



City of Sanford, Florida

Comprehensive Annual Financial Report

For the Year Ended September 30, 2004

CITY OF SANFORD, FLORIDA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

September 30, 2004

Prepared by:
Department of Finance

**CITY OF SANFORD, FLORIDA
Comprehensive Annual Financial Report
Year Ended September 30, 2004**

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INTRODUCTORY SECTION:

This section contains the following subsections:

- LETTER OF TRANSMITTAL
- ORGANIZATIONAL CHART
- PRINCIPAL OFFICIALS
- CERTIFICATE OF ACHIEVEMENT FOR
EXCELLENCE IN FINANCIAL REPORTING



City of Sanford, Florida

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Office of the Finance Director
Kevin L. Smith, CGFO

February 28, 2005

To the Honorable Mayor, City Commission and Citizens of the City of Sanford, Florida:

It is with great pleasure that we present the City of Sanford, Florida Comprehensive Annual Financial Report (CAFR) for the fiscal year ended September 30, 2004. State law requires that all general-purpose local governments publish within twelve months of the close of each fiscal year a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants.

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

The City of Sanford's financial statements have been audited by Cherry, Bekaert, & Holland, L.L.P., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Sanford for the fiscal year ended September 30, 2004 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Sanford's financial statements for the fiscal year ended September 30, 2004 are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Sanford's MD&A can be found immediately following the report of the independent auditors.

"The Friendly City"

Profile of the City

The City of Sanford is located in Central Florida in Seminole County, one of the fastest growing counties in the Nation. Nicknamed "Celery City" for its agricultural interest in the early 1900's, Sanford was incorporated in 1877 under the direction of General Henry Shelton Sanford. When Seminole County split from neighboring Orange County in 1913 the City of Sanford was named as the County Seat. Sanford is bounded in the East by Orlando-Sanford International Airport, in the North by Lake Monroe, in the West by Interstate 4, and in the South by Seminole Community College and the City of Lake Mary. The Sanford Commercial District was proclaimed a historic district and placed on the National Register in 1976. The Sanford Residential Historic District, an area of approximately 76 blocks south of the commercial district, was placed on the National Register in 1989. The St. James African Methodist Episcopal Church, erected in 1913, was designated an historic landmark in May 1990.

A charter city, the legislative branch is composed of four single-district elected Commissioners and a citywide elected Mayor. The City Commission is responsible for the establishment and adoption of policy. The execution of such policy is the responsibility of the Commission-appointed City Manager. To effectively execute these policies, as well as to accommodate the unprecedented residential and commercial growth currently experienced by the City and its contiguous areas, the Commission has previously adopted a strategic plan, presented by the City Manager. The vision encompassed the following six major goals:

1. Every neighborhood in the City is a safe and friendly place to live and City residents have pride in their homes and neighborhoods.
2. The City's schools and businesses provide our residents with the opportunity to succeed in life.
3. The City's unique assets are unparalleled and enjoyed by residents and visitors alike.
4. City government, at all levels, has the vision and leadership to be successful.
5. Redevelop U.S. 17-92 to enhance the visual appearance and maintain vibrant businesses.
6. Initiate marketing, image building and public relations campaign to boost the City's image as a destination place and vibrant place of commerce.

Additionally, the Commission has adopted a comprehensive plan, along with land development regulations, and various master plans. The City has established departmental work plans geared toward realizing the vision set forth in the strategic plan. In addition, the City is working in cooperation with Seminole County, Seminole County School Board and other area agencies in a cooperative effort to maximize the opportunities and minimize negative impacts of regional growth.

The City of Sanford provides a full range of services, including police and fire protection; construction and maintenance of streets and other infrastructure; recreation activities and cultural events; and water, wastewater and stormwater utilities. The City of Sanford is also financially accountable for three legally separate component units. The Sanford Airport Authority and Community Redevelopment Agency are presented as discrete component units of the City, with the Sanford Finance Corporation presented as a blended component unit. Additional information on these legally separate entities can be found in notes to the financial statements.

The annual budget serves as the foundation for the City of Sanford's financial planning and control. Department requests for appropriation are submitted to the City Manager, who uses these requests as the starting point for developing the proposed budget. The City Manager is required by City Charter to present the proposed budget to the City Commission for review on or before July 1. The Commission is required to hold public hearings on the proposed budget and to adopt a final budget by no later than September 30, the close of the City's fiscal year. After adoption, the City Manager is authorized to approve transfers of appropriations within and/or between departments. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted.

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 Sanford operates.

Local economy. With the continuation of growth and development, the City has experienced a considerable increase in its ad valorem tax base during recent years. Total assessed value has increased approximately 60% since Fiscal Year 1998, with average annual increases of approximately 8%. Major ad valorem taxpayers in the City include the Seminole Towne Center Regional Mall and Central Florida Regional Hospital. The City's population has also continued to increase to its current total of 46,078, making it the largest city in Seminole County as well as the 50th largest and 29th fastest growing city in the State of Florida. Population is a factor used in determining the City's distribution from the State Municipal Revenue Sharing Program.

During Fiscal Year 2004, the City completed its \$11M RiverWalk project, a 1.2 mile bike and pedestrian pathway along the St. John's River. The Riverwalk is a major component of the revitalization efforts currently underway in the City. Accordingly, plans and/or construction are underway for waterfront homes, condominiums, shops, and restaurants along the RiverWalk.

Long-term financial planning. Through the budget process, the City Commission has continued its commitment to maintaining or improving levels of service while enhancing the quality of life and promoting the health, safety and welfare of its citizens. Effective with the Fiscal Year 2005 budget, a two-year budgeting process was instituted in an effort reduce the considerable time and effort afforded the budget process, as well as to provide an additional tool for use in our financial planning efforts. Through this budget process, several projects are anticipated, many via non-operating funding sources; additionally, several additional projects are in the planning phase:

- Phase II of the RiverWalk Improvement Project.
- Marina North shore restoration.
- Gateway enhancements, including U.S. 17/92 rehabilitation.
- Construction of the final phase of St. John's Parkway.
- Restoration of Ft. Mellon Park.
- Continuation of sidewalk rehabilitation and pavement rehabilitation programs.
- Railroad crossing upgrades.
- Continuation of the Historic District street light program.

