municipal Police Officers'	Total Trust Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 861,850	\$ 500,654	\$ 1,362,504
Investments, at fair value			
Treasury inflation protection securities	536,235	-	536,235
US government and agencies securities	1,734,487	-	1,734,487
Corporate stocks	8,919,233	-	8,919,233
Corporate bonds	3,962,188	-	3,962,188
Convertibles	2,923,489	1,795,623	4,719,112
Master Limited Partnerships	1,099,000	850,820	1,949,820
Mutual Funds			
Fixed income	-	5,119,646	5,119,646
Equity	2,113,066	6,432,826	8,545,892
International equity	4,452,218	2,733,173	7,185,391
Real estate investments trusts	-	817,356	817,356
Real estate commingled fund	2,361,342	-	2,361,342
Total investments at fair value	<u>28,101,258</u>	<u>17,749,444</u>	<u>45,850,702</u>
Contributions receivable	2,423	175,446	177,869
Interest and dividends receivable	77,970	25,111	103,081
Total receivables	<u>80,393</u>	<u>200,557</u>	<u>280,950</u>
Total assets	<u>29,043,501</u>	<u>18,450,655</u>	<u>47,494,156</u>
<b>LIABILITIES</b>			
Accrued benefits and other liabilities	<u>15,111</u>	<u>9,960</u>	<u>25,071</u>
Total liabilities	<u>15,111</u>	<u>9,960</u>	<u>25,071</u>
<b>NET POSITION</b>			
Net position restricted for pensions	<u>\$ 29,028,390</u>	<u>\$ 18,440,695</u>	<u>\$ 47,469,085</u>

CITY OF SANIBEL, FLORIDA  
 COMBINING STATEMENT OF CHANGES IN NET POSITION  
 FIDUCIARY FUNDS  
 For the Fiscal Year Ended September 30, 2017

	Pension Trust Funds		
	General Employees'	Municipal Police Officers'	Total Trust Funds
<b>ADDITIONS</b>			
Contributions			
Employer	\$ 1,595,492	\$ 1,124,726	\$ 2,720,218
State of Florida	-	82,263	82,263
Plan members	52,815	133,974	186,789
Total contributions	<u>1,648,307</u>	<u>1,340,963</u>	<u>2,989,270</u>
Investment income			
Net appreciation in fair value of investments	2,666,007	932,099	3,598,106
Interest, dividends and other	929,273	818,182	1,747,455
Total investment earnings	<u>3,595,280</u>	<u>1,750,281</u>	<u>5,345,561</u>
Less investment expense	<u>(154,041)</u>	<u>(67,440)</u>	<u>(221,481)</u>
Net investment earnings	<u>3,441,239</u>	<u>1,682,841</u>	<u>5,124,080</u>
Total additions	<u>5,089,546</u>	<u>3,023,804</u>	<u>8,113,350</u>
<b>DEDUCTIONS</b>			
Benefits paid	1,583,256	1,016,764	2,600,020
Lump sum DROP disbursement	-	1,018,253	1,018,253
Refunds of contributions	-	8,494	8,494
Administrative expenses	36,157	45,206	81,363
Total deductions	<u>1,619,413</u>	<u>2,088,717</u>	<u>3,708,130</u>
Change in net position	<u>3,470,133</u>	<u>935,087</u>	<u>4,405,220</u>
Net position - beginning of year	<u>25,558,257</u>	<u>17,505,608</u>	<u>43,063,865</u>
Net position - end of year	<u>\$ 29,028,390</u>	<u>\$ 18,440,695</u>	<u>\$ 47,469,085</u>

CITY OF SANIBEL, FLORIDA  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 AGENCY FUNDS  
 For the Fiscal Year Ended September 30, 2017

	Agency Funds					Total Agency Funds
	Regional Park Impact Fees	EMS Impact Fees	Fire Control District Fees	Fire Impact Fees	Lee County School Board	
<b>ASSETS</b>						
Cash and cash equivalents - beginning of year	\$ 7,513	\$ 553	\$ 3,013	\$ 4,939	\$ 22,473	\$ 38,491
Additions - Collections						
Collections	<u>14,965</u>	<u>1,114</u>	<u>27,384</u>	<u>10,000</u>	<u>67,240</u>	<u>120,703</u>
Deductions						
Remittances to other governmental agencies	<u>(17,697)</u>	<u>(1,317)</u>	<u>(25,460)</u>	<u>(11,796)</u>	<u>(75,412)</u>	<u>(131,682)</u>
Cash and cash equivalents - end of year	<u>\$ 4,781</u>	<u>\$ 350</u>	<u>\$ 4,937</u>	<u>\$ 3,143</u>	<u>\$ 14,301</u>	<u>\$ 27,512</u>
<b>LIABILITIES</b>						
Due to other governments - beginning of year	\$ 7,513	\$ 553	\$ 3,013	\$ 4,939	\$ 22,473	\$ 38,491
Additions						
Collections	<u>14,965</u>	<u>1,114</u>	<u>27,384</u>	<u>10,000</u>	<u>67,240</u>	<u>120,703</u>
Deductions						
Remittances to other governmental agencies	<u>(17,697)</u>	<u>(1,317)</u>	<u>(25,460)</u>	<u>(11,796)</u>	<u>(75,412)</u>	<u>(131,682)</u>
Total due to other governments - end of year	<u>\$ 4,781</u>	<u>\$ 350</u>	<u>\$ 4,937</u>	<u>\$ 3,143</u>	<u>\$ 14,301</u>	<u>\$ 27,512</u>

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**

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

Net Position by Component .....	142
Changes in Net Position.....	143
Fund Balances of Governmental Funds .....	145
Changes in Fund Balance of Governmental Funds .....	146
Tax Revenue by Source – Governmental Funds.....	147

**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.....	148
Direct and Overlapping Property Tax Rates .....	149
Principal Property Taxpayers.....	150
Property Tax Levies and Collections .....	151
Sanibel Sewer System Sewer Rates .....	152

**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: Legal Debt Margin Information omitted as per Florida State Statutes, §200.181 and the City of Sanibel Code of Ordinances, there are no legal debt limits).*

Ratios of Outstanding Debt by Type .....	153
Ratios of General Bonded Debt Outstanding.....	154
Direct and Overlapping Governmental Activities Debt.....	155
Wastewater Revenue Bond Coverage.....	156
Wastewater Revenue Note Coverage .....	157

**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.*

Demographic and Economic Statistics .....	158
Principal Employers .....	159

**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.....	160
Operating Indicators by Function/Program .....	161
Capital Asset Statistics by Function/Program .....	162
Schedule of Insurance Coverage.....	163

**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 54 in fiscal year 2010, therefore, fiscal year 2009 data was restated for GASB 54 comparable presentation on the Fund Balances of Governmental Funds schedule.

