

2018



COMPREHENSIVE  
ANNUAL  
FINANCIAL  
REPORT

City of Sanibel, Florida

FISCAL YEAR ENDED  
September 30, 2018

**About the cover:** In 2018 the League of American Bicyclists recognized the City of Sanibel with a "Gold" Bicycle Friendly Community (BFC) award. In 2010 Sanibel was awarded the "Bronze" designation and in 2014 was one of only four Florida cities designated as a "Silver" status by the League of American Bicyclists. The Villages is the only other Florida community to hold the prestigious "Gold" designation.

Upon announcing the designation, Sanibel Mayor Kevin Ruane stated, "We invest heavily and systematically into our Shared Use Path system as a City-wide alternative to motorized transportation. We are fortunate to have many partners who support the City's efforts to focus on the health benefits and safety of biking on Sanibel. To have our collective efforts recognized nationally as one of the nation's premier programs is a source of community pride for Sanibel."

With the announcement of 61 new and renewing BFCs today, the City of Sanibel joins a leading group of communities in every state that are transforming the American landscape. "We applaud these communities for making bicycling a safe and convenient option for transportation and recreation," said Bill Nesper, Executive Director at the League of American Bicyclists. "We are encouraged by the growing number of leaders who see bicycling as a way to build more vibrant, healthy, sustainable and connected communities and be a part of the solution to many complex challenges faced at both the community and national levels. We look forward to continuing to work with these communities as we move closer to our mission of creating a Bicycle Friendly America for everyone."

Tom Sharbaugh, the Sanibel Bicycle Club Liaison to the City of Sanibel, stated, "The Sanibel Bicycle Club congratulates the City for their commitment to developing and maintaining the Sanibel Shared Use Path and their support for other cycling amenities and services on the island. Without their efforts, Sanibel would not have achieved Gold Status as a Bicycle Friendly Community. Our Club is proud to be long-standing partners with the City in making our community's cycling resources safe and welcoming for residents and visitors."

A citywide non-motorized transportation network to protect young children through a system of "hike and bike" trails was organized in 1972 by the Sanibel Bike Path Committee. The four original members of the Sanibel Bike Path Committee were Grace Whitehead, Mariel Goss, Sherry Vartdal and Starr Thomas.

The Sanibel Bicycle Club was founded in 1994, with a threefold mission: 1) to promote cycling for recreation, transportation and health; 2) to advocate for improvements of the safety and infrastructure of Sanibel's shared-use path system; and 3) to provide an opportunity for cycling enthusiasts to socialize together. In 2005 the Club established the "Sanibel Trails in Motion Fund", a 501 (C) 3 dedicated to supporting path enhancements. Since then, the Club has partnered with the City on a variety of path improvements and amenities.

In July 2018, the City completed construction of the Bowman's Beach Shared Use Path, an important pedestrian connection linking the Sanibel-Captiva Road Shared Use Path into Bowman's Beach Park. This project was completed with funding assistance through the State of Florida Department of Environmental Protection Recreational Trails Program. The City is responsible for maintaining 26.06 miles of shared use path. Recently, the City completed an extensive repair project due to damages caused to the path system by Hurricane Irma. In addition, the paths are inspected annually for necessary repairs and the 2018 Shared Use Path Repair Project included 73 different repair sites in the amount of \$92,330.

More information about the City of Sanibel's Shared Use Path system may be obtained at [www.mysanibel.com](http://www.mysanibel.com).

More information about the Bike Friendly Community program is available at <https://www.bikeleague.org/bfa>.



# COMPREHENSIVE ANNUAL FINANCIAL REPORT



## City of Sanibel, Florida

For the Fiscal Year Ended  
September 30, 2018

Prepared by the Finance Department

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Finance Director

CITY OF SANIBEL, FLORIDA  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

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Letter of Transmittal ..... 6

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Certificate of Achievement For Excellence in Financial Reporting ..... 16

City of Sanibel Organizational Chart ..... 17

City Councilmembers ..... 18

City Officials and Executive Staff ..... 20

April 12, 2019

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, 2018. 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, 2018, 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, 2018 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



## City of Sanibel

800 Dunlop Road  
Sanibel, Florida 33957-4096

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

AREA CODE – 239

ADMINISTRATION/LEGISLATIVE	472-3700
CITY COUNCIL	472-4135
COMMUNITY SERVICES	
BUILDING	472-4555
PLANNING	472-4136
PUBLIC WORKS	472-6937
UTILITIES	472-3179
FINANCE	472-9615
INFORMATION TECHNOLOGY	472-3700
LEGAL	472-4359
NATURAL RESOURCES	472-3700
POLICE	472-3111
EMERGENCY MANAGEMENT	472-3111
RECREATION	472-0345
CENTER 4 LIFE	472-5743

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 four main sections: Introductory, Financial, Statistical and Government Auditing Standards and State Single Audit.

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 Auditors' 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.

The **Government Auditing Standards and State Single Audit Section** includes the Independent Auditors' reports on compliance with *Government Auditing Standards* and information related the City's receipt of funding from the State of Florida and compliance with the grant agreements under which such funds were awarded.

## **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 appropriations 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) and budget to actual comparisons are reviewed by City management monthly and the City Council quarterly. 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 basic financial statements. For non-major funds, this comparison is presented as part of the combining statements and schedules.

The CAFR 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.

The City experienced rapid growth in the 1970's and 1980's; however, since the 2010 census was taken, the number of permanent residents on the island has grown less than 14.0% to an estimated 7,400 residents. During the same time frame, Lee County's estimated population grew 19.5% and Florida as a whole increased an estimated 11.6%.

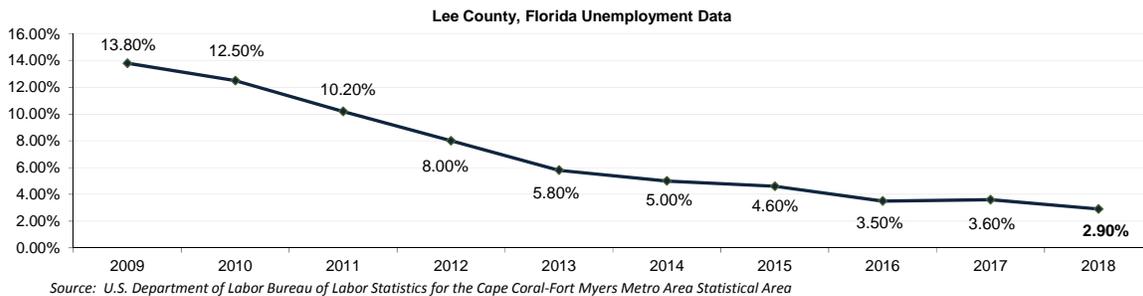
According to 2018 estimates from the Census Bureau, 52.3% of the City's residents are over the age of 65, which is significantly higher than Lee County's percentage of 28.0% and Florida's of 20.1%. This information is important when taken in context with the services the City must provide and its initiatives for the future.

While the City's resident population has become relatively steady over the last several years, tourism and seasonal rentals continue 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 two 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 2018, with 9.4 million passengers, up from 8.8 million in 2017.

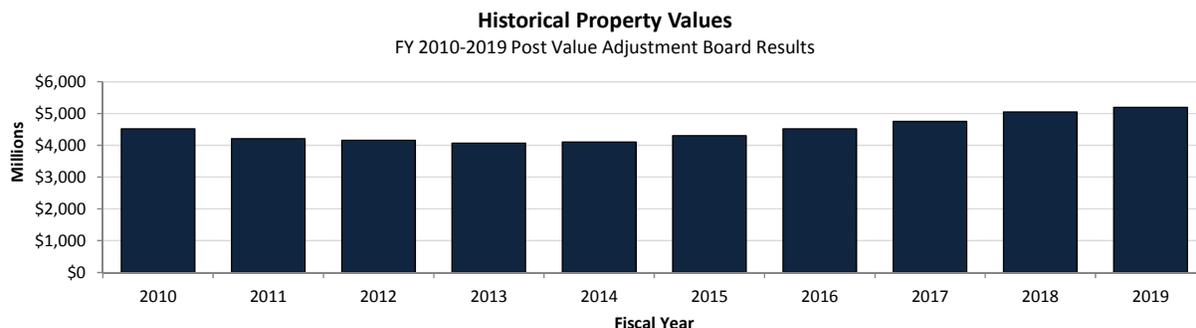
While the City’s population increases dramatically during the winter months (sometimes estimated to be 40,000 or more with hotel occupancy), Sanibel is considered one of the safest communities in Florida. In fact, there were only 93 federally reportable crimes in 2018 City wide.

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 continued to drop to a 10 year low of 2.9% in 2018. The graph below displays the unemployment rate for Lee County during the last ten years.



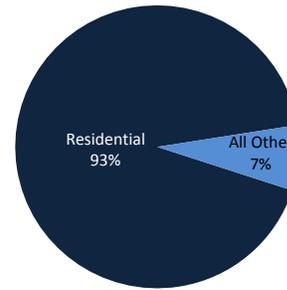
The sole means of vehicular access to Sanibel Island is via a toll causeway owned and operated by Lee County. Total traffic vehicles entering Sanibel over the causeway decreased by 1.8% between 2016 (3.4 million) and 2017 (3.3 million), primarily due to the effect of Hurricane Irma that affected the area toward the end of fiscal year 2017. During fiscal year 2018, vehicular traffic was statistically flat with 2017 (down 0.36%) due in part to the continued recovery from Hurricane Irma and a significant red tide algae bloom that effected Southwest Florida toward the end of fiscal year 2018 (see additional discussion of this on page 25). An interlocal agreement with Lee County provides that the City receives 21% of net surplus toll revenue from Causeway operations. In fiscal year 2018, the City received \$1.5 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 approximately 6.0% from fiscal year 2017 to fiscal year 2018. Additionally, property values increased another 3.0% for the fiscal year 2019 valuation. 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 right illustrates the significant difference between residential and commercial property:

**Taxable Real Property by Category**  
Fiscal Year 2018



**Long-term financial planning.** On September 30, 2018, unrestricted fund balance (the total of the committed, assigned, and unassigned components of fund balance) in the general fund comprised 93.6% of the total fund balance. Additionally, unassigned fund balance available to the City was 19.4% 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 continues to meet all debt service requirements and is committed to reducing 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.

#### **Hurricane Irma**

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. 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. As of September 30, 2018, the City had not received any Federal or State reimbursements. In the interim, the City entered into a line of credit with a local financial institution in the amount of \$5.0 million, to be drawn upon in case of another disaster. As of September 30, 2018, the City had not drawn any funds from the available line of credit. See additional information on page 89.

#### **Red Tide Algae Bloom**

In August 2018, a significant toxic algae bloom off the coast of Florida caused unprecedented amounts of sea life to be killed and wash up on the City's beaches, bays and canals. The immediate impact of this event was the City expending approximately \$1.7 million in clean-up and restoration costs. \$1.6 million of these costs were ultimately reimbursed to the City from the State of Florida through Lee County. As the City received revenue to offset the majority of expenses, there was no significant affect to beginning fund balance in fiscal year 2019 due to this issue.

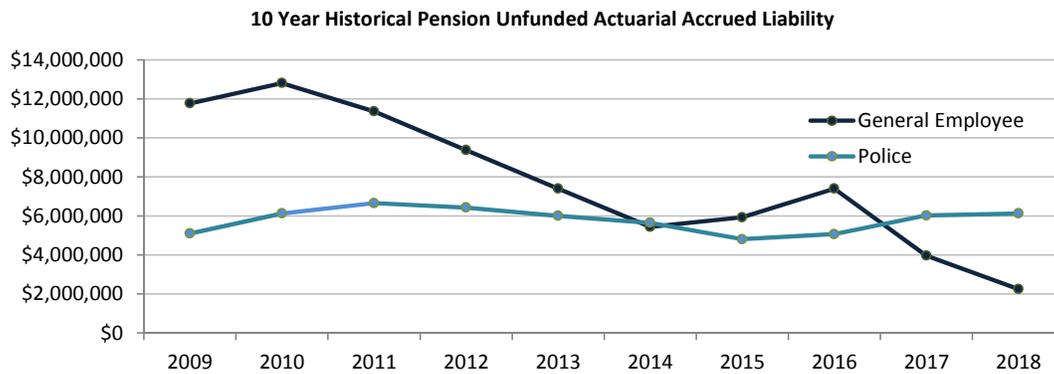
However, while the City's cleanup costs are being reimbursed, the potential economic effects of this event are just beginning to be realized. There remains a significant potential for long term adverse effects for the City's economy, both in the areas of tourism and property values.

The City's beach maintenance program is mostly funded via grants from the Lee County Tourism Development Council (TDC). The TDC obtains its resources from a 3.0% tax on short term accommodations, commonly known as the "bed tax". In fiscal year 2018, according to the Lee County Clerks' office, the TDC collected approximately \$5.4 million, or 12.9% of the total County collections, from within the City limits. If an event such as the red tide algae bloom reduced tourist visits to the City (and subsequently reduced bed tax collections), there could be a significant impact on the City's financial performance in the Beach Parking fund as there could be reduction in grant funding for the maintenance program.

Since the City as a whole receives the majority of its unrestricted revenue from ad valorem taxes levied on personal and real property, issues that could potentially affect property values are of utmost concern. The long term effects of a reduction in water quality have not been determined. Indeed, since property valuations occur only once annually (for purposes of taxable revenue valuation), it could potentially take several years for the full picture to emerge on how environmental issues will affect property owner’s decisions to relocate to the island.

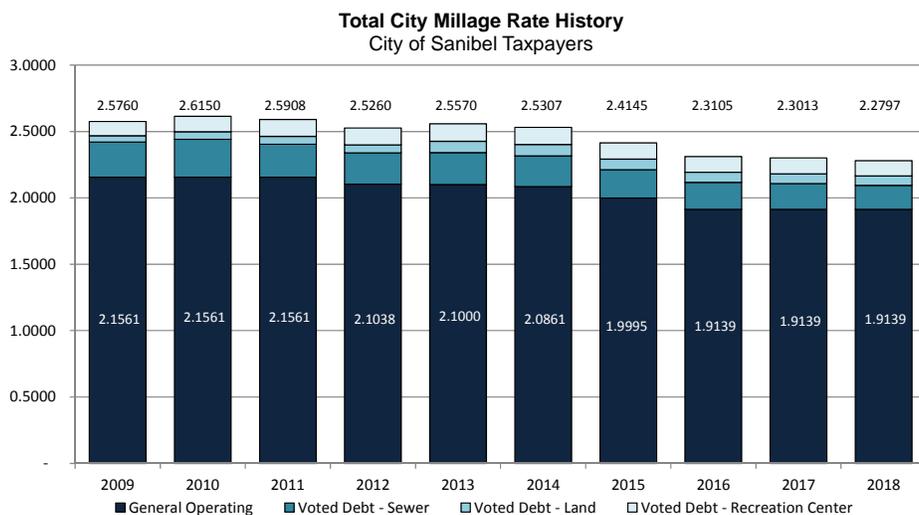
**Pension Plans**

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 93.3% and 76.4%, respectively. The following chart presents a historical perspective of the unfunded liabilities of both plans.

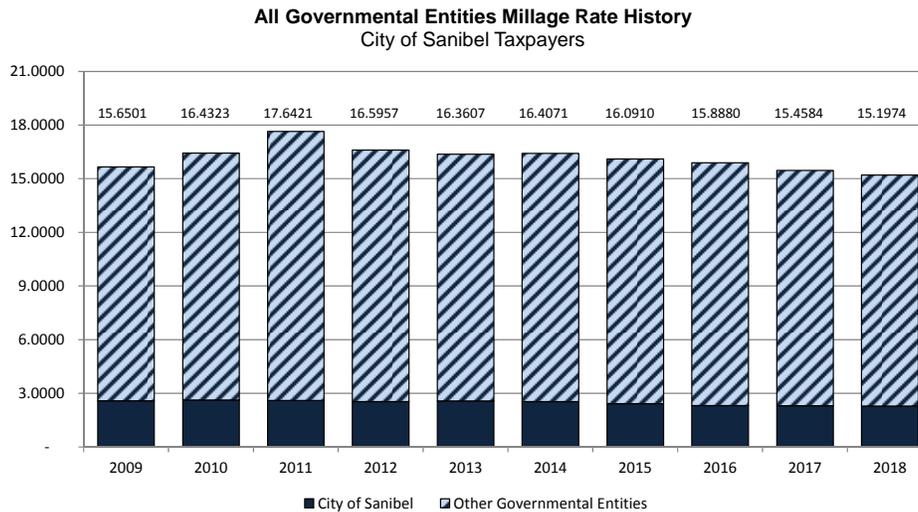


The City’s priority is to maintain Sanibel as a world-class, safe, clean, environmentally and fiscally sound municipality. The City maintains its strong financial position through prudent long-term financial planning and fiscal actions to reduce or contain fixed costs. In the current year, while the 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.

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 2.1561 mils in fiscal year 2009 to 1.9139 mils in fiscal year 2018. A ten year history of the total City millage is presented below.



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 and paid 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 2019:

IMPROVE WATER QUALITY

On island water quality improvement goals:

- Complete design and engineering for the Donax Water Reclamation Facility Improvements Project and begin planning for bidding and construction.
- 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.
- Continue implementation of regional fertilizer education program with Lee County and other partners.

State and Regional water quality improvement goals:

*Accomplishments*

The City has been 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 the planning of 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 additional land acquisition or lease buyouts for the project; \$64 million per year is allocated beginning in FY18-19 to fund the project and for bond payments; \$3 million is allocated for FY17-18 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.

*Goals*

- Support all legislative actions which reduce harmful freshwater releases from Lake Okeechobee to the Caloosahatchee River and estuary. A comprehensive strategy I outlined in the Caloosahatchee Watershed Regional Water Management Issues white paper.
- Seek legislative funding for the following Regional Water Quality/Quantity Priorities:
  - EAA Storage Reservoir Project. Implementation of the Everglades Agricultural Area Reservoir Project plan adopted by the Florida Legislature and Governor
  - C-43 West Basin Reservoir Project. Construction of the C-43 Reservoir. 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.

Federal water quality improvement goals:

*Accomplishments*

The City's top federal (and State) priority, the EAA Reservoir Project, was approved by the Florida Legislature 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 2018. 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 support and the federal cost share needed to complete 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 2019 draft budget allocates \$96 million for the project.

*Goals*

- Work with federal representatives to secure funding for the EAA Storage Reservoir Project and keep it 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 south/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.

REDEVELOPMENT

*Redevelopment of non-conforming resort properties outside of the resort housing district*

Description: Review redevelopment issues of non-conforming resort properties that do not lie with the existing resort housing district

Status: Staff to prepare options and alternatives for consideration by Planning Commission and City Council in fiscal year 2019

*Guided tour operations, following City Council adoption of updated beach management plan*

Description: Following the adoption by City Council of the updated beach management plan, update best practices and operational guidance for protecting Sanibel's beach environment

Status: Research currently under review and Staff to prepare options and alternatives for consideration by Planning Commission and City Council in fiscal year 2019

*Sign standards*

Description: Review current sign ordinance for compliance and recent Supreme Court ruling on freedom of speech and religion as applied to temporary signage

Status: Sign ordinance must be amended for compliance; research currently under review and recommendations from the Legal and Planning departments forthcoming for consideration by Planning Commission

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.

- Develop long-term General fund revenue and expenditure sufficiency analysis
  - Five Year (Near Term)
  - Ten Year (Long Term)
- Develop funding strategy and timeline to restore City's disaster reserves
- Develop framework and funding strategy for Bridge Sinking Fund

- Continue research and evaluation of segregating revenue and expense streams for storm water and related maintenance

**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, 2017. This was the 33<sup>rd</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

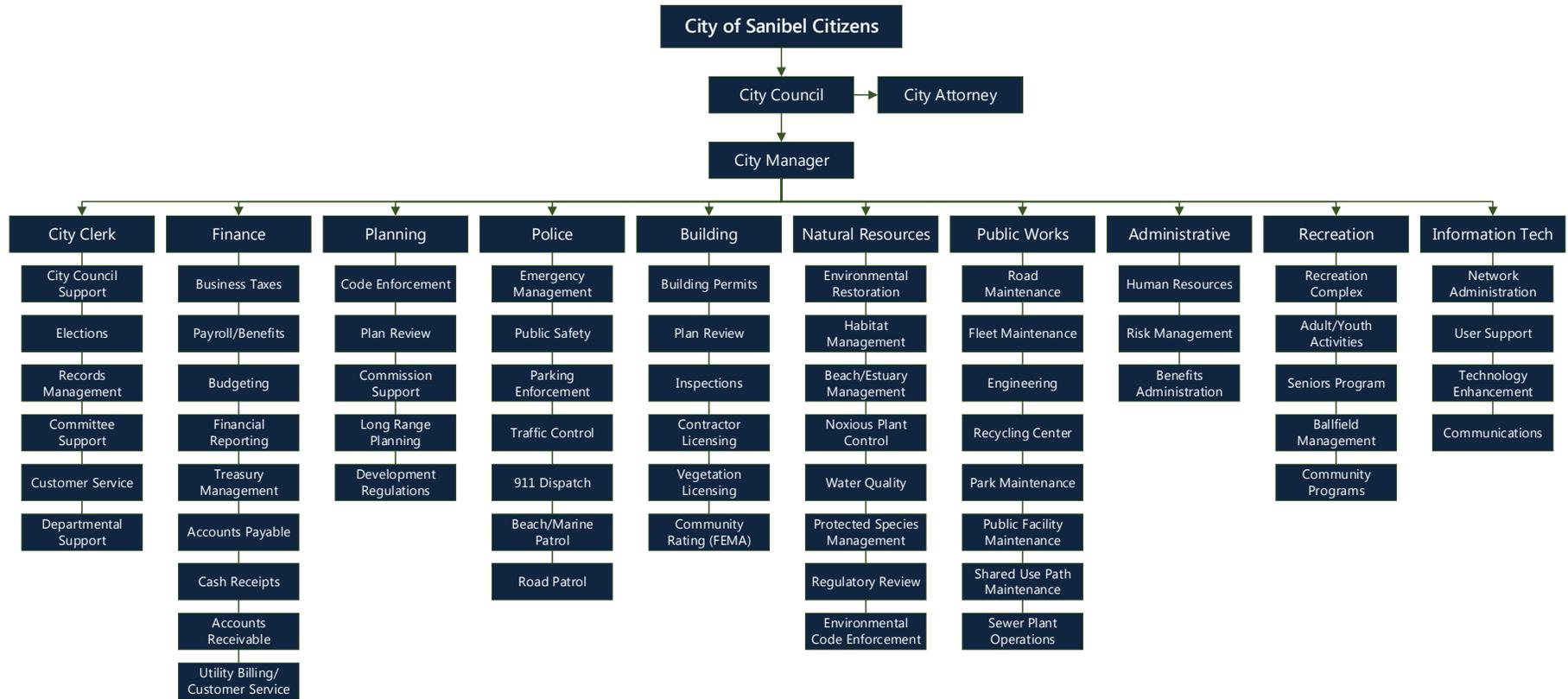
September 30, 2017

*Christopher P. Morill*  
Executive Director/CEO

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CITY OF SANIBEL, FLORIDA  
 ORGANIZATIONAL CHART  
 SEPTEMBER 30, 2018



CITY OF SANIBEL, FLORIDA  
CITY COUNCIL MEMBERS  
SEPTEMBER 30, 2018

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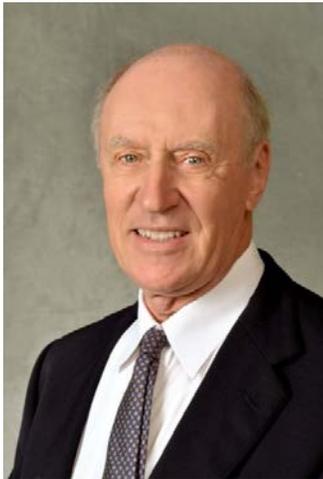


**Mayor Kevin Ruane**

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 and 2018 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 Historical Preservation Committee, Historical Museum and Village, Inc., Recreation Financial Assistance Committee, the Sanibel Captiva Chamber Governmental Affairs Committee and the Employee Dependent Scholarship Committee. He also was appointed to the Florida League of Cities Land Use & Economic Development Committee and serves as 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 Florida League of Cities Legislative Committee on Finance, Taxation and Personnel 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.



**Councilmember Holly Smith**

Term of Office: March 2018 – March 2019

Councilwoman Smith was appointed to the Sanibel City Council to serve an interim position for a vacant seat in December 2017. Councilwoman Smith has served as Vice Chairwoman of the Sanibel Planning Commission for two years and has been a member of the commission since 2009. Councilwoman Smith currently serves as Council’s liaison to the Planning Commission, the Contractor Review Board and the Sanibel Bike Club.

She is presently serving in her second term as a member of the F.I.S.H. (Food Programs, Island Based, Social Services and Helping Hands) Board of Directors Councilwoman Smith has been appointed to serve as a member of the Lee County Tourist Development Council (TDC), and was also recently appointed to serve on the Municipal Administration Legislative Policy Committee for the Florida League of Cities. In 2018 Councilwoman Smith was awarded the esteemed Florida League of Cities Home Rule Hero Award.



CITY OF SANIBEL, FLORIDA  
COUNCIL-MANAGER FORM GOVERNMENT  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

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**ELECTED OFFICIALS**

Kevin Ruane ..... Mayor  
Mick Denham ..... Vice Mayor  
Chauncey Goss ..... Councilmember  
Jason Maughan ..... Councilmember  
Holly Smith ..... Councilmember

**APPOINTED OFFICIALS**

Judith A. Zimomra, MPA, JD..... City Manager  
John D. Agnew, 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  
William 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/Acting Planning Director  
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)

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## 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, 2018, 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, 2018, 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.

### ***Emphasis of Matter***

As described in Note 18, the City adopted the provisions of GASBS No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. As a result of the implementation of GASBS No. 75, the City reported a restatement for the change in accounting principle. The auditors' opinion was not modified with respect to the restatement.

### ***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 schedule of changes in the total OPEB liability and related ratios on pages 25-46 and 112-118 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 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of state financial assistance is also presented for purposes of additional analysis as required by the Chapter 10.550, Local Governmental Entity Audits, Rules of the Auditor General of the State of Florida, and is not a required part of the basic financial statements.

The combining financial statements and schedules and the schedule of expenditures of state financial assistance 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 and the schedule of expenditures of state financial assistance 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 April 11, 2019, 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 results 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  
April 11, 2019

CITY OF SANIBEL, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)  
September 30, 2018

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As management of the City of Sanibel (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2018. 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 6 of this report.

**SIGNIFICANT EVENTS**

**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 recovery to be reflected in fiscal year 2017 as well as fiscal year 2018. As of September 30, 2018, the City had not received any reimbursement of hurricane related expenditures from any Federal or State agency. More detailed discussions on the financial effects of Hurricane Irma are presented throughout this section.

**Red Tide**

In August 2018, a significant toxic algae bloom off the coast of Florida caused unprecedented amounts of sea life to be killed and wash up on the City's beaches, bays and canals. The cost of the cleanup City-wide was approximately \$1.7 million (\$1.6 million in contracted services and \$83,000 in City labor) and is reflected in the General and Beach Parking funds. The City was reimbursed for the costs of the contracted services in fiscal year 2018, so there was no effect on fund balances in the funds affected. More detailed discussion on the financial effects is discussed in the pertinent funds in this section.

**FINANCIAL HIGHLIGHTS**

- At the close of fiscal year 2018, the City of Sanibel's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$86.0 million (net position). Governmental and business-type assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$42.8 million and \$43.2 million, respectively;
- The City's total net position increased by \$2.5 million in fiscal year 2018. The City's unrestricted net position, which may be used to meet the City's ongoing obligations to its citizens and creditors, increased by \$2.5 million, (21.5%) from the prior year, due to the performance in business-type activities;
- The City's governmental activities reported a total net position of \$42.8 million, a \$1.0 million (2.3%) decrease from the previous year net position of \$43.8 million. Approximately 3.0% of the total (\$1.3 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 \$43.2 million, which is an increase of \$3.5 million, or 8.6%, in comparison to the prior year, primarily driven by the performance in the Sewer fund. Approximately 29.2% of the total, or \$12.6 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 \$4.5 million during the current fiscal year. This decrease is attributable to the required annual debt service payments on existing debt issuances, annual changes in compensated absences 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 \$5.9 million, or approximately 93.6% of the total fund balance;

CITY OF SANIBEL, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)  
September 30, 2018

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- At the close of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$13.6 million, a decrease of approximately \$2.7 million in comparison with the prior year. Approximately 23.1% of this amount (\$3.1 million) is available for spending at the City's discretion (*unassigned fund balance*). Approximately 58.0% of this amount (\$7.9 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.