- City-wide stormwater drainage improvements project.
- Begin construction on the new \$12M water reclamation facility near the Airport.
- Continue construction of the Reclaimed Water Augmentation Project.
- Construction of the First Street Streetscape Project to provide rehabilitation and revitalization of the downtown corridor.
- Construction of a new Public Safety Facility.

An analysis of future projects and services may be best obtained via review of the City's five-year comprehensive plan, currently under preparation. Upon completion, this plan will outline the goals, objectives and anticipated projects of the City and mechanisms for realization of such.

Cash management policies and practices. Cash, other than that of pension trust funds, temporarily idle during the year was invested in the State Board of Administration of Florida (SBA). Total interest earned from the SBA for all funds for the fiscal year was \$536,569 with interest rates ranging from 1.19% to 1.70% and an average rate of 1.33%. Total SBA investments for the primary government only at September 30, 2004 were \$35,819,512. SBA's portfolio for local governments does not use leverage in its investing practices nor does it own derivatives. Investment instruments typically have a short average maturity, reducing interest rate sensitivity.

The Police Officers' Retirement Fund investments are managed by various investment managers who specialize in specific types of investments (e.g., fixed income, growth equities, income equities, and international equities). Salem Trust Company serves as custodian for the Police Officers' Retirement Fund. The Firefighters' Retirement Fund investments are managed by Trusco Capital Management with SunTrust serving as custodian. The Police Officers' investment portfolio includes mutual funds, domestic stocks, corporate bonds, U.S. Treasury Bonds, and international stocks with a combined market value of \$18,371,133 at September 30, 2004. The Firefighters' investment portfolio includes the same type instruments, with the exception of international stocks, with a combined market value of \$12,460,419 at September 30, 2004. The rate of return net of investment related expenses for fiscal year 2004 was 6.35% for the Police Officers' Fund and 5.70% for the Firefighters' Fund.

Risk management. During the current fiscal year, the City was self insured for workers' compensation with a self insured retention of \$200,000 per claim, but carries catastrophic workers' compensation coverage for claims up to the statutory limit. Employee health insurance was obtained through United Health Care, Inc. and employee life insurance was obtained through Aetna Life Insurance Company. All general liability, auto liability, auto physical damage, and property insurance was obtained through a private carrier with a \$25,000 policy deductible. Self insurance is administered through an internal service fund.

Pension and other postemployment benefits. The City of Sanford sponsors a single-employer defined benefit pension plan for its police officers and a single-employer defined benefit pension plan for its firefighters. Each year, an independent actuary engaged by the pension plans calculates the amount of the annual contribution that the City of Sanford must make to each plan to ensure that the plans will be able to fully meet their obligations to retired employees on a timely basis. In accordance with state statutes and local ordinances, the City of Sanford fully funds each year's annual required contribution to each pension plan as determined by the actuary. In addition to the City's contribution, police officers and firefighters

make a 5.1% and 7% contribution of salary, respectively. Further, the State of Florida contributes funds collected from insurance premium excise taxes.

The City of Sanford also contributes to the Florida Retirement System (FRS), a multiple-employer cost sharing defined benefit pension plan administered by the State of Florida, for the City's authorized permanent, full-time and part-time employees other than police officers and firefighters. The Airport Authority also participates in the FRS. The City of Sanford has no obligation in connection with employee benefits offered through this plan beyond its annual required payment to the FRS.

The City of Sanford also provides postretirement health and life insurance benefits for certain retirees. As of the end of the current fiscal year, there were 83 retired employees receiving health benefits and 123 receiving life insurance benefits, both of which are financed on a pay as you go basis. Additional information on the City of Sanford's pension arrangements and postemployment benefits can be found in the notes to the financial statements.

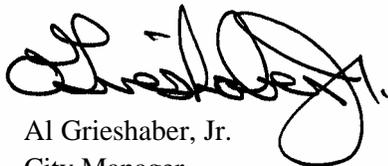
Awards and Acknowledgments

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Sanford for its comprehensive annual financial report (CAFR) for the fiscal year ended September 30, 2003. This was the fifteenth consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

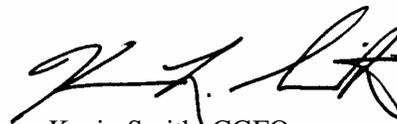
A Certificate of Achievement is valid for a period of one year only. We believe that our CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Finance Department. We would like to express our appreciation to all members of the department who assisted and contributed to the preparation of this report and to our accounting firm, Cherry, Bekaert and Holland, L.L.P. Credit must also be given to the Mayor and City Commission for their unfailing support and steadfast commitment to maintaining the financial integrity of the City. With their continued leadership, the City can look forward to a secure financial future.