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

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>Governmental activities</b>										
Net investment in capital assets	\$ 36,654,567	\$ 36,620,841	\$ 37,386,612	\$ 37,809,068	\$ 38,084,139	\$ 38,489,185	\$ 38,851,134	\$ 38,368,735	\$ 35,796,393	\$ 36,345,476
Restricted	5,502,498	4,577,917	4,486,575	3,088,775	2,412,824	2,321,002	2,276,723	1,924,988	4,045,391	4,544,823
Unrestricted	<u>1,660,316</u>	<u>2,696,964</u>	<u>3,185,205</u>	<u>4,085,080</u>	<u>20,959,613</u>	<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>
Total governmental activities net position	<u>43,817,381</u>	<u>43,895,722</u>	<u>45,058,392</u>	<u>44,982,923</u>	<u>61,456,576</u>	<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>
<b>Business-type activities</b>										
Net investment in capital assets	25,118,198	23,771,834	23,457,165	22,473,067	21,561,359	21,228,648	21,085,016	17,991,148	17,037,477	10,783,538
Restricted	4,929,408	5,567,631	6,253,240	7,178,063	8,708,211	9,510,488	10,441,174	11,678,522	12,672,286	16,000,958
Unrestricted	<u>9,768,978</u>	<u>8,797,604</u>	<u>7,129,486</u>	<u>4,555,122</u>	<u>4,353,893</u>	<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>
Total business-type activities net position	<u>39,816,584</u>	<u>38,137,069</u>	<u>36,839,891</u>	<u>34,206,252</u>	<u>34,623,463</u>	<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>
<b>Primary government</b>										
Net investment in capital assets	61,772,765	60,392,675	60,843,777	60,282,135	59,645,498	59,717,833	59,936,150	56,359,883	52,833,870	42,495,321
Restricted	10,431,906	10,145,548	10,739,815	10,266,838	11,121,035	11,831,490	12,717,897	13,603,510	16,717,677	26,885,568
Unrestricted	<u>11,429,294</u>	<u>11,494,568</u>	<u>10,314,691</u>	<u>8,640,202</u>	<u>25,313,506</u>	<u>25,332,521</u>	<u>23,545,879</u>	<u>24,360,156</u>	<u>21,677,550</u>	<u>15,232,493</u>
Total primary government net position	<u>\$ 83,633,965</u>	<u>\$ 82,032,791</u>	<u>\$ 81,898,283</u>	<u>\$ 79,189,175</u>	<u>\$ 96,080,039</u>	<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>

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

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>Expenses</b>										
<b>Governmental activities</b>										
General government	\$ 3,440,910	\$ 3,852,797	\$ 3,059,243	\$ 1,989,435	\$ 2,645,474	\$ 1,060,457	\$ 1,247,993	\$ 1,049,655	\$ 1,187,925	\$ 2,485,498
Public safety	5,874,586	5,660,436	4,914,342	4,818,715	4,968,234	4,943,006	5,110,249	5,236,888	5,475,170	5,509,270
Physical environment	587,814	646,824	646,509	625,663	657,770	693,096	757,467	919,446	1,280,829	1,020,976
Public Works/Transportation	5,260,537	5,215,574	4,150,278	4,114,671	4,207,936	4,654,009	3,452,975	4,290,481	3,956,588	4,598,819
Economic development	349,427	352,019	330,604	319,055	310,986	303,739	288,989	279,107	314,639	272,751
Human services	-	24,579	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Culture/recreation	5,059,094	4,932,373	4,962,842	4,580,446	4,526,040	4,219,856	4,173,267	4,295,854	3,871,583	4,406,463
Interest on long-term debt	189,885	344,918	346,967	357,954	381,058	477,463	435,469	563,139	635,752	672,858
Total governmental activities expenses	<u>20,762,253</u>	<u>21,029,520</u>	<u>18,411,785</u>	<u>16,806,939</u>	<u>17,698,498</u>	<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>
<b>Business-type activities</b>										
Sewer	6,743,168	7,048,610	6,729,763	6,651,541	7,197,611	7,659,796	7,182,495	7,352,404	7,864,277	8,110,872
Beach parking	4,644,671	4,160,279	3,373,708	2,687,152	2,593,668	2,552,587	2,316,959	2,058,331	2,079,582	2,169,757
Total business-type activities expenses	<u>11,387,839</u>	<u>11,208,889</u>	<u>10,103,471</u>	<u>9,338,693</u>	<u>9,791,279</u>	<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>
Total primary government expenses	<u>32,150,092</u>	<u>32,238,409</u>	<u>28,515,256</u>	<u>26,145,632</u>	<u>27,489,777</u>	<u>26,565,009</u>	<u>24,966,863</u>	<u>26,046,305</u>	<u>26,667,345</u>	<u>29,248,264</u>
<b>Program Revenues</b>										
<b>Governmental activities</b>										
<b>Charges for services</b>										
General government	2,343,738	2,181,005	1,679,310	1,575,060	1,608,000	1,521,597	1,416,763	1,452,266	1,482,245	1,635,314
Public safety	1,420,555	958,104	717,757	753,675	846,565	854,433	825,845	735,832	810,180	903,086
Other activities	925,324	968,431	954,614	854,529	787,727	780,585	742,762	710,602	705,738	688,248
Operating grants and contributions	2,155,509	2,024,197	1,933,338	1,735,335	364,063	361,386	477,869	821,483	2,016,163	905,018
Capital grants and contributions	139,201	229,515	291,238	199,669	125,231	143,227	208,811	1,640,519	248,455	577,958
Total governmental activities program revenues	<u>6,984,327</u>	<u>6,361,252</u>	<u>5,576,257</u>	<u>5,118,268</u>	<u>3,731,586</u>	<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>
<b>Business-type activities</b>										
<b>Charges for services</b>										
Sewer	7,089,913	6,764,243	6,554,024	6,294,512	6,090,467	6,130,374	5,937,048	5,850,009	5,694,967	5,445,307
Beach Parking	3,294,169	3,109,403	2,615,434	1,822,700	1,665,215	1,574,009	1,469,464	1,312,588	1,380,026	1,279,665
Operating grants and contributions	1,702,698	1,346,166	1,337,995	1,083,325	1,036,029	1,070,180	957,377	1,172,047	1,347,248	1,619,340
Capital grants and contributions	251,391	532,492	1,019,340	174,830	483,358	462,902	289,561	61,500	1,912,990	686,775
Total business-type activities program revenues	<u>12,338,171</u>	<u>11,752,304</u>	<u>11,526,793</u>	<u>9,375,367</u>	<u>9,275,069</u>	<u>9,237,465</u>	<u>8,653,450</u>	<u>8,396,145</u>	<u>10,335,231</u>	<u>9,031,087</u>
Total primary government program revenues	<u>19,322,498</u>	<u>18,113,556</u>	<u>17,103,050</u>	<u>14,493,635</u>	<u>13,006,655</u>	<u>12,898,693</u>	<u>12,325,500</u>	<u>13,756,847</u>	<u>15,598,012</u>	<u>13,740,711</u>
<b>Net (Expense) Revenue</b>										
Governmental activities	(13,777,926)	(14,668,268)	(12,835,528)	(11,688,671)	(13,966,912)	(12,691,398)	(11,795,359)	(11,274,868)	(11,460,705)	(14,258,011)
Business-type activities	950,332	543,415	1,423,322	36,674	(516,210)	(974,918)	(846,004)	(1,014,591)	391,372	(1,249,542)
Total primary government net expense	<u>\$(12,827,594)</u>	<u>\$(14,124,853)</u>	<u>\$(11,412,206)</u>	<u>\$(11,651,997)</u>	<u>\$(14,483,122)</u>	<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>