##### **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, deferred outflows of resources, liabilities, and deferred inflows 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.

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, 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, 2018.

##### **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.

CITY OF SANIBEL, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)  
September 30, 2018

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund *balance sheet* and the governmental fund *statement of revenues, expenditures and changes in fund balances* provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains 16 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 2018. Data for the other 13 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 119 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 54. Budgetary comparison schedules have also been provided for all other nonmajor governmental funds beginning on page 125.

The basic governmental fund financial statements can be found beginning on page 50 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 56 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 61 of this report.

CITY OF SANIBEL, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)  
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**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 following the basic financial statements in this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information relating to the City's employee pension plans and other post-employment benefits (OPEB) obligations. The combining schedules for the non-major governmental and fiduciary funds follow the required supplementary information.

**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 \$86.0 million, at the close of the most recent fiscal year.

**Table 1**  
**Statement of Net Position (Summary)**  
as of September 30, 2018 and 2017

	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$14,898,136	\$18,266,223	\$18,966,412	\$16,959,843	\$33,864,548	\$35,226,066
Capital assets, net	43,238,485	44,392,181	39,618,182	41,056,432	82,856,667	85,448,613
<b>Total assets</b>	<b>\$58,136,621</b>	<b>62,658,404</b>	<b>58,584,594</b>	<b>58,016,275</b>	<b>116,721,215</b>	<b>120,674,679</b>
Deferred outflows of resources	1,304,327	373,011	235,813	115,366	1,540,140	488,377
Current and other liabilities	1,328,284	2,030,741	932,610	900,939	2,260,894	2,931,680
Long-term liabilities	14,772,808	16,538,618	14,519,088	17,268,957	29,291,896	33,807,575
<b>Total liabilities</b>	<b>16,101,092</b>	<b>18,569,359</b>	<b>15,451,698</b>	<b>18,169,896</b>	<b>31,552,790</b>	<b>36,739,255</b>
Deferred inflows of resources	544,218	644,675	128,685	145,161	672,903	789,836
<b>Net position:</b>						
Net investment in capital assets	36,245,903	36,654,567	26,240,152	25,118,198	62,486,055	61,772,765
Restricted	5,275,186	5,502,498	4,387,166	4,929,408	9,662,352	10,431,906
Unrestricted	1,274,549	1,660,316	12,612,706	9,768,978	13,887,255	11,429,294
<b>Total net position</b>	<b>\$42,795,638</b>	<b>\$43,817,381</b>	<b>\$43,240,024</b>	<b>\$39,816,584</b>	<b>\$86,035,662</b>	<b>\$83,633,965</b>

By far, the largest portion of the City's net position (72.6%) reflect its net investment in capital assets (such as land, buildings, infrastructure, parks, 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.

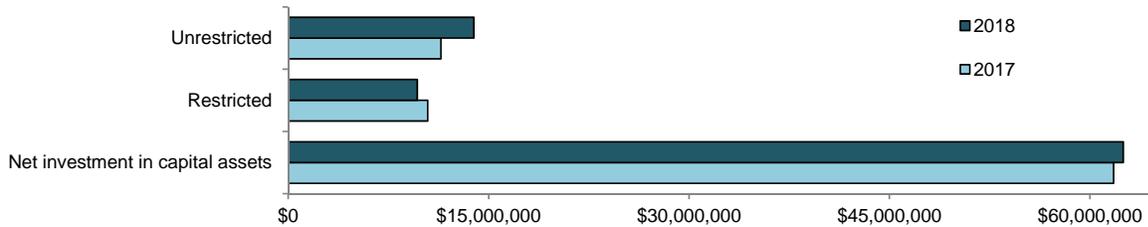
An additional portion of the City's net position in the amount of \$9.7 million (11.2%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$13.9 million (16.1%) is unrestricted and may be used to meet the City's ongoing obligations to its citizens and creditors.

The City's overall net position increased \$2.4 million, or 2.9%, as of September 30, 2018 compared to fiscal year 2017.

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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.

**Chart 1**  
**City of Sanibel Net Position**  
September 30, 2018 and 2017



**Restatement of Beginning Net Position**

As discussed in Note 18 on page 109, the City adopted the provisions of Governmental Accounting Standards Board Statement (GASB) No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* in the current year that required a restatement of beginning net position. This resulted in a decrease to beginning net position in Governmental (\$108,476), Business-type (\$36,818), and the Proprietary (\$36,818) funds.

**Governmental Activities**  
**Revenues**

Total governmental revenues received from external sources increased 3.3% in fiscal year 2018 to \$20.9 million from \$20.2 million in fiscal year 2017.

Total program revenues remained consistent with prior year activity, decreasing slightly at 0.60% (\$41,880) between fiscal year 2018 and 2017. The largest source of revenue in program services is received from charges for services, which decreased 1.1% (\$53,000) from the previous year. The most significant changes from the prior year were:

- Permits issued for building activities increased \$145,000 (14.4%), primarily due from one large commercial project approved on island;
- Revenues from fines and penalties decreased \$306,000 (93.5%) due to one large code enforcement case in fiscal year 2017 that the City received approximately \$310,000 from;
- Development fees increased \$125,000 (35.9%), primarily due to commercial project noted above.

Operating and Capital grants and contributions also remained consistent with the prior year, increasing less than one percent (0.5%). Significant changes from the prior year include:

- In fiscal year 2018, the City received reimbursement of approximately \$369,000 in funding from the State of Florida for costs related to cleaning up marine debris from the City's bays and canals due to the effects from a red tide bloom;
- Toll revenue received as part of an interlocal agreement with Lee County decreased \$168,000 (10.1%) due in part from lingering effects from Hurricane Irma at the beginning of the year and the red tide bloom at the end of the fiscal year;
- Revenue received as part of interlocal agreements with Lee County and the Lee County School District decreased approximately \$184,000 (57.1%) due to a large lighting project that was completed in fiscal year 2017 that was not repeated in the current year.

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Total general revenues (excluding transfers) increased 5.3% to \$13.9 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 5.8% to \$10.2 million in fiscal year 2018 as a result of increases in property values. The revenue generated from non-restricted ad valorem taxes increased less than one percent (0.6%) from the prior year.

Finally, \$311,000 was transferred from the City's business-type activities as payments in lieu of taxes, a 34.6% decrease from fiscal year 2017. The primary source of this transfer is from beach parking revenues, of which the General fund receives 15%. Due to the effects of the red tide algae bloom previously mentioned, beach parking charges were suspended between August 25, 2018 and September 30, 2018.

**Expenses**

Total expenses increased \$1.3 million (6.4%) to \$22.1 million from \$20.8 million in fiscal year 2017. Three major factors contributed to this increase:

- At the beginning of the fiscal year, the City was still recovering from Hurricane Irma. Approximately \$2.1 million in expenditures were recorded in fiscal year 2018 as a result of recovery and debris collection and removal;
- As mentioned previously, the City was affected by a red tide algae bloom toward the end of the fiscal year. Expenses related to the clean-up of the City's bays and canals totaled approximately \$400,000 and were reimbursed from the State of Florida;
- In accordance with generally accepted accounting principles, pension expense is computed annually by an actuarial consultant. In fiscal year 2018, recognized governmental pension expense decreased approximately \$1.1 million from fiscal year 2017. 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;
- In fiscal year 2017, the overhead lights at the ballfield complex were replaced at a cost of \$305,000. As mentioned previously, this was a cost sharing project with the Lee County School District and Lee County.

The schedule on the next page summarizes the changes in net position for governmental activities for the year ended September 30, 2018.



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**Table 2**  
**Changes in Net Position (Summary)**  
For the Year Ended September 30,

	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
<b>REVENUES</b>						
Program revenues						
Charges for services	\$ 4,636,621	\$ 4,689,617	\$ 10,730,512	\$ 10,384,082	\$ 15,367,133	\$ 15,073,699
Operating grants and contributions	2,146,324	2,155,509	2,869,652	1,571,888	5,015,976	3,727,397
Capital grants and contributions	159,502	139,201	1,540,659	382,201	1,700,161	521,402
General revenues						
Property taxes	10,203,266	9,645,588	881,546	891,306	11,084,812	10,536,894
Other taxes	2,664,232	2,648,838	-	-	2,664,232	2,648,838
Intergovernmental revenues	770,090	732,672	-	-	770,090	732,672
Other	285,352	195,695	337,769	314,669	623,121	510,364
<b>Total revenues</b>	<b>20,865,387</b>	<b>20,207,120</b>	<b>16,360,138</b>	<b>13,544,146</b>	<b>37,225,525</b>	<b>33,751,266</b>
<b>EXPENSES</b>						
General government	2,877,238	3,440,910	-	-	2,877,238	3,440,910
Public safety	6,057,803	5,874,586	-	-	6,057,803	5,874,586
Physical environment	537,456	587,814	6,324,128	6,289,029	6,861,584	6,876,843
Public works/Transportation	7,631,231	5,260,537	-	-	7,631,231	5,260,537
Beach parking	-	-	5,870,972	4,644,671	5,870,972	4,644,671
Economic development	364,022	349,427	-	-	364,022	349,427
Culture/recreation	4,448,505	5,059,094	-	-	4,448,505	5,059,094
Interest on long-term debt	174,165	189,885	393,014	454,139	567,179	644,024
<b>Total expenses</b>	<b>22,090,420</b>	<b>20,762,253</b>	<b>12,588,114</b>	<b>11,387,839</b>	<b>34,678,534</b>	<b>32,150,092</b>
Increase (decrease) in net position before transfers	(1,225,033)	(555,133)	3,772,024	2,156,307	2,546,991	1,601,174
Transfers	311,766	476,792	(311,766)	(476,792)	-	-
Increase (decrease) in net position	(913,267)	(78,341)	3,460,258	1,679,515	2,546,991	1,601,174
Net position - beginning of year as previously reported	43,817,381	43,895,722	39,816,584	38,137,069	83,633,965	82,032,791
Adjustment	(108,476)	-	(36,818)	-	(145,294)	-
Net position - beginning of year	43,708,905	43,895,722	39,779,766	38,137,069	83,488,671	82,032,791
Net position - end of year	<b>\$ 42,795,638</b>	<b>\$ 43,817,381</b>	<b>\$ 43,240,024</b>	<b>\$ 39,816,584</b>	<b>\$ 86,035,662</b>	<b>\$ 83,633,965</b>

The table below 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.

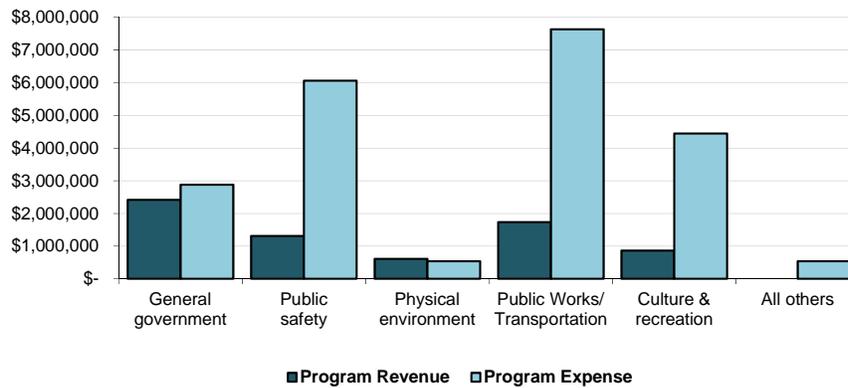
**Table 3**  
**Program Revenues and Expenses**  
Governmental Activities

	Total Cost Of Services		Net (Cost) Earnings Of Services	
	2018	2017	2018	2017
General government	\$ 2,877,238	\$ 3,440,910	\$ (461,518)	\$ (1,097,172)
Public safety	6,057,803	5,874,586	(4,741,790)	(4,412,831)
Physical environment	537,456	587,814	74,154	(333,982)
PW/Transportation	7,631,231	5,260,537	(5,894,360)	(3,377,138)
Culture/Recreation	4,448,505	5,059,094	(3,586,272)	(4,034,258)
All others	538,187	539,312	(538,187)	(522,545)
Totals	<b>\$ 22,090,420</b>	<b>\$ 20,762,253</b>	<b>\$ (15,147,973)</b>	<b>\$ (13,777,926)</b>

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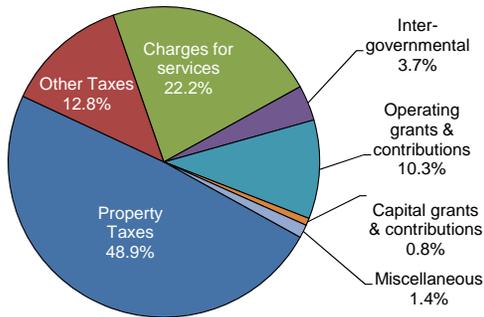
The total cost of all governmental activities provided this fiscal year was approximately \$22.1 million, a 6.4% increase from the prior year due to items previously discussed. As detailed in the statement of activities on page 49, the net cost ultimately paid through taxes and other general revenues was approximately \$15.1 million. As shown in the chart below, 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.

**Chart 2**  
**Program Revenue and Expenses**  
 Governmental Activities

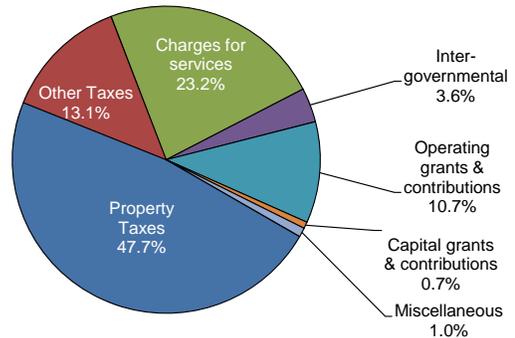


The following charts compare the composition of revenues for the City's governmental activities for the period ending September 30, 2018 and 2017, respectively:

**Chart 3.1**  
**2018 Revenue by Source**  
 Governmental Activities



**Chart 3.2**  
**2017 Revenue by Source**  
 Governmental Activities



**Business-type activities**

**Overview**

Revenues from the operations of the City's business-type activities totaled \$16.4 million in fiscal year 2018, a 20.8% increase from the previous year. Total expenses for 2018 were \$12.6 million, a 10.5% increase from fiscal year 2017. Transfers to the General fund for payments in lieu of taxes decreased 34.6% in fiscal year 2018.

These results generated an 8.6% (\$3.4 million) increase in net position (net of an adjustment to beginning net position of \$36,818 related to other post-employment benefits as previously discussed).

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**Revenues**

Total program revenues generated from the City's business-type activities increased 20.8% in fiscal year 2018 to a total of \$15.1 million. The largest component of program revenues is charges for services, which generated an increase of 3.3% in fiscal year 2018, primarily due to a scheduled 3.0% increase in sewer rates. Although beach parking charges had been suspended at the end of the year, there was sufficient increase in demand prior to the event to keep total beach parking revenues relatively flat compared to the prior year (\$2.96 million in fiscal year 2018 compared to \$2.95 million in fiscal year 2017).

Operating grants and contributions increased 82.6%, from \$1.6 million in fiscal year 2017 to \$2.9 million in fiscal year 2018. Significant grants are detailed below (all are included in the Beach Parking fund).

- \$1.2 million was received from the State of Florida Department of Environmental Protection to reimburse the City for expenses related to the previously mentioned red tide algae bloom. These expenses were related to cleanup activities at the City's beaches;
- \$137,500 was received from Lee County for rehabilitation of the City's boat ramp;
- The City receives grants pursuant to an interlocal agreement with the Lee County Tourist Development Council (TDC) to fund beach maintenance and prevention of erosion activities. These funds increased approximately \$18,000 (1.2%) in fiscal year 2018 from fiscal year 2017 and total \$1.6 million.

Capital grants and contributions increased significantly (\$1.2 million) in fiscal year 2018 to \$1.5 million. Significant activities are noted below.

- The 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 and \$672,000 was earned and received in fiscal year 2018;
- Capital contributions from sewer connection fees increased approximately \$18,800 from the previous year. These contributions typically vary from year to year based on sewer connection activity and fluctuations are expected;
- The Sewer fund completed two of the six sections of the Phase 4 sewer expansion project to properties that had previously not been connected. This expansion provided service to an additional 19 residential properties. Each benefitting property was assessed \$10,000 to assist in the construction costs of the expansion and during fiscal year 2018, \$280,000 was collected from these special assessments;
- Approximately \$194,000 was received from the Federal government under a 50% cost share agreement to construct a shared use path from Sanibel-Captiva Road to Bowman's beach. The project was completed in fiscal year 2018.

General revenues are received from three main 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 2018 totaled approximately \$882,000 based on debt service needs for the year.

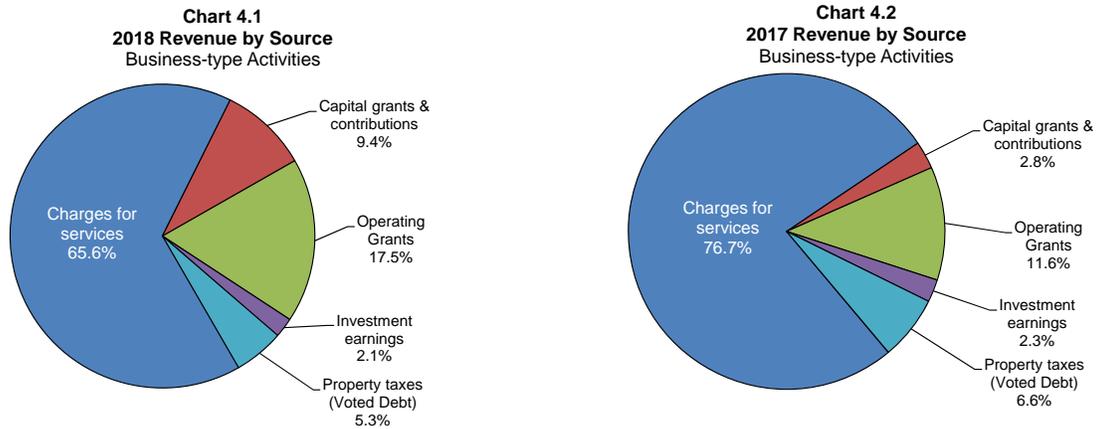
The second source of revenue is received from interest on special assessment financing the Sewer fund provides to property owner who elect to defer their assessment for sewer connections. In fiscal year 2018, \$136,000 was received in interest.

The final source of general revenues is received from the Sewer and Beach Parking fund's investment and banking activity. Revenue increased 28.0% to \$201,000 in this area, partially due to market fluctuations at year end and higher cash and investment balances in the Sewer fund in fiscal year 2018.

Transfers into the Business-type funds totaled \$169,000 in the current year. \$9,000 was transferred from the General fund to the Sewer fund for Hurricane related expenses and \$160,000 was transferred from the Community Park Impact Fee fund to the Beach Parking fund to support construction of an educational water treatment park at Jordan Marsh.

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The following graphs compare the composition of revenues for the City's business-type activities for the period ending September 30, 2018 and 2017, respectively:



**Expenses**

Total business-type expenses (excluding Interfund transfers) increased 10.5% (\$1.2 million) in fiscal year 2018 compared to the same period in 2017. The Sewer fund expenses remained consistent with the prior year (0.6% increase) and the Beach Parking fund expenses increased 26.4%. Debt service expenses in the Sewer fund decreased 13.5% based on established debt repayment schedules.

The Sewer fund's operating expenses were largely consistent with prior year activity in total. Significant fluctuations are detailed below.

- Personnel expenses decreased 10.0% in fiscal year 2018, which was primarily driven by a decrease in the computed pension expense as previously mentioned. Additionally, wage expense was down 2.9% due to vacancies throughout the year;
- Utility costs decreased 10.9% in fiscal year 2018, primarily due to rate decreases from the City's electric utility;
- Repair and maintenance expenses increased 28.7%. In the prior year, certain repairs were deferred in anticipation of a major plant renovation occurring. That project was delayed and is scheduled to begin in fiscal year 2019; therefore certain repair projects were completed in fiscal year 2018.

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

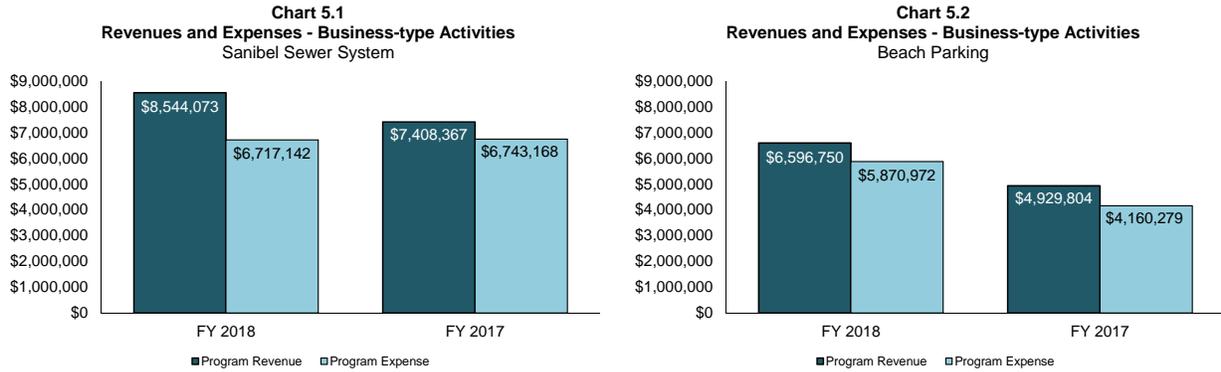
The Beach Parking fund's operating expenses increased \$1.2 million (26.7%) in fiscal year 2018 from the previous year. The most notable details are noted below:

- Public Safety: Personnel expenses increased 9.1% due to 1) approved annual wage increases, and 2) increases in the computed pension expense related to the Municipal Police Officers' Pension Plan. Operating expenses increased 9.7% primarily in repair and maintenance due to increased repairs to the City's marine program. A large portion of these expenses are reimbursed by grant funding from the West Coast Inland Navigation District.
- Physical Environment: Operating expenses decreased 18.5% to \$361,000 primarily due to projects being completed in fiscal year 2017 that did not repeat in fiscal year 2018.
- Public Works: Personnel expenses decreased 12.7% due to vacancies in staffing and overall decrease in the General Employees' computed pension expense previously discussed. Operating expenses increased \$1.2 million from the red tide algae bloom cleanup. These expenses were reimbursed as noted in the previous section.

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Interfund transfers to the General fund for payments in lieu of taxes decreased 34.6% from the prior year, entirely in the Beach Parking fund due to the effects of the red tide algae bloom. See previous discussion on page 25.

The following charts compare program expenses with program revenues for the City's business-type activities for fiscal years 2018 and 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**

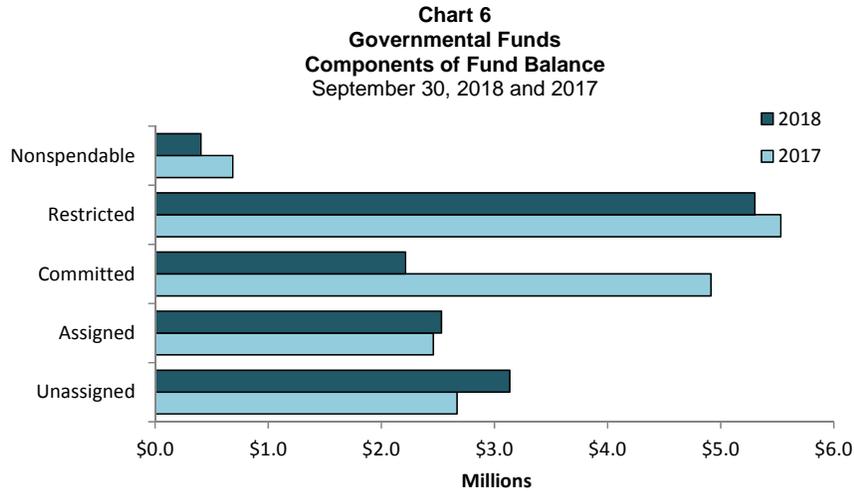
The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's 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, 2018, the City's governmental funds reported combined fund balances of \$13.6 million, a decrease of approximately \$2.7 million in comparison with the prior year. The primary reason for the decrease relates to continued expenditures for recovery from Hurricane Irma. The City utilized the majority of its disaster reserves to fund recovery efforts until such time as reimbursement occurs from Federal and State agencies. Of the \$13.6 million in total fund balances, approximately 23.1% of this amount (\$3.1 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.

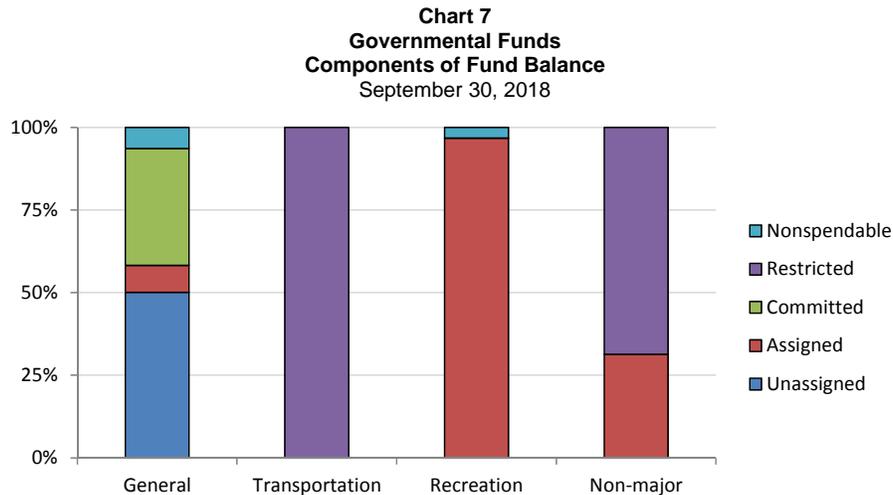


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The following chart compares the various components of governmental funds fund balance between fiscal year 2018 and 2017:



A comparison of the allocation of fund balance as of September 30, 2018 for all major funds and the aggregate of 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 2018, the unassigned fund balance of the General fund was \$3.1 million, while total fund balance was \$6.3 million.

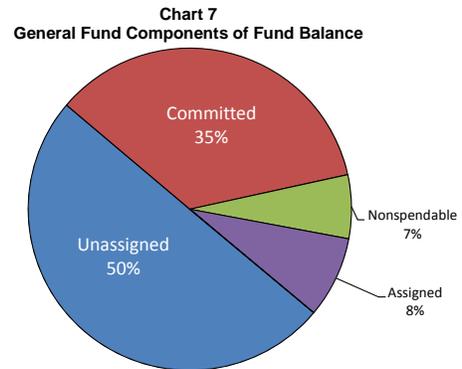
As a measure of the General fund's liquidity, it may be useful to compare both unrestricted (total of committed, assigned, and unassigned) fund balance and total fund balance to total General fund expenditures and other financing uses. Unrestricted fund balance represents approximately 36.2% of the total General fund expenditures, while total fund balance represents 38.7% of that same amount.

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The fund balance of the General fund decreased \$2.1 million, or 25.4%, during fiscal year 2018 to a total of \$6.3 million. The decrease is almost entirely attributable to Hurricane Irma recovery expenditures. Revenue in the General fund (including transfers) increased 7.8% while total expenditures (including transfers) increased 7.8%.