Respectfully submitted,

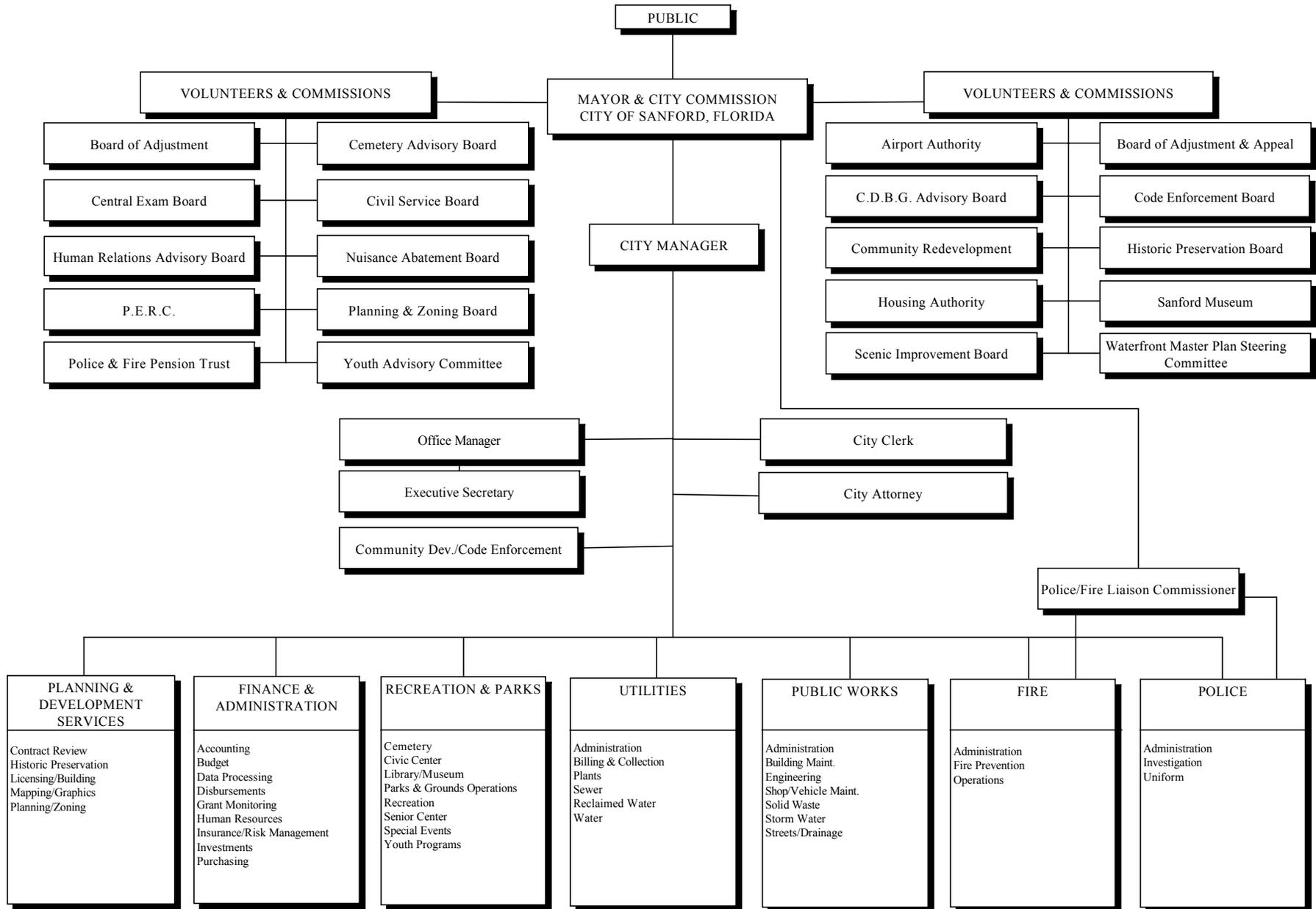


Al Grieshaber, Jr.
City Manager



Kevin Smith, CGFO
Finance Director

City of Sanford Organizational Chart



**CITY OF SANFORD, FLORIDA
PRINCIPAL OFFICIALS
Year Ended September 30, 2004**

MAYOR

Brady Lessard

COMMISSIONERS

Kevin Hipes

Art Woodruff

Randy Jones

Velma H. Williams, Ph.D

STAFF

**Al Grieshaber, Jr., City Manager
Kevin L. Smith, Director of Finance & Administrative Services
Janet R. Dougherty, City Clerk
Russell L. Gibson, Director of Planning & Development Services
William M. Kirby, Director of Parks & Recreation
Thomas J. George, Director of Public Works
Paul Moore, Director of Utilities
Brian F. Tooley, Police Chief
Gerard T. Ransom, Fire Chief**

FINANCIAL SECTION:

This section contains the following subsections:

- INDEPENDENT AUDITORS' REPORT
- MANAGEMENT'S DISCUSSION AND ANALYSIS
- BASIC FINANCIAL STATEMENTS
- REQUIRED SUPPLEMENTARY INFORMATION
- COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES



INDEPENDENT AUDITORS' REPORT

Honorable Mayor, City Commissioners
and City Management
City of Sanford, Florida:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Sanford, Florida (the "City"), as of and for the year ended September 30, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Sanford Airport Authority, which represents 100% of the assets and revenues of the Component Unit - Airport Authority column. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion on the financial statements, insofar as it relates to the amounts included for the Sanford Airport Authority, is based 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of September 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2005 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis section on pages 3 - 14 and the budgetary comparison information and pension disclosures on pages 67 - 69 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund statements and schedules and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards and state financial assistance is also presented for the purpose of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and Chapter 10.550, Rules of the Auditor General, and is not a required part of the basic financial statements. The combining and individual fund statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Cheng, Behant & Holland, L.L.P.

Orlando, Florida
January 31, 2005

BASIC FINANCIAL STATEMENTS

CITY OF SANFORD, FLORIDA

**Statement of Net Assets
September 30, 2004**

	Primary Government			Component Units	
	Governmental Activities	Business Type Activities	Total Primary Government	Sanford CRA	Airport Authority
Assets					
Cash and cash equivalents	\$ 14,974,755	\$ 12,092,934	\$ 27,067,689	\$ 1,153,764	\$ 1,333,437
Investments	-	-	-	-	2,000,000
Accounts receivable - net	894,053	1,998,137	2,892,190	-	732,517
Due from other governments	7,466,002	1,556,822	9,022,824	928	773,457
Inventories	89,934	-	89,934	-	-
Prepaid items and other assets	48,633	-	48,633	-	11,729
Restricted cash and cash equivalents	73,336	10,592,205	10,665,541	1,498,532	1,419,679
Irrigation rights, net	-	1,043,400	1,043,400	-	-
Capital assets:					
Nondepreciable	1,786,519	13,772,751	15,559,270	-	17,922,133
Depreciable	33,783,267	88,527,171	122,310,438	733,091	69,740,805
Total assets	<u>59,116,499</u>	<u>129,583,420</u>	<u>188,699,919</u>	<u>3,386,315</u>	<u>93,933,757</u>
Liabilities					
Accounts payable	2,565,461	1,433,030	3,998,491	324,260	1,012,546
Accrued liabilities	972,962	226,444	1,199,406	-	158,603
Accrued interest payable	-	202,594	202,594	88,400	-
Due to other governments	5,124	2,771	7,895	-	-
Deferred revenues	422,364	31,776	454,140	-	565,955
Liabilities payable from restricted assets	73,336	1,058,436	1,131,772	-	-
Long-term liabilities:					
Due in less than one year	339,557	1,806,912	2,146,469	615,000	302,715
Due in more than one year	4,922,180	40,101,535	45,023,715	7,004,959	19,907,784
Total liabilities	<u>9,300,984</u>	<u>44,863,498</u>	<u>54,164,482</u>	<u>8,032,619</u>	<u>21,947,603</u>
Net assets					
Invested in capital assets, net of related debt	34,149,786	60,689,258	94,839,044	(7,682)	67,452,439
Restricted for:					
Debt service	-	9,331,175	9,331,175	-	-
Public safety	946,099	-	946,099	-	-
Culture and recreation	396,731	-	396,731	-	-
Transportation	526,726	-	526,726	-	-
Airport Memorial Fund	-	-	-	-	18,496
Unrestricted	13,796,173	14,699,489	28,495,662	(4,638,622)	4,515,219
Total net assets	<u>\$ 49,815,515</u>	<u>\$ 84,719,922</u>	<u>\$ 134,535,437</u>	<u>\$ (4,646,304)</u>	<u>\$ 71,986,154</u>