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

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities										
Taxes										
Property taxes, levied for general purpose	\$ 8,763,435	\$ 8,321,949	\$ 8,286,932	\$ 8,253,344	\$ 8,283,542	\$ 8,460,871	\$ 8,742,177	\$ 9,372,184	\$ 10,175,612	\$ 11,004,197
Property taxes, levied for debt service	882,153	843,545	839,254	850,501	853,159	748,558	755,021	753,285	737,735	735,097
Gas taxes	1,793,496	1,754,319	1,660,529	1,534,406	1,478,765	1,408,442	1,418,333	1,433,690	1,480,460	1,524,191
Local business taxes	291,040	283,506	294,163	284,521	284,903	289,220	290,214	291,395	293,393	290,066
Communications taxes	564,302	538,068	551,012	568,157	576,179	550,011	540,080	558,375	529,114	599,970
Casualty insurance premium tax	-	-	-	-	62,542	63,574	57,487	58,716	57,459	53,654
Intergovernmental revenues	732,672	721,892	698,136	657,804	614,949	581,420	554,641	526,046	676,646	825,679
Investment earnings	82,228	102,796	100,762	135,333	31,057	303,612	251,382	196,471	(15,420)	319,991
Gain (Loss) on Disposal of Assets	20	103,078	-	-	-	-	-	-	-	(11,581)
Miscellaneous	113,447	98,264	480,209	443,333	220,279	323,088	304,894	237,341	258,107	347,918
Transfers	476,792	455,467	-	(126,975)	-	-	-	-	-	(175,002)
<b>Total governmental activities</b>	<b>13,699,585</b>	<b>13,222,884</b>	<b>12,910,997</b>	<b>12,600,424</b>	<b>12,405,375</b>	<b>12,728,796</b>	<b>12,914,229</b>	<b>13,427,503</b>	<b>14,193,106</b>	<b>15,514,180</b>
Business-type activities										
Taxes										
Property taxes, levied for debt service	891,306	880,934	880,713	907,735	949,124	949,140	1,007,540	1,241,407	1,244,143	1,175,625
Investment earnings	314,669	328,295	329,605	360,330	326,818	670,298	582,775	715,001	302,901	576,004
Gain (Loss) on Disposal of Assets	-	-	-	-	-	-	-	-	-	11,640
Miscellaneous	-	-	-	-	-	-	13,196	-	-	-
Transfers	(476,792)	(455,467)	-	126,975	-	-	-	-	-	175,002
<b>Total business-type activities</b>	<b>729,183</b>	<b>753,762</b>	<b>1,210,318</b>	<b>1,395,040</b>	<b>1,275,942</b>	<b>1,619,438</b>	<b>1,603,511</b>	<b>1,956,408</b>	<b>1,547,044</b>	<b>1,938,271</b>
<b>Total primary government</b>	<b>14,428,768</b>	<b>13,976,646</b>	<b>14,121,315</b>	<b>13,995,464</b>	<b>13,681,317</b>	<b>14,348,234</b>	<b>14,517,740</b>	<b>15,383,911</b>	<b>15,740,150</b>	<b>17,452,451</b>
<b>Change in Net Position</b>										
Governmental activities	(78,341)	(1,445,384)	75,469	911,753	(1,561,537)	37,398	1,118,870	2,152,635	2,732,401	1,256,169
Business-type activities	1,679,515	1,297,177	2,633,640	1,431,714	759,732	644,520	757,507	941,817	1,938,416	688,729
<b>Total change in net position</b>	<b>\$ 1,601,174</b>	<b>\$ (148,207)</b>	<b>\$ 2,709,109</b>	<b>\$ 2,343,467</b>	<b>\$ (801,805)</b>	<b>\$ 681,918</b>	<b>\$ 1,876,377</b>	<b>\$ 3,094,452</b>	<b>\$ 4,670,817</b>	<b>\$ 1,944,898</b>

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
<b>General Fund</b>		
Reserved	\$ 2,106,410	\$ 2,453,016
Unreserved	16,137,395	12,660,045
Total General Fund	18,243,805	15,113,061
<b>All Other Governmental Funds</b>		
Reserved	534,083	538,412
Unreserved, reported in:		
Special revenue funds	2,615,240	2,256,268
Capital project funds	3,511,308	4,006,411
Total all other governmental funds	\$ 6,660,631	\$ 6,801,091

	Post-GASB 54								
	Fiscal Year								
	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>General Fund</b>									
<b>Non Spendable</b>	\$ 682,980	\$ 897,127	\$ 922,550	\$ 1,208,759	\$ 1,476,730	\$ 2,305,341	\$ 2,477,715	\$ 1,780,050	\$ 2,106,410
<b>Spendable</b>									
Committed	4,915,000	5,715,000	5,715,000	5,815,000	6,115,000	6,115,000	6,115,000	6,115,000	6,015,000
Assigned	122,705	1,177,603	917,032	1,715,502	2,307,319	1,467,261	4,692,583	275,000	275,000
Unassigned	2,670,247	2,576,648	2,679,581	2,802,118	2,471,724	4,048,953	4,125,963	8,222,172	9,847,395
<b>Total General Fund</b>	8,390,932	10,366,378	10,234,163	11,541,379	12,370,773	13,936,555	17,411,261	16,392,222	18,243,805
<b>All Other Governmental Funds</b>									
<b>Non Spendable</b>	5,313	4,597	5,449	5,001	6,406	5,776	3,605	4,224	-
<b>Spendable</b>									
Restricted	5,531,542	4,610,474	4,544,047	3,146,318	2,527,749	2,384,739	2,355,723	1,924,988	4,045,391
Assigned	2,337,204	2,082,806	2,069,973	2,528,014	2,421,574	3,211,503	4,500,043	5,323,162	2,615,240
Unassigned	(465)	-	-	-	-	-	-	-	-
<b>Total All Other Governmental Funds</b>	\$ 7,873,594	\$ 6,697,877	\$ 6,619,469	\$ 5,679,333	\$ 4,955,729	\$ 5,602,018	\$ 6,859,371	\$ 7,252,374	\$ 6,660,631
<b>Total Fund Balance</b>	\$16,264,526	\$17,064,255	\$16,853,632	\$ 17,220,712	\$ 17,326,502	\$ 19,538,573	\$ 24,270,632	\$ 23,644,596	\$ 24,904,436