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

- Revenues increased 6.4% in the current year to \$15.4 million.
  - Collections of property taxes increased 6.2% to \$9.3 million in fiscal year 2018 due to a 5.9% increase in taxable property values;
  - Intergovernmental revenues increased 46.9% to \$1.2 million due to a \$369,000 reimbursement from the State of Florida related to the red tide algae clean up;
  - Charges for services increased \$249,000 (9.4%) due to increases in the amounts recovered from other funds for indirect costs;
  - Fines and forfeitures decreased \$306,000 in the current year due to the settlement of a code enforcement case on a foreclosed property in the City that occurred in fiscal year 2017.
- Expenditures in the General fund increased \$2.5 million (18.3%) in fiscal year 2018.
  - Overall personnel costs increased due to a 2.0% cost of living adjustment and a possible 1.0% merit increase in staff wages that was agreed to between the City's labor unions and management (partially offset by reduction in overtime earnings which were higher in fiscal year 2017 due to hurricane preparation). Also, the City's required cash contributions to its two defined benefit pension plans increased approximately \$300,000 based on actuarial analyses.
  - Approximately \$1.8 million in contracted debris removal costs related to the recovery from Hurricane Irma. The City is in the process of obtaining reimbursement for eligible costs from Federal and State agencies;
  - General liability, flood, windstorm and other general insurance costs increased 28.2% (\$141,000) in fiscal year 2018 partially from increased premiums and partially from increased coverages;
  - Information technology costs increased approximately \$95,000 in the current year primarily due to improved network security and related expenditures;
  - Approximately \$369,000 in expenditures were needed for clean-up costs related to the red tide algae issue previously discussed.
- Net transfers decreased \$1.4 million, or 51.0%.
  - Transfers in increased \$254,000 (53.3%) due to a one time return of funds from the capital asset acquisition fund (which is 100% General fund supported) of \$250,000 for projects not completed;
  - Transfers out from the General fund to other funds decreased 35.9% in fiscal year 2018. In fiscal year 2017 1) \$100,000 was transferred to the Elementary School Ball Park Maintenance as part of three-way cost share to replace the aging field lights, and 2) 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. Additionally, there was no need for a General fund transfer to the Capital Asset Acquisition fund in fiscal year 2018 (supported by fund balance from fiscal year 2017).



For information on the General fund's budgetary performance for fiscal year 2018, see the discussion beginning on page 54.

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**Transportation Fund**

The *Transportation* fund, a major special revenue fund, was established to account for all activities necessary to provide repaving, maintenance and repairs and other expenditures related 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 receives 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 through an interlocal agreement with Lee County. Both of these revenue sources are restricted for use for transportation related operational and capital expenditures. Revenue for fiscal year 2018 decreased 4.1% (\$145,000) from fiscal year 2017 due to decreases in toll revenue from reduced traffic crossing the causeway. The reduction in traffic was primarily related to 1) the lingering effects from Hurricane Irma recovery at the beginning of the fiscal year, and 2) the red tide algae bloom previously discussed effected traffic in late July and August negatively. Additionally, increased operating and debt service expenditures of approximately \$490,000 to operate the bridge (Lee County expenditures) affected the net revenue calculation and therefore the 21.0% City portion.

Operating expenditures increased 31.2% in fiscal year 2018 primarily due to the postponement of the City's 2017 annual repaving program which normally takes place in late summer. Due to Hurricane Irma, the repaving program was extended into fiscal year 2018. There was also approximately \$110,000 in storm related repairs that were completed in fiscal year 2018 (the City is expecting reimbursement for the majority of these expenditures from Federal and State agencies).

The ending fund balance of the Transportation fund is \$1.3 million and 100% is restricted for transportation expenditures at September 30, 2018.

For information on the Transportation fund's budgetary performance for fiscal year 2018, see the comparison on page 55.

**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 decreased \$27,000 during 2018 to \$198,000. Key factors in this decrease are the net effect of the following items:

- Total revenue increased 3.4% primarily in membership income as the center continued to recover from the effects of Hurricane Irma in fiscal year 2017 (when the center closed and became a public shelter);
- Total expenditures decreased 6.7% from fiscal year 2017 due to the continued focus on expenditure reduction, as well as decreased financial scholarship expenditures more fully explained below;
- Transfer out increased 11.6% due to a one time transfer of \$163,000 to a new special revenue fund. The Recreation Financial Assistance fund was created in fiscal year 2018 to account for the receipt and disbursement of donations to assist eligible members in purchasing programming for their children. Previously, these funds were accounted for in the Recreation fund and restricted for use.

The ending fund balance of the Recreation fund is \$198,415, of which the majority (97.0%) is assigned for recreation expenditures.

For information on the Recreation fund's budgetary performance for fiscal year 2018, see the comparison on page 55.

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(Unaudited)  
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**Other Governmental Funds**

All other governmental funds are accounted for in the column entitled Other Governmental Funds (13 funds in total). Other governmental funds include nonmajor special revenue, debt service and capital project funds. Total fund balance for this group was consistent with the previous year at \$5.8 million.

Key factors in the performance for fiscal year 2018 are the net effect of the following items:

- As previously discussed, one additional fund was created in the current year and is included in these totals. The Recreation Financial Assistance fund had \$18,889 in revenue and \$24,219 in expenditures during fiscal year 2018;
- Total revenue increased 1.6% in fiscal year 2018 to \$2.5 million.
  - Voter approved debt service ad valorem tax receipts are based on scheduled debt service requirements. Total tax collected was \$897,000 in 2018 compared to \$882,000 in 2017;
  - Licenses and permits increased 14.0% in fiscal year 2018, driven by an increase in building permit activity;
  - Intergovernmental revenue decreased \$184,000 (57.1%) primarily due to the fiscal year 2017 ballfield lighting project previously discussed.
- Operating expenditures decreased 25.1% in fiscal year 2018 to \$2.6 million.
  - Transportation expenditures decreased approximately \$116,000 due to dredging costs in fiscal year 2017 in two special assessment districts that were not repeated in fiscal year 2018;
  - The aforementioned ballfield lighting project that was completed in fiscal year 2017 was \$305,000;
  - Various capital projects were completed in fiscal year 2017.
- Net transfers in and out of these funds decreased \$2.1 million in fiscal year 2018.
  - Transfers in decreased \$1.7 million, primarily due to a transfer from the General fund to support capital projects was not needed in fiscal year 2018;
  - In fiscal year 2018. One-time transfers included \$160,000 from the Community Park Impact Fee fund to the Beach Parking fund to support an educational park at Jordan Marsh and \$250,000 that was transferred back to the General fund from the Capital Asset Acquisition fund as previously discussed.

For more detailed information (as well as budgetary comparisons), see the combining financial statements for the City's non-major governmental funds beginning on page 119.

**Proprietary Funds**

The City's proprietary funds are comprised of two enterprise funds – the Sewer fund and the Beach Parking fund. 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 32. For additional detail, see the propriety fund statements beginning on page 56.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

During fiscal year 2018, there was a \$640,000 (4.3%) increase in budgeted total revenue and a \$3.2 million (23.7%) increase in budgeted total expenditures between the original and final amended budget in the General fund.

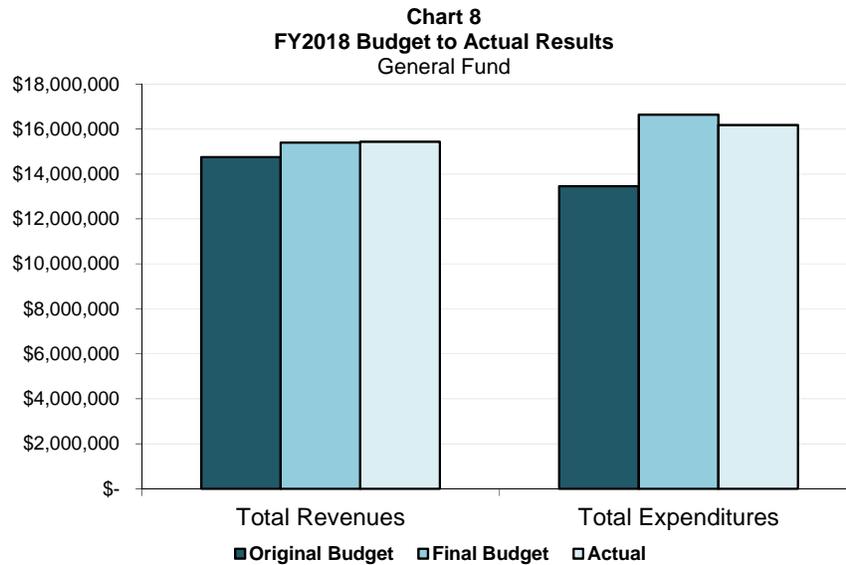
Following are the key factors for the variance in revenues between the original and final budget:

- The revenue received from other funds based on the annual indirect cost recovery study increased \$205,000 (11.1%) in fiscal year 2018. This revenue reimburses the General fund for indirect costs that cannot be attributable to a specific fund. This revenue is captured in the charges for services line item;

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- The intergovernmental revenue adopted budget was amended to include \$435,000 in estimated reimbursements from the State of Florida related to the red tide algae clean-up. Actual expenditures were approximately \$369,000.

During fiscal year 2018, there was a \$31,370 (0.2%) positive variance between final budgeted total revenue and actual total revenue. The variances that comprised this small increase were widespread and no specific line items were greatly increased.



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

- Due to recovery efforts related to Hurricane Irma, approximately \$2.6 million was transferred from reserves to operating expenditures at the beginning of fiscal year 2018;
- \$137,000 in reserves for personnel wage increases were allocated to departments at the beginning of fiscal year 2018;
- The Legislative budget was amended to include \$25,000 in charges for a special City Council election;
- An additional \$152,250 was transferred from reserves to the police pension expenditure budget line item to fund an additional payment into the Municipal Police Officers' Pension Plan.

Final budget-to-actual expenditures show a \$454,306 (2.7%) 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 related to the Hurricane Irma clean-up. 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 54 of this report.

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(Unaudited)  
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**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital assets.** The City's total capital assets as of September 30, 2018 reflect an investment of \$82.9 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 of this report.

**Table 4**  
**Capital Assets (net of depreciation)**  
as of September 30,

	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Land	\$24,966,425	\$24,966,425	\$ 1,864,013	\$ 1,864,013	\$ 26,830,438	\$ 26,830,438
Buildings	10,585,267	11,014,621	1,556,722	1,694,668	12,141,989	12,709,289
Improvements	941,154	994,358	984,638	637,186	1,925,792	1,631,544
Vehicles and equipment	1,499,423	1,637,938	1,183,167	1,325,016	2,682,590	2,962,954
Infrastructure	5,246,216	5,717,966	32,713,075	35,037,954	37,959,291	40,755,920
Construction work in progress	-	60,873	1,316,567	497,595	1,316,567	558,468
<b>Total capital assets</b>	<b>\$43,238,485</b>	<b>\$44,392,181</b>	<b>\$39,618,182</b>	<b>\$41,056,432</b>	<b>\$ 82,856,667</b>	<b>\$ 85,448,613</b>

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

- Geothermal system for the Recreation Center swimming pool (\$183,000)
- Police Department fence, gate and security system (\$95,000)
- Miscellaneous technology equipment (\$28,350)
- Police patrol vehicle (\$37,000)
- Public Works utility vehicle (\$13,700)
- Recreation Center equipment
  - 4 elliptical machines (\$22,275)
  - 1 rower(\$1,160)
  - 28 spin bikes (\$47,175)
- Bowman's Beach beach access walkover (\$62,000)
- Bowman's Beach shared use path (\$355,000)
- 4 beach parking vehicles (\$106,700)
- Bowman's Beach playground equipment (\$10,900)
- Final Phase 4 sewer expansion (\$22,350)
- Construction projects in process at year end:
  - Jordan Marsh water quality facility (\$260,000)
  - Tarpon Bay restrooms (\$72,800)
  - Donax wastewater treatment plant renovation (\$486,000)

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

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**Long-term liabilities.** As of September 30, 2018, the City had \$20.8 million in outstanding long term liabilities. The following schedule provides a comparative summary of the City's outstanding long-term liabilities:

**Table 5.1**  
**Long-term Liabilities**  
as of September 30,

	Governmental		Business-type		Total	
	Activities		Activities		Primary Government	
	2018	2017	2018	2017	2018	2017
Bonds						
General obligation	\$ 6,975,000	\$ 7,680,000	\$ -	\$ -	\$ 6,975,000	\$ 7,680,000
Revenue	-	-	3,918,046	5,187,282	3,918,046	5,187,282
Notes payable	-	-	9,198,551	10,622,989	9,198,551	10,622,989
Compensated absences	559,130	603,693	156,822	160,219	715,952	763,912
Total	<u>\$ 7,534,130</u>	<u>\$ 8,283,693</u>	<u>\$13,273,419</u>	<u>\$15,970,490</u>	<u>\$20,807,549</u>	<u>\$24,254,183</u>

The City's total long-term liabilities decreased \$3.4 million during the current fiscal year, primarily due to annual scheduled debt service payments. The liability for compensated absences is based on the payable accrued leave time for employees at September 30, 2018.

Long-term liability amounts for the City's pension and OPEB plans are actuarially calculated. A comparison of the current and prior year calculated amounts are shown below. In the current year, the City adopted a new standard for the accounting of other post-employment benefits. See the note on page 109 for more information.

**Table 5.2**  
**Pension and Other Post Employments Liabilities**  
as of September 30,

	Governmental		Business-type		Total	
	Activities		Activities		Primary Government	
	2018	2017	2018	2017	2018	2017
Net pension liability	\$ 6,909,870	\$ 8,055,834	\$ 1,131,101	\$ 1,230,895	\$ 8,040,971	\$ 9,286,729
Total OPEB liability*	328,808	-	114,568	-	443,376	-
OPEB liability	-	199,091	-	67,572	-	266,663
Total	<u>\$ 7,238,678</u>	<u>\$ 8,254,925</u>	<u>\$ 1,245,669</u>	<u>\$ 1,298,467</u>	<u>\$ 8,484,347</u>	<u>\$ 9,553,392</u>

\* The City adopted a new accounting standard for the measurement of the OPEB liability during the current fiscal year

Additional information about the City's long-term liabilities can be found in Note 9 beginning on page 88 of this report.

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

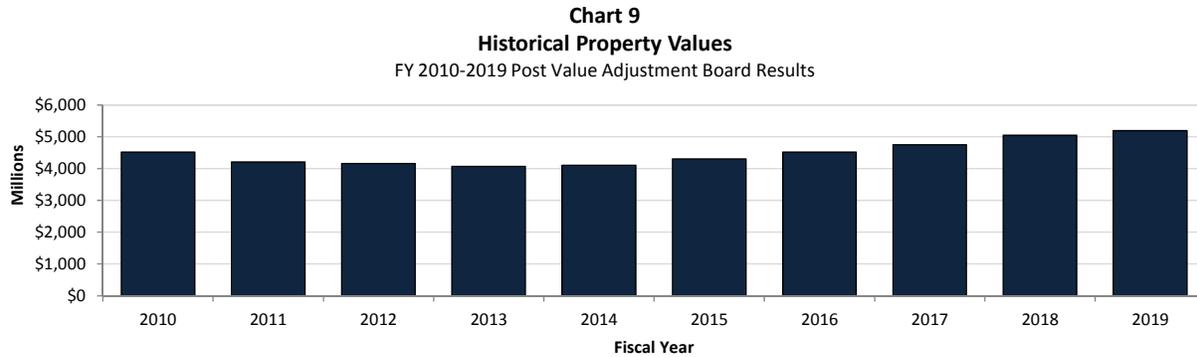
The City's two most important economic factors that will affect its financial stability are property values (which are used to calculate the tax levy) and tourism revenues.

**Property Values**

Property values increased 3.0% and were valued at \$5.2 billion for fiscal year 2019 (the upcoming budget year), very close to the historical high value from fiscal year 2008.

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The following chart shows the history of property values since fiscal year 2010. All years presented are final after any adjustment from the Value Adjustment Board (VAB), which evaluates property valuation on a case-by-case basis annually.



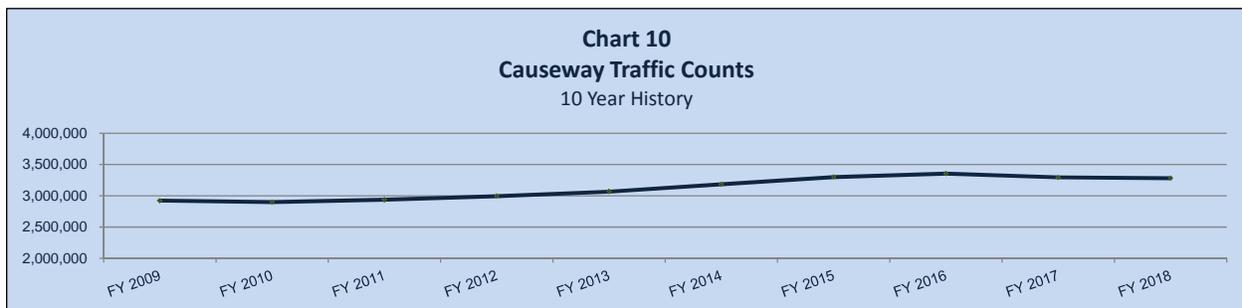
With the recent history of Hurricane Irma and the red tide algae bloom issues experienced during 2018, property values remain uncertain in the upcoming year. As the City relies on ad valorem tax revenue for the majority of its revenue, there is significant focus placed annually on the following year's values.

**Tourism**

Based on information from the Lee County Toll system's (LeeWay) traffic reports, the Sanibel causeway's fiscal year 2018 vehicle total was statistically flat (down 0.36%) from fiscal year 2017. In fiscal year 2017, Causeway traffic was affected by Hurricane Irma. In fiscal year 2018, traffic was negatively affected for several months due to the red tide issue.

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 (21.0% of surplus tolls).

The following graph shows the traffic trend over the last ten years. While Hurricane Irma and the red tide bloom were both relatively short term events as it relates to causeway traffic, the City is paying close attention to the long term effects of the aftermath of these events.



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**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 2018 was 2.9%, a slight decline from the September 2017 rate of 3.6%.

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 Visitor and Convention Bureau, 21.0% of jobs in Lee County are tied to tourism and direct visitor spending increased 1.6% in 2017 (latest data available).

**Next Year's Budget and Rates**

The following items were considerations in developing the fiscal year 2019 budget:

- The July 1st real and personal property value for the City of Sanibel was assessed at a historical high of \$5.2 billion by the Lee County Property Appraiser. This represents a 2.96% increase in value from the fiscal year 2018 final valuation;
- The budget includes a total millage rate of 2.2186, which represents the lowest tax rate assessed to citizens since fiscal year 2007. An operating 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 2018 budget;
- The fiscal year 2018 estimates that are part of the fiscal year 2019 tentative budget include \$1.8 million in expenditures related to the cleanup of dead sea life on the City's beaches, bays and canals in August 2018 from a toxic algae bloom. \$435,000 in expenditures is included in the General fund for cleanup efforts in the City's canals and bays. \$1.3 million is included in the Beach Parking fund for beach cleanup. Both of these funds are budgeted to receive full reimbursement for these expenditures;
- All reserves excluding the disaster reserve have been restored to fiscal year 2018 levels. Disaster reserves are budgeted at \$1.0 million. The City is currently in the application process for reimbursement of approximately \$3.8 million for Hurricane Irma related recovery expenditures from the State of Florida and the Federal Emergency Management Agency (FEMA). As these reimbursements are still in process, there is no budgeted receipt of funds in the budget. In preparation for the potential of additional storms for the current season, the City has secured a \$5.0 million line of credit with a local financial institution should the need arise;
- To assist in recruiting and retaining staff, as a result of a local market rate study, entry wages for sworn police officers were increased to match other local municipal organizations 2018 salary levels. Additionally, a rank of corporal was added to the ranks of sworn officers – four officer positions were converted to corporal positions and one sergeant position was eliminated to fund a new command structure;
- The budget includes expanded insurance coverage for protection against cyber-crimes and includes continued coverage for terrorism related crimes and mold remediation;
- The General fund support for Recreation Center operations is budgeted at \$1.475 million, an increase of \$75,000 from the previous year. The annual transfer to the Recreation Capital Sinking fund established by City Council in FY2013 to proactively fund capital repairs at the Recreation Center facility is decreased by \$75,000 to offset the increase to Operations support. The sinking fund has \$650,000 reserved to fund the roof replacement at the Recreation Center, which is currently scheduled for fiscal year 2032 and estimated to cost \$1.5 million. This reserve is expected to increase each year until full funding is reached;

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- During 2018, two full-time positions were eliminated, both from the Recreation Fund – one senior lifeguard and a fitness contracts coordinator. These positions are again not budgeted in the fiscal year 2019 budget;
- The Legal Department budget remains at a status quo to previous years as the transition in the City Attorney position continues;
- The City continues to reduce its total debt, through annual debt service payments and opportunities for refinancing at more favorable interest rates. See the charts on pages 22 and 23 for historical debt information for both governmental and enterprise related debt;
- Funding for the City's supported non-profits is budgeted per contractual agreements. Community Housing Resources funding support increased 5.0% to \$340,991 from fiscal year 2018 and the Historical Village and Museum support increased to \$50,000 from \$49,000 in fiscal year 2018;
- The budget includes reserves for a 2% general cost of living wage increase to employees effective October 1, 2018, as agreed to during negotiations with the City's three bargaining units. Additionally, the agreements provide for a possible 1% merit increase for an employee based on their annual evaluation in April 2019;
- The combined unfunded actuarial accrued pension liability from the City's two defined benefit plans has been reduced 55.7% from the high in fiscal year 2010 of \$18.9 million to \$8.4 million at the end of fiscal year 2018. For fiscal year 2019, total pension costs are budgeted to remain at the same levels as fiscal year 2018 (0.70% increase), primarily due to above average performance in the General Employee Pension Plan investment program. The City's annual contribution to the existing GE pension plan will decrease 13.9% and the contribution to the Municipal Police Officers' pension plan will increase 30.5% in fiscal year 2019, based on current estimates. Both plans had actuarial studies completed to determine the required funding levels. The City Defined Contribution Plan expenditures are budgeted to increase 3.6% in fiscal year 2019;
- A 3% 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 Sewer Fund is budgeted to transfer the last of a ten year annual \$275,000 repayment to the General Fund for its effluent expansion loan;
- In the Transportation fund, the budget includes \$1.65 million in causeway tolls to be received pursuant to the interlocal agreement with Lee County for the Sanibel causeway. Additionally, an expected \$1.67 million in gas taxes are expected to be received. It is important to note that the current interlocal agreement between the City and Lee County related to the receipt of gas taxes expires in August 2019. Therefore, only 11 months of gas taxes are reflected in the budget until such time as another agreement is finalized. These two major revenue sources will fund budgeted transportation expenditures fully in fiscal year 2019, requiring no transfer from the General fund;
- \$2.5 million is included for capital projects in the governmental funds. This includes certain special revenue funds and the capital project funds. The total includes \$852,000 that is budgeted to rollover from unfinished projects in fiscal year 2018 and approximately \$1.6 million is new funding requested;
- \$6.9 million is included for capital projects in the Sewer Fund. Of this total, \$5.0 million is projected to rollover from fiscal year 2018 and \$1.9 million is new funding requested. Included in these amounts is \$6.3 million in funding for the previously approved sewer plant renovation project. The City has received funding in the State of Florida's fiscal year 2019 budget for these projects as a reimbursement grant for a total of \$2.0 million and is projecting that a debt issuance of \$4.5 million will be required as additional funding – these funding sources are included in the sewer revenue budget. Additional discussion on the sewer plant project is included in the Sewer Fund narrative beginning on page 96;

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- \$1.8 million is included for capital projects in the Beach Parking Fund, of which approximately \$1.3 million will be reimbursed by the Tourism Development Council. Of the total capital project total, \$940,000 is projected to rollover from fiscal year 2018 and \$858,000 is new funding requested

**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).





CITY OF SANIBEL, FLORIDA  
STATEMENT OF NET POSITION  
September 30, 2018

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Community Housing & Resources, Inc.
<b>ASSETS</b>				
Cash and cash equivalents	\$ 7,457,966	\$ 6,286,746	\$ 13,744,712	\$ 668,249
Investments	11,255,647	494	11,256,141	-
Receivables (net of allowance for uncollectibles)				-
Accounts	126,285	380,302	506,587	689
Interest	162,942	-	162,942	-
Due from other governments	759,061	2,277,302	3,036,363	-
Internal balance with related party	227,715	-	227,715	-
Internal balances	(5,615,000)	5,615,000	-	-
Inventories	9,432	2,650	12,082	-
Prepays	204,129	16,752	220,881	57,587
Restricted assets:				
Cash and cash equivalents	309,488	980,704	1,290,192	124,421
Interest & taxes receivable	471	-	471	-
Assessments receivable	-	3,406,462	3,406,462	-
Capital assets (net of accumulated depreciation where applicable):				
Land	24,966,425	1,864,013	26,830,438	768,913
Buildings	10,585,267	1,556,722	12,141,989	3,572,835
Improvements other than buildings	941,154	984,638	1,925,792	-
Vehicles and equipment	1,499,423	1,183,167	2,682,590	9,882
Infrastructure	5,246,216	32,713,075	37,959,291	-
Construction in progress	-	1,316,567	1,316,567	-
Total Assets	<u>58,136,621</u>	<u>58,584,594</u>	<u>116,721,215</u>	<u>5,202,576</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows - pensions	1,281,609	170,351	1,451,960	-
Deferred outflows - other post employment benefits	22,718	7,915	30,633	-
Deferred charge on refunding	-	57,547	57,547	-
Total deferred outflows of resources	<u>\$ 1,304,327</u>	<u>\$ 235,813</u>	<u>\$ 1,540,140</u>	<u>\$ -</u>
<b>LIABILITIES</b>				
Accounts payable and other accrued liabilities	1,033,335	815,053	1,848,388	60,777
Accrued interest payable	26,508	92,220	118,728	-
Unearned revenue	268,441	25,337	293,778	-
Net pension liability	6,909,870	1,131,101	8,040,971	-
Total other post employment benefits liability	328,808	114,568	443,376	-
Long-term liabilities:				
Due within one year	1,139,348	2,873,558	4,012,906	62,595
Due in more than one year	6,394,782	10,399,861	16,794,643	1,847,136
Total Liabilities	<u>16,101,092</u>	<u>15,451,698</u>	<u>31,552,790</u>	<u>1,970,508</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows - pensions	532,034	124,439	656,473	-
Deferred inflows - other post employment benefits	12,184	4,246	16,430	-
Total deferred inflows of resources	<u>\$ 544,218</u>	<u>\$ 128,685</u>	<u>\$ 672,903</u>	<u>\$ -</u>
<b>NET POSITION</b>				
Net investment in capital assets	36,245,903	26,240,152	62,486,055	3,028,609
Restricted for:				
Public safety	1,334,336	-	1,334,336	-
Transportation	1,288,345	-	1,288,345	-
Capital projects	2,033,010	-	2,033,010	-
Debt service	309,959	4,387,166	4,697,125	-
Donations received	157,298	-	157,298	84,121
Special Assessments	152,238	-	152,238	-
Unrestricted	1,274,549	12,612,706	13,887,255	119,338
Total Net Position	<u>\$ 42,795,638</u>	<u>\$ 43,240,024</u>	<u>\$ 86,035,662</u>	<u>\$ 3,232,068</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, 2018

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	\$ 5,405,570	\$ (2,528,332)	\$ 2,415,720	\$ -	\$ -	\$ (461,518)		\$ (461,518)	
Public safety	5,538,130	519,673	1,274,813	41,200	-	(4,741,790)		(4,741,790)	
Physical environment	529,899	7,557	217,646	393,964	-	74,154		74,154	
Public works/Transportation	7,544,018	87,213	34,102	1,554,291	148,478	(5,894,360)		(5,894,360)	
Economic environment	339,762	24,260	-	-	-	(364,022)		(364,022)	
Culture/recreation	3,711,098	737,407	694,340	156,869	11,024	(3,586,272)		(3,586,272)	
Interest on long-term debt	174,165	-	-	-	-	(174,165)		(174,165)	
Total governmental activities	<u>23,242,642</u>	<u>(1,152,222)</u>	<u>4,636,621</u>	<u>2,146,324</u>	<u>159,502</u>	<u>(15,147,973)</u>		<u>(15,147,973)</u>	
Business-type activities:									
Sewer system	6,204,083	513,059	7,384,735	-	1,159,338	-	\$ 1,826,931	1,826,931	
Beach parking	5,231,809	639,163	3,345,777	2,869,652	381,321	-	725,778	725,778	
Total business-type activities	<u>11,435,892</u>	<u>1,152,222</u>	<u>10,730,512</u>	<u>2,869,652</u>	<u>1,540,659</u>	<u>-</u>	<u>2,552,709</u>	<u>2,552,709</u>	
Total primary government	<u>34,678,534</u>	<u>-</u>	<u>15,367,133</u>	<u>5,015,976</u>	<u>1,700,161</u>	<u>(15,147,973)</u>	<u>2,552,709</u>	<u>(12,595,264)</u>	
<b>Component unit:</b>									
Community Housing & Resources, Inc.	\$ 1,152,475	\$ -	\$ 597,048	\$ 647,457	\$ -				\$ 92,030
<b>General revenues:</b>									
Property taxes, levied for general purpose						9,306,158	-	9,306,158	-
Property taxes, levied for debt service						897,108	881,546	1,778,654	-
Gas taxes						1,825,291	-	1,825,291	-
Local business taxes						291,847	-	291,847	-
Communications taxes						547,094	-	547,094	-
Intergovernmental revenues, not restricted to specific programs						770,090	-	770,090	-
Investment earnings						91,561	337,769	429,330	3,103
Gain on disposal of assets						47,534	-	47,534	-
Miscellaneous						146,257	-	146,257	49,573
<b>Transfers</b>						311,766	(311,766)	-	-
Total general revenues						<u>14,234,706</u>	<u>907,549</u>	<u>15,142,255</u>	<u>52,676</u>
Change in net position						(913,267)	3,460,258	2,546,991	144,706
Net position - beginning of year as previously reported						43,817,381	39,816,584	83,633,965	3,087,362
Adjustment (See Note #18)						(108,476)	(36,818)	(145,294)	-
Net position - beginning of year						<u>43,708,905</u>	<u>39,779,766</u>	<u>83,488,671</u>	<u>3,087,362</u>
Net position - end of year						<u>\$ 42,795,638</u>	<u>\$ 43,240,024</u>	<u>\$ 86,035,662</u>	<u>\$ 3,232,068</u>