CITY OF SANFORD, FLORIDA

**Statement of Activities
Year Ended September 30, 2004**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets				
	Expenses	Charges for Services	Operating	Capital	Primary Government		Component Units		
			Grants and Contributions	Grants and Contributions	Governmental Activities	Business-type Activities	Total	Sanford CRA	Airport Authority
Primary government:									
Governmental activities:									
General government	\$ 4,068,177	\$ 1,908,325	\$ 343,109	\$ -	\$ (1,816,743)	\$ -	\$ (1,816,743)	\$ -	\$ -
Public safety	15,489,064	2,016,588	572,780	387,366	(12,512,330)	-	(12,512,330)	-	-
Transportation	7,705,005	32,295	4,203,425	3,041,166	(428,119)	-	(428,119)	-	-
Physical environment	3,049,805	3,685,372	127,491	-	763,058	-	763,058	-	-
Economic environment	398,016	-	298,275	-	(99,741)	-	(99,741)	-	-
Human services	520,668	-	-	-	(520,668)	-	(520,668)	-	-
Culture/recreation	3,839,755	242,649	174,001	359,299	(3,063,806)	-	(3,063,806)	-	-
Total governmental activities	<u>35,070,490</u>	<u>7,885,229</u>	<u>5,719,081</u>	<u>3,787,831</u>	<u>(17,678,349)</u>	<u>-</u>	<u>(17,678,349)</u>	<u>-</u>	<u>-</u>
Business-type activities:									
Water and sewer	11,961,279	12,966,834	-	5,638,874	-	6,644,429	6,644,429	-	-
Stormwater	1,462,879	2,176,495	-	36,912	-	750,528	750,528	-	-
Total business-type activities	<u>13,424,158</u>	<u>15,143,329</u>	<u>-</u>	<u>5,675,786</u>	<u>-</u>	<u>7,394,957</u>	<u>7,394,957</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 48,494,648</u>	<u>\$ 23,028,558</u>	<u>\$ 5,719,081</u>	<u>\$ 9,463,617</u>	<u>(17,678,349)</u>	<u>7,394,957</u>	<u>(10,283,392)</u>	<u>-</u>	<u>-</u>
Component unit:									
Sanford CRA	\$ 333,890	\$ -	\$ -	\$ -	-	-	-	(333,890)	-
Airport Authority	9,838,660	7,936,516	-	10,409,875	-	-	-	-	8,507,731
Total component unit	<u>\$ 10,172,550</u>	<u>\$ 7,936,516</u>	<u>\$ -</u>	<u>\$ 10,409,875</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(333,890)</u>	<u>8,507,731</u>
General revenues:									
Property taxes					9,482,890	-	9,482,890	661,686	-
Other taxes					16,047,008	-	16,047,008	-	-
Unrestricted investment earnings					241,340	286,498	527,838	12,021	71,731
Gain on sale of capital assets					141,813	-	141,813	600	-
Miscellaneous					429,570	-	429,570	244,509	48,856
Transfers					(11,500)	11,500	-	-	-
Total general revenues and transfers					<u>26,331,121</u>	<u>297,998</u>	<u>26,629,119</u>	<u>918,816</u>	<u>120,587</u>
Change in net assets					8,652,772	7,692,955	16,345,727	584,926	8,628,318
Net assets - beginning					<u>41,162,743</u>	<u>77,026,967</u>	<u>118,189,710</u>	<u>(5,231,230)</u>	<u>63,357,836</u>
Net assets - ending					<u>\$ 49,815,515</u>	<u>\$ 84,719,922</u>	<u>\$ 134,535,437</u>	<u>\$ (4,646,304)</u>	<u>\$ 71,986,154</u>

CITY OF SANFORD, FLORIDA

**Balance Sheet
Governmental Funds
September 30, 2004**

	General Fund	Riverwalk Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 10,839,212	\$ -	\$ 2,314,051	\$ 13,153,263
Accounts receivable - net	809,845	-	-	809,845
Due from other funds	1,524,825	-	-	1,524,825
Due from other governments	5,502,014	1,766,574	197,414	7,466,002
Inventories	89,934	-	-	89,934
Prepaid items	19,623	-	-	19,623
Restricted cash and cash equivalents	73,336	-	-	73,336
Total assets	\$ 18,858,789	\$ 1,766,574	\$ 2,511,465	\$ 23,136,828
Liabilities and fund balances				
Liabilities:				
Accounts payable	\$ 2,475,569	\$ 28,553	\$ 61,339	\$ 2,565,461
Accrued liabilities	971,082	-	1,880	972,962
Due to other funds	-	1,462,157	62,668	1,524,825
Due to other governments	5,124	-	-	5,124
Deferred revenue	5,210,171	266,574	-	5,476,745
Liabilities payable from restricted assets	73,336	-	-	73,336
Total liabilities	8,735,282	1,757,284	125,887	10,618,453
Fund balances:				
Reserved for inventories	89,934	-	-	89,934
Reserved for prepaid items	19,623	-	-	19,623
Reserved for long-term due from other governme	24,000	-	-	24,000
Reserved for escrow deposit	-	-	51,710	51,710
Unreserved, reported in:				
General fund	9,989,950	-	-	9,989,950
Special revenue funds	-	-	2,333,868	2,333,868
Capital project funds	-	9,290	-	9,290
Total fund balances	10,123,507	9,290	2,385,578	12,518,375
Total liabilities and fund balances	\$ 18,858,789	\$ 1,766,574	\$ 2,511,465	\$ 23,136,828

CITY OF SANFORD, FLORIDA
Reconciliation of the Balance Sheet of Governmental Funds to the
Statement of Net Assets
September 30, 2004

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

Ending fund balance - governmental funds		\$ 12,518,375
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. These assets consist of:

Land	\$ 1,786,519	
Buildings and improvements, net of \$7,039,191 accumulated depreciation	29,666,596	
Equipment, net of \$11,775,577 accumulated depreciation	<u>4,116,671</u>	
 Total capital assets, net		 35,569,786

The Internal service fund is used to account for the City's risk management costs to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.