**Note:** Two years of data available for GASB 34 compliance  
 Nine 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									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>Revenues</b>										
Taxes	\$ 12,376,689	\$ 11,826,541	\$ 11,709,644	\$ 11,556,791	\$ 11,539,090	\$ 11,520,676	\$ 11,803,312	\$ 12,467,645	\$ 13,273,773	\$ 14,207,175
Permits, Fees, Special Assessments	1,998,263	1,820,429	1,609,319	1,570,322	1,674,784	1,707,053	1,708,807	1,646,764	1,663,887	1,766,263
Intergovernmental	2,888,181	2,746,089	2,631,474	2,486,300	983,573	948,867	1,143,026	1,520,872	2,831,634	1,947,650
Charges for services	3,329,569	3,097,552	2,621,821	2,434,107	2,298,709	2,236,711	2,167,400	2,184,329	2,213,391	2,378,285
Fines and forfeits	346,679	76,534	45,048	63,881	66,576	70,208	80,127	83,542	102,626	80,831
Miscellaneous	334,896	538,138	919,712	719,342	403,709	787,693	730,766	596,761	415,098	827,817
Total revenues	<u>21,274,277</u>	<u>20,105,283</u>	<u>19,537,018</u>	<u>18,830,743</u>	<u>16,966,441</u>	<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>
<b>Expenditures</b>										
Current										
General government	5,981,496	5,532,422	5,805,909	5,017,528	6,005,996	8,411,612	4,180,658	4,028,742	4,057,299	5,147,088
Public safety	5,597,452	5,119,170	4,850,267	4,906,573	4,500,436	4,514,438	4,050,699	4,096,086	4,353,428	4,672,683
Physical environment	537,534	556,326	611,690	598,395	592,915	619,264	691,637	854,615	1,214,970	960,151
Public Works/Transportation	4,704,479	4,404,527	3,149,238	3,152,618	3,073,641	3,550,891	2,491,009	3,354,809	2,995,026	3,674,417
Economic environment	328,461	322,064	293,305	284,346	279,380	269,328	261,087	254,451	296,234	246,383
Human services	-	24,579	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Culture/recreation	3,539,272	3,452,154	3,659,882	3,215,943	3,119,489	2,816,149	2,725,028	2,905,317	2,654,431	3,264,112
Debt service										
Principal	690,000	7,020,000	490,000	480,000	465,000	3,255,000	275,000	3,206,752	720,742	767,695
Interest and fiscal charges	193,397	369,833	347,040	360,336	373,630	514,607	469,438	625,259	635,498	664,630
Issuance Costs	-	39,503	-	-	-	-	-	-	-	-
Capital outlay	978,707	307,263	695,767	792,819	767,025	1,020,979	1,861,846	432,722	581,497	2,824,732
Total expenditures	<u>22,550,798</u>	<u>27,147,841</u>	<u>19,904,098</u>	<u>18,809,558</u>	<u>19,178,512</u>	<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>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,276,521)</u>	<u>(7,042,558)</u>	<u>(367,080)</u>	<u>21,185</u>	<u>(2,212,071)</u>	<u>(7,702,060)</u>	<u>626,036</u>	<u>(1,259,840)</u>	<u>2,990,284</u>	<u>(1,014,870)</u>
<b>Other financing sources (uses)</b>										
Transfers in	4,213,846	3,147,075	2,497,479	2,632,647	3,940,773	4,350,291	3,327,756	8,162,213	4,399,068	7,315,101
Transfers out	(3,737,054)	(2,691,608)	(2,497,479)	(2,759,622)	(3,940,773)	(4,350,291)	(3,327,756)	(8,162,213)	(4,399,068)	(7,490,103)
Capital lease proceeds	-	-	-	-	-	-	-	-	-	88,817
Debt proceeds/bond refunding	-	6,515,000	-	-	-	2,970,000	-	-	-	-
Total other financing sources (uses)	<u>476,792</u>	<u>6,970,467</u>	<u>-</u>	<u>(126,975)</u>	<u>-</u>	<u>2,970,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(86,185)</u>
<b>Net change in fund balances</b>	<u>\$ (799,729)</u>	<u>\$ (72,091)</u>	<u>\$ (367,080)</u>	<u>\$ (105,790)</u>	<u>\$ (2,212,071)</u>	<u>\$ (4,732,060)</u>	<u>\$ 626,036</u>	<u>\$ (1,259,840)</u>	<u>\$ 2,990,284</u>	<u>\$ (1,101,055)</u>
<b>Debt service as a percentage of noncapital expenditures</b>	4.10%	27.57%	4.36%	4.66%	4.55%	15.74%	4.92%	19.83%	8.01%	7.38%

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

Fiscal Year	Property Taxes		Local	Local Option	Communications	Casualty	Total
	Operating	Voted Debt	Business Tax Receipts	Gas Tax	Services Tax	Insurance Premium Tax	
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
2013	8,283,542	853,159	284,903	1,478,765	576,179	62,542	11,539,090
2014	8,253,344	850,501	284,521	1,534,406	568,157	65,862	11,556,791
2015	8,286,932	839,254	294,163	1,660,529	551,012	77,754	11,709,644
2016	8,321,949	843,545	283,506	1,754,319	538,068	85,154	11,826,541
2017	8,763,435	882,153	291,040	1,793,496	564,302	82,263	12,376,689
Change 2008 - 2017	(20.36%)	20.00%	0.34%	17.67%	(5.94%)	53.32%	(12.88%)

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

Fiscal Year Ended Sept. 30,	Gross Real Property	Gross 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
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	538,798,711	4,159,859,288	2.5260	5,575,589,058	84.27%
2013	4,602,176,246	71,523,730	603,301,194	4,070,398,782	2.5570	5,544,368,141	84.30%
2014	4,657,905,800	72,758,525	627,420,629	4,103,243,696	2.5307	5,612,177,404	84.29%
2015	4,932,685,591	71,847,252	703,183,864	4,301,348,979	2.4145	5,933,790,886	84.34%
2016	5,241,764,132	70,375,655	796,395,390	4,515,744,397	2.3105	6,294,737,068	84.39%
2017	5,556,071,121	67,907,947	870,248,386	4,753,730,682	2.3013	6,660,023,255	84.44%