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

CITY OF SANIBEL, FLORIDA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
September 30, 2018

	General	Transportation	Recreation	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 628,503	\$ 991,396	\$ 220,978	\$ 5,926,577	\$ 7,767,454
Investments	11,255,647	-	-	-	11,255,647
Receivables (net of allowance for uncollectibles)					
Accounts	107,138	-	17,992	1,155	126,285
Interest	163,413	-	-	-	163,413
Due from other funds	303,307	-	-	-	303,307
Due from other governments	103,728	565,240	4,084	86,009	759,061
Due from related party	227,715	-	-	-	227,715
Inventories	3,057	-	6,375	-	9,432
Prepaid items	189,500	8,541	5,379	709	204,129
Total assets	<u>\$ 12,982,008</u>	<u>\$ 1,565,177</u>	<u>\$ 254,808</u>	<u>\$ 6,014,450</u>	<u>\$ 20,816,443</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 349,879	\$ 215,023	\$ 32,843	\$ 83,599	\$ 681,344
Retainages payable	-	50,838	-	-	50,838
Due to other funds	5,890,000	-	-	28,307	5,918,307
Due to other governments	-	-	18	1,222	1,240
Deposits	7,300	-	-	-	7,300
Accrued liabilities	254,315	10,971	19,422	7,905	292,613
Unearned revenue	217,815	-	4,110	50,600	272,525
Total liabilities	<u>6,719,309</u>	<u>276,832</u>	<u>56,393</u>	<u>171,633</u>	<u>7,224,167</u>
Fund balances:					
Nonspendable:					
Inventories	3,057	-	6,375	-	9,432
Prepaid items	189,500	8,541	5,379	709	204,129
Long-term loans to related party	207,715	-	-	-	207,715
Restricted for:					
Building permits/operations	-	-	-	1,333,627	1,333,627
Transportation capital projects	-	1,279,804	-	-	1,279,804
Other capital projects	-	-	-	2,033,010	2,033,010
Debt service	-	-	-	336,402	336,402
Donations received	-	-	-	157,298	157,298
Canal dredging and trimming	-	-	-	152,238	152,238
Committed to:					
Disaster reserve	1,000,000	-	-	-	1,000,000
Environmental initiative reserve	1,000,000	-	-	-	1,000,000
Insurance deductible reserve	215,000	-	-	-	215,000
Assigned to:					
Parks and recreation	-	-	186,661	48,488	235,149
Other capital projects	-	-	-	1,781,045	1,781,045
Subsequent year's budget	511,273	-	-	-	511,273
Unassigned:	3,136,154	-	-	-	3,136,154
Total fund balances	<u>6,262,699</u>	<u>1,288,345</u>	<u>198,415</u>	<u>5,842,817</u>	<u>13,592,276</u>
Total liabilities and fund balances	<u>\$ 12,982,008</u>	<u>\$ 1,565,177</u>	<u>\$ 254,808</u>	<u>\$ 6,014,450</u>	<u>\$ 20,816,443</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, 2018

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

Total fund balances - governmental funds		\$ 13,592,276
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		43,238,485
Other long-term assets are not available to be reported as revenue, and, therefore, are not reported in the funds.		4,084
Debt interest payable that will not be liquidated with current financial resources, is not reported in the funds.		(26,508)
Deferred outflows of resources related to pensions are not recognized in the governmental funds; however, they are recorded in the statement of net position under full accrual accounting.		1,281,609
Deferred outflows of resources related to other post employment benefits are not recognized in the governmental funds; however, they are recorded in the statement of net position under full accrual accounting.		22,718
Deferred inflows of resources related to pensions are not recognized in the governmental funds; however, they are recorded in the statement of net position under full accrual accounting.		(532,034)
Deferred inflows of resources related to other post employment benefits are not recognized in the governmental funds; however, they are recorded in the statement of net position under full accrual accounting.		(12,184)
Net pension liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		(6,909,870)
Total other post employment liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		(328,808)
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	\$ (6,975,000)
	Compensated absences	(559,130)
		<u>(7,534,130)</u>
Net position of governmental activities		<u>\$ 42,795,638</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, 2018

	General	Transportation	Recreation	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Taxes					
Property	\$ 9,306,158	\$ -	\$ -	\$ 897,108	\$ 10,203,266
Gas	-	1,825,291	-	-	1,825,291
Business tax receipts	291,847	-	-	-	291,847
Communications services	547,094	-	-	-	547,094
Casualty insurance premium	90,240	-	-	-	90,240
Permits, fees, special assessments	944,861	-	-	1,191,214	2,136,075
Intergovernmental revenues	1,205,254	1,554,291	14,469	138,316	2,912,330
Charges for services	2,897,824	-	694,340	11,222	3,603,386
Fines and forfeitures	21,357	-	-	28,025	49,382
Other revenue	123,317	29,645	31,138	271,258	455,358
Total revenues	<u>15,427,952</u>	<u>3,409,227</u>	<u>739,947</u>	<u>2,537,143</u>	<u>22,114,269</u>
<b>EXPENDITURES</b>					
<b>Current</b>					
General government	6,323,672	-	-	-	6,323,672
Public safety	5,002,072	-	-	964,288	5,966,360
Physical environment	550,602	-	-	-	550,602
Public works/Transportation	3,218,105	4,160,981	-	14,638	7,393,724
Economic environment	339,762	-	-	-	339,762
Culture/recreation	744,976	-	2,154,756	324,254	3,223,986
<b>Debt service</b>					
Principal retirement	-	-	-	705,000	705,000
Interest and fiscal charges	-	-	-	176,764	176,764
<b>Capital outlay</b>					
Total expenditures	<u>16,179,189</u>	<u>4,160,981</u>	<u>2,154,756</u>	<u>2,603,359</u>	<u>25,098,285</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(751,237)</u>	<u>(751,754)</u>	<u>(1,414,809)</u>	<u>(66,216)</u>	<u>(2,984,016)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	730,766	203,148	1,550,000	508,242	2,992,156
Transfers out	<u>(2,107,762)</u>	<u>-</u>	<u>(162,628)</u>	<u>(410,000)</u>	<u>(2,680,390)</u>
Total other financing sources (uses)	<u>(1,376,996)</u>	<u>203,148</u>	<u>1,387,372</u>	<u>98,242</u>	<u>311,766</u>
Net change in fund balances	(2,128,233)	(548,606)	(27,437)	32,026	(2,672,250)
Fund balances - beginning 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>
Fund balances - end of year	<u>\$ 6,262,699</u>	<u>\$ 1,288,345</u>	<u>\$ 198,415</u>	<u>\$ 5,842,817</u>	<u>\$ 13,592,276</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, 2018

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

Net change in fund balances - total governmental funds		\$ (2,672,250)
<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 \$ 418,415	
	Depreciation <u>(1,561,607)</u>	(1,143,192)
Net effect of various miscellaneous transactions involving capital assets (i.e. disposals, transfers, donations) which decrease net position.		(10,504)
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.		
Principal debt payments made during the fiscal year		705,000
<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 compensated absences 44,563	
	Current year change in accrued interest payable <u>2,599</u>	47,162
Revenue recognized in the statement of activities from a previous period that provides a current financial resource is reported in the funds in the current year. This change represents the change caused by the "available" revenue recognition criteria.		4,084
Cash pension contributions reported in the funds were less than the calculated pension expense on the statement of activities and therefore decreased net position.		2,167,140
Other post employment benefits expenses are not reported in government funds but are recognized in the statement of activities.		<u>(10,707)</u>
Change in net position of governmental activities		<u>\$ (913,267)</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, 2018

	Budgets		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
<b>Taxes</b>				
Property, net	\$ 9,367,788	\$ 9,367,788	\$ 9,306,158	\$ (61,630)
Communications services	540,000	540,000	547,094	7,094
Business tax receipts	285,000	285,000	291,847	6,847
Casualty insurance premium	80,000	80,000	90,240	10,240
Permits, fees, special assessments	972,000	972,000	944,861	(27,139)
Intergovernmental revenues	806,800	1,241,800	1,205,254	(36,546)
Charges for services	2,574,768	2,779,994	2,897,824	117,830
Fines and forfeitures	45,000	45,000	21,357	(23,643)
Other revenue	85,000	85,000	123,317	38,317
Total revenues	<u>14,756,356</u>	<u>15,396,582</u>	<u>15,427,952</u>	<u>31,370</u>
<b>Expenditures</b>				
<b>Current</b>				
<b>General Government</b>				
Legislative	538,183	615,030	631,227	(16,197)
Administrative	768,755	795,273	782,162	13,111
Finance	1,111,629	1,161,811	1,145,535	16,276
Legal	603,164	609,987	605,336	4,651
Planning	1,127,255	1,143,715	969,967	173,748
Information technology	1,339,409	1,358,538	1,346,065	12,473
Other General Government	768,566	768,566	843,380	(74,814)
Total General Government	<u>6,256,961</u>	<u>6,452,920</u>	<u>6,323,672</u>	<u>129,248</u>
<b>Public Safety</b>				
Police	4,405,801	4,608,571	4,700,124	(91,553)
SEMP	227,773	311,709	301,948	9,761
Total Public Safety	<u>4,633,574</u>	<u>4,920,280</u>	<u>5,002,072</u>	<u>(81,792)</u>
<b>Physical Environment</b>				
Garbage recycling	70,699	74,299	71,991	2,308
Natural resources management	484,951	488,744	478,611	10,133
Total Physical Environment	<u>555,650</u>	<u>563,043</u>	<u>550,602</u>	<u>12,441</u>
<b>Public Works</b>				
	<u>854,073</u>	<u>3,484,857</u>	<u>3,218,105</u>	<u>266,752</u>
<b>Economic Environment</b>				
	<u>311,789</u>	<u>342,254</u>	<u>339,762</u>	<u>2,492</u>
<b>Culture/Recreation</b>				
Public facilities	678,325	706,562	590,278	116,284
Museum	140,194	140,194	137,502	2,692
Performing arts facility	19,885	23,385	17,196	6,189
Total Culture/Recreation	<u>838,404</u>	<u>870,141</u>	<u>744,976</u>	<u>125,165</u>
<b>Capital Outlay</b>				
	-	-	-	-
Total Expenditures	<u>13,450,451</u>	<u>16,633,495</u>	<u>16,179,189</u>	<u>454,306</u>
Excess (deficiency) of revenues over expenditures	<u>1,305,905</u>	<u>(1,236,913)</u>	<u>(751,237)</u>	<u>485,676</u>
<b>Other financing sources (uses)</b>				
Transfers in	671,950	671,950	730,766	58,816
Reserves	(5,227,000)	(2,450,300)	-	2,450,300
Transfers out	(1,760,445)	(2,107,762)	(2,107,762)	-
Total other financing sources (uses)	<u>(6,315,495)</u>	<u>(3,886,112)</u>	<u>(1,376,996)</u>	<u>2,509,116</u>
Net change in fund balance	(5,009,590)	(5,123,025)	(2,128,233)	2,994,792
Fund balance - beginning of year	7,665,388	8,390,932	8,390,932	-
Fund balance - end of year	<u>\$ 2,655,798</u>	<u>\$ 3,267,907</u>	<u>\$ 6,262,699</u>	<u>\$ 2,994,792</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, 2018

	Transportation Fund			
	Budgets		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Taxes				
Gas	\$ 1,825,000	\$ 1,825,000	\$ 1,825,291	\$ 291
Intergovernmental revenues	1,575,310	1,575,310	1,554,291	(21,019)
Other revenue	25,000	25,000	29,645	4,645
Total revenues	<u>3,425,310</u>	<u>3,425,310</u>	<u>3,409,227</u>	<u>(16,083)</u>
Expenditures				
<b>Current</b>				
Public Works/Transportation	3,878,240	5,003,937	4,160,981	842,956
Deficiency of revenues over expenditures	<u>(452,930)</u>	<u>(1,578,627)</u>	<u>(751,754)</u>	<u>826,873</u>
Other financing sources (uses)				
Transfers in	-	203,148	203,148	-
Reserves	(613,000)	(600,000)	-	600,000
Total other financing sources (uses)	<u>(613,000)</u>	<u>(396,852)</u>	<u>203,148</u>	<u>600,000</u>
Net change in fund balance	(1,065,930)	(1,975,479)	(548,606)	1,426,873
Fund balance - beginning of year	1,106,453	1,836,951	1,836,951	-
Fund balance - end of year	<u>\$ 40,523</u>	<u>\$ (138,528)</u>	<u>\$ 1,288,345</u>	<u>\$ 1,426,873</u>

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

	Recreation Fund			
	Budgets		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental revenues	\$ 25,000	\$ 25,000	\$ 14,469	\$ (10,531)
Charges for services	916,000	916,000	694,340	(221,660)
Other revenue	35,000	10,000	31,138	21,138
Total revenues	<u>976,000</u>	<u>951,000</u>	<u>739,947</u>	<u>(211,053)</u>
Expenditures				
<b>Current</b>				
Culture/Recreation	2,214,750	2,325,189	2,154,756	170,433
Deficiency of revenues over expenditures	<u>(1,238,750)</u>	<u>(1,374,189)</u>	<u>(1,414,809)</u>	<u>(40,620)</u>
Other financing sources (uses)				
Transfers in	1,400,000	1,550,000	1,550,000	-
Transfers out	-	(161,000)	(162,628)	(1,628)
Reserves	(192,000)	-	-	-
Total other financing sources (uses)	<u>1,208,000</u>	<u>1,389,000</u>	<u>1,387,372</u>	<u>(1,628)</u>
Net change in fund balances	(30,750)	14,811	(27,437)	(42,248)
Fund balance - beginning of year	40,592	225,852	225,852	-
Fund balance - end of year	<u>\$ 9,842</u>	<u>\$ 240,663</u>	<u>\$ 198,415</u>	<u>\$ (42,248)</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, 2018

	Business-type activities - Enterprise Funds		
	Sanibel Sewer System	Beach Parking	Total
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	\$ 5,993,475	\$ 293,271	\$ 6,286,746
Receivables (net of allowance for uncollectibles)			
Accounts	380,302	-	380,302
Restricted assessments receivable	461,092	-	461,092
Due from other funds	5,890,000	-	5,890,000
Due from other governments	1,303	2,275,999	2,277,302
Prepays	6,619	10,133	16,752
Inventories	2,650	-	2,650
Total current assets	<u>12,735,441</u>	<u>2,579,403</u>	<u>15,314,844</u>
<b>Noncurrent assets</b>			
Investments	494	-	494
Restricted assets:			
Cash and cash equivalents	980,704	-	980,704
Assessments receivable	2,945,370	-	2,945,370
Total noncurrent assets	<u>3,926,568</u>	<u>-</u>	<u>3,926,568</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	-	2,005,115	2,005,115
Vehicles and equipment	2,151,212	2,024,111	4,175,323
Infrastructure	70,400,574	-	70,400,574
Construction in progress	934,670	381,897	1,316,567
Less accumulated depreciation	(40,914,840)	(2,487,701)	(43,402,541)
Total capital assets, net	<u>35,465,465</u>	<u>4,152,717</u>	<u>39,618,182</u>
Total noncurrent assets	<u>39,392,033</u>	<u>4,152,717</u>	<u>43,544,750</u>
Total assets	<u>52,127,474</u>	<u>6,732,120</u>	<u>58,859,594</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows - pensions	-	170,351	170,351
Deferred outflows - other post employment benefits	4,034	3,881	7,915
Deferred charge on bond refunding	57,547	-	57,547
Total deferred outflows of resources	<u>\$ 61,581</u>	<u>\$ 174,232</u>	<u>\$ 235,813</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, 2018

	Business-type activities - Enterprise Funds		
	Sanibel Sewer System	Beach Parking	Total
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Account payable and other current liabilities	\$ 264,124	\$ 503,443	\$ 767,567
Accrued liabilities	24,742	22,744	47,486
Unearned Revenue	25,337	-	25,337
Accrued interest payable	92,220	-	92,220
Due to other funds	275,000	-	275,000
Compensated absences	68,113	49,504	117,617
Debt:			
Revenue bonds	1,287,451	-	1,287,451
Notes Payable	1,468,490	-	1,468,490
Total debt	<u>2,755,941</u>	<u>-</u>	<u>2,755,941</u>
Total current liabilities	<u>3,505,477</u>	<u>575,691</u>	<u>4,081,168</u>
<b>Noncurrent liabilities</b>			
Net pension liability	314,386	816,715	1,131,101
Compensated absences	22,704	16,501	39,205
Total other post employment benefits liability	58,393	56,175	114,568
Debt:			
Revenue bonds	2,630,595	-	2,630,595
Notes Payable	7,730,061	-	7,730,061
Total debt	<u>10,360,656</u>	<u>-</u>	<u>10,360,656</u>
Total noncurrent liabilities	<u>10,756,139</u>	<u>889,391</u>	<u>11,645,530</u>
Total liabilities	<u>14,261,616</u>	<u>1,465,082</u>	<u>15,726,698</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows - pensions	79,424	45,015	124,439
Deferred inflows - other post employment benefits	2,164	2,082	4,246
Total deferred inflows of resources	<u>81,588</u>	<u>47,097</u>	<u>128,685</u>
<b>NET POSITION</b>			
Net investment in capital assets	22,401,779	3,838,373	26,240,152
Restricted for:			
Debt service	4,387,166	-	4,387,166
Unrestricted	11,056,906	1,555,800	12,612,706
Total net position	<u>\$ 37,845,851</u>	<u>\$ 5,394,173</u>	<u>\$ 43,240,024</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, 2018

	Business-type activities - Enterprise Funds		
	Sanibel Sewer System	Beach Parking	Total
<b>OPERATING REVENUES</b>			
Charges for services	\$ 7,082,032	\$ 2,961,178	\$ 10,043,210
Licenses and permits	-	195,815	195,815
Fines and forfeitures	16,796	178,284	195,080
Other revenue	285,907	10,500	296,407
Total operating revenues	<u>7,384,735</u>	<u>3,345,777</u>	<u>10,730,512</u>
<b>OPERATING EXPENSES</b>			
Personnel services	1,437,641	1,937,473	3,375,114
Professional and Contractual services	405,208	1,836,408	2,241,616
Materials and supplies	203,313	164,893	368,206
Utilities	281,640	87,669	369,309
Depreciation	2,448,302	354,949	2,803,251
Insurance	15,570	47,539	63,109
Administrative charges	627,886	952,571	1,580,457
Repairs and maintenance	904,028	482,012	1,386,040
Total operating expenses	<u>6,323,588</u>	<u>5,863,514</u>	<u>12,187,102</u>
Operating income (loss)	<u>1,061,147</u>	<u>(2,517,737)</u>	<u>(1,456,590)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Taxes	881,546	-	881,546
Investment earnings	177,954	23,036	200,990
Special assessment interest income	136,779	-	136,779
Intergovernmental	-	2,869,652	2,869,652
Contributions to other organizations	-	(20,000)	(20,000)
Gain (loss) on disposition of equipment	(540)	12,542	12,002
Interest expense and fiscal charges	(393,014)	-	(393,014)
Total non-operating revenues (expenses)	<u>802,725</u>	<u>2,885,230</u>	<u>3,687,955</u>
Income before capital contributions and transfers	1,863,872	367,493	2,231,365
<b>CAPITAL CONTRIBUTIONS</b>			
Special assessments	280,000	-	280,000
Capital contributions	206,469	-	206,469
Capital contributions intergovernmental	672,869	381,321	1,054,190
Total capital contributions	<u>1,159,338</u>	<u>381,321</u>	<u>1,540,659</u>
<b>TRANSFERS</b>			
Transfers in from other funds	9,000	160,000	169,000
Transfers out to other funds	(7,500)	(473,266)	(480,766)
Total net transfers	<u>1,500</u>	<u>(313,266)</u>	<u>(311,766)</u>
Change in net position	3,024,710	435,548	3,460,258
Net position - beginning of year as previously reported	34,840,422	4,976,162	39,816,584
Adjustment (See Note #18)	(19,281)	(17,537)	(36,818)
Net position - beginning of year	<u>34,821,141</u>	<u>4,958,625</u>	<u>39,779,766</u>
Net position - end of year	<u>\$ 37,845,851</u>	<u>\$ 5,394,173</u>	<u>\$ 43,240,024</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, 2018

	Business-type activities - Enterprise Funds		
	Sanibel Sewer System	Beach Parking	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from customers	\$ 7,498,348	\$ 3,345,277	\$ 10,843,625
Cash payments to suppliers for goods and services	(2,526,370)	(3,532,035)	(6,058,405)
Cash payments to employees for services	(1,677,337)	(1,973,823)	(3,651,160)
Net cash provided (used) by operating activities	<u>3,294,641</u>	<u>(2,160,581)</u>	<u>1,134,060</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Advance annual payment	(275,000)	-	(275,000)
Contributions to other entities	-	(20,000)	(20,000)
Transfers from other other funds	9,000	160,000	169,000
Transfers to other funds	(7,500)	(473,266)	(480,766)
Interfund borrowing cash payments	(5,890,000)	-	(5,890,000)
Subsidy from intergovernmental grants	-	1,446,562	1,446,562
Net cash provided (used) by noncapital financing activities	<u>(6,163,500)</u>	<u>1,113,296</u>	<u>(5,050,204)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Collection of taxes for bond debt service	881,222	-	881,222
Capital contributions from intergovernmental grants	672,869	381,321	1,054,190
Capital contributions	486,469	-	486,469
Collection of special assessments	542,242	-	542,242
Acquisition/construction of capital assets	(690,068)	(577,212)	(1,267,280)
Principal paid on capital debt	(2,693,674)	-	(2,693,674)
Interest paid on capital debt	(388,153)	-	(388,153)
Proceeds from sales of capital assets	-	26,002	26,002
Net cash used by capital and related financing activities	<u>(1,189,093)</u>	<u>(169,889)</u>	<u>(1,358,982)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from maturity of investments	863	-	863
Interest and investment earnings	314,733	23,036	337,769
Net cash provided by investing activities	<u>315,596</u>	<u>23,036</u>	<u>338,632</u>
Net decrease in cash and cash equivalents	(3,742,356)	(1,194,138)	(4,936,494)
Cash and equivalents, beginning of year	<u>10,716,535</u>	<u>1,487,409</u>	<u>12,203,944</u>
Cash and equivalents, end of year	<u>\$ 6,974,179</u>	<u>\$ 293,271</u>	<u>\$ 7,267,450</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, 2018

	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)	\$ 1,061,147	\$ (2,517,737)	\$ (1,456,590)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation	2,448,302	354,949	2,803,251
Non-cash expenses			
Pension expense	(251,638)	(2,336)	(253,974)
Other post employment benefits	1,856	4,653	6,509
Net (increase) decrease in assets:			
Accounts receivables	111,520	-	111,520
Inventories	(144)	-	(144)
Other assets	(3,154)	(5,976)	(9,130)
Net increase (decrease) in liabilities:			
Accounts payable/other current liabilities	(83,334)	44,533	(38,801)
Accrued liabilities/compensated absences	10,086	(38,667)	(28,581)
Net cash provided (used) by operating activities	<u>\$ 3,294,641</u>	<u>\$ (2,160,581)</u>	<u>\$ 1,134,060</u>
<b>Noncash investing, capital, and financing activities:</b>			
Capital acquisitions at year end included in accounts payable and paid subsequent to year end	<u>\$ 4,636</u>	<u>\$ 314,344</u>	<u>\$ 318,980</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, 2018

	<u>Pension Trust Funds</u>	<u>Agency Funds</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,369,044	\$ 17,739
Investments, at fair value		
Domestic equities	19,575,328	-
International equities	7,290,956	-
Fixed income securities	10,925,947	-
Government securities	2,391,332	-
Convertibles	3,456,668	-
Real estate investments	3,806,205	-
Master limited partnerships	2,061,727	-
Total investments at fair value	<u>49,508,163</u>	<u>-</u>
Receivables - contributions	155,178	-
Receivables - interest and dividends	88,403	-
Total assets	<u>51,120,788</u>	<u>\$ 17,739</u>
<b>LIABILITIES</b>		
Accrued benefits and other liabilities	31,572	-
Due to other governments	-	17,739
Total liabilities	<u>31,572</u>	<u>\$ 17,739</u>
<b>NET POSITION</b>		
Net position restricted for pensions	<u>\$ 51,089,216</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, 2018

	<u>Pension Trust Funds</u>
<b>ADDITIONS</b>	
Contributions	
Employer	\$ 3,195,369
State of Florida	90,240
Plan members	<u>201,182</u>
Total contributions	<u>3,486,791</u>
Investment income	
Net appreciation in fair value of investments	1,263,091
Interest and dividends	<u>2,062,914</u>
Total investment earnings	3,326,005
Less investment expense	<u>(243,962)</u>
Net investment earnings	<u>3,082,043</u>
Total additions	<u>6,568,834</u>
<b>DEDUCTIONS</b>	
Benefits paid	2,853,428
Refunds of contributions	9,797
Administrative expenses	<u>85,478</u>
Total deductions	<u>2,948,703</u>
Change in net position	3,620,131
Net position - beginning of year	<u>47,469,085</u>
Net position - end of year	<u><u>\$ 51,089,216</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:**

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CITY OF SANIBEL, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2018

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**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, 2018, which may be obtained at the entity's administrative offices located at 2401 Library Way, Sanibel, Florida, 33957.

**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.

CITY OF SANIBEL, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2018

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

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. 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.

CITY OF SANIBEL, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2018

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

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.

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.

CITY OF SANIBEL, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2018

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

- **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 normal 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.

**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.

CITY OF SANIBEL, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2018

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

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.

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.

CITY OF SANIBEL, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2018

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

**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 cost (first in, first-out method). The City utilizes the consumption method of accounting for inventories consisting of materials and supplies, which provides that expenditures/expenses are recognized when inventory is used. Inventories held for resale are stated at the lower of cost or market. 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.

**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. Additional, 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

CITY OF SANIBEL, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2018

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

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

**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 three 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. The City is also 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. Finally, the City is reporting a deferred outflow in the other post-employment benefits plan for employer contributions made subsequent to the measurement date.

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

The deferred difference between expected and actual experience is amortized over 4-5 years using the straight line method in the Municipal Police Officers' pension plan. See note 12 for more information. 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 two items that qualify for reporting in this category.

Deferred inflows related to pensions in two categories (for the differences between actual and expected experience and the net differences between actual and projected earnings) 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 actual and expected 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. The deferred difference between actual and project earnings for both plans are amortized over 5 years. See note 12 for more information.

Deferred inflows related to other post-employment benefits for a change in assumptions 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. Changes in assumptions are amortized over 10 years.

**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 \$1,376,110 and the business-type activities that received these services were charged \$1,152,222.

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.

CITY OF SANIBEL, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2018

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

Fund balance is reported in five components: nonspendable, restricted, committed, assigned and unassigned.