833,817

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. These liabilities consist of:

Bonds payable	(1,420,000)	
Compensated absences	(1,490,051)	
Accrued clean-up and long-term care costs	<u>(1,250,793)</u>	
 Total long-term liabilities		 (4,160,844)

Amounts to be collected under long-term receivables are not available to pay for the current period's expenditures, and therefore are reported as deferred in the funds.

5,054,381

Net assets of governmental activities		<u><u>\$ 49,815,515</u></u>
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CITY OF SANFORD, FLORIDA

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended September 30, 2004**

	General Fund	Riverwalk Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 17,823,525	\$ 1,877,000	\$ 1,586,319	\$ 21,286,844
Licenses and permits	1,490,136	-	-	1,490,136
Intergovernmental revenues	4,879,009	2,775,422	298,275	7,952,706
Charges for services	4,979,130	-	-	4,979,130
Fines and forfeitures	238,459	-	122,990	361,449
Impact fees	-	-	746,665	746,665
Contributions	113,914	-	-	113,914
Interest earnings	221,269	261	19,810	241,340
Administrative services	906,231	-	-	906,231
Miscellaneous revenue	578,521	-	197,894	776,415
Total revenues	<u>31,230,194</u>	<u>4,652,683</u>	<u>2,971,953</u>	<u>38,854,830</u>
Expenditures				
Current:				
General government	4,284,114	-	-	4,284,114
Public safety	14,209,554	-	36,810	14,246,364
Transportation	2,164,577	-	373,420	2,537,997
Physical environment	2,974,341	-	-	2,974,341
Economic environment	84,140	-	299,247	383,387
Human services	259,918	-	-	259,918
Culture/Recreation	3,198,115	-	-	3,198,115
Capital outlay	1,726,792	3,127,207	2,202,461	7,056,460
Debt service:				
Principal	-	-	90,000	90,000
Interest and fiscal charges	-	-	82,026	82,026
Total expenditures	<u>28,901,551</u>	<u>3,127,207</u>	<u>3,083,964</u>	<u>35,112,722</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,328,643</u>	<u>1,525,476</u>	<u>(112,011)</u>	<u>3,742,108</u>
Other financing sources (uses)				
Transfers in	-	-	172,026	172,026
Transfers out	(183,526)	-	-	(183,526)
Total other financing sources (uses)	<u>(183,526)</u>	<u>-</u>	<u>172,026</u>	<u>(11,500)</u>
Extraordinary item				
Hurricane expenditures	(5,280,873)	-	-	(5,280,873)
	<u>(5,280,873)</u>	<u>-</u>	<u>-</u>	<u>(5,280,873)</u>
Net change in fund balances	<u>(3,135,756)</u>	<u>1,525,476</u>	<u>60,015</u>	<u>(1,550,265)</u>
Fund balance - beginning	<u>13,259,263</u>	<u>(1,516,186)</u>	<u>2,325,563</u>	<u>14,068,640</u>
Fund balance - ending	<u>\$ 10,123,507</u>	<u>\$ 9,290</u>	<u>\$ 2,385,578</u>	<u>\$ 12,518,375</u>

CITY OF SANFORD, FLORIDA
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities
Year Ended September 30, 2004

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

Net change in fund balances - total governmental funds \$ (1,550,265)

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 capitalized capital outlay (\$7,151,659; \$95,199 of which is included in hurricane expenditures) exceeded depreciation (\$2,438,088) in the current period. 4,713,571

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related accounts.

Bonds	\$	90,000	
Compensated absences		(258,312)	
Accumulated clean-up and long-term care costs		19,439	
			(148,873)

The net revenue of the internal service fund is reported with governmental activities. 758,407

Under the modified accrual basis of accounting used in the governmental funds, revenues are not recognized until funds are measurable and available to finance current expenditures. In the statement of activities, however, which is presented on the accrual basis, revenues are reported regardless of when financial resources are available. This is the additional revenue recognized under the full accrual basis. 4,879,932

Change in net assets of governmental activities \$ 8,652,772

CITY OF SANFORD, FLORIDA

Statement of Net Assets
Proprietary Funds
September 30, 2004

Assets	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service
	Water and Sewer	Stormwater	Total Enterprise	
Current assets				
Cash and cash equivalents	\$ 10,908,089	\$ 1,184,845	\$ 12,092,934	\$ 1,821,492
Accounts receivable	2,176,008	200,711	2,376,719	84,208
Allowance for estimated uncollectibles	(347,360)	(31,222)	(378,582)	-
Due from other governments	1,550,529	6,293	1,556,822	-
Prepaid items	-	-	-	29,010
Restricted cash and cash equivalents	3,120,680	-	3,120,680	-
Total current assets	17,407,946	1,360,627	18,768,573	1,934,710
Noncurrent assets				
Restricted cash and cash equivalents	7,471,525	-	7,471,525	-
Property, plant and equipment				
Land	5,050,202	1,163,806	6,214,008	-
Buildings and improvements	4,436,239	1,161	4,437,400	-
Water and sewer system	92,300,496	-	92,300,496	-
Stormwater management system	-	9,799,649	9,799,649	-
Equipment	5,467,335	1,270,365	6,737,700	-
	107,254,272	12,234,981	119,489,253	-
Less accumulated depreciation	(20,850,856)	(3,897,218)	(24,748,074)	-
	86,403,416	8,337,763	94,741,179	-
Construction in progress	7,234,169	324,574	7,558,743	-
Total property, plant and equipment	93,637,585	8,662,337	102,299,922	-
Other assets				
Irrigation rights, net	1,043,400	-	1,043,400	-
Total other assets	1,043,400	-	1,043,400	-
Total assets	\$ 119,560,456	\$ 10,022,964	\$ 129,583,420	\$ 1,934,710