(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 FISCAL YEARS  
(Per \$1,000 of assessed value)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>DIRECT RATES</b>										
CITY OF SANIBEL										
General Operating	1.9139	1.9139	1.9995	2.0861	2.1000	2.1038	2.1561	2.1561	2.1561	2.1966
Voted Debt - Land	0.0720	0.0761	0.0800	0.0860	0.0855	0.0599	0.0595	0.0561	0.0483	0.0456
Voted Debt - Recreation Facility	0.1207	0.1179	0.1225	0.1291	0.1308	0.1263	0.1268	0.1172	0.1080	0.1011
Voted Debt - Sewer	0.1947	0.2026	0.2125	0.2295	0.2407	0.2360	0.2484	0.2856	0.2636	0.2346
Total direct rates	2.3013	2.3105	2.4145	2.5307	2.5570	2.5260	2.5908	2.6150	2.5760	2.5779
<b>OVERLAPPING RATES</b>										
LEE COUNTY:										
General Revenue	3.5506	3.6506	3.6506	3.6506	3.6506	3.6506	3.6506	3.6506	3.6506	3.6506
Capital Improvements	0.5000	0.5000	0.5000	0.5000	0.5000	0.5000	0.5000	0.5000	0.5000	0.5000
INDEPENDENTS DISTRICTS:										
Sanibel Public Library	0.3725	0.3725	0.3725	0.3725	0.3750	0.3750	0.3750	0.3750	0.3750	0.3900
Hyacinth Control	0.0263	0.0263	0.0277	0.0291	0.0298	0.0310	0.0310	0.0277	0.0214	0.0214
Mosquito Control	0.2397	0.2397	0.2397	0.2520	0.2300	0.2388	0.2388	0.2132	0.1636	0.1636
Fire Control District	1.1089	1.1089	1.0239	1.0239	0.9660	0.9446	0.9446	0.8794	0.8114	0.7736
WATER MANAGEMENT DISTRICTS										
South Florida Water Management	0.3307	0.3551	0.3842	0.4110	0.4289	0.4363	0.6240	0.6240	0.6240	0.6240
West Coast Inland Waterway	0.0394	0.0394	0.0394	0.0394	0.0394	0.0394	0.0394	0.0394	0.0394	0.0394
SCHOOL BOARD:										
General Operating	6.9890	7.2850	7.4160	7.5980	7.5840	7.8540	8.0150	7.5080	6.8680	6.9600
Total Direct and Overlapping Rates	15.4584	15.8880	16.0685	16.4072	16.3607	16.5957	17.0092	16.4323	15.6294	15.7005

**Source:** Lee County Tax Collector

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

Taxpayer	Fiscal Year 2017			Fiscal Year 2008		
	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	\$ 30,047,970	1	0.67%	\$ 24,855,710	1	0.48%
Sanibel Island Hospitality LLC	21,116,571	2	0.47%	-	-	-
RLR Investments, LLC	17,909,801	3	0.40%	20,161,550	2	0.39%
BRE/Sanibel Inn Owner, LLC	15,515,392	4	0.34%	12,300,930	9	0.24%
Tortuga Beach Club	14,721,481	5	0.33%	19,122,750	4	0.37%
Sanibel Cottages	14,509,320	6	0.32%	17,019,060	5	0.33%
Dahlmann Periwinkle Partners	14,150,480	7	0.31%	-	-	-
West Wind Association of Sanibel	11,827,346	8	0.26%	19,389,800	3	0.37%
Perwinkle Park Limited	9,944,843	9	0.22%	-	-	-
Shell Island Beach Club	8,213,850	10	0.18%	13,565,750	7	0.26%
Periwinkle Place Partners	-	N/A	N/A	13,964,440	6	0.27%
Carroll, James P & Patricia	-	N/A	N/A	12,878,540	8	0.25%
Sanibel Beach Club Association	-	N/A	N/A	10,566,200	10	0.20%
	<u>\$ 157,957,054</u>		<u>3.50%</u>	<u>\$ 163,824,730</u>		<u>3.16%</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
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%
2013	8,733,402	8,280,019	94.81%	3,524	8,283,543	94.85%
2014	8,580,499	8,244,371	96.08%	8,973	8,253,344	96.19%
2015	8,600,547	8,286,932	96.35%	-	8,286,932	96.35%
2016	8,642,683	8,321,949	96.29%	-	8,321,949	96.29%
2017	9,116,455	8,763,435	96.13%	-	8,763,435	96.13%

(\*) 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"			
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	
2013	54.04	31.39	78.39	156.73	224.64	501.34	786.09	8.12	
2014	54.86	31.70	79.17	158.30	226.87	506.35	793.95	8.24	
2015	56.50	32.82	81.96	163.85	234.85	524.13	821.82	8.49	
2016	58.20	33.80	84.42	168.77	241.90	539.85	846.47	8.74	
2017	59.95	34.81	86.95	173.83	249.16	556.05	871.86	9.00	

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

Fiscal year Ended Sept. 30	Governmental Activities				Business-Type Activities			Percentage of	
	General Obligation Bonds	Capital Revenue Bonds	Capital Revenue Notes	Capital Leases	Wastewater Revenue Bonds	Wastewater Revenue Notes	Total Primary Government	Personal Income	Per Capita
2008	\$ 11,390,000	\$ 1,659,639	\$ 1,659,038	\$ 88,817	\$ 4,038,193	\$ 43,522,246	\$ 62,357,933	N/A	\$ 9,783
2009	11,135,000	1,555,151	1,306,432	80,169	3,784,120	35,492,474	53,353,346	11.50%	8,430
2010	10,870,000	-	-	-	3,520,045	32,855,365	47,245,410	9.16%	7,303
2011	10,595,000	-	-	-	3,250,970	27,752,296	41,598,266	N/A	6,429
2012	10,310,000	-	-	-	2,971,895	25,848,164	39,130,059	N/A	6,030
2013	9,845,000	-	-	-	2,687,823	23,882,161	36,414,984	N/A	5,605
2014	9,365,000	-	-	-	8,888,260	14,645,081	32,898,341	N/A	5,069
2015	8,875,000	-	-	-	7,672,137	13,344,984	29,892,121	N/A	4,597
2016	8,370,000	-	-	-	6,438,561	12,004,703	26,813,264	N/A	4,068
2017	7,680,000	-	-	-	5,187,282	10,622,989	23,490,271	N/A	3,528

**Notes:** N/A indicates 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		
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
2013	9,845,000	265,161	9,579,839	0.17%	1,475
2014	9,365,000	294,562	9,070,438	0.16%	1,398
2015	8,875,000	307,695	8,567,305	0.14%	1,318
2016	8,370,000	271,817	8,098,183	0.13%	1,229
2017	7,680,000	282,987	7,397,013	0.11%	1,111

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

CITY OF SANIBEL, FLORIDA  
 DIRECT AND OVERLAPPING GOVERNMENTAL  
 ACTIVITIES DEBT  
 September 30, 2017

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable to Sanibel</u>	<u>Amount Applicable to Primary Government</u>
Lee County School Board	\$ 453,573,568	6.42%	\$ 29,121,244
Lee County	235,613,000	6.42%	15,127,301
Subtotal, overlapping debt			44,248,545
City of Sanibel direct debt			7,680,000
Total direct and overlapping debt			\$ 51,928,545

Source: Lee County Clerk of Courts Finance Division, Lee County School Board Comprehensive Annual Financial Report as of June 30, 2017, City of Sanibel Finance Department

Note: Overlapping governments are those that coincide, at least in part, with geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the property taxpayers of the City of Sanibel. This process recognizes that, when considering a government's ability to issue and repay long-term debt, the entire debt burden borne by the property taxpayers should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

Calculation: The estimated percentage of debt is calculated as a ratio of the taxable property value in the City of Sanibel to the total taxable valuation of property in Lee County.