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

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

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

*Assigned* – This component consists of amounts that are constrained by the City’s intent to be used for specific purposes, but are neither restricted nor committed. The authority for assigning fund balance is expressed by the City Council 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  
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**Note 2. Stewardship, Compliance and Accountability**

**A. Budgets - Legal Compliance**

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

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. The fiscal year 2019 budget was adopted on September 24, 2018. 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, 2018, 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, 2018, expenditures exceeded appropriations in the Shell Harbor Dredging fund (by \$179), the Water Shadows Dredging fund (by \$2,557), and the Recreation Financial Assistance Fund (by \$2,219). In all 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.

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

- July 1: Assessment roll certified
- 93 Days later: Millage resolution approved and taxes levied following certification of assessment roll

CITY OF SANIBEL, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2018

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

- November 1: Property taxes become due and payable (maximum discount 4%)
- April 1: Taxes become delinquent (lien date)
- June 1: Tax certificates sold

The City is generally permitted by the State of Florida to levy taxes up to \$10 per \$1,000 of assessed real and personal property valuation for general governmental services. The tax rates for the year ended September 30, 2018 (tax year 2017) that were adopted by City Council are as follows: 1) 1.9139 mils for general governmental operations; 2) 0.1813 mils for voted debt service for the sewer expansion project; 3) 0.0690 mils for the 2012 series general obligation refunding bonds used to purchase environmentally sensitive land; and 4) 0.1155 mils for the 2006 series general obligation refunding bonds used to construct a recreational facility. All rates are per \$1,000 of assessed property valuation.

**Note 3. Deposits and Investments**

**A. Deposits**

At September 30, 2018, the carrying amount of cash on hand and on deposit with banks and investment accounts, including interest-bearing deposits, was \$5,292,536.

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 depositories 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. 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).

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

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, 2018.

Pooled Investments						
Investment Type	Percent of Portfolio	Fair Value	Investment Maturities			
			Less Than 3 Months	3-12 Months	1-3 Years	Over 3 Years
Florida PRIME	2.79%	\$ 257,995	\$ 257,995	\$ -	\$ -	\$ -
Federated Treasury Obligation	0.70%	64,948	64,948	-	-	-
U.S. Gov Obligations	12.85%	1,189,984	1,189,984	-	-	-
Taxable Municipal Obligations	72.35%	6,701,572	1,099,530	2,792,328	1,301,829	1,507,885
Corporate Bonds	11.31%	1,047,690	84,966	260,772	598,753	103,199
		<u>\$ 9,262,189</u>	<u>\$ 2,697,423</u>	<u>\$ 3,053,100</u>	<u>\$ 1,900,582</u>	<u>\$ 1,611,084</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	0.01%	\$ 748	\$ -	\$ -	\$ -	\$ 748
<sup>(1)</sup> FHLMC	0.00%	494	-	-	-	494
Florida PRIME	2.50%	293,982	293,982	-	-	-
Federated Treasury Obligation	1.74%	203,936	203,936	-	-	-
U.S. Gov Obligations	1.10%	129,862	129,862	-	-	-
Taxable Municipal Obligations	86.91%	10,214,983	3,110,799	6,281,458	579,591	243,135
Corporate Bonds	7.74%	910,054	304,901	605,153	-	-
		<u>\$ 11,754,059</u>	<u>\$ 4,043,480</u>	<u>\$ 6,886,611</u>	<u>\$ 579,591</u>	<u>\$ 244,377</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.

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, 2018:

- Investments in the U.S. government securities of \$1,319,846 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 \$16.9 million and corporate bonds of \$2.0 million are valued using a matrix pricing model (Level 2 inputs).

CITY OF SANIBEL, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2018

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

In accordance with GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, Florida PRIME currently meets all of the necessary criteria to elect to measure all of the investments in Florida PRIME at amortized cost. Therefore, the City’s participant account balance should also be considered the fair value of its investment and exempt from the GASB Statement No. 72, *Fair Value Measurement and Application*. At September 30, 2018, the weighted average days to maturity (WAM) was 33 days and the weighted average life (WAL) was 72 days. 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, 2018, 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, 2017 through September 30, 2018. Florida PRIME meets all of the necessary criteria to elect to measure all of the investments in Florida PRIME at amortized cost.

PORTFOLIO	Portfolio Characteristics at 9/30/2018			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	7.4%	AA+	0.2	Short term	A- / A3	High Liquidity
Surplus Portfolio	14.1%	AA+	1.8	15.0%	A- / A3	3 years
<b>Non-Pooled Investments</b>						
Reserves Portfolio	9.7%	AA-	0.4	10.0%	A- / A3	1 year
<i>Prepared by City's investment manager, Integrity Fixed Income Management, LLC</i>						
<i>Minimum credit rating shown as Standard &amp; Poor's / Moody's</i>						

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, 2018, was 26 days.

CITY OF SANIBEL, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2018

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

All the municipal bonds and notes that are rated with Standard and Poor's are investment grade with ratings of A- to AAA. All municipal bonds and notes that are rated with Moody's have a rating of A2 to Aa1. All municipal bonds and notes are rated by at least one of the rating companies.

Except for one investment present in all three portfolios that has 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 A3 and Aaa, with the exception of one investment in the reserves portfolio rated at Baa1 and one investment in the surplus portfolio rated at Baa2. All investments are considered investment grade.

*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.

*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, 2018, 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.

CITY OF SANIBEL, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2018

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

The table below show the General Employees' Pension Plan cash and investment categories at September 30, 2018:

General Employees' Pension Investments				Maturities		
				Less Than 1 Year	1-5 Years	Over 5 Years
Investment Type	Percent of Portfolio	Fair Value	Equities			
<b>Cash Equivalents:</b>						
Money market funds	2.39%	\$ 745,622	\$ -	\$ 745,622	\$ -	\$ -
<b>Investments:</b>						
Domestic equities	38.59%	12,044,875	12,044,875	-	-	-
International equities	14.47%	4,517,628	4,517,628	-	-	-
Fixed Income (bonds)	13.37%	4,173,985	-	1,205,196	2,968,789	-
Government securities	7.66%	2,391,332	-	-	1,888,254	503,078
Convertibles	10.11%	3,154,505	3,154,505	-	-	-
Real estate	9.65%	3,012,556	-	-	-	3,012,556
Master limited partnerships	3.76%	1,172,252	1,172,252	-	-	-
Total investments		30,467,133	20,889,260	1,205,196	4,857,043	3,515,634
		<u>\$31,212,755</u>	<u>\$20,889,260</u>	<u>\$ 1,950,818</u>	<u>\$ 4,857,043</u>	<u>\$ 3,515,634</u>

The General Employees' Pension Plan has the following recurring fair value measurements as of September 30, 2018:

Investments	Fair Value	Quoted Prices	Significant	Significant
		in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
<b>Measured by fair value level:</b>				
Equity securities	\$ 16,562,503	\$ 16,562,503	\$ -	\$ -
Master limited partnerships	1,172,252	1,172,252	-	-
Government securities	2,391,332	-	2,391,332	-
Convertibles	3,154,505	-	3,154,505	-
Fixed income (bonds)	4,173,985	-	4,173,985	-
Real estate	3,012,556	-	-	3,012,556
	<u>\$ 30,467,133</u>	<u>\$ 17,734,755</u>	<u>\$ 9,719,822</u>	<u>\$ 3,012,556</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*

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. Investments in level 2 equity securities are valued based on the fair market value of the underlying assets. Mortgage securities and obligations and corporate bonds are valued using a matrix pricing model.

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

*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.

As of September 30, 2018, 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	3.16%	\$ 622,001	\$ -	\$ 622,001	\$ -	\$ -
Investments:						
Domestic equities	38.30%	7,530,453	7,530,453	-	-	-
International Equities	14.10%	2,773,328	2,773,328	-	-	-
Fixed Income (bonds)	34.34%	6,751,962	-	267,150	926,335	5,558,477
Convertibles	1.54%	302,163	302,163	-	-	-
Real estate	4.04%	793,649	793,649	-	-	-
Master limited partnerships	4.52%	889,475	889,475	-	-	-
Total investments		19,041,030	12,289,068	267,150	926,335	5,558,477
		<u>\$ 19,663,031</u>	<u>\$ 12,289,068</u>	<u>\$ 889,151</u>	<u>\$ 926,335</u>	<u>\$ 5,558,477</u>

The Municipal Police Officers' Pension Plan has the following recurring fair value measurements as of September 30, 2018:

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	\$ 10,605,944	\$ 10,605,944	\$ -	\$ -
Fixed Income (bonds)	6,751,962	-	6,751,962	-
Real Estate Investment Trust	793,649	793,649	-	-
	<u>18,151,555</u>	<u>\$ 11,399,593</u>	<u>\$ 6,751,962</u>	<u>\$ -</u>
<b>Measured at net asset value (NAV):</b>				
Master limited partnerships	889,475			
Total investments measured at fair value:	<u>\$ 19,041,030</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.

CITY OF SANIBEL, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2018

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**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, 2018.

***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.

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.

CITY OF SANIBEL, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2018

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

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).

The following tables detail the respective pension Board's adopted asset allocation policy and actual allocations as of September 30, 2018:

Asset Class	General Employees'			
	Actual	Target	Range	
	Allocation	Allocation	Min	Max
Domestic Equity	38.59%	38.0%	26.0%	47.0%
International Equity	14.47%	15.0%	7.0%	25.0%
Fixed Income (Bonds)	13.37%	23.0%	20.0%	64.0%
Government Securities	7.66%	2.0%	0.0%	5.0%
Convertibles	10.11%	10.0%	0.0%	12.0%
Real Estate	9.65%	5.0%	0.0%	10.0%
Master Limited Partnerships	3.76%	5.0%	3.0%	8.0%
Cash	2.39%	2.0%	N/A	N/A
	100.00%	100.0%		

CITY OF SANIBEL, FLORIDA  
 NOTES TO THE FINANCIAL STATEMENTS  
 September 30, 2018

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

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

Asset Class	Actual Allocation	Municipal Police Officers'		
		Target Allocation	Range	
			Min	Max
Domestic Equity	38.30%	35.0%	26.0%	47.0%
International Equity	14.10%	15.0%	7.0%	25.0%
Fixed Income (Bonds)	34.34%	30.0%	20.0%	60.0%
Convertibles	1.54%	10.0%	7.0%	13.0%
Real Estate	4.04%	5.0%	0.0%	10.0%
Master Limited Partnerships	4.52%	5.0%	0.0%	10.0%
Cash	3.16%	0.0%	0.0%	10.0%
	100.00%	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, 2018 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 6.8% and 5.9%, respectively.

**D. Restricted Cash and Investments**

As of September 30, 2018, \$309,488 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, 2018.



CITY OF SANIBEL, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2018

**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, 2018.

<b>Cash &amp; Cash Equivalents and Investments</b>	
<b>Type</b>	<b>Fair Value</b>
US Govt Agency Securities	\$ 1,241
Pension Investments	49,508,163
City Investments - Non-Pooled Accounts	11,254,900
Total Investments	60,764,304
<b>PLUS: Cash Equivalents</b>	
Checking Accounts	5,291,183
Florida PRIME	551,977
City Pool Investment - Pooled Accounts	8,939,246
City Money Market Funds	268,884
Pension Money Market Funds	1,369,044
Total Cash Equivalents	16,420,334
<b>TOTAL Cash Equivalents and Investments</b>	77,184,638
<b>PLUS: Cash on Hand</b>	1,353
<b>TOTAL: Cash &amp; Cash Equivalents and Investments</b>	\$ 77,185,991

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	\$ 628,503	\$11,255,647	\$ -	\$ -	\$11,884,150
Other Gov'l Funds	6,829,463	-	309,488	-	7,138,951
<b>Total Governmental</b>	7,457,966	11,255,647	309,488	-	19,023,101
<b>BUSINESS-TYPE ACTIVITIES</b>					
Sewer System	5,993,475	494	980,704	-	6,974,673
Beach Parking	293,271	-	-	-	293,271
<b>Total Business-type</b>	6,286,746	494	980,704	-	7,267,944
<b>FIDUCIARY FUNDS</b>					
Pension Trust Fund	-	-	1,369,044	49,508,163	50,877,207
Agency Funds	-	-	17,739	-	17,739
<b>Total Fiduciary</b>	-	-	1,386,783	49,508,163	50,894,946
<b>TOTAL</b>	\$13,744,712	\$11,256,141	\$ 2,676,975	\$49,508,163	\$77,185,991

CITY OF SANIBEL, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
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**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 recreation fund is for after school programs. Accounts receivable in the other governmental funds is for services provided and other miscellaneous receivables. No allowance for uncollectible accounts was considered necessary in any governmental fund.

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 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	\$ 107,138	\$ -	\$ 17,992	\$ 1,155	\$ 126,285
Interest receivable	163,413	-	-	-	163,413
Due from other governments	103,728	565,240	4,084	86,009	759,061
Due from related party	227,715	-	-	-	227,715
Total receivables	<u>\$ 601,994</u>	<u>\$ 565,240</u>	<u>\$ 22,076</u>	<u>\$ 87,164</u>	<u>\$ 1,276,474</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	\$ 380,302	\$ -	\$ 380,302
Due from other governments	1,303	2,275,999	2,277,302
Total unrestricted	<u>381,605</u>	<u>2,275,999</u>	<u>2,657,604</u>
<b>Restricted</b>			
Assessments receivable	3,406,462	-	3,406,462
Total receivables	<u>\$ 3,788,067</u>	<u>\$ 2,275,999</u>	<u>\$ 6,064,066</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.

The amounts due from other governments are reimbursement grants not received at year end.

CITY OF SANIBEL, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2018

**Note 5. Unearned Revenues**

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

<b>Governmental Funds:</b>	<b>Unavailable</b>	<b>Unearned</b>
Revenue earned but not available:		
Reimbursement for interlocal agreements from other governments	\$ 4,084	\$ -
Unearned revenues:		
Prepaid business tax receipts	-	217,315
Prepaid contractor license renewals	-	33,830
Prepaid police services for future events	-	500
Recreation center gift cards	-	26
FY2019 revenue received for sign sponsorships	-	16,770
Subtotal Governmental Funds	4,084	268,441
<b>Business-type Funds:</b>		
Unearned revenues:		
Prepaid sewer services	-	25,337
	4,084	293,778
Total deferred revenue		\$ 297,862

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

The following schedule details the interfund receivables and payables in the fund financial statements at September 30, 2018:

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. Enter balance expected to be collected in FY 2019	\$ 275,000
General	Ball Park Maintenance Fund	Short term loan to ball park maintenance fund. Entire balance expected to be collected in FY 2019.	28,307
Sanibel Sewer System	General	Short term loan to general fund. Entire balance expected to be collected in FY 2019.	5,890,000
		TOTAL	\$ 6,193,307

CITY OF SANIBEL, FLORIDA  
 NOTES TO THE FINANCIAL STATEMENTS  
 September 30, 2018

**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					Total Funds
	General	Transportation Fund	Recreation Fund	Other Governmental Funds	Enterprise Fund	
General Fund	\$ -	\$ 203,148	\$ 1,550,000	\$ 345,614	\$ 9,000	\$ 2,107,762
Recreation Fund	-	-	-	162,628	-	162,628
Other Governmental Funds	250,000	-	-	-	160,000	410,000
Sewer Fund	7,500	-	-	-	-	7,500
Beach Parking Fund	473,266	-	-	-	-	473,266
Total	<u>\$ 730,766</u>	<u>\$ 203,148</u>	<u>\$ 1,550,000</u>	<u>\$ 508,242</u>	<u>\$ 169,000</u>	<u>\$ 3,161,156</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	Special Revenue	203,148	Transportation Fund hurricane repair funding
General Fund	Recreation Fund	1,550,000	To support Recreation Center operations
General Fund	Special Revenue	107,169	City share of ball park maintenance expenditures
General Fund	Capital Projects	225,000	Annual transfer to Recreation Center sinking fund
General Fund	Enterprise Fund	9,000	Sewer Fund hurricane repair funding
Park Impact Fee Fund	Enterprise Fund	160,000	To partially fund Jordan Marsh water quality park
Recreation Fund	Special Revenue	162,628	To create fund for Recreation Financial Assistance
Capital Acquisition Fund	General Fund	250,000	Unused funding from prior year
Sewer Fund	General Fund	7,500	Payment in lieu of taxes
Beach Parking Fund	General Fund	473,266	Payment in lieu of taxes
TOTAL		<u>\$ 3,161,156</u>	



CITY OF SANIBEL, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2018

**Note 7. Capital Assets**

Capital asset activity for the year ended September 30, 2018 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	25,027,298	-	(60,873)	24,966,425
Capital assets, being depreciated:				
Buildings	19,129,160	186,861	-	19,316,021
Improvements other than buildings	5,366,796	105,998	(4,948)	5,467,846
Infrastructure	14,413,694	-	-	14,413,694
Vehicles and equipment	5,601,114	186,429	(202,273)	5,585,270
Total capital assets being depreciated	44,510,764	479,288	(207,221)	44,782,831
Less accumulated depreciation for:				
Buildings	(8,114,539)	(616,215)	-	(8,730,754)
Improvements other than buildings	(4,372,438)	(157,552)	3,298	(4,526,692)
Infrastructure	(8,695,728)	(471,750)	-	(9,167,478)
Vehicles and equipment	(3,963,176)	(316,090)	193,419	(4,085,847)
Total accumulated depreciation	(25,145,881)	(1,561,607)	196,717	(26,510,771)
Total capital assets being depreciated, net	19,364,883	(1,082,319)	(10,504)	18,272,060
Governmental activities capital assets, net	\$44,392,181	\$ (1,082,319)	\$ (71,377)	\$43,238,485

<b>Business-type activities</b>	Beginning			Ending
	Balances	Increases	Decreases	Balances
Capital assets, not being depreciated:				
Land	\$ 1,864,013	\$ -	\$ -	\$ 1,864,013
Construction in progress	497,595	818,972	-	1,316,567
Total capital assets, not being depreciated	2,361,608	818,972	-	3,180,580
Capital assets, being depreciated:				
Buildings	3,259,131	-	-	3,259,131
Improvements other than buildings	1,588,248	416,867	-	2,005,115
Infrastructure	70,378,233	22,341	-	70,400,574
Vehicles and equipment	4,174,131	120,821	(119,629)	4,175,323
Total capital assets, being depreciated	79,399,743	560,029	(119,629)	79,840,143
Less accumulated depreciation for:				
Buildings	(1,564,463)	(137,946)	-	(1,702,409)
Improvements other than buildings	(951,062)	(69,415)	-	(1,020,477)
Infrastructure	(35,340,279)	(2,347,220)	-	(37,687,499)
Vehicles and equipment	(2,849,115)	(248,670)	105,629	(2,992,156)
Total accumulated depreciation	(40,704,919)	(2,803,251)	105,629	(43,402,541)
Total capital assets, being depreciated, net	38,694,824	(2,243,222)	(14,000)	36,437,602
Business-type activities capital assets, net	\$41,056,432	\$ (1,424,250)	\$ (14,000)	\$39,618,182

CITY OF SANIBEL, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
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**Note 7. Capital Assets (Continued)**

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

<b>Governmental activities:</b>	
General government	\$ 53,176
Public safety	143,610
Physical environment	59,273
Transportation	547,047
Culture/recreation	758,501
Total governmental activities	\$ 1,561,607
<b>Business-type activities:</b>	
Sanibel Sewer System	\$ 2,448,302
Beach Parking	354,949
Total business-type activities	\$ 2,803,251

**Note 8. Operating Leases**

In the governmental funds, rental expenditures under operating leases for the year ended September 30, 2018 was \$27,699. 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
2019	\$ 19,698
2020	5,916
2021	2,999
2022	2,076
2023	692
TOTAL	\$ 31,381

**Note 9. Long-term Debt**

Changes in long-term debt and other long-term obligations for the year ended September 30, 2018, are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>					
General Obligation bonds	\$ 7,680,000	\$ -	\$ (705,000)	\$ 6,975,000	\$ 720,000
Compensated absences	603,693	390,846	(435,409)	559,130	419,348
Governmental activities totals	\$ 8,283,693	\$ 390,846	\$ (1,140,409)	\$ 7,534,130	\$ 1,139,348
<b>Business-type Activities</b>					
Revenue Bonds	\$ 5,187,282	\$ -	\$ (1,269,236)	\$ 3,918,046	\$ 1,287,451
Notes payable	10,622,989	-	(1,424,438)	9,198,551	1,468,490
Compensated absences	160,219	110,157	(113,554)	156,822	117,617
Business-type Activities Totals	\$ 15,970,490	\$ 110,157	\$ (2,807,228)	\$ 13,273,419	\$ 2,873,558

**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.

*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.

CITY OF SANIBEL, FLORIDA  
 NOTES TO THE FINANCIAL STATEMENTS  
 September 30, 2018

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

**Governmental Activities**

Governmental activities long-term debt at September 30, 2018, 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.

\$ 1,265,000

\$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.

5,710,000

6,975,000

Compensated absences

559,130

Total Governmental Activities

\$ 7,534,130

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

Governmental Activities		
Year ending	General Obligation Bonds	
September 30,	Principal	Interest
2019	\$ 720,000	\$ 158,658
2020	740,000	142,716
2021	755,000	126,336
2022	770,000	109,618
2023	460,000	92,568
2024-2028	2,460,000	297,888
2029-2030	1,070,000	37,352
Total	<u>\$ 6,975,000</u>	<u>\$ 965,136</u>

Taxable Line of Credit

During fiscal year 2018, the City entered into an agreement with a financial institution to provide a \$5.0 million non-revolving taxable line of credit to reimburse the City on an as-needed basis for costs associated with Hurricane Irma recovery and possible future disaster recovery projects. The line of credit is secured with anticipated Federal Emergency Management Agency (FEMA) reimbursements and non-ad valorem revenues. The line of credit carries a variable interest rate calculated as the one month LIBOR rate plus 0.49% (2.84% at September 30, 2018) and matures on July 1, 2021.

As of September 30, 2018, the City has not drawn down any amounts on the line of credit.

CITY OF SANIBEL, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2018

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

**Business-type Activities**

Business-type activities long-term debt at September 30, 2018, 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.

\$ 3,918,046

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.

1,326,268

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.

2,472,926

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.

1,973,399

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.

3,425,958

9,198,551

156,822

Compensated absences payable

Total Business-Type Activities

\$ 13,273,419

CITY OF SANIBEL, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2018

**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
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	-	-	1,301,170	86,808	1,301,170	86,808
2024-2026	-	-	1,745,168	91,159	1,745,168	91,159
Total	<u>\$ 3,918,046</u>	<u>\$ 98,631</u>	<u>\$ 9,198,551</u>	<u>\$ 997,482</u>	<u>\$ 13,116,597</u>	<u>\$ 1,096,113</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, 2018, 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 related to debt service and are \$309,959 and \$4,387,166, respectively.

**Note 12. Defined Benefit Pension Plans**

The City has two (2) defined benefit single-employer pension plans: The General Employees' Pension Plan and the 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 in each plan, 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, 2018

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

The aggregate amount of net pension liability related deferred outflows of resources and deferred inflows of resources and pension expense for the City's defined benefit pension plans are summarized below:

	General Employees'	Municipal Police Officers'	Total
Net pension liability	\$ 2,228,620	\$ 5,812,351	\$ 8,040,971
Deferred outflows of resources related to pensions	-	1,451,960	1,451,960
Deferred inflows of resources related to pensions	563,017	93,456	656,473
Pension expense	(467,579)	1,332,008	864,429

Pension Trust Funds Individual Plan Statement of Fiduciary Net Position:

	Pension Trust Funds		
	General Employees'	Municipal Police Officers'	Total Trust Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 746,681	\$ 622,363	\$ 1,369,044
Investments, at fair value			
Domestic equities	12,044,875	7,530,453	19,575,328
International equities	4,517,628	2,773,328	7,290,956
Fixed income securities	4,173,985	6,751,962	10,925,947
Government securities	2,391,332	-	2,391,332
Convertibles	3,154,505	302,163	3,456,668
Real estate investments	3,012,556	793,649	3,806,205
Master limited partnerships	1,172,252	889,475	2,061,727
Total investments at fair value	<u>30,467,133</u>	<u>19,041,030</u>	<u>49,508,163</u>
Contributions receivable	-	155,178	155,178
Interest and dividends receivable	80,009	8,394	88,403
Total receivables	<u>80,009</u>	<u>163,572</u>	<u>243,581</u>
Total assets	<u>31,293,823</u>	<u>19,826,965</u>	<u>51,120,788</u>
<b>LIABILITIES</b>			
Accrued benefits and other liabilities	<u>15,677</u>	<u>15,895</u>	<u>31,572</u>
<b>NET POSITION</b>			
Net position restricted for pensions	<u>\$ 31,278,146</u>	<u>\$ 19,811,070</u>	<u>\$ 51,089,216</u>

CITY OF SANIBEL, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2018

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

Pension Trust Funds Individual Plan Statement of Changes in Fiduciary Net Position:

	Pension Trust Funds		
	General Employees'	Municipal Police Officers'	Total Trust Funds
<b>ADDITIONS</b>			
Contributions			
Employer	\$ 1,947,323	\$ 1,248,046	\$ 3,195,369
State of Florida	-	90,240	90,240
Plan members	51,991	149,191	201,182
Total contributions	<u>1,999,314</u>	<u>1,487,477</u>	<u>3,486,791</u>
Investment income			
Net appreciation in fair value of investments	890,622	372,469	1,263,091
Interest, dividends and other	1,272,357	790,557	2,062,914
Total investment earnings	<u>2,162,979</u>	<u>1,163,026</u>	<u>3,326,005</u>
Less investment expense	<u>(170,434)</u>	<u>(73,528)</u>	<u>(243,962)</u>
Net investment earnings	<u>1,992,545</u>	<u>1,089,498</u>	<u>3,082,043</u>
Total additions	<u>3,991,859</u>	<u>2,576,975</u>	<u>6,568,834</u>
<b>DEDUCTIONS</b>			
Benefits paid	1,701,568	1,151,860	2,853,428
Refunds of contributions	-	9,797	9,797
Administrative expenses	40,535	44,943	85,478
Total deductions	<u>1,742,103</u>	<u>1,206,600</u>	<u>2,948,703</u>
Change in net position	<u>2,249,756</u>	<u>1,370,375</u>	<u>3,620,131</u>
Net position - beginning of year	<u>29,028,390</u>	<u>18,440,695</u>	<u>47,469,085</u>
Net position - end of year	<u>\$ 31,278,146</u>	<u>\$ 19,811,070</u>	<u>\$ 51,089,216</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, 2018

**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, 2017:</u>	
Active Plan member	16
Inactive Plan members	50
Retirees receiving benefits	79
Active DROP members	2
Beneficiaries receiving benefits	6
	<u>153</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.

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.

CITY OF SANIBEL, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2018

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

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), early retirement is 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.

Members are 100% after 6 or more years of service. Terminated members with less than 6 years of service do not attain vested benefits. 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.

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.

CITY OF SANIBEL, FLORIDA  
 NOTES TO THE FINANCIAL STATEMENTS  
 September 30, 2018

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

As of September 30, 2018, there were two members in the DROP program with a combined balance of \$66,726.

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, 2018. 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 for the General Employees' Pension Plan at year end were as follows:

Total pension liability	\$ 33,506,766
Total plan fiduciary net position	(31,278,146)
City's net pension liability	\$ 2,228,620
Plan fiduciary net position as a % of total pension liability	93.35%

*Actuarial Assumptions:*

The total pension liability was determined by an actuarial valuation as of October 1, 2017 updated to September 30, 2018 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.

For 2018 the inflation rate assumption of the investment advisor was 2.5%.

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.