CITY OF SANFORD, FLORIDA
Statement of Net Assets (continued)
Proprietary Funds
September 30, 2004

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service
	Water and Sewer	Stormwater	Total Enterprise	
Liabilities and net assets				
Current liabilities payable from current assets				
Accounts payable	\$ 1,344,400	\$ 88,630	\$ 1,433,030	\$ -
Accrued liabilities	198,165	28,279	226,444	-
Accrued compensated absences	38,681	2,636	41,317	-
Deferred revenue	31,776	-	31,776	-
Due to other governments	2,771	-	2,771	-
Claims payable, current	-	-	-	14,827
Current liabilities payable from restricted assets				
Accrued interest payable	202,594	-	202,594	-
Bonds payable, current	970,000	302,768	1,272,768	-
Notes, loans and contracts payable, current	492,827	-	492,827	-
Customer deposits	1,058,436	-	1,058,436	-
Total current liabilities	<u>4,339,650</u>	<u>422,313</u>	<u>4,761,963</u>	<u>14,827</u>
Noncurrent liabilities				
Accrued compensated absences	235,613	20,853	256,466	-
Bonds payable	23,222,633	1,907,902	25,130,535	-
Notes, loans and contracts payable	14,572,588	141,946	14,714,534	-
Claims payable	-	-	-	1,086,066
Total noncurrent liabilities	<u>38,030,834</u>	<u>2,070,701</u>	<u>40,101,535</u>	<u>1,086,066</u>
Total liabilities	<u>42,370,484</u>	<u>2,493,014</u>	<u>44,863,498</u>	<u>1,100,893</u>
Net assets				
Invested in capital assets, net of related debt	54,379,537	6,309,721	60,689,258	-
Restricted for debt service	9,331,175	-	9,331,175	-
Unrestricted	13,479,260	1,220,229	14,699,489	833,817
Total net assets	<u>77,189,972</u>	<u>7,529,950</u>	<u>84,719,922</u>	<u>833,817</u>
Total liabilities and net assets	<u>\$ 119,560,456</u>	<u>\$ 10,022,964</u>	<u>\$ 129,583,420</u>	<u>\$ 1,934,710</u>

CITY OF SANFORD, FLORIDA

**Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
Year Ended September 30, 2004**

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service
	Water and Sewer	Stormwater	Total Enterprise	
Operating revenues				
Charges for services	\$ 12,966,834	\$ 2,176,495	\$ 15,143,329	\$ 1,622,771
Other revenue	552,206	36,912	589,118	205,199
Total operating revenues	<u>13,519,040</u>	<u>2,213,407</u>	<u>15,732,447</u>	<u>1,827,970</u>
Operating expenses				
Personal services	3,602,852	528,279	4,131,131	-
Materials	2,798,804	171,576	2,970,380	-
Other services	1,527,297	386,369	1,913,666	1,086,969
Depreciation	2,152,428	265,009	2,417,437	-
Amortization	88,800	-	88,800	-
Total operating expenses	<u>10,170,181</u>	<u>1,351,233</u>	<u>11,521,414</u>	<u>1,086,969</u>
Operating income	<u>3,348,859</u>	<u>862,174</u>	<u>4,211,033</u>	<u>741,001</u>
Nonoperating revenue (expense)				
Interest income	275,387	11,111	286,498	17,406
Intergovernmental grant revenue	573,831	-	573,831	-
Interest expense	(1,605,674)	(110,088)	(1,715,762)	-
Amortization of debt costs	(184,342)	(1,558)	(185,900)	-
Total nonoperating revenue (expense)	<u>(940,798)</u>	<u>(100,535)</u>	<u>(1,041,333)</u>	<u>17,406</u>
Income before transfers and contributions	<u>2,408,061</u>	<u>761,639</u>	<u>3,169,700</u>	<u>758,407</u>
Capital contributions	4,511,755	-	4,511,755	-
Transfers in	-	11,500	11,500	-
Change in net assets	<u>6,919,816</u>	<u>773,139</u>	<u>7,692,955</u>	<u>758,407</u>
Total net assets - beginning	<u>70,270,156</u>	<u>6,756,811</u>	<u>77,026,967</u>	<u>75,410</u>
Total net assets - ending	<u>\$ 77,189,972</u>	<u>\$ 7,529,950</u>	<u>\$ 84,719,922</u>	<u>\$ 833,817</u>

CITY OF SANFORD, FLORIDA
Statement of Cash Flows
Proprietary Funds
Year Ended September 30, 2004