City of Sanibel	\$ 4,753,730,682
Lee County	\$74,041,018,168
	6.42%

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

2014 Sewer Refunding Revenue Bonds											
Fiscal	(1) Gross Revenue	(2) Operating Expenses	Net Revenue Available for Debt Service Excluding Connection Fees		Net Revenue Available for Debt Service Including Connection Fees		Debt Service Requirements			Coverage Calculation <sup>(3)</sup>	
			Connection Fees	Connection Fees	Connection Fees	Connection Fees	Principal	Interest	Total	Excluding Connection Fees	Including Connection Fees
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	594,429	113,409	707,838	305,000	110,266	415,266	1.43	1.70	
2013	4,019,254	3,393,652	625,602	111,282	736,884	315,000	101,116	416,116	1.50	1.77	
2014	6,393,616	2,991,556	3,402,060	65,376	3,467,436	1,216,123	122,770	1,338,893	2.54	2.59	
2015	6,651,060	3,250,201	3,400,859	110,136	3,510,995	1,233,576	105,317	1,338,893	2.54	2.62	
2016	6,881,446	3,691,576	3,189,870	79,549	3,269,419	1,251,279	87,614	1,338,893	2.38	2.44	
2017	7,220,297	3,357,546	3,862,751	93,822	3,956,573	1,269,236	69,657	1,338,893	2.89	2.96	

<sup>(1)</sup> Total revenues (including interest) exclusive of connection fees and user fees pledged and used for repayment of subordinated State Revolving Loan debt.

<sup>(2)</sup> Total operating expenses of the Donax plant exclusive of depreciation and indirect costs.

<sup>(3)</sup> The coverage requirement is (A) net revenues adequate at all times to pay in each fiscal year at least 120% (110% prior to fiscal year 2014) 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, 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 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.

<sup>(4)</sup> Coverage calculations updated in fiscal year 2014 due to refunding of bond senior debt.

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

State Revolving Loan Notes								
Fiscal Year	(1) Net Revenue	(2) Special Assessments, Transmission Main and Connection Fees	Net Revenue Available for Debt Service Including Assessments and Fees	Debt Service Requirements			Coverage Calculation	
				Principal	Interest	Total		
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	
2013	3,332,060	876,811	4,208,871	2,029,899	753,132	2,783,031	1.51	
2014	3,014,512	898,721	3,913,233	1,300,098	403,247	1,703,345	2.30	
2015	2,999,812	958,484	3,958,296	1,340,280	402,652	1,742,932	2.27	
2016	2,726,999	764,785	3,491,784	1,381,714	361,217	1,742,931	2.00	
2017	3,398,846	732,046	4,130,892	1,424,438	318,495	1,742,933	2.37	

<sup>(1)</sup> Includes portion of remaining gross user rate revenues not used for senior debt calculations, 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.

<sup>(2)</sup> 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.

<sup>(3)</sup> Coverage calculations updated in fiscal year 2014 due to refunding of bond senior debt.

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

Year	City Population	City Personal Income	Per Capita Personal Income	Unemployment Rate
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%
2013	6,497	N/A	N/A	5.8%
2014	6,490	N/A	N/A	5.0%
2015	6,502	N/A	N/A	4.5%
2016	6,591	N/A	N/A	4.7%
2017	6,659	N/A	N/A	3.6%

**Source:** Population data estimates provided by Bureau of Economic and Business Research, University of Florida. Per Capita income data for 2009 and 2010 is from the Lee County Office of Economic Development and for 2010 from the US Census Bureau. Unemployment rate is for the Cape Coral-Fort Myers, FL Statistical Area as of September 2017 from the U.S. Department of Labor.

N/A indicates that statistical information is not available

CITY OF SANIBEL, FLORIDA  
 PRINCIPAL EMPLOYERS<sup>(1)</sup>  
 CURRENT AND NINE YEARS AGO

Employer	2017			2008		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Lee Memorial Health System	13,257	1	3.73%	9,050	2	2.79%
Lee County School District	11,561	2	3.25%	12,658	1	3.91%
Publix Super Markets	4,613	3	1.30%	4,215	3	1.30%
Wal-Mart Corporation	3,550	4	1.00%	2,400	5	0.74%
Lee County Administration	2,387	5	0.67%	2,610	4	0.81%
Lee County Sheriff's Office	1,558	6	0.44%	1,470	7	0.45%
City of Cape Coral	1,350	7	0.38%	2,109	6	0.65%
Florida Gulf Coast University	1,350	8	0.38%	1,292	9	0.40%
Chico's FAS Inc.	1,147	9	0.32%	-	-	0.00%
Home Depot	1,072	10	0.30%	-	-	-
U.S. Postal Service	-	-	0.00%	1,397	8	0.43%
City of Fort Myers	-	-	-	1,100	10	0.34%
<b>Total</b>	<b>41,845</b>		<b>11.76%</b>	<b>38,301</b>		<b>11.82%</b>

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

**Source:** Bureau of Economic and Business Research

Total County employment for 2017      355,785

Total County employment for 2008      324,000

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

<u>Function/Program</u>	Full-time Equivalent Employees as of September 30,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
General Government										
Legislative	5.40	5.00	5.00	5.00	2.76	2.76	2.00	2.00	2.00	2.00
Administrative	3.75	3.75	3.75	3.75	4.75	4.75	4.75	5.00	5.00	5.00
IT	4.75	4.40	4.40	4.40	4.40	4.00	4.00	4.00	4.00	4.00
Finance	7.75	7.50	7.50	7.50	7.50	8.00	7.00	7.50	7.50	7.50
Legal	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Planning	10.35	8.95	8.90	9.45	8.80	8.85	7.95	6.00	7.00	10.00
Public Safety										
Police	32.95	32.75	35.12	35.12	35.12	33.22	35.72	37.50	38.25	41.25
Building	6.00	5.55	4.80	4.80	4.50	4.35	4.25	4.00	4.00	5.00
Physical Environment	2.00	2.00	3.00	3.00	2.96	2.96	3.00	3.00	3.00	3.00
Transportation	10.50	10.50	8.00	7.94	8.00	7.70	8.66	9.93	11.42	13.42
Public Works (General Fund)	5.58	5.58	5.58	5.58	5.58	5.58	5.58	5.58	5.58	5.58
Culture/Recreation										
Recreation Facility	26.40	27.65	26.85	26.05	24.24	24.24	24.06	22.81	23.81	20.92
Public Facilities	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Senior Programs	2.00	1.00	2.00	2.00	1.57	1.57	1.57	1.57	1.62	1.62
Utility Operations	18.30	18.30	18.30	17.22	18.22	18.29	18.33	16.57	17.00	17.00
Beach Parking Operations	27.74	27.74	20.24	16.88	15.63	14.58	13.18	13.92	13.50	14.50
<b>TOTAL</b>	<u>168.47</u>	<u>165.67</u>	<u>158.44</u>	<u>153.69</u>	<u>149.03</u>	<u>145.85</u>	<u>145.05</u>	<u>144.38</u>	<u>148.68</u>	<u>155.79</u>