CITY OF SANIBEL, FLORIDA  
 NOTES TO THE FINANCIAL STATEMENTS  
 September 30, 2018

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

Best estimates of geometric real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2018 are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Domestic Equity	38.00%	8.10%
International Equity	15.00%	3.40%
Bonds	23.00%	3.60%
TIPS	2.00%	2.70%
Convertibles	10.00%	6.70%
Private Real Estate	5.00%	4.90%
MLPs	5.00%	9.40%
Cash	2.00%	0.70%

*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%, 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%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease 5.75%	Current Discount Rate 6.75%	1% Increase 7.75%
City's net pension liability	\$ 5,998,443	\$ 2,228,620	\$ (937,462)



CITY OF SANIBEL, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2018

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

<b>CHANGES IN NET PENSION LIABILITY</b>			
	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at September 30, 2017	\$ 33,617,627	\$ 29,028,390	\$ 4,589,237
Changes for the year:			
Service cost	129,602	-	129,602
Interest	2,220,510	-	2,220,510
Differences between expected and actual experience	(759,405)	-	(759,405)
Changes of assumptions	-	-	-
Contributions - employer	-	1,947,323	(1,947,323)
Contributions - employee	-	51,991	(51,991)
Projected net investment income	-	1,992,545	(1,992,545)
Difference between projected and actual earnings on pension plan investments	-	-	-
Benefit payments, including refunds of employee contributions	(1,701,568)	(1,701,568)	-
Administrative expense	-	(40,535)	40,535
Net changes	(110,861)	2,249,756	(2,360,617)
Balances at September 30, 2018	<u>\$ 33,506,766</u>	<u>\$ 31,278,146</u>	<u>\$ 2,228,620</u>

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

For the year ended September 30, 2018 the City has recognized a pension expense of (\$467,579). On September 30, 2018 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	\$ -	\$ 563,017
Differences between actual and expected experience	-	-
Total	<u>\$ -</u>	<u>\$ 563,017</u>

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

Total year ended September 30,	
2019	\$ 114,987
2020	(325,210)
2021	(347,905)
2022	(4,889)

**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.

CITY OF SANIBEL, FLORIDA  
 NOTES TO THE FINANCIAL STATEMENTS  
 September 30, 2018

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

<u>Plan Membership as of October 1, 2017:</u>	
Active Plan members	23
Inactive Plan members	8
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 one 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).

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.

CITY OF SANIBEL, FLORIDA  
 NOTES TO THE FINANCIAL STATEMENTS  
 September 30, 2018

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

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, 2018 is \$331,839, with two members participating.

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, 2018, was \$90,240. 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, 2018. 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 year end were as follows:

Total pension liability	\$ 25,623,421
Total plan fiduciary net position	(19,811,070)
City's net pension liability	<u>\$ 5,812,351</u>
Plan fiduciary net position as a % of total pension liability	77.32%

*Actuarial Assumptions:*

The total pension liability was determined by an actuarial valuation as of October 1, 2017 updated to September 30, 2018 using the following actuarial assumptions applied to all measurement periods.

Inflation .....	2.70%
Salary Increases .....	Service based
Discount Rate.....	7.50%
Investment Rate of Return .....	7.50%

CITY OF SANIBEL, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2018

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

*Mortality Rate Healthy Active Lives*

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

*Mortality Rate Inactive 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

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 geometric real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2018 are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Domestic Equity	35.00%	8.1%
International Equity	15.00%	3.4%
Bonds	30.00%	3.6%
Convertibles	10.00%	6.7%
REITS	5.00%	6.8%
MLPs	5.00%	9.4%

*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%, 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%) or 1-percentage-point higher (8.50%) than the current rate:

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
City's net pension liability	\$ 9,241,325	\$ 5,812,351	\$ 3,014,407

CITY OF SANIBEL, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2018

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

CHANGES IN NET PENSION LIABILITY			
	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at September 30, 2017	\$ 23,138,187	\$ 18,440,695	\$ 4,697,492
Changes for the year:			
Service cost	559,426	-	559,426
Interest	1,733,759	-	1,733,759
Change in excess State funds	-	-	-
Differences between expected and actual experience	1,353,706	-	1,353,706
Changes of assumptions	-	-	-
Contributions - employer	-	1,248,046	(1,248,046)
Contributions - state	-	90,240	(90,240)
Contributions - employee	-	149,191	(149,191)
Projected net investment income	-	1,089,498	(1,089,498)
Difference between projected and actual earnings on pension plan investments	-	-	-
Benefit payments, including refunds of employee contributions	(1,161,657)	(1,161,657)	-
Administrative expense	-	(44,943)	44,943
Net changes	2,485,234	1,370,375	1,114,859
Balances at September 30, 2018	<u>\$ 25,623,421</u>	<u>\$ 19,811,070</u>	<u>\$ 5,812,351</u>

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

For the year ended September 30, 2018 the City has recognized a pension expense of \$1,332,008. On September 30, 2018 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	\$ 220,459	\$ -
Changes of assumptions	148,532	-
Differences between actual and expected experience	1,082,969	93,456
Total	<u>\$ 1,451,960</u>	<u>\$ 93,456</u>

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

Total year ended September 30,		
2019	\$	622,951
2020		159,235
2021		244,817
2022		331,501

CITY OF SANIBEL, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
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**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, 2018 and 2017 were \$326,472 and \$301,404, 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, 2018 was \$3,927.

Rollover Contributions by Participants

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

CITY OF SANIBEL, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2018

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

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

The postemployment healthcare benefits plan is a single-employer defined benefit plan administered by the City. Pursuant to the provisions of Section 112.0801, Florida Statutes former employees and eligible dependents who retire from the City may continue to participate in the City's group medical, dental and vision insurance plans. The City subsidizes the premium rates paid by retirees by allowing them to participate in the plan at a reduced or blended group (implicitly subsidized) premium rate. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan on average than those of active employees. The postemployment benefits plan does not issue a stand-alone financial report.

Plan Membership as of September 30, 2017:

Inactive Plan members, covered spouses or beneficiaries receiving benefits	15
Inactive Plan members entitled to but not yet receiving benefits	0
Active Plan members	135
	150

The benefits provided are the same as those provided for active employees. All employees of the City are eligible to receive post-employment benefits.

Funding Policy

Contribution requirements for the postemployment healthcare benefits of the City are established and may be amended by City Council. The City has not advance funded or established a funding methodology for the annual other postemployment benefit (OPEB) costs or the net OPEB obligation. Currently, retirees pay 100% of the cost of the healthcare insurance premiums. The City's actuarially required contributions are based on a projected pay-as-you-go basis. No trust or agency fund has been established for the plan.

Net OPEB Liability

The components of the City's net OPEB liability at September 30, 2018 were as follows:

Total OPEB liability	\$ 443,376
Total plan fiduciary net position	-
City's total OPEB liability	\$ 443,376
Plan fiduciary net position as a % of total OPEB liability	0.00%

CITY OF SANIBEL, FLORIDA  
 NOTES TO THE FINANCIAL STATEMENTS  
 September 30, 2018

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

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality and the healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the substantive plan provisions, as understood by the employer and participating members, and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and participating members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The City's net OPEB liability was measured as of September 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2017. Liabilities in this report were calculated as of the valuation date and rolled forward to the measurement date using the standard actuarial roll-forward techniques.

The assumptions used in the actuarial valuation were as follows:

Inflation .....	2.70%
Salary rate increases.....	4.80%-7.80 (General Employees) Service based (Municipal Police Officers)
Discount rate .....	3.64%, based on the September 28, 2017 Bond Buyer 20-Bond Index, as published by the Federal Reserve
Healthcare participation.....	30% assumed with 25% electing spouse coverage
Healthcare inflation rates .....	8.50% in fiscal year 2018, 8.00% in fiscal year 2019 grading down to 4.00% in fiscal year 2073.
Funding method .....	Entry age cost method (level percentage of pay)

*Mortality Rate Healthy Lives (General Employees)*

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 (General Employees)*

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

*Mortality Rate Healthy Lives (Municipal Police Officers)*

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 (Municipal Police Officers)*

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, 2018

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

The following changes have been made since the prior valuation:

- The census data reflects changes in status for the twelve (12) month period since October 1, 2016
- The annual per capita claims costs and the premium rates have been updated to use the rates effective October 1, 2017. The annual per capita claims costs utilize an updated manual rate tool that includes more recent claims data from which to develop expected Pre-Medicare costs, and higher expected discounts from providers in-network as compared to rates used in prior valuations
- The GASB 75 discount rate as of the measurement date is 3.64%. The prior GASB 45 valuation used 4.00%. The GASB 75 discount rate is based on the 20-year municipal bond rate published as of September 28, 2017
- The assumed mortality rates have been updated to be consistent with the October 1, 2017 Fire and General pension valuations. Mortality rates used rates were mandated by Chapter 2015-157, Florida Statutes for pension plans. This law mandates the use of the assumption used in either of the two most recent valuations of the Florida Retirement System (FRS). The rates are those outlined in Milliman's July 1, 2016 FRS valuation report.

The following table shows the changes in the City's total OPEB liability for the year ended September 30, 2018:

<b>CHANGES IN NET OPEB LIABILITY</b>			
	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balances at September 30, 2017	\$ 442,389	\$ -	\$ 442,389
Changes for the year:			
Service cost	29,110	-	29,110
Interest	14,065	-	14,065
Differences between expected and actual experience	-	-	-
Changes of assumptions	(18,256)	-	(18,256)
Changes of benefit terms	-	-	-
Contributions - Employer	-	30,432	(30,432)
Net investment income	-	-	-
Benefit payments	(23,932)	(23,932)	-
Administrative expense	-	(6,500)	6,500
Net changes	987	-	987
Balances at September 30, 2018	<u>\$ 443,376</u>	<u>\$ -</u>	<u>\$ 443,376</u>

The following presents the total OPEB liability of the City, calculated using the discount rate of 3.64 %, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.64%) or 1-percentage-point higher (4.64%) than the current rate:

	1% Decrease 2.64%	Current Discount Rate 3.64%	1% Increase 4.64%
City's total OPEB liability	\$ 475,487	\$ 443,376	\$ 414,147

CITY OF SANIBEL, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2018

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

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

	1% Decrease 3.0% - 7.5%	Healthcare Cost Trend Rates 4.0% - 8.5%	1% Increase 5.0% - 9.5%
City's total OPEB liability	\$ 406,537	\$ 443,376	\$ 485,775

**OPEB Expense and Deferred Inflows/Outflows of Resources Related to OPEB**

For the year ended September 30, 2018 the City has recognized an OPEB expense of \$47,849. On September 30, 2018 the City reported a deferred outflow and a deferred inflow of resources related to OPEB from the following source:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ -	\$ 16,430
Differences between actual and expected experience	-	-
Employer contributions made subsequent to measurement date	30,633	-
Total	<u>\$ 30,633</u>	<u>\$ 16,430</u>

Amounts reported as deferred inflows of resources related to OPEB will be amortized over 10 years and will be recognized in OPEB expense as follows:

Total year ended September 30:	
2019	\$ (1,826)
2020	(1,826)
2021	(1,826)
2022	(1,826)
2023	(1,826)
Thereafter	(7,300)

**Note 15. Other Revenues**

Other revenue in the governmental fund types at September 30, 2018 is as follows:

	General Fund	Transportation Fund	Recreation Fund	Other Governmental Funds	Total
Investment earnings (loss)	\$ (32,987)	\$ 24,645	\$ 4,832	\$ 95,071	\$ 91,561
Rents & Royalties	9,042	-	-	-	9,042
Impact fees	-	-	-	159,502	159,502
Sale of surplus equipment	37,208	-	20,830	-	58,038
Contributions and donations	7,500	5,000	4,601	16,260	33,361
Rebates	12,861	-	-	-	12,861
Other Miscellaneous Revenues	89,693	-	875	425	90,993
Total Other Revenues	<u>\$ 123,317</u>	<u>\$ 29,645</u>	<u>\$ 31,138</u>	<u>\$ 271,258</u>	<u>\$ 455,358</u>

CITY OF SANIBEL, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2018

**Note 16. Contingencies**

Amounts received or receivable from grantor agencies are subject to compliance audits by grantor agencies, principally federal, state and local 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 significant contractors as of September 30, 2018, are as follows:

	Total Contract	Spent to Date	Remaining Contract
<b><u>GOVERNMENTAL ACTIVITIES</u></b>			
Transportation Fund			
2018 River Clearing Project	\$ 94,500	\$ -	\$ 94,500
2018 SUP Repair Project	92,330	-	92,330
2018 Street Resurfacing	517,627	422,939	94,688
Phase 3 Watershed Management Plan	151,500	126,636	24,864
Recreation Operations Fund			
Egret Room Floor Damage	24,997	-	24,997
Total governmental activities	<u>880,954</u>	<u>549,575</u>	<u>331,379</u>
<b><u>BUSINESS-TYPE ACTIVITIES</u></b>			
Beach Parking Fund			
Jordan Marsh WQ Treatment Park	645,000	-	645,000
City Wide Beach Management Plan	125,000	70,000	55,000
Tarpon Bay Restroom Construction	555,425	-	555,425
Total business-type activities	<u>1,325,425</u>	<u>70,000</u>	<u>1,255,425</u>
<b>Total construction commitments</b>	<b><u>\$ 2,206,379</u></b>	<b><u>\$ 619,575</u></b>	<b><u>\$ 1,586,804</u></b>

**Component Unit**

During the fiscal year, the City renewed an agreement with its component unit, Community Housing and Resources, Inc. (CHR) to provide financial support for operations. The agreement provides that effective October 1, 2017, the City will pay CHR \$324,753 annually, with a 5.0% increase each year through September 30, 2022. The agreement also provides for free use of at least 800 square feet of office space and related utilities and phone services for CHR at a City owned facility. The agreement also includes a provision for reimbursement of up to \$15,000 per year paid to CHR for its annual audit and financial statement preparation.

The City paid CHR \$339,753 in total under this agreement for the year ended September 30, 2018.

At September 30, 2018 there were no amounts due to or from CHR under this agreement.

CITY OF SANIBEL, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2018

**Note 18. Change in Accounting Principle**

During fiscal year ended September 30, 2018, the City adopted the provisions of Governmental Accounting Standards Board Statement (GASB) No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. This pronouncement requires the restatement of the September 30, 2017 net position in governmental activities and business-type activities. This change is in accordance with generally accepted accounting principles.

	Governmental Activities		
	Governmental Activities	Business-type Activities	Total
Net position, September 30, 2017 as previously reported	\$ 43,817,381	\$ 39,816,584	\$ 83,633,965
Cumulative effect of application of GASB 75	(108,476)	(36,818)	(145,294)
Net position, September 30, 2017 as restated	<u>\$ 43,708,905</u>	<u>\$ 39,779,766</u>	<u>\$ 83,488,671</u>

	Proprietary Funds		
	Sanibel Sewer System	Beach Parking Fund	Total
Net position, September 30, 2017 as previously reported	\$ 34,840,422	\$ 4,976,162	\$ 39,816,584
Cumulative effect of application of GASB 75	(19,281)	(17,537)	(36,818)
Net position, September 30, 2017 as restated	<u>\$ 34,821,141</u>	<u>\$ 4,958,625</u>	<u>\$ 39,779,766</u>

**Note 19. New Accounting Pronouncement**

During the fiscal year ended September 30, 2018, the City adopted the provisions of Governmental Accounting Standards Board Statement (GASB) No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objectives of GASB 89 are to enhance the relevance and comparability of information about capital assets and cost of borrowing for a reporting period and to simplify accounting for certain interest costs by requiring interest costs incurred before the end of a construction period to be recognized as an expense/expenditure in governmental fund and government-wide financial statements. GASB 89 did not have an impact on the City's fiscal year 2018 financial statements.



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.....	112
Schedule of Investment Returns.....	112
Schedule of Contributions.....	113

Municipal Police Officers’ Pension Plan

Schedule of Changes in the Net Pension Liability and Related Ratios.....	115
Schedule of Investment Returns.....	115
Schedule of Contributions.....	116

Other Post Employment Benefit Plan

Schedule of Changes in the Total OPEB Liability and Related Ratios .....	118
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CITY OF SANIBEL, FLORIDA  
 REQUIRED SUPPLEMENTARY INFORMATION  
 September 30, 2018

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

	2018	2017	2016	2015	2014	2013
Total pension liability						
Service cost	\$ 129,602	\$ 161,673	\$ 174,843	\$ 191,061	\$ 196,178	\$ 183,773
Interest	2,220,510	2,136,997	1,993,132	1,945,199	1,895,908	1,851,553
Differences between expected and actual experience	(759,405)	612,956	(230,237)	48,718	-	-
Changes of assumptions	-	-	1,738,848	-	-	-
Benefit payments, including refunds of member contributions	(1,701,568)	(1,583,256)	(1,480,738)	(1,436,535)	(1,276,944)	(1,504,296)
Net change in total pension liability	(110,861)	1,328,370	2,195,848	748,443	815,142	531,030
Total pension liability - beginning	33,617,627	32,289,257	30,093,409	29,344,966	28,529,824	27,998,794
Total pension liability - ending (a)	<u>\$33,506,766</u>	<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	\$ 1,947,323	\$ 1,595,492	\$ 1,457,338	\$ 1,795,876	\$ 1,681,948	\$ 1,691,261
Contributions - employee	51,991	52,815	60,710	63,855	65,431	64,908
Net investment income	1,992,545	3,441,239	1,509,708	(553,543)	2,424,391	2,436,581
Benefit payments, including refunds of member contributions	(1,701,568)	(1,583,256)	(1,480,738)	(1,436,535)	(1,276,944)	(1,504,296)
Administrative expense	(40,535)	(36,157)	(34,576)	(37,648)	(27,489)	(31,229)
Net change in plan fiduciary net position	2,249,756	3,470,133	1,512,442	(167,995)	2,867,337	2,657,225
Plan fiduciary net position - beginning	29,028,390	25,558,257	24,045,815	24,213,810	21,346,473	18,689,248
Plan fiduciary net position - ending (b)	<u>\$31,278,146</u>	<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>\$ 2,228,620</u>	<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	93.35%	86.35%	79.15%	79.90%	82.51%	74.82%
Covered employee payroll*	\$ 1,039,827	\$ 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	214.33%	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 Six Fiscal Years

	2018	2017	2016	2015	2014	2013
Annual money-weighted rate of return, net of investment expenses	6.80%	13.22%	6.17%	-2.23%	11.00%	12.96%

Note to Schedule:

\* 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, 2018

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

Fiscal Year Ended	Actuarially Determined Contribution	Contributions in relation to the Actuarially Determined Contributions	Contribution Deficiency (Excess)	Covered Employee Payroll <sup>1</sup>	Contributions as a percentage of Covered Employee Payroll
09/30/2018	\$ 1,947,320	\$ 1,947,323	\$ (3)	\$ 1,039,827	187.27%
09/30/2017	\$ 1,595,492	\$ 1,595,492	\$ -	\$ 1,056,286	151.05%
09/30/2016	\$ 1,457,341	\$ 1,457,341	\$ -	\$ 1,214,204	120.02%
09/30/2015	\$ 1,629,315	\$ 1,795,876	\$ (166,561)	\$ 1,396,431	128.60%
09/30/2014	\$ 1,659,991	\$ 1,681,948	\$ (21,957)	\$ 1,308,625	128.53%
09/30/2013	\$ 1,668,403	\$ 1,691,261	\$ (22,858)	\$ 1,298,166	130.28%
09/30/2012	\$ 1,397,764	\$ 5,587,616	\$ (4,189,852)	\$ 1,325,935	421.41%
09/30/2011	\$ 1,448,913	\$ 1,448,913	\$ -	\$ 1,306,071	110.94%
09/30/2010	\$ 1,173,397	\$ 1,173,397	\$ -	\$ 4,706,046	24.93%
09/30/2009	\$ 858,029	\$ 975,816	\$ (117,787)	\$ 4,927,259	19.80%

<sup>1</sup> The covered payroll numbers shown are in compliance with GASB 82, except for the 09/30/2015 measurement period which includes DROP payroll.

Notes to Schedule

Valuation Date: 10/1/2016

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:

Mortality Rate:

*Healthy Lives:*

Female: RP2000 Generational, 100% Annuitant White Collar, Scale BB

Male: RP2000 Generational, 50% Annuitant White Collar / 50% Annuitant Blue Collar, Scale BB

*Disabled Lives:*

Female: 100% RP2000 Disabled Female set forward two years

Male: 100% RP2000 Disabled Male setback four years

The assumed rates of mortality were mandated by Chapter 2015-157, Laws of Florida. This law mandates the use of the mortality assumptions used in either of the two most recent valuations of the Florida Retirement System (FRS). The above rates are those outlined in Milliman's July 1, 2015 FRS valuation report for non-special risk employees.

Interest Rate:

6.75% per year compounded annually, net of investment expenses. This is supported by the Plan's investment policy and the expected long-term return by asset class.

Retirement Age:

One year following satisfaction of the Plan's requirement for normal retirement.

Early Retirement:

Commencing at eligibility for early retirement, Members are assumed to retire with an immediate benefit at the rate of 5% per year.

Disability Rates:

See following table. These rates are consistent with other municipal Florida non-special risk plans.

Termination Rate:

See following table. These rates were adopted by the Board with the October 1, 2013 valuation, based on historical experience.

Salary Increases:

See following table. These rates are consistent with long term Plan experience.

CITY OF SANIBEL, FLORIDA  
 REQUIRED SUPPLEMENTARY INFORMATION  
 September 30, 2018

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Payroll Increase: None for amortization of the unfunded actuarial accrued liability.

Cost of Living Adjustment: 2.0% 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 3.0% annually for 25 years, beginning 3 years after retirement.

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 3.51% assumption

Amortization Method: Level percentage of pay, closed

Remaining Amortization: 9 years (as of 10/01/2017)

Asset Smoothing Method: Fair market value, net of investment-related expenses.

Termination, Disability and Salary Rate Tables:

Age	% 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, 2018**

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

	2018	2017	2016	2015	2014	2013
Total pension liability						
Service cost	\$ 559,426	\$ 432,384	\$ 492,835	\$ 469,734	\$ 509,101	\$ 473,582
Interest	1,733,759	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	1,353,706	(35,929)	(287,593)	58,554	-	-
Changes of assumptions	-	-	594,128	-	-	-
Benefit payments, including refunds of member contributions	(1,161,657)	(2,043,511)	(867,064)	(854,438)	(751,882)	(1,102,107)
Net change in total pension liability	2,485,234	41,028	1,525,279	1,202,680	1,202,649	745,216
Total pension liability - beginning	23,138,187	23,097,159	21,571,880	20,369,200	19,166,551	18,421,335
Total pension liability - ending (a)	<u>\$25,623,421</u>	<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	\$ 1,248,046	\$ 1,124,726	\$ 1,050,106	\$ 1,138,692	\$ 961,952	\$ 2,072,711
Contributions - state	90,240	82,263	85,154	77,754	65,862	62,542
Contributions - employee	149,191	133,974	117,033	108,536	114,679	105,628
Net investment income	1,089,498	1,682,841	1,607,425	(730,080)	1,564,849	1,435,540
Benefit payments, including refunds of member contributions	(1,161,657)	(2,043,511)	(867,064)	(854,438)	(751,882)	(1,102,107)
Administrative expense	(44,943)	(45,206)	(42,535)	(41,503)	(38,332)	(32,304)
Net change in plan fiduciary net position	1,370,375	935,087	1,950,119	(301,039)	1,917,128	2,542,010
Plan fiduciary net position - beginning	18,440,695	17,505,608	15,555,489	15,856,528	13,939,400	11,397,390
Plan fiduciary net position - ending (b)	<u>\$19,811,070</u>	<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>\$ 5,812,351</u>	<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	77.32%	79.70%	75.79%	72.11%	77.85%	72.73%
Covered payroll*	\$ 1,858,989	\$ 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	312.66%	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 Six Fiscal Years

	2018	2017	2016	2015	2014	2013
Annual money-weighted rate of return, net of investment expenses	5.91%	9.83%	10.07%	-4.50%	10.91%	12.01%

**Note to Schedule:**

\* 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, 2018

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

Fiscal Year Ended	Actuarially Determined Contribution	Contributions in relation to the Actuarially Determined Contributions	Contribution Deficiency (Excess)	Covered Employee Payroll <sup>1</sup>	Contributions as a percentage of Covered Employee Payroll
09/30/2018	\$ 1,338,286	\$ 1,338,286	\$ -	\$ 1,858,989	71.99%
09/30/2017	\$ 1,206,989	\$ 1,206,989	\$ -	\$ 1,680,575	71.82%
09/30/2016	\$ 1,162,579	\$ 1,162,579	\$ -	\$ 1,462,915	79.47%
09/30/2015	\$ 967,464	\$ 1,216,446	\$ (248,982)	\$ 1,599,122	76.07%
09/30/2014	\$ 1,027,813	\$ 1,027,813	\$ -	\$ 1,433,491	71.70%
09/30/2013	\$ 729,756	\$ 2,135,253	\$ (1,405,497)	\$ 1,320,347	161.72%
09/30/2012	\$ 687,550	\$ 1,721,305	\$ (1,033,755)	\$ 1,284,662	133.99%
09/30/2011	\$ 548,612	\$ 566,977	\$ (18,365)	\$ 1,527,468	37.12%
09/30/2010	\$ 538,345	\$ 538,345	\$ -	\$ 1,582,903	34.01%
09/30/2009	\$ 554,158	\$ 560,891	\$ (6,733)	\$ 1,727,615	32.47%

<sup>1</sup> The covered payroll numbers shown are in compliance with GASB 82, except for the 09/30/2015 measurement period which includes DROP payroll.

Notes to Schedule

Valuation Date: 10/1/2016

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:

Mortality Rate:

*Healthy Lives:*

Female: RP2000 Generational, 100% Annuitant White Collar, Scale BB

Male: RP2000 Generational, 10% Annuitant White Collar / 90% Annuitant Blue Collar, Scale BB

*Disabled Lives:*

Female: 60% RP2000 Disabled Female set forward two years / 40% Annuitant White Collar with no setback, no projection scale

Male: 60% RP2000 Disabled Male setback four years / 40% Annuitant White Collar with no setback, no projection scale

The assumed rates of mortality were mandated by Chapter 2015-157, Laws of Florida. This law mandates the use of the mortality assumptions used in either of the two most recent valuations of the Florida Retirement System (FRS). The above rates are those outlined in the July 1, 2014 FRS actuarial valuation report for special risk employees.

Interest Rate:

7.5% per year compounded annually, net of investment expenses. This is supported by the target asset allocation of the trust and the expected long-term return by asset class.

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 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 2.0% per year.

Disability Rates:

See table. It is assumed that 75% of disablements and active Member deaths are service related. The assumed rates of disablement were developed from those used by other plans containing Florida municipal Police Officers.

CITY OF SANIBEL, FLORIDA  
 REQUIRED SUPPLEMENTARY INFORMATION  
 September 30, 2018

Termination Rate:	<u>Credited Service</u>	<u>Termination Probability</u>
	0 - 1	15%
	2 - 4	10%
	5+	0%

Salary Increases:	<u>Years of Service</u>	<u>Increase Rate</u>
	0	7.25%
	1	7.00%
	2	6.75%
	3	6.50%
	4	6.25%
	5 - 9	6.00%
	10 - 14	5.25%
	15+	4.50%

The assumed rates of salary increases were approved from a special actuarial study completed in April 2016. 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.

Cost of Living Adjustment: 3.00% automatic COLA to Normal and Early Retirees, beginning one year after retirement

Payroll Growth Assumption: None.

Funding Method: Entry age normal actuarial cost method

Amortization Method: Level percentage of pay, closed

Remaining Amortization: 19 years (as of 10/01/2017)

Actuarial Asset Method: Each year, the prior actuarial value of assets is brought forward utilizing the historic 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.