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service
	Water and Sewer	Stormwater	Total Enterprise	
Operating activities				
Cash received from customers	\$ 12,809,232	\$ 2,091,019	\$ 14,900,251	\$ 1,538,665
Cash payments to suppliers for goods and services	(3,815,466)	(519,137)	(4,334,603)	(1,105,375)
Cash payments to employees for services	(3,490,000)	(521,876)	(4,011,876)	-
Cash received from local governments and other revenues	552,206	36,912	589,118	205,199
Net cash provided by operating activities	<u>6,055,972</u>	<u>1,086,918</u>	<u>7,142,890</u>	<u>638,489</u>
Noncapital financing activities				
Transfers in from other funds	-	11,500	11,500	-
Net cash provided by noncapital financing activities	<u>-</u>	<u>11,500</u>	<u>11,500</u>	<u>-</u>
Capital and related financing activities				
Capital contributed by other governments and developers	4,511,755	-	4,511,755	-
Intergovernmental grant revenue	573,831	-	573,831	-
Acquisition and construction of capital assets	(7,237,835)	(135,060)	(7,372,895)	-
Proceeds from notes payable and loans	748,903	35,922	784,825	-
Principal paid on revenue bonds	(966,399)	(287,010)	(1,253,409)	-
Principal paid on notes and capital lease obligation	(2,057,150)	-	(2,057,150)	-
Interest paid on revenue bonds, notes payable and capital lease obligations	(1,606,022)	(110,088)	(1,716,110)	-
Net cash used by capital and related financing activities	<u>(6,032,917)</u>	<u>(496,236)</u>	<u>(6,529,153)</u>	<u>-</u>
Investing activities				
Interest income	275,387	11,111	286,498	17,406
Net cash provided by investing activities	<u>275,387</u>	<u>11,111</u>	<u>286,498</u>	<u>17,406</u>
Net decrease in cash and cash equivalents/investments	<u>298,442</u>	<u>613,293</u>	<u>911,735</u>	<u>655,895</u>
Cash and cash equivalents/investments Beginning of year	<u>21,201,852</u>	<u>571,552</u>	<u>21,773,404</u>	<u>1,165,597</u>
End of year	<u>\$ 21,500,294</u>	<u>\$ 1,184,845</u>	<u>\$ 22,685,139</u>	<u>\$ 1,821,492</u>
Cash and cash equivalents classified as:				
Current assets	\$ 10,908,089	\$ 1,184,845	\$ 12,092,934	\$ 1,821,492
Restricted assets	10,592,205	-	10,592,205	-
	<u>\$ 21,500,294</u>	<u>\$ 1,184,845</u>	<u>\$ 22,685,139</u>	<u>\$ 1,821,492</u>
Reconciliation of operating income to net cash provided by operating activities				
Operating income	\$ 3,348,859	\$ 862,174	\$ 4,211,033	\$ 741,001
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	2,152,428	265,009	2,417,437	-
Amortization of irrigation rights	88,800	-	88,800	-
Provision for uncollectible accounts	50,796	(8,477)	42,319	-
Change in assets and liabilities				
Accounts receivable	(359,258)	(76,999)	(436,257)	(84,106)
Prepaid expenses	-	-	-	(23,062)
Accounts payable	510,635	38,808	549,443	4,656
Accrued liabilities	82,060	9,624	91,684	-
Deferred revenue	1,511	-	1,511	-
Customer deposits	149,349	-	149,349	-
Compensated absences	30,792	(3,221)	27,571	-
Total adjustments	<u>2,707,113</u>	<u>224,744</u>	<u>2,931,857</u>	<u>(102,512)</u>
Net cash provided by operating activities	<u>\$ 6,055,972</u>	<u>\$ 1,086,918</u>	<u>\$ 7,142,890</u>	<u>\$ 638,489</u>

CITY OF SANFORD, FLORIDA
Statement of Fiduciary Net Assets
Fiduciary Funds
September 30, 2004

Assets		
Investments, at fair value:		
Money market funds		\$ 1,664,257
Equity securities, individual stocks and mutual funds		14,368,606
Mutual funds investing in corporate and U.S. Treasury bonds		<u>14,798,689</u>
Total investments		30,831,552
Due from fiscal agent		<u>1,661</u>
Total assets		<u>30,833,213</u>
Liabilities		
Accounts payable		<u>45,049</u>
Total liabilities		<u>45,049</u>
Net Assets		
Held in trust for pension benefits		<u><u>\$ 30,788,164</u></u>

CITY OF SANFORD, FLORIDA
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
Year Ended September 30, 2004

Additions

Contributions:

Employer	\$ 1,106,185
State	440,255
Plan members and others	427,151
Total contributions	1,973,591

Investment earnings:

Net increase in fair value of investments	1,424,671
Dividends	225,504
Interest	283,483
Total investment earnings	1,933,658

Less investment expenses	155,155
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Net investment earnings	1,778,503
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Miscellaneous income	5,694
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Total additions	3,757,788
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Deductions

Benefits	1,871,320
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Refunds of contributions	128,125
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Other services and charges	55,910
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Total deductions	2,055,355
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Change in net assets	1,702,433
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Total net assets - beginning	29,085,731
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Total net assets - ending	\$ 30,788,164
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CITY OF SANFORD, FLORIDA
Notes to Financial Statements
Year Ended September 30, 2004

Note 1 - Summary of Significant Accounting Policies

The City of Sanford, Florida (the "City") is a political subdivision of the State of Florida located in Seminole County. The legislative branch of the City is composed of a five-member elected Commission, including a citywide elected Mayor. The City Commission is governed by the City Charter and by state and local laws and regulations. The City Commission is responsible for the establishment and adoption of policy. The execution of such policy is the responsibility of the Commission-appointed City Manager.

The accounting policies of the City conform to accounting principles generally accepted in the United States of America as applicable to governments as established by the Governmental Accounting Standards Board. The following is a summary of the more significant policies.

A. Reporting Entity

The concept underlying the definition of the reporting entity is that elected officials are accountable to their constituents for their actions. The reporting entity's financial statements should allow users to distinguish between the primary government (the City) and its component units. However, some component units, because of the closeness of their relationships with the City, should be blended as if they were part of the City. Otherwise, most component units should be discretely presented. To accomplish this goal, the City's financial statements present the fund types of the City, including a component unit that has been blended, and provides an overview of the discretely presented component units in separate columns.

As required by accounting principles generally accepted in the United States of America, the financial reporting entity consists of (1) the primary government, (2) organizations for which the City is financially accountable, and (3) other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The City is financially accountable if it appoints a voting majority of the organization's governing body and (a) it is able to impose its will on that organization or (b) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the City. The City may be financially accountable if an organization has (a) a separately elected governing board, (b) a governing board appointed by a higher level of government, or (c) a jointly appointed board. Based on these criteria, City management examined all organizations that were legally separate in order to determine which organizations, if any, should be included in the City's financial statements. Management determined that the City of Sanford Finance Corporation, the Sanford Airport Authority, and the City of Sanford Community Redevelopment Agency are the only organizations that should be included in the City's financial statements as component units. If a separate note reference is not made, the user should assume that information presented is equally applicable to both the primary government and the discretely presented component units.

CITY OF SANFORD, FLORIDA
Notes to Financial Statements
Year Ended September 30, 2004

Note 1 - Summary of Significant Accounting Policies (Continued)

Based upon a review of these criteria, the following is a brief review of units addressed in defining the City's reporting entity:

(1) Blended Component Unit

City of Sanford Finance Corporation - The City of Sanford Finance Corporation (the "Corporation") was established under Resolution No. 1568 of the City Commission as a not-for-profit corporation incorporated in 1989 under the provisions of the not-for-profit corporation law of the State of Florida. The City Commission and Mayor comprise the Board of Directors. The transactions of the Corporation are accounted for within the City's applicable fund types.

(2) Discretely Presented Component Units

The Sanford Airport Authority - The Sanford Airport Authority (the "Airport Authority") was established under Florida Statutes Chapter 71-924 and Resolution No. 1315 of the City Commission. The City Commission appoints all members of the Board of Directors of the Airport Authority and approves the Airport Authority 's annual operating budget, as well as any budget adjustments or amendments. Separate financial statements of the Airport Authority can be obtained from the Airport Authority.