**Source:** City of Sanibel Annual Budget

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

<u>Function/Program</u>	FISCAL YEAR									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Police										
Calls for Service	26,140	29,439	28,346	21,606	24,790	23,161	23,542	27,564	27,041	32,424
Parking Citations	3,623	3,256	3,713	3,401	2,969	2,439	2,583	2,649	3,561	3,859
Traffic Citations	749	1,049	1,093	1,031	1,300	1,113	1,081	1,055	782	1,283
Total Arrests	78	115	133	137	171	116	249	260	357	174
General Government										
Building permits issued	2,821	3,546	2,828	2,677	2,725	2,828	2,430	2,418	2,200	2,165
Building inspections conducted	6,689	7,158	6,465	6,546	7,277	6,726	6,266	6,554	5,849	6,036
Dwelling units permitted	21	36	24	23	17	23	17	15	10	13
Transportation										
Streets resurfaced/reconstructed (miles) <sup>(2)</sup>	-	1.80	3.27	5.96	4.80	5.80	5.93	6.71	6.45	3.03
Shared-use Paths Constructed (linear feet) <sup>(2)</sup>	-	580	-	1,540	196	6,758	4,730	-	-	1,200
Road and Shared-use Path Miles Swept	216	69	139	139	235	59	491	465	447	274
Wastewater										
Average daily sewage treatment (thousands of gallons)	1,228	1,445	1,278	1,278	1,408	1,038	1,122	1,515	1,396	1,506
Placement of new collection pipe (linear feet)	1,795	-	-	-	-	-	1,120	-	-	-
Sewer equivalent residential units (ERU) <sup>(1)</sup>	9,491	9,455	9,392	9,375	9,360	9,344	9,323	9,302	8,864	8,835
Recreation										
After-school program participants	98	129	173	118	121	138	147	147	158	215
Senior Program membership	828	729	724	738	707	712	746	748	702	662
Senior Aerobics participants	11,317	11,535	10,989	10,013	9,845	9,023	8,196	8,464	6,584	5,470
RecCenter annual memberships	1,013	1,168	1,153	1,091	1,085	1,093	1,005	990	989	1,183
RecCenter six-month memberships	750	728	770	787	788	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	10,000

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

<sup>(2)</sup> Hurricane Irma delayed the annual street resurfacing program in fiscal year 2017 until fiscal year 2018

**Source:** Various City departments annual reports

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

<u>Function/Program</u>	FISCAL YEAR									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Vehicle Patrol Units										
Patrol cars	14	12	9	11	10	9	9	10	10	10
Motorcycles	2	2	2	2	2	2	2	2	2	2
Unmarked vehicles	8	8	7	7	7	7	6	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	622	622
Transportation										
Paved Public Streets (miles)	53.67	53.67	53.67	53.67	53.67	53.67	53.56	53.56	53.56	53.34
Unpaved Public Streets (miles)	8.16	8.16	8.16	8.16	8.16	8.16	8.27	8.27	8.27	8.41
Shared Use Paths (miles)	25.54	25.54	25.06	25.06	25.06	25.03	23.75	22.85	22.85	22.85
Wastewater										
Treatment Capacity (thousands)	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500
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	1	1	1	1	1
Senior centers	1	1	1	1	1	1	1	1	1	1
Swimming pools	3	3	3	3	3	3	3	3	3	3
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	7	7	7
Parking Spaces	637	637	637	637	637	637	610	610	610	610
Restrooms	9	9	8	8	8	8	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 COVERAGE  
September 30, 2017

Type of Policy and Type of Coverage	Limits of Liability	Company	Expiration Date	Annual Premium
Property <sup>(1)</sup>		Florida Municipal Insurance Trust	10/01/2018	\$ 314,370
Real	\$ 52,725,413			
Personal	9,383,232			
Business Income	2,000,000			
Inland Marine	1,153,046			
General Liability	5,000,000	Florida Municipal Insurance Trust	10/01/2018	210,353
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	1,000,000			
Employee Theft Bond	1,000,000			
Crime	100,000			
Equipment Breakdown Limit	50,000,000			
Workers' Compensation	1,000,000	Florida Municipal Insurance Trust	10/01/2018	124,140
Automobile Liability and Automobile Physical Damage	5,000,000	Florida Municipal Insurance Trust	10/01/2018	22,956
Statutory Accidental Death & Disability	72,764.00	National Union Fire Insurance Co of Pitt, PA	10/01/2018	2,132
Fresh Pursuit	205,818.00			
Pollution Liability	2,000,000	Commerce and Industry Insurance Company (\$1,000,000 maximum per claim)	10/01/2018	17,211
Flood	10,551,900	Wright National Flood Insurance Group	Various	130,676

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









**INDEPENDENT AUDITORS' 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 Members of the City Council  
City of Sanibel, Florida  
Sanibel, Florida

We have audited, in accordance with the 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 the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Sanibel, Florida (the City), as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 21, 2018. Our report includes a reference to other auditors who audited the financial statements of Community Housing and Resources, Inc., 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. The financial statements of Community Housing and Resources, Inc., were not audited in accordance with *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Honorable Mayor and Members of the 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 from 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*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**CliftonLarsonAllen LLP**

Fort Myers, Florida  
March 21, 2018

**This section contains the following subsections:**

Independent Auditors' Management Letter .....	171
Management's Response to Management Letter .....	175
Independent Accountants' Examination Report .....	177



## MANAGEMENT LETTER

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

### Report on the Financial Statements

We have audited the financial statements of the City of Sanibel, Florida (the City) as of and for the fiscal year ended September 30, 2017, and have issued our report thereon dated March 21, 2018.

### Auditors' Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and Chapter 10.550, Rules of the Auditor General.

### Other Reporting Requirements

We have issued our Independent Auditors' 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* and Independent Accountants' Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated March 21, 2018, should be considered in conjunction with this management letter.

### Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no findings and recommendations made in the preceding annual financial audit report.

### Official Title and Legal Authority

Section 10.554(1)(i)4., 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.

### Financial Condition and Management

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the City 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.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the City. 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.

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we had the following recommendation.

**ML 2017-001 – Penetration Testing**

**Criteria**

Information technology systems should be evaluated and tested on a regular basis. Internal and external penetration testing should be conducted by third parties on an annual basis to detect new vulnerabilities in the City's network.

**Condition**

Internal vulnerability assessment and external penetration testing have not been performed since 2015.

**Cause**

The City is completing the migration of key systems from the City's network to the Cloud utilizing several different vendors and solutions. In order to maximize effectiveness and efficiency, the City determined that it would not be prudent to conduct a cycle of penetration testing until the migration of these City's systems is completed.

**Effect**

Vulnerabilities could exist on the City's network, which remain undetected for an extended period of time allowing systems to be exploited and compromised.

**Recommendation**

We recommend a vulnerability assessment along with internal and external penetration testing be performed annually.

**Management Response**

The City has reviewed the comments from the external auditor and is in agreement on the importance of third party internal and external penetration testing. Staff will present proposals and request for funding at the May 2018 meeting of the City Council.