Disability Rate Table:	<u>Age</u>	<u>% Becoming Disabled During the Year</u>
	20	0.051%
	30	0.058%
	40	0.121%
	50	0.429%

CITY OF SANIBEL, FLORIDA  
 REQUIRED SUPPLEMENTARY INFORMATION  
 September 30, 2018

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**CITY OF SANIBEL OTHER POSTEMPLOYMENT BENEFITS PROGRAM**  
**SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS**  
 Last Fiscal Year

	2018
Total OPEB liability	
Service cost	\$ 29,110
Interest	14,065
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	(18,256)
Benefit payments	(23,932)
Net change in total OPEB liability	987
Total OPEB liability - beginning	442,389
Total OPEB liability - ending	\$ 443,376
Covered employee payroll	\$ 7,796,542
City's total OPEB liability as a percentage of covered payroll	5.69%

Notes to Schedule:

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

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:**

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Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual	
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### 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.
- **Recreation Financial Assistance** - to account for the receipt and disbursement of donations received from private citizens to support income based reduction of fees for the City's Recreation Center before and after school programs.
- **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, 2018

Special Revenue Funds

	Road Impact Fees	Community Park Impact Fees	Building Department	Elementary School Ball Park Maintenance	Recreation Financial Assistance	Shell Harbor Dredging	Sanibel Estates Canal Trimming	Sanibel Isles/ Water Shadows Dredging	Total
<b>ASSETS</b>									
Cash and cash equivalents	\$ 1,055,206	\$ 856	\$ 1,395,759	\$ -	\$ 173,273	\$ 21,306	\$ 26,610	\$ 103,562	\$ 2,776,572
Prepaid items	-	-	709	-	-	-	-	-	709
Accounts receivable	-	-	-	-	795	360	-	-	1,155
Due from other governments	-	-	-	85,138	-	273	72	55	85,538
Total assets	<u>\$ 1,055,206</u>	<u>\$ 856</u>	<u>\$ 1,396,468</u>	<u>\$ 85,138</u>	<u>\$ 174,068</u>	<u>\$ 21,939</u>	<u>\$ 26,682</u>	<u>\$ 103,617</u>	<u>\$ 2,863,974</u>
<b>LIABILITIES</b>									
Accounts payable	\$ -	\$ -	\$ 19,175	\$ 8,343	\$ -	\$ -	\$ -	\$ -	\$ 27,518
Due to other funds	-	-	-	28,307	-	-	-	-	28,307
Due to other governments	-	-	1,222	-	-	-	-	-	1,222
Accrued liabilities	-	-	7,905	-	-	-	-	-	7,905
Unearned revenue	-	-	33,830	-	16,770	-	-	-	50,600
Total liabilities	<u>-</u>	<u>-</u>	<u>62,132</u>	<u>36,650</u>	<u>16,770</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>115,552</u>
<b>FUND BALANCES</b>									
<b>Nonspendable:</b>									
Prepaid items	-	-	709	-	-	-	-	-	709
<b>Restricted:</b>									
Building permits/operations	-	-	1,333,627	-	-	-	-	-	1,333,627
Capital projects	1,055,206	856	-	-	-	-	-	-	1,056,062
Debt service	-	-	-	-	-	-	-	-	-
Donations received	-	-	-	-	157,298	-	-	-	157,298
Canal dredging and trimming	-	-	-	-	-	21,939	26,682	103,617	152,238
<b>Assigned:</b>									
Parks and recreation	-	-	-	48,488	-	-	-	-	48,488
Other capital projects	-	-	-	-	-	-	-	-	-
Total fund balances	<u>1,055,206</u>	<u>856</u>	<u>1,334,336</u>	<u>48,488</u>	<u>157,298</u>	<u>21,939</u>	<u>26,682</u>	<u>103,617</u>	<u>2,748,422</u>
Total liabilities and fund balances	<u>\$ 1,055,206</u>	<u>\$ 856</u>	<u>\$ 1,396,468</u>	<u>\$ 85,138</u>	<u>\$ 174,068</u>	<u>\$ 21,939</u>	<u>\$ 26,682</u>	<u>\$ 103,617</u>	<u>\$ 2,863,974</u>

CITY OF SANIBEL, FLORIDA  
 COMBINING BALANCE SHEET (CONTINUED)  
 NONMAJOR GOVERNMENTAL FUNDS  
 September 30, 2018

	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	\$ 308,066	\$ 27,865	\$ 335,931	\$ 962,267	\$ 978,548	\$ 873,259	\$ 2,814,074	\$ 5,926,577
Prepaid items	-	-	-	-	-	-	-	709
Accounts receivable	-	-	-	-	-	-	-	1,155
Due from other governments	176	295	471	-	-	-	-	86,009
Total assets	<u>\$ 308,242</u>	<u>\$ 28,160</u>	<u>\$ 336,402</u>	<u>\$ 962,267</u>	<u>\$ 978,548</u>	<u>\$ 873,259</u>	<u>\$ 2,814,074</u>	<u>\$ 6,014,450</u>
<b>LIABILITIES</b>								
Accounts payable	\$ -	\$ -	\$ -	\$ 19,181	\$ 1,600	\$ 35,300	\$ 56,081	\$ 83,599
Due to other funds	-	-	-	-	-	-	-	28,307
Due to other governments	-	-	-	-	-	-	-	1,222
Accrued liabilities	-	-	-	-	-	-	-	7,905
Unearned revenue	-	-	-	-	-	-	-	50,600
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,181</u>	<u>1,600</u>	<u>35,300</u>	<u>56,081</u>	<u>171,633</u>
<b>FUND BALANCES</b>								
<b>Nonspendable:</b>								
Prepaid items	-	-	-	-	-	-	-	709
<b>Restricted:</b>								
Building permits/operations	-	-	-	-	-	-	-	1,333,627
Capital projects	-	-	-	-	976,948	-	976,948	2,033,010
Debt service	308,242	28,160	336,402	-	-	-	-	336,402
Donations received	-	-	-	-	-	-	-	157,298
Canal dredging and trimming	-	-	-	-	-	-	-	152,238
<b>Assigned:</b>								
Parks and recreation	-	-	-	-	-	-	-	48,488
Other capital projects	-	-	-	943,086	-	837,959	1,781,045	1,781,045
Total fund balances	<u>308,242</u>	<u>28,160</u>	<u>336,402</u>	<u>943,086</u>	<u>976,948</u>	<u>837,959</u>	<u>2,757,993</u>	<u>5,842,817</u>
Total liabilities and fund balances	<u>\$ 308,242</u>	<u>\$ 28,160</u>	<u>\$ 336,402</u>	<u>\$ 962,267</u>	<u>\$ 978,548</u>	<u>\$ 873,259</u>	<u>\$ 2,814,074</u>	<u>\$ 6,014,450</u>

CITY OF SANIBEL, FLORIDA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 For the Year Ended September 30, 2018

Special Revenue Funds

	Road Impact Fees	Community Park Impact Fees	Building Department	Elementary School Ball Park Maintenance	Recreation Financial Assistance	Shell Harbor Dredging	Sanibel Estates Canal Trimming	Sanibel Isles/ Water Shadows Dredging	Total
<b>REVENUES</b>									
Taxes - Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Permits/Fee/Special Assessments	-	-	1,157,112	-	-	17,599	6,761	9,742	1,191,214
Intergovernmental revenue	-	-	-	138,316	-	-	-	-	138,316
Charges for services	-	-	11,222	-	-	-	-	-	11,222
Fines and forfeitures	-	-	28,025	-	-	-	-	-	28,025
Other revenue	163,782	11,983	20,639	505	18,889	539	478	1,587	218,402
Total revenues	163,782	11,983	1,216,998	138,821	18,889	18,138	7,239	11,329	1,587,179
<b>EXPENDITURES</b>									
<b>Current</b>									
Public safety	-	-	964,288	-	-	-	-	-	964,288
Public Works/Transportation	-	-	-	-	-	1,179	10,605	2,797	14,581
Culture/recreation	-	-	-	244,491	24,219	-	-	-	268,710
<b>Debt Service</b>									
Principal retirement	-	-	-	-	-	-	-	-	-
Interest & fiscal charges	-	-	-	-	-	-	-	-	-
<b>Capital outlay</b>									
Total expenditures	-	-	965,656	255,749	24,219	1,179	10,605	2,797	1,260,205
Excess (deficiency) of revenue over (under) expenditures	163,782	11,983	251,342	(116,928)	(5,330)	16,959	(3,366)	8,532	326,974
<b>OTHER FINANCING SOURCES (USES)</b>									
Transfers in	-	-	-	107,169	162,628	5,445	3,000	5,000	283,242
Transfers out	-	(160,000)	-	-	-	-	-	-	(160,000)
Total other financing sources (uses)	-	(160,000)	-	107,169	162,628	5,445	3,000	5,000	123,242
Net change in fund balances	163,782	(148,017)	251,342	(9,759)	157,298	22,404	(366)	13,532	450,216
Fund balances:									
Beginning of year	891,424	148,873	1,082,994	58,247	-	(465)	27,048	90,085	2,298,206
End of year	\$ 1,055,206	\$ 856	\$ 1,334,336	\$ 48,488	\$ 157,298	\$ 21,939	\$ 26,682	\$ 103,617	\$ 2,748,422

CITY OF SANIBEL, FLORIDA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (CONTINUED)  
 NONMAJOR GOVERNMENTAL FUNDS  
 For the Year Ended September 30, 2018

	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	\$ 335,504	\$ 561,604	\$ 897,108	\$ -	\$ -	\$ -	\$ -	\$ 897,108
Permits/Fee/Special Assessments	-	-	-	-	-	-	-	1,191,214
Intergovernmental revenue	-	-	-	-	-	-	-	138,316
Charges for services	-	-	-	-	-	-	-	11,222
Fines and forfeitures	-	-	-	-	-	-	-	28,025
Other revenue	6,190	2,837	9,027	15,087	14,662	14,080	43,829	271,258
Total revenues	<u>341,694</u>	<u>564,441</u>	<u>906,135</u>	<u>15,087</u>	<u>14,662</u>	<u>14,080</u>	<u>43,829</u>	<u>2,537,143</u>
<b>EXPENDITURES</b>								
<b>Current</b>								
Public safety	-	-	-	-	-	-	-	964,288
Public Works/Transportation	-	-	-	-	57	-	57	14,638
Culture/recreation	-	-	-	-	-	55,544	55,544	324,254
<b>Debt Service</b>								
Principal retirement	300,000	405,000	705,000	-	-	-	-	705,000
Interest & fiscal charges	32,396	144,368	176,764	-	-	-	-	176,764
<b>Capital outlay</b>								
Total expenditures	<u>332,396</u>	<u>549,368</u>	<u>881,764</u>	<u>130,157</u>	<u>17,165</u>	<u>258,467</u>	<u>405,789</u>	<u>418,415</u>
Excess (deficiency) of revenue over (under) expenditures	<u>9,298</u>	<u>15,073</u>	<u>24,371</u>	<u>(115,070)</u>	<u>(2,560)</u>	<u>(299,931)</u>	<u>(417,561)</u>	<u>(66,216)</u>
<b>OTHER FINANCING SOURCES (USES)</b>								
Transfers in	-	-	-	-	-	225,000	225,000	508,242
Transfers out	-	-	-	(250,000)	-	-	(250,000)	(410,000)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(250,000)</u>	<u>-</u>	<u>225,000</u>	<u>(25,000)</u>	<u>98,242</u>
Net change in fund balances	9,298	15,073	24,371	(365,070)	(2,560)	(74,931)	(442,561)	32,026
Fund balances:								
Beginning 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>
End of year	<u>\$ 308,242</u>	<u>\$ 28,160</u>	<u>\$ 336,402</u>	<u>\$ 943,086</u>	<u>\$ 976,948</u>	<u>\$ 837,959</u>	<u>\$ 2,757,993</u>	<u>\$ 5,842,817</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, 2018

Road Impact Fees Fund				
	Budgets		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Other revenue	\$ 165,000	\$ 165,000	\$ 163,782	\$ (1,218)
<b>EXPENDITURES</b>				
Total expenditures	-	-	-	-
Net change in fund balances	165,000	165,000	163,782	(1,218)
Fund balances, beginning of year	920,486	891,424	891,424	-
Fund balances, end of year	<u>\$ 1,085,486</u>	<u>\$ 1,056,424</u>	<u>\$ 1,055,206</u>	<u>\$ (1,218)</u>

Community Park Impact Fees Fund				
	Budgets		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Other revenue	\$ 15,750	\$ 15,750	\$ 11,983	\$ (3,767)
<b>EXPENDITURES</b>				
Total expenditures	-	-	-	-
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	-	(160,000)	(160,000)	-
Net change in fund balances	15,750	(144,250)	(148,017)	(3,767)
Fund balances, beginning of year	150,772	148,873	148,873	-
Fund balances, end of year	<u>\$ 166,522</u>	<u>\$ 4,623</u>	<u>\$ 856</u>	<u>\$ (3,767)</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, 2018

	Building Department Fund			
	Budgets		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Licenses & Permits	\$ 825,000	\$ 825,000	\$ 1,157,112	\$ 332,112
Charges for services	10,000	10,000	11,222	1,222
Fines and forfeitures	15,000	15,000	28,025	13,025
Other revenue	16,000	16,000	20,639	4,639
Total revenues	<u>866,000</u>	<u>866,000</u>	<u>1,216,998</u>	<u>350,998</u>
<b>EXPENDITURES</b>				
<b>Current</b>				
Public safety	1,116,601	1,155,105	964,288	190,817
<b>Capital Outlay</b>	25,000	25,000	1,368	23,632
Total expenditures	<u>1,141,601</u>	<u>1,180,105</u>	<u>965,656</u>	<u>214,449</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(275,601)</u>	<u>(314,105)</u>	<u>251,342</u>	<u>565,447</u>
<b>OTHER FINANCING USES</b>				
Reserves for wage adjustments	(9,200)	-	-	-
Net change in fund balances	<u>(284,801)</u>	<u>(314,105)</u>	<u>251,342</u>	<u>565,447</u>
Fund balances, beginning of year	<u>937,585</u>	<u>1,082,994</u>	<u>1,082,994</u>	<u>-</u>
Fund balances, end of year	<u>\$ 652,784</u>	<u>\$ 768,889</u>	<u>\$ 1,334,336</u>	<u>\$ 565,447</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, 2018

Elementary School Ball Park Maintenance Fund				
	Budgets		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 150,000	\$ 148,887	\$ 138,316	\$ (10,571)
Other revenue	100	100	505	405
Total revenues	<u>150,100</u>	<u>148,987</u>	<u>138,821</u>	<u>(10,166)</u>
<b>EXPENDITURES</b>				
<b>Current</b>				
Culture/recreation	309,997	294,053	244,491	49,562
<b>Capital Outlay</b>	-	-	11,258	(11,258)
Total expenditures	<u>309,997</u>	<u>294,053</u>	<u>255,749</u>	<u>38,304</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(159,897)</u>	<u>(145,066)</u>	<u>(116,928)</u>	<u>28,138</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer in	122,000	107,169	107,169	-
Net change in fund balances	<u>(37,897)</u>	<u>(37,897)</u>	<u>(9,759)</u>	<u>28,138</u>
Fund balances, beginning of year	<u>38,944</u>	<u>58,247</u>	<u>58,247</u>	<u>-</u>
Fund balances, end of year	<u>\$ 1,047</u>	<u>\$ 20,350</u>	<u>\$ 48,488</u>	<u>\$ 28,138</u>

Recreation Financial Assistance Fund				
	Budgets		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Other revenue	-	25,000	18,889	(6,111)
<b>EXPENDITURES</b>				
<b>Current</b>				
Culture/recreation	-	22,000	24,219	(2,219)
Excess (deficiency) of revenue over (under) expenditures	<u>-</u>	<u>3,000</u>	<u>(5,330)</u>	<u>(8,330)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer in	-	161,000	162,628	1,628
Net change in fund balances	<u>-</u>	<u>164,000</u>	<u>157,298</u>	<u>(6,702)</u>
Fund balances, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ 164,000</u>	<u>\$ 157,298</u>	<u>\$ (6,702)</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, 2018

Shell Harbor Dredging Fund				
	Budgets		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Permits/Fee/Special Assessments	\$ 17,434	\$ 17,434	\$ 17,599	\$ 165
Other revenue	150	150	539	389
Total revenues	<u>17,584</u>	<u>17,584</u>	<u>18,138</u>	<u>554</u>
<b>EXPENDITURES</b>				
<b>Current</b>				
Public Works	<u>1,000</u>	<u>1,000</u>	<u>1,179</u>	<u>(179)</u>
Excess (deficiency) of revenue over (under) expenditures	<u>16,584</u>	<u>16,584</u>	<u>16,959</u>	<u>375</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>22,029</u>	<u>22,029</u>	<u>22,404</u>	<u>375</u>
Fund balances, beginning of year	<u>83</u>	<u>(465)</u>	<u>(465)</u>	<u>-</u>
Fund balances, end of year	<u>\$ 22,112</u>	<u>\$ 21,564</u>	<u>\$ 21,939</u>	<u>\$ 375</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	\$ 6,761	\$ 41
Other revenue	400	400	478	78
Total revenues	<u>7,120</u>	<u>7,120</u>	<u>7,239</u>	<u>119</u>
<b>EXPENDITURES</b>				
<b>Current</b>				
Public Works	<u>10,500</u>	<u>19,750</u>	<u>10,605</u>	<u>9,145</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(3,380)</u>	<u>(12,630)</u>	<u>(3,366)</u>	<u>9,264</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>(380)</u>	<u>(9,630)</u>	<u>(366)</u>	<u>9,264</u>
Fund balances, beginning of year	<u>18,265</u>	<u>27,048</u>	<u>27,048</u>	<u>-</u>
Fund balances, end of year	<u>\$ 17,885</u>	<u>\$ 17,418</u>	<u>\$ 26,682</u>	<u>\$ 9,264</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, 2018

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	\$ 9,742	\$ 46
Other revenue	1,000	1,000	1,587	587
Total revenues	<u>10,696</u>	<u>10,696</u>	<u>11,329</u>	<u>633</u>
<b>EXPENDITURES</b>				
<b>Current</b>				
Public Works	240	240	2,797	(2,557)
Excess (deficiency) of revenue over (under) expenditures	<u>10,456</u>	<u>10,456</u>	<u>8,532</u>	<u>(1,924)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	5,000	5,000	5,000	-
Net change in fund balances	15,456	15,456	13,532	(1,924)
Fund balances, beginning of year	<u>90,357</u>	<u>90,085</u>	<u>90,085</u>	<u>-</u>
Fund balances, end of year	<u>\$ 105,813</u>	<u>\$ 105,541</u>	<u>\$ 103,617</u>	<u>\$ (1,924)</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, 2018

2012 \$2.97M General Obligation Refunding Bonds Fund				
	Budgets		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 337,728	\$ 337,728	\$ 335,504	\$ (2,224)
Other revenue	7,000	7,000	6,190	(810)
Total revenues	<u>344,728</u>	<u>344,728</u>	<u>341,694</u>	<u>(3,034)</u>
<b>EXPENDITURES</b>				
<b>Debt Service</b>				
Principal retirement	300,000	300,000	300,000	-
Interest and fiscal charges	32,396	32,396	32,396	-
Total expenditures	<u>332,396</u>	<u>332,396</u>	<u>332,396</u>	<u>-</u>
Net change in fund balances	<u>12,332</u>	<u>12,332</u>	<u>9,298</u>	<u>(3,034)</u>
Fund balances, beginning of year	<u>298,611</u>	<u>298,944</u>	<u>298,944</u>	<u>-</u>
Fund balances, end of year	<u>\$ 310,943</u>	<u>\$ 311,276</u>	<u>\$ 308,242</u>	<u>\$ (3,034)</u>

2016 \$6.52M General Obligation Refunding Bonds Fund				
	Budgets		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 565,327	\$ 565,327	\$ 561,604	\$ (3,723)
Other revenue	3,000	3,000	2,837	(163)
Total revenues	<u>568,327</u>	<u>568,327</u>	<u>564,441</u>	<u>(3,886)</u>
<b>EXPENDITURES</b>				
<b>Debt Service</b>				
Principal retirement	405,000	405,000	405,000	-
Interest and fiscal charges	144,368	144,368	144,368	-
Total expenditures	<u>549,368</u>	<u>549,368</u>	<u>549,368</u>	<u>-</u>
Net change in fund balances	<u>18,959</u>	<u>18,959</u>	<u>15,073</u>	<u>(3,886)</u>
Fund balances, beginning of year	<u>10,065</u>	<u>13,087</u>	<u>13,087</u>	<u>-</u>
Fund balances, end of year	<u>\$ 29,024</u>	<u>\$ 32,046</u>	<u>\$ 28,160</u>	<u>\$ (3,886)</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, 2018

	Capital Asset Acquisition Fund			
	Budgets		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Other revenue	\$ 13,500	\$ 13,500	\$ 15,087	\$ 1,587
<b>EXPENDITURES</b>				
<b>Capital Outlay</b>	786,825	852,507	130,157	722,350
Excess (deficiency) of revenue over (under) expenditures	<u>(773,325)</u>	<u>(839,007)</u>	<u>(115,070)</u>	<u>723,937</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	<u>(250,000)</u>	<u>(250,000)</u>	<u>(250,000)</u>	<u>-</u>
Net change in fund balances	(1,023,325)	(1,089,007)	(365,070)	723,937
Fund balances, beginning of year	<u>1,038,415</u>	<u>1,308,156</u>	<u>1,308,156</u>	<u>-</u>
Fund balances, end of year	<u>\$ 15,090</u>	<u>\$ 219,149</u>	<u>\$ 943,086</u>	<u>\$ 723,937</u>

	Transportation Capital Projects Fund			
	Budgets		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Other revenue	\$ 10,000	\$ 10,000	\$ 14,662	\$ 4,662
<b>EXPENDITURES</b>				
<b>Current</b>				
Transportation	-	-	57	(57)
<b>Capital Outlay</b>	527,343	536,113	17,165	518,948
Total expenditures	<u>527,343</u>	<u>536,113</u>	<u>17,222</u>	<u>518,891</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(517,343)</u>	<u>(526,113)</u>	<u>(2,560)</u>	<u>523,553</u>
Net change in fund balances	<u>(517,343)</u>	<u>(526,113)</u>	<u>(2,560)</u>	<u>523,553</u>
Fund balances, beginning of year	<u>903,593</u>	<u>979,508</u>	<u>979,508</u>	<u>-</u>
Fund balances, end of year	<u>\$ 386,250</u>	<u>\$ 453,395</u>	<u>\$ 976,948</u>	<u>\$ 523,553</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, 2018

	Recreation Facility Sinking Fund			
	Budgets		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Other revenue	\$ 8,000	\$ 8,000	\$ 14,080	\$ 6,080
<b>EXPENDITURES</b>				
<b>Current</b>				
Culture/recreation	-	-	55,544	(55,544)
<b>Capital Outlay</b>	471,000	479,234	258,467	220,767
Total expenditures	471,000	479,234	314,011	165,223
Excess (deficiency) of revenue over (under) expenditures	(463,000)	(471,234)	(299,931)	171,303
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer in	225,000	225,000	225,000	-
Reserves	(600,000)	(600,000)	-	600,000
Total other financing sources (uses)	(375,000)	(375,000)	225,000	600,000
Net change in fund balances	(838,000)	(846,234)	(74,931)	771,303
Fund balances, beginning of year	904,875	912,890	912,890	-
Fund balances, end of year	\$ 66,875	\$ 66,656	\$ 837,959	\$ 771,303

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**

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Combining Statement of Changes in Net Position – Fiduciary Funds ..... 135

**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 ..... 136

CITY OF SANIBEL, FLORIDA  
 COMBINING STATEMENT OF NET POSITION  
 FIDUCIARY FUNDS  
 September 30, 2018

	Pension Trust Funds		
	General Employees'	Municipal Police Officers'	Total Trust Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 746,681	\$ 622,363	\$ 1,369,044
Investments, at fair value			
Domestic equities	12,044,875	7,530,453	19,575,328
International equities	4,517,628	2,773,328	7,290,956
Fixed income securities	4,173,985	6,751,962	10,925,947
Government securities	2,391,332	-	2,391,332
Convertibles	3,154,505	302,163	3,456,668
Real estate investments	3,012,556	793,649	3,806,205
Master limited partnerships	1,172,252	889,475	2,061,727
Total investments at fair value	<u>30,467,133</u>	<u>19,041,030</u>	<u>49,508,163</u>
Contributions receivable	-	155,178	155,178
Interest and dividends receivable	80,009	8,394	88,403
Total receivables	<u>80,009</u>	<u>163,572</u>	<u>243,581</u>
Total assets	<u>31,293,823</u>	<u>19,826,965</u>	<u>51,120,788</u>
<b>LIABILITIES</b>			
Accrued benefits and other liabilities	<u>15,677</u>	<u>15,895</u>	<u>31,572</u>
<b>NET POSITION</b>			
Net position restricted for pensions	<u>\$ 31,278,146</u>	<u>\$ 19,811,070</u>	<u>\$ 51,089,216</u>

CITY OF SANIBEL, FLORIDA  
 COMBINING STATEMENT OF CHANGES IN NET POSITION  
 FIDUCIARY FUNDS  
 For the Fiscal Year Ended September 30, 2018

	Pension Trust Funds		
	General Employees'	Municipal Police Officers'	Total Trust Funds
<b>ADDITIONS</b>			
Contributions			
Employer	\$ 1,947,323	\$ 1,248,046	\$ 3,195,369
State of Florida	-	90,240	90,240
Plan members	51,991	149,191	201,182
	<u>1,999,314</u>	<u>1,487,477</u>	<u>3,486,791</u>
Total contributions			
Investment income			
Net appreciation in fair value of investments	890,622	372,469	1,263,091
Interest, dividends and other	1,272,357	790,557	2,062,914
Total investment earnings	<u>2,162,979</u>	<u>1,163,026</u>	<u>3,326,005</u>
Less investment expense	<u>(170,434)</u>	<u>(73,528)</u>	<u>(243,962)</u>
Net investment earnings	<u>1,992,545</u>	<u>1,089,498</u>	<u>3,082,043</u>
Total additions	<u>3,991,859</u>	<u>2,576,975</u>	<u>6,568,834</u>
<b>DEDUCTIONS</b>			
Benefits paid	1,701,568	1,151,860	2,853,428
Refunds of contributions	-	9,797	9,797
Administrative expenses	40,535	44,943	85,478
	<u>1,742,103</u>	<u>1,206,600</u>	<u>2,948,703</u>
Total deductions			
Change in net position	<u>2,249,756</u>	<u>1,370,375</u>	<u>3,620,131</u>
Net position - beginning of year	<u>29,028,390</u>	<u>18,440,695</u>	<u>47,469,085</u>
Net position - end of year	<u>\$ 31,278,146</u>	<u>\$ 19,811,070</u>	<u>\$ 51,089,216</u>

CITY OF SANIBEL, FLORIDA  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 AGENCY FUNDS  
 For the Fiscal Year Ended September 30, 2018

	Agency Funds						Total Agency Funds
	Regional Park Impact Fees	EMS Impact Fees	Fire Control District Fees	Fire Impact Fees	Lee County Septic Abandonment	Lee County School Board	
<b>ASSETS</b>							
Cash and cash equivalents - beginning of year	\$ 4,781	\$ 350	\$ 4,937	\$ 3,143	\$ -	\$ 14,301	\$ 27,512
Additions - Collections							
Collections	9,530	793	22,067	7,411	525	29,027	69,353
Deductions							
Remittances to other governmental agencies	(11,611)	(938)	(22,955)	(8,441)	(450)	(34,731)	(79,126)
Cash and cash equivalents - end of year	<u>\$ 2,700</u>	<u>\$ 205</u>	<u>\$ 4,049</u>	<u>\$ 2,113</u>	<u>\$ 75</u>	<u>\$ 8,597</u>	<u>\$ 17,739</u>
<b>LIABILITIES</b>							
Due to other governments - beginning of year	\$ 4,781	\$ 350	\$ 4,937	\$ 3,143	\$ -	\$ 14,301	\$ 27,512
Additions							
Collections	9,530	793	22,067	7,411	525	29,027	69,353
Deductions							
Remittances to other governmental agencies	(11,611)	(938)	(22,955)	(8,441)	(450)	(34,731)	(79,126)
Total due to other governments - end of year	<u>\$ 2,700</u>	<u>\$ 205</u>	<u>\$ 4,049</u>	<u>\$ 2,113</u>	<u>\$ 75</u>	<u>\$ 8,597</u>	<u>\$ 17,739</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.*

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**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.*

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**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).*

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*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.*

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**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.*

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**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									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>Governmental activities</b>										
Net investment in capital assets	\$ 36,245,903	\$ 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
Restricted	5,275,186	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
Unrestricted	<u>1,274,549</u>	<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>
Total governmental activities net position	<u>42,795,638</u>	<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>
<b>Business-type activities</b>										
Net investment in capital assets	26,240,152	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
Restricted	4,387,166	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
Unrestricted	<u>12,612,706</u>	<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>
Total business-type activities net position	<u>43,240,024</u>	<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>
<b>Primary government</b>										
Net investment in capital assets	62,486,055	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
Restricted	9,662,352	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
Unrestricted	<u>13,887,255</u>	<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>
Total primary government net position	<u>\$ 86,035,662</u>	<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>

**Note:** Fiscal year 2018 includes the implementation of GASB Statement 75, which required the recognition of deferred outflows of resources, net other post-employment liabilities, and deferred inflows of resources related to the City's other post-employment plan. The net effect of these changes decreased the City's total net position by \$145,294 in fiscal year 2018. Prior years have not been restated to reflect the changes required by GASB Statement 75.

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

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>Expenses</b>										
Governmental activities										
General government	\$ 2,877,238	\$ 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
Public safety	6,057,803	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
Physical environment	537,456	587,814	646,824	646,509	625,663	657,770	693,096	757,467	919,446	1,280,829
Public Works/Transportation	7,631,231	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
Economic development	364,022	349,427	352,019	330,604	319,055	310,986	303,739	288,989	279,107	314,639
Human services	-	-	24,579	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Culture/recreation	4,448,505	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
Interest on long-term debt	174,165	189,885	344,918	346,967	357,954	381,058	477,463	435,469	563,139	635,752
Total governmental activities expenses	<u>22,090,420</u>	<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>
Business-type activities										
Sewer	6,717,142	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
Beach parking	5,870,972	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
Total business-type activities expenses	<u>12,588,114</u>	<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>
Total primary government expenses	<u>34,678,534</u>	<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>
<b>Program Revenues</b>										
Governmental activities										
Charges for services										
General government	2,415,720	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
Public safety	1,274,813	1,420,555	958,104	717,757	753,675	846,565	854,433	825,845	735,832	810,180
Other activities	946,088	925,324	968,431	954,614	854,529	787,727	780,585	742,762	710,602	705,738
Operating grants and contributions	2,146,324	2,155,509	2,024,197	1,933,338	1,735,335	364,063	361,386	477,869	821,483	2,016,163
Capital grants and contributions	159,502	139,201	229,515	291,238	199,669	125,231	143,227	208,811	1,640,519	248,455
Total governmental activities program revenues	<u>6,942,447</u>	<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>
Business-type activities										
Charges for services										
Sewer	7,384,735	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
Beach Parking	3,345,777	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
Operating grants and contributions	2,869,652	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
Capital grants and contributions	1,540,659	251,391	532,492	1,019,340	174,830	483,358	462,902	289,561	61,500	1,912,990
Total business-type activities program revenues	<u>15,140,823</u>	<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>
Total primary government program revenues	<u>22,083,270</u>	<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>
<b>Net (Expense) Revenue</b>										
Governmental activities	(15,147,973)	(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)
Business-type activities	2,552,709	950,332	543,415	1,423,322	36,674	(516,210)	(974,918)	(846,004)	(1,014,591)	391,372
Total primary government net expense	<u>\$ (12,595,264)</u>	<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>

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

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities										
Taxes										
Property taxes, levied for general purpose	\$ 9,306,158	\$ 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
Property taxes, levied for debt service	897,108	882,153	843,545	839,254	850,501	853,159	748,558	755,021	753,285	737,735
Gas taxes	1,825,291	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
Local business taxes	291,847	291,040	283,506	294,163	284,521	284,903	289,220	290,214	291,395	293,393
Communications taxes	547,094	564,302	538,068	551,012	568,157	576,179	550,011	540,080	558,375	529,114
Casualty insurance premium tax	-	-	-	-	-	62,542	63,574	57,487	58,716	57,459
Intergovernmental revenues	770,090	732,672	721,892	698,136	657,804	614,949	581,420	554,641	526,046	676,646
Investment earnings	91,561	82,228	102,796	100,762	135,333	31,057	303,612	251,382	196,471	(15,420)
Gain (Loss) on Disposal of Assets	47,534	20	103,078	-	-	-	-	-	-	-
Miscellaneous	146,257	113,447	98,264	480,209	443,333	220,279	323,088	304,894	237,341	258,107
Transfers	311,766	476,792	455,467	-	(126,975)	-	-	-	-	-
<b>Total governmental activities</b>	<b>14,234,706</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>
Business-type activities										
Taxes										
Property taxes, levied for debt service	881,546	891,306	880,934	880,713	907,735	949,124	949,140	1,007,540	1,241,407	1,244,143
Investment earnings	337,769	314,669	328,295	329,605	360,330	326,818	670,298	582,775	715,001	302,901
Gain (Loss) on Disposal of Assets	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	13,196	-	-
Transfers	(311,766)	(476,792)	(455,467)	-	126,975	-	-	-	-	-
<b>Total business-type activities</b>	<b>907,549</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>Total primary government</b>	<b>15,142,255</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>Change in Net Position</b>										
Governmental activities	(913,267)	(78,341)	(1,445,384)	75,469	911,753	(1,561,537)	37,398	1,118,870	2,152,635	2,732,401
Business-type activities	3,460,258	1,679,515	1,297,177	2,633,640	1,431,714	759,732	644,520	757,507	941,817	1,938,416
<b>Total change in net position</b>	<b>\$ 2,546,991</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>

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

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>General Fund</b>										
<b>Non Spendable</b>	\$ 400,272	\$ 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	2,215,000	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	511,273	122,705	1,177,603	917,032	1,715,502	2,307,319	1,467,261	4,692,583	275,000	275,000
Unassigned	3,136,154	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>	<u>6,262,699</u>	<u>8,390,932</u>	<u>10,366,378</u>	<u>10,234,163</u>	<u>11,541,379</u>	<u>12,370,773</u>	<u>13,936,555</u>	<u>17,411,261</u>	<u>16,392,222</u>	<u>18,243,805</u>
<b>All Other Governmental Funds</b>										
<b>Non Spendable</b>	6,375	5,313	4,597	5,449	5,001	6,406	5,776	3,605	4,224	-
<b>Spendable</b>										
Restricted	5,301,629	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	2,021,573	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>	<u>\$ 7,329,577</u>	<u>\$ 7,873,594</u>	<u>\$ 6,697,877</u>	<u>\$ 6,619,469</u>	<u>\$ 5,679,333</u>	<u>\$ 4,955,729</u>	<u>\$ 5,602,018</u>	<u>\$ 6,859,371</u>	<u>\$ 7,252,374</u>	<u>\$ 6,660,631</u>
<b>Total Fund Balance</b>	<u>\$ 13,592,276</u>	<u>\$ 16,264,526</u>	<u>\$ 17,064,255</u>	<u>\$ 16,853,632</u>	<u>\$ 17,220,712</u>	<u>\$ 17,326,502</u>	<u>\$ 19,538,573</u>	<u>\$ 24,270,632</u>	<u>\$ 23,644,596</u>	<u>\$ 24,904,436</u>

**Note:** GASB 54 was adopted in fiscal year 2010. Fiscal year 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									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>Revenues</b>										
Taxes	\$ 12,957,738	\$ 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
Permits, Fees, Special Assessments	2,136,075	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
Intergovernmental	2,912,330	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
Charges for services	3,603,386	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
Fines and forfeits	49,382	346,679	76,534	45,048	63,881	66,576	70,208	80,127	83,542	102,626
Miscellaneous	455,358	334,896	538,138	919,712	719,342	403,709	787,693	730,766	596,761	415,098
Total revenues	<u>22,114,269</u>	<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>
<b>Expenditures</b>										
Current										
General government	6,323,672	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
Public safety	5,966,360	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
Physical environment	550,602	537,534	556,326	611,690	598,395	592,915	619,264	691,637	854,615	1,214,970
Public Works/Transportation	7,393,724	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
Economic environment	339,762	328,461	322,064	293,305	284,346	279,380	269,328	261,087	254,451	296,234
Human services	-	-	24,579	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Culture/recreation	3,223,986	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
Debt service										
Principal	705,000	690,000	7,020,000	490,000	480,000	465,000	3,255,000	275,000	3,206,752	720,742
Interest and fiscal charges	176,764	193,397	369,833	347,040	360,336	373,630	514,607	469,438	625,259	635,498
Issuance Costs	-	-	39,503	-	-	-	-	-	-	-
Capital outlay	418,415	978,707	307,263	695,767	792,819	767,025	1,020,979	1,861,846	432,722	581,497
Total expenditures	<u>25,098,285</u>	<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>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,984,016)</u>	<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>
<b>Other financing sources (uses)</b>										
Transfers in	2,992,156	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
Transfers out	(2,680,390)	(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)
Capital lease proceeds	-	-	-	-	-	-	-	-	-	-
Debt proceeds/bond refunding	-	-	6,515,000	-	-	-	2,970,000	-	-	-
Total other financing sources (uses)	<u>311,766</u>	<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>
<b>Net change in fund balances</b>	<u>\$ (2,672,250)</u>	<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>
<b>Debt service as a percentage of noncapital expenditures</b>	3.57%	4.10%	27.57%	4.36%	4.66%	4.55%	15.74%	4.92%	19.83%	8.01%

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	
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
2018	9,306,158	897,108	291,847	1,825,291	547,094	90,240	12,957,738
Change 2009 - 2018	(8.54%)	21.60%	(0.53%)	23.29%	3.40%	57.05%	(2.38%)

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
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%
2018	6,002,809,007	72,447,339	1,024,540,396	5,050,715,950	2.2797	7,193,850,678	84.45%

(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)

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>DIRECT RATES</b>										
CITY OF SANIBEL										
General Operating	1.9139	1.9139	1.9139	1.9995	2.0861	2.1000	2.1038	2.1561	2.1561	2.1561
Voted Debt - Land	0.0690	0.0720	0.0761	0.0800	0.0860	0.0855	0.0599	0.0595	0.0561	0.0483
Voted Debt - Recreation Facility	0.1155	0.1207	0.1179	0.1225	0.1291	0.1308	0.1263	0.1268	0.1172	0.1080
Voted Debt - Sewer	0.1813	0.1947	0.2026	0.2125	0.2295	0.2407	0.2360	0.2484	0.2856	0.2636
Total direct rates	2.2797	2.3013	2.3105	2.4145	2.5307	2.5570	2.5260	2.5908	2.6150	2.5760
<b>OVERLAPPING RATES</b>										
LEE COUNTY:										
General Revenue	3.5506	3.5506	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	0.4100	0.3725	0.3725	0.3725	0.3725	0.3750	0.3750	0.3750	0.3750	0.3750
Hyacinth Control	0.0248	0.0263	0.0263	0.0277	0.0291	0.0298	0.0310	0.0310	0.0277	0.0214
Mosquito Control	0.2800	0.2397	0.2397	0.2397	0.2520	0.2300	0.2388	0.2388	0.2132	0.1636
Fire Control District	1.1089	1.1089	1.1089	1.0239	1.0239	0.9660	0.9446	0.9446	0.8794	0.8114
WATER MANAGEMENT DISTRICTS										
South Florida Water Management	0.3100	0.3307	0.3551	0.3842	0.4110	0.4289	0.4363	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	6.6790	6.9890	7.2850	7.4160	7.5980	7.5840	7.8540	8.0150	7.5080	6.8680
Total Direct and Overlapping Rates	15.1824	15.4584	15.8880	16.0685	16.4072	16.3607	16.5957	17.0092	16.4323	15.6294

**Source:** Lee County Tax Collector

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

Taxpayer	Fiscal Year 2018			Fiscal Year 2009		
	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	\$ 25,688,196	1	0.51%	\$ 31,335,310	1	1.23%
Sanibel Island Hospitality LLC	21,452,314	2	0.42%	-	-	-
BRE/Sanibel Inn Owner, LLC	23,047,359	4	0.46%	10,194,190	9	-
RLR Investments, LLC	20,482,906	3	0.41%	14,798,460	5	-
Tortuga Beach Club	16,098,048	5	0.32%	15,566,420	3	0.82%
Sanibel Cottages	15,960,252	6	0.32%	16,765,420	2	0.67%
Dahlmann Periwinkle Partners	13,649,592	7	0.27%	-	-	-
West Wind Association of Sanibel	13,010,081	8	0.26%	14,226,150	4	0.42%
Judith Hook Trust	10,409,246	9	0.21%	-	-	0.38%
Perwinkle Park Limited	10,147,621	10	0.20%	-	-	-
Shell Island Beach Club	-	N/A	N/A	12,950,060	6	0.46%
1231 Middle Gulf Drive	-	N/A	N/A	12,382,660	7	1.13%
Periwinkle Place Partners	-	N/A	N/A	10,635,450	8	0.41%
Rochester Resorts	-	N/A	N/A	9,688,810	10	0.39%
	<u>\$ 169,945,615</u>		<u>3.36%</u>	<u>\$ 148,542,930</u>		<u>5.92%</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
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%
2018	9,657,514	9,306,158	96.36%	-	9,306,158	96.36%

(\*) Includes discount taken for early payment.

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

Fiscal Year	Residential	Commercial						Consumption Per 1,000 gallons
	Flat Fee	Meter Size						
		5/8"	1"	1-1/2"	2"	3"	4"	
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
2018	62.35	36.20	90.43	180.78	259.13	578.29	906.73	9.36

\* The table above presents monthly sewer charges - customers are charged quarterly

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

Fiscal year Ended Sept. 30	Governmental Activities				Business-Type Activities		Total Primary Government		
	General Obligation Bonds	Capital Revenue Bonds	Capital Revenue Notes	Capital Leases	Wastewater Revenue Bonds	Wastewater Revenue Notes	Total Debt	Percentage of Personal Income	Per Capita
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
2018	6,975,000	-	-	-	3,918,046	9,198,551	20,091,597	N/A	2,998

**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		
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
2018	6,975,000	309,959	6,665,041	0.09%	995

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

CITY OF SANIBEL, FLORIDA  
 DIRECT AND OVERLAPPING GOVERNMENTAL  
 ACTIVITIES DEBT  
 September 30, 2018

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable to Sanibel	Amount Applicable to Primary Government
Lee County School Board	\$ 435,271,045	6.44%	\$ 28,031,455
Lee County	225,353,000	6.44%	14,512,733
Subtotal, overlapping debt			42,544,188
City of Sanibel direct debt			6,975,000
Total direct and overlapping debt			\$ 49,519,188

Source: Lee County Clerk of Courts Finance Division, Lee County School Board Comprehensive Annual Financial Report as of June 30, 2018, 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	\$ 5,050,715,950
Lee County	\$ 78,466,462,865
	6.44%

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	Connection Fees	Net Revenue Available for Debt Service Including Connection Fees	Debt Service Requirements			Coverage Calculation <sup>(3)(4)</sup>	
						Principal	Interest	Total	Excluding Connection Fees	Including Connection Fees
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
2018	7,562,689	3,362,227	4,200,462	103,235	4,303,697	1,287,451	51,442	1,338,893	3.14	3.21

<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			(3) Coverage Calculation
				Principal	Interest	Total	
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
2018	3,612,115	645,475	4,257,591	1,468,490	274,441	1,742,931	2.44

<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
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%
2018	6,701	N/A	N/A	2.9%

**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 2018 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.

<sup>(2)</sup> 2018 data not available as of issuance date

**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

<b>Function/Program</b>	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
General Government										
Legislative	5.40	5.40	5.00	5.00	5.00	2.76	2.76	2.00	2.00	2.00
Administrative	3.75	3.75	3.75	3.75	3.75	4.75	4.75	4.75	5.00	5.00
IT	4.75	4.75	4.40	4.40	4.40	4.40	4.00	4.00	4.00	4.00
Finance	7.75	7.75	7.50	7.50	7.50	7.50	8.00	7.00	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	10.35	8.95	8.90	9.45	8.80	8.85	7.95	6.00	7.00
Public Safety										
Police	37.95	32.95	32.75	35.12	35.12	35.12	33.22	35.72	37.50	38.25
Building	6.00	6.00	5.55	4.80	4.80	4.50	4.35	4.25	4.00	4.00
Physical Environment	2.00	2.00	2.00	3.00	3.00	2.96	2.96	3.00	3.00	3.00
Transportation	10.50	10.50	10.50	8.00	7.94	8.00	7.70	8.66	9.93	11.42
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	26.40	27.65	26.85	26.05	24.24	24.24	24.06	22.81	23.81
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	2.00	1.00	2.00	2.00	1.57	1.57	1.57	1.57	1.62
Utility Operations	17.30	18.30	18.30	18.30	17.22	18.22	18.29	18.33	16.57	17.00
Beach Parking Operations	27.25	27.74	27.74	20.24	16.88	15.63	14.58	13.18	13.92	13.50
<b>TOTAL</b>	<b>171.98</b>	<b>168.47</b>	<b>165.67</b>	<b>158.44</b>	<b>153.69</b>	<b>149.03</b>	<b>145.85</b>	<b>145.05</b>	<b>144.38</b>	<b>148.68</b>

**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									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>Public Safety</b>										
Calls for Service	34,186	26,146	28,772	28,346	21,606	24,790	23,161	23,542	27,564	27,041
Parking Citations	3,267	3,623	3,256	3,713	3,401	2,969	2,439	2,583	2,649	3,561
Traffic Citations	684	749	1,049	1,093	1,031	1,300	1,113	1,081	1,055	782
Total Arrests	113	74	106	133	137	171	116	249	260	357
<b>General Government</b>										
Building permits issued	3,079	2,821	3,546	2,828	2,677	2,725	2,828	2,430	2,418	2,200
Building inspections conducted	7,745	6,689	7,158	6,465	6,546	7,277	6,726	6,266	6,554	5,849
Dwelling units permitted	21	21	36	24	23	17	23	17	15	10
<b>Transportation</b>										
Streets resurfaced/reconstructed (miles) <sup>(2)</sup>	4.53	1.43	1.80	3.27	5.96	4.80	5.80	5.93	6.71	6.45
Shared-use Paths Constructed (linear feet) <sup>(2)</sup>	2,640	-	580	-	1,540	196	6,758	4,730	-	-
Road and Shared-use Path Miles Swept	123	61	278	139	176	235	59	491	465	447
Sanibel Harbor Mangroves trimmed (linear feet)	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
<b>Physical Environment (Wastewater)</b>										
Average daily sewage treatment (thousands of gallons)	1,500	1,500	1,445	1,390	1,278	1,408	1,038	1,122	1,515	1,396
Placement of new collection pipe (linear feet)	-	1,795	-	-	-	-	-	1,120	-	-
Sewer equivalent residential units (ERU) <sup>(1)</sup>	9,521	9,480	9,455	9,392	9,375	9,360	9,344	9,323	9,302	8,864
<b>Culture/Recreation</b>										
After-school program participants	71	98	129	173	118	121	138	147	147	158
Senior Program membership	806	828	729	724	738	707	712	746	748	702
Senior Aerobics participants	10,744	11,317	11,535	10,989	10,013	9,845	9,023	8,196	8,464	6,584
RecCenter annual memberships	976	1,013	1,168	1,153	1,091	1,085	1,093	1,005	990	989
RecCenter six-month memberships	727	750	728	770	787	788	744	729	731	780

<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

<sup>(3)</sup> Certain information for fiscal years 2015-2017 was restated based on new information

**Source:** Various City departments annual reports

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

<b>Function/Program</b>	Fiscal Year										
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>Public Safety</b>											
Police Stations	1	1	1	1	1	1	1	1	1	1	1
<b>Vehicle Patrol Units</b>											
Patrol cars	12	14	12	9	11	10	9	9	10	10	10
Motorcycles	0	2	2	2	2	2	2	2	2	2	2
Emergency Communication Van	1	1	1	1	1	1	1	1	1	1	1
Unmarked vehicles	10	8	8	7	7	7	7	6	7	7	7
Patrol boats	2	2	2	2	2	2	2	2	2	2	2
Traffic Control	4	3	3	1	0	0	0	0	0	0	0
<b>Physical Environment</b>											
Environmentally Sensitive Land (acres)	622	622	622	622	622	622	622	622	622	622	622
Wastewater Treatment Capacity (thousands)	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500
<b>Transportation</b>											
Paved Public Streets (miles)	53.67	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	8.16	8.27	8.27	8.27	8.41
Shared Use Paths (miles)	26.06	25.54	25.54	25.06	25.06	25.06	25.03	23.75	22.85	22.85	22.85
<b>Culture/Recreation</b>											
Number of Parks (non-beach facilities)	2	2	2	2	2	2	2	2	2	2	2
Recreation centers/gymnasiums	1	1	1	1	1	1	1	1	1	1	1
Senior centers	1	1	1	1	1	1	1	1	1	1	1
Swimming pools	3	3	3	3	3	3	3	3	3	3	3
Baseball/softball diamonds	3	3	3	3	3	3	3	3	3	3	3
<b>Beach Parking</b>											
Parking Enforcement Vehicles	4	2	2	2	2	0	0	0	0	0	0
Number of Beach Parking Facilities	7	7	7	7	7	7	7	7	7	7	7
Parking Spaces	637	637	637	637	637	637	637	610	610	610	610
Restrooms	9	9	9	8	8	8	8	6	6	6	6
Fishing Piers	1	1	1	1	1	1	1	1	1	1	1
Boat ramps	1	1	1	1	1	1	1	1	1	1	1

**Source:** Various City departments annual reports. Previous numbers have been updated to include additional categories.

CITY OF SANIBEL, FLORIDA  
SCHEDULE OF INSURANCE COVERAGE  
September 30, 2018

Type of Policy and Type of Coverage	Limits of Liability	Company	Expiration Date	Annual Premium
Property <sup>(1)</sup>	See below	Florida Municipal Insurance Trust	10/01/2019	\$ 315,155
Real	\$ 52,725,413			
Personal	9,383,232			
Business Income	2,000,000			
Inland Marine	1,118,710			
General Liability	5,000,000	Florida Municipal Insurance Trust	10/01/2019	210,353
Extra Contractual Legal Expense (per action)	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	10/01/2019	124,140
Automobile Liability and Automobile Physical Damage	5,000,000	Florida Municipal Insurance Trust	10/01/2019	22,956
Statutory Accidental Death & Disability	72,764.00	National Union Fire Insurance Co of Pitt, PA	10/01/2019	2,132
Unlawful and Intentional Act	205,818.00			
Pollution Liability Aggregate Limit	20,000,000	Commerce and Industry Insurance Company (\$1,000,000 maximum per claim)	10/01/2019	19,050
Flood	11,135,500	Wright National Flood Insurance Group	Various	164,781

<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



The Single Audit section of this report details the amount of State assistance grants the City received in the current year as well as reports on compliance with those various programs.

**This section contains the following subsections:**

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* ..... 162

Independent Auditors’ Report on Compliance for Each Major State Project and Report on Internal Control over Compliance Required by Chapter 10.550, Rules of Auditor General ..... 164

Schedule of Expenditures of State Financial Assistance..... 166

Notes to Schedule of Expenditures of State Financial Assistance..... 167

Schedule of Findings and Questioned Costs..... 168



## **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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 11, 2019. 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  
April 11, 2019



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT  
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR STATE PROJECT AND  
ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH CHAPTER 10.550,  
RULES OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA**

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

**Report on Compliance for Each Major State Project**

We have audited City of Sanibel, Florida's (City) compliance with the types of compliance requirements described in the Florida Department of Financial Services *State Projects Compliance Supplement*, that could have a direct and material effect on each of the City's major state projects for the year ended September 30, 2018. The City's major state projects are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with state statutes, regulations, and the terms and conditions of its state financial assistance applicable to its state projects.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the City's major state projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of and Chapter 10.550, Rules of the Auditor General. Those standards and Chapter 10.550 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state project occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state project. However, our audit does not provide a legal determination of the City's compliance.

***Opinion on Each Major State Project***

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state projects for the year ended September 30, 2018.

### **Report on Internal Control Over Compliance**

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state project and to test and report on internal control over compliance in accordance with Chapter 10.550, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Chapter 10.550. Accordingly, this report is not suitable for any other purpose.



**CliftonLarsonAllen LLP**

Fort Myers, Florida  
April 11, 2019

CITY OF SANIBEL, FLORIDA  
 SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE  
 Year Ended September 30, 2018

<b>State Agency/Program Title</b>	<b>CSFA Number</b>	<b>State or Pass Through Grant Number</b>	<b>Expenditures</b>	<b>Passed Through to Subrecipients</b>
STATE OF FLORIDA, DEPARTMENT OF ENVIRONMENTAL PROTECTION Statewide Surface Water Restoration and Wastewater Projects <i>Passed through Lee County, Florida</i>	37.039	AB001	\$ 1,610,226	\$ -
STATE OF FLORIDA, DEPARTMENT OF ENVIRONMENTAL PROTECTION Statewide Surface Water Restoration and Wastewater Projects	37.039	LP36030	<u>415,516</u>	<u>-</u>
Total Expenditures of State Financial Assistance			<u>\$ 2,025,742</u>	<u>\$ -</u>

See accompanying Notes to Schedule of Expenditures of State Financial Assistance

CITY OF SANIBEL, FLORIDA  
NOTES TO SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE  
Year Ended September 30, 2018

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**Note 1. Basis of Presentation**

The accompanying schedule of expenditures of state financial assistance includes the state grant activity of the City of Sanibel, Florida and is presented on the modified accrual basis of accounting for grants reported in governmental fund and the accrual basis for grants reported in the proprietary funds. The information in this schedule is presented in accordance with the requirements of Chapter 10.550, Rules of the Auditor General.

**Note 2. Relationship to Basic Financial Statements**

State financial assistance expenditures are included in the City's basic financial statements as follows:

	<u>Expenditures</u>
Governmental Funds:	
General Fund	\$ 369,144
Proprietary Funds:	
Sanibel Sewer System	415,516
Beach Parking	<u>1,241,082</u>
	<u>\$ 2,025,742</u>

**CITY OF SANIBEL, FLORIDA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS –  
STATE FINANCIAL ASSISTANCE PROJECTS  
YEAR ENDED SEPTEMBER 30, 2018**

**Part I - Summary of Auditors' Results**

**Financial Statement Section**

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiencies identified not considered to be a material weakness(es)	None Reported
Noncompliance material to financial statements noted?	No

**State Financial Assistance Section**

Internal control over compliance:	
Material weakness(es) identified?	No
Were significant deficiency(ies) identified not considered to be a material weakness(es)	None Reported
Type of auditors' report issued on compliance for major projects:	Unmodified
Identification of major State projects:	

CSFA Number	Name of State Project	
37.039	Statewide Surface Water Restoration and Wastewater Projects	
Dollar threshold used to determine Type A State projects		\$300,000

**Part II - Financial Statement Findings**

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*. Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

**Part III - Findings and Questioned Costs – Major State Projects**

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major state projects, as required to be reported under Section 10.557, Rules of the Auditor General. Our audit did not disclose any matters required to be reported in accordance with Section 10.557, Rules of the Auditor General.

**CITY OF SANIBEL, FLORIDA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS –  
STATE FINANCIAL ASSISTANCE PROJECTS  
YEAR ENDED SEPTEMBER 30, 2018**

**Part IV – Other Matters**

No corrective action plan is required because there were no findings required to be reported under the Florida Single Audit Act.

**Part V – Prior Year Findings**

There were no prior year findings.



**This section contains the following subsections:**

Independent Auditors’ Management Letter ..... 173  
Management’s Response to Management Letter ..... 175  
Independent Accountants’ Report ..... 176





## 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, 2018, and have issued our report thereon dated April 11, 2019.

### 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*; Independent Auditor's Report on Compliance for Each Major State Project and Report on Internal Control over Compliance; Schedule of Findings and Questioned Costs; 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 and schedule, which are dated April 11, 2019, 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. Corrective actions have been taken to address findings and recommendations made in the preceding 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 to identify 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.b. 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 did not have any such recommendations.

**Special District Component Units**

Section 10.554(1)(i)5.c., 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 note 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  
April 11, 2019

April 12, 2019

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, 2018.

**PRIOR YEAR FINDINGS AND RECOMMENDATIONS**

ML 2017-001: Internal vulnerability assessment and external penetration testing have not been performed since 2015.

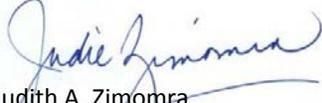
This testing has been completed.

**CURRENT YEAR FINDINGS AND RECOMMENDATIONS**

None noted.

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



# City of Sanibel

800 Dunlop Road  
Sanibel, Florida 33957-4096

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AREA CODE – 239

ADMINISTRATION/LEGISLATIVE	472-3700
CITY COUNCIL	472-4135
COMMUNITY SERVICES	
BUILDING	472-4555
PLANNING	472-4136
PUBLIC WORKS	472-6937
UTILITIES	472-3179
FINANCE	472-9615
INFORMATION TECHNOLOGY	472-3700
LEGAL	472-4359
NATURAL RESOURCES	472-3700
POLICE	472-3111
EMERGENCY MANAGEMENT	472-3111
RECREATION	472-0345
CENTER 4 LIFE	472-5743



## 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, 2018. 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, 2018.

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*

**CliftonLarsonAllen LLP**

Fort Myers, Florida  
April 11, 2019



## CITY OF SANIBEL

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