**Annual Financial Report**

Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether the annual financial report for the City for the fiscal year ended September 30, 2017, 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, 2017. In connection with our audit, we determined that these two reports were in agreement.

Honorable Mayor and City Council  
City of Sanibel, Florida

**Special District Component Units**

Section 10.554(1)(i)5.d., Rules of the Auditor General, requires, if appropriate, that we communicate a failure of a special district that is a component unit of a county, municipality, or special district, provided the financial information necessary for proper reporting of the component unit, within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. The City does not have any special district component units.

**Additional Matters**

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

**Purpose of this Letter**

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, federal and other granting agencies, the Council Members, 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 21, 2018





# 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

March 22, 2018

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

RE: Response to Auditor Management Letter

Dear Sir or Madam:

Pursuant to Chapter 10.550, "Rules of the Auditor General – Local Government Entity Audits", the City of Sanibel's auditors, CliftonLarsonAllen LLP, prepared a management letter based on their audit of the City's general purpose financial statements for the fiscal year ended September 30, 2017.

### **PRIOR YEAR FINDINGS AND RECOMMENDATIONS**

None noted.

### **CURRENT YEAR FINDINGS AND RECOMMENDATIONS**

#### **ML 2017-001**

Criteria: Information technology systems should be evaluated and tested on a regular basis. Internal and external penetration testing should be conducted by third parties on an annual basis to detect new vulnerabilities in the City's network.

Condition: Internal vulnerability assessment and external penetration testing have not been performed since 2015.

Cause: The City is completing the migration of key systems from the City's network to the Cloud utilizing several different vendors and solutions. In order to maximize effectiveness and efficiency, the City determined that it would not be prudent to conduct a cycle of penetration testing until the migration of these City's systems is completed.

Effect: Vulnerabilities could exist on the City's network, which remain undetected for an extended period of time allowing systems to be exploited and compromised.

Recommendation: The City's external auditor recommends a vulnerability assessment along with internal and external penetration testing be performed annually.

Response: The City has reviewed the recommendation from CliftonLarsonAllen and is in agreement on the importance of third party internal and external penetration testing. Staff will present proposals and request for funding at the May 2018 meeting of the City Council.

The City of Sanibel appreciates the review of its procedures by CliftonLarsonAllen and intends to continue its practice of thorough compliance with all generally accepted accounting principles and internal controls.

Sincerely,

Judith A. Zimomra  
City Manager



## INDEPENDENT ACCOUNTANTS' REPORT

City of Sanibel, Florida  
Sanibel, Florida

We have examined City of Sanibel, Florida's (the City) compliance with Section 218.415, Florida Statutes, regarding the investment of public funds during the year ended September 30, 2017. Management of the City is responsible for the City's compliance with the specified requirements. Our responsibility is to express an opinion on the City's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the City complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the City complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the City's compliance with specified requirements.

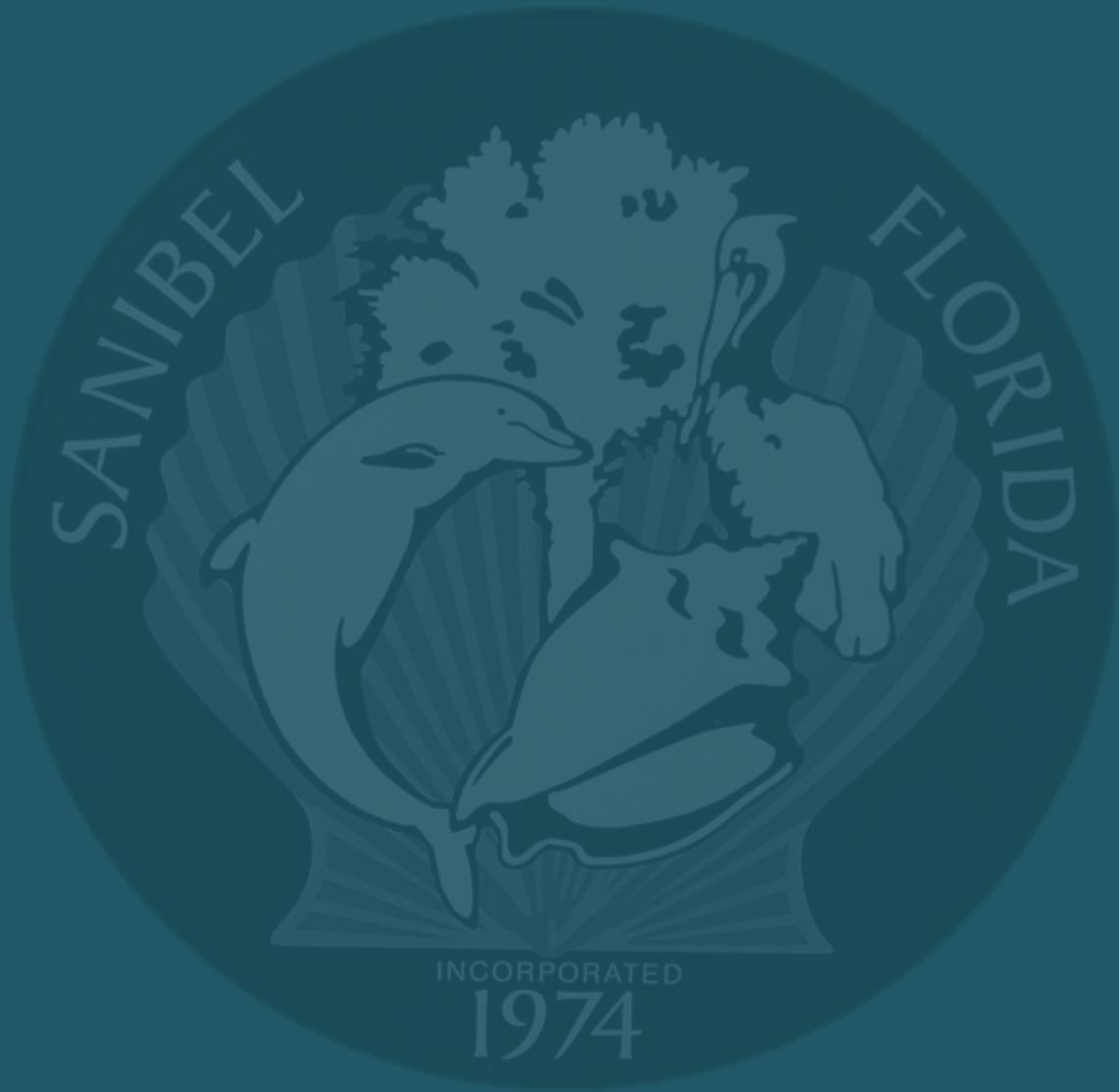
In our opinion, the City complied, in all material respects, with Section 218.415, Florida Statutes, regarding the investment of public funds during the year ended September 30, 2017.

This report is intended solely for the information and use of the City and the Auditor General, 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 21, 2018



## CITY OF SANIBEL

800 Dunlop Road  
Sanibel, Florida 33957  
(239) 472-3700

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