The City of Sanford Community Redevelopment Agency - The City of Sanford Community Redevelopment Agency (the "Sanford CRA") pursuant to Section 163.356, Florida Statutes was established by City Ordinance No. 3282 and County Ordinance No. 95-R-246. The Sanford CRA was established to enhance selected areas of the City. The Seminole Towne Center and Lake Monroe Waterfront and Downtown Sanford Community Redevelopment areas are the currently active projects undertaken by the City. The Sanford CRA district known as Seminole Towne Center was established in 1993 with the City Commission as the agency. In 1996 the Lake Monroe Waterfront and Downtown District was expanded by interlocal agreement with Seminole County. Currently, the City and Seminole County provide tax increment revenue to the Sanford CRA. Taxes are to be used for payment of infrastructure improvement projects and debt service on loans.

The Sanford CRA is comprised of a five-member board. Three members are nominated and appointed by the City Commission, and two members are nominated by the Board of County Commissioners of Seminole County and appointed by the City Commission. The Sanford CRA's financial records are presented as a discrete component unit of the City. Financial records are maintained by the City. Separate financial statements are not prepared for the Sanford CRA.

CITY OF SANFORD, FLORIDA
Notes to Financial Statements
Year Ended September 30, 2004

Note 1 - Summary of Significant Accounting Policies (Continued)

B. Fund Accounting

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

C. Measurement focus, basis of accounting, and financial statement presentation

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

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

CITY OF SANFORD, FLORIDA
Notes to Financial Statements
Year Ended September 30, 2004

Note 1 - Summary of Significant Accounting Policies (Continued)

Property taxes, franchise fees, licenses, and interest allocated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The *general fund* is the general operating fund of the City. It is used to account for all financial resources, except those required to be accounted for in another fund.

The *capital projects fund - riverwalk* is used to account for financial resources earmarked for the construction of the Lake Monroe Riverwalk.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer enterprise fund, of the stormwater enterprise fund, and of the government's internal service fund are charges to customers for sales and services. Operating expenses for enterprise funds and internal service 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 nonoperating revenues and expenses.

The government reports the following major proprietary funds:

The *water and sewer fund* accounts for the fiscal activities of the City's water and sewer treatment and distribution operations, as well as funding and payment of related debt.

The *stormwater fund* accounts for the operation of the City's Stormwater management utility.

Additionally, the government reports the following funds:

The *Internal Service Fund* is used to account for the financing of goods and services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis. The City has one (1) Internal Service Fund used to account for the City's risk management activities. This fund is accounted for on the accrual basis of accounting.

Pension Trust Funds are used to account for assets held by the City in a trustee capacity. The City has two (2) pension trust funds: the *Police Officers' Retirement System Fund* and the *Firefighters' Retirement System Fund*. These funds are accounted for on the accrual basis of accounting.

CITY OF SANFORD, FLORIDA
Notes to Financial Statements
Year Ended September 30, 2004

Note 1 - Summary of Significant Accounting Policies (Continued)

Component Units - *Sanford CRA* is used to account for financial resources of the Seminole Towne Center Bond Trust Fund and the Lake Monroe Waterfront and Downtown Sanford Community Redevelopment Trust Fund. Capital assets are constructed with the proceeds, and are donated to the primary government. *Airport Authority* is used to account for the related activities of the Sanford Airport Authority. These component units are presented as discrete component units in the accompanying financial statements and are accounted for on the accrual basis of accounting.

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 and other charges between the government's water and sewer and stormwater functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

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

D. GASB Statement No. 20 Election

Pursuant to the election option made available by the Governmental Auditing Standards Board (GASB) Statement No. 20, pronouncements of the Financial Accounting Standards Board (FASB) issued after November 30, 1989 are not applied in the preparation of the financial statements of the City's business-type activities and enterprise funds.

E. Cash and Cash Equivalents

For purposes of the statement of cash flows, all highly liquid investments (including restricted assets) with a maturity of three (3) months or less when purchased are considered to be cash equivalents.

CITY OF SANFORD, FLORIDA
Notes to Financial Statements
Year Ended September 30, 2004

Note 1 - Summary of Significant Accounting Policies (Continued)

F. Receivables

- (1) Property Taxes Receivable - Under Florida law, the assessment of all properties and the collection of all county, municipal and school board property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector. The laws of the State regulating tax assessments are also designed to assure a consistent property valuation method statewide. State Statutes permit municipalities to levy property taxes at a rate up to ten (10) mills. The millage rate assessed by the City for the fiscal year ended September 30, 2004 was 6.475 mills.

All real and tangible personal property taxes are due and payable on November 1 of each year, or as soon thereafter as the assessment roll is certified by the Seminole County Property Appraiser (levy date). Seminole County mails to each property owner on the assessment roll a notice of the taxes due. The County also collects the taxes for the City. Taxes may be paid upon receipt of such notice from the County, with discounts at the rate of four percent (4%) if paid in the month of November, three percent (3%) if paid in the month of December, two percent (2%) if paid in the month of January, and one percent (1%) if paid in the month of February. Taxes paid during the month of March are without discount, and all unpaid taxes on real and tangible personal property become delinquent on April 1 of the year following the year in which taxes were assessed.

Prior to May 1 of each year, immediately following the year of assessment, the county advertises a list of delinquent personal property taxpayers. Warrants are issued directing seizure and sale of the personal property of the taxpayer if the delinquent personal property taxes are not paid. On or before June 1 (lien date) of the year following the year in which taxes were assessed, tax certificates are sold on all real estate parcels with outstanding real property taxes. These parcels are advertised once a week for four (4) weeks prior to the tax certificate sale.

City property tax revenues are recognized when levied to the extent that they result in current receivables. If material, delinquent taxes receivable that are measurable, but not available as of the end of the fiscal year, are reflected as deferred revenues. The deferred revenues are recognized as revenue in the fiscal year they become measurable and available as net current assets.

- (2) Accounts Receivable - The Water and Sewer Fund and Stormwater Fund operating revenues are generally recognized on the basis of cycle billings rendered monthly. Revenues for services delivered during the last month of the applicable reporting period for meters that have not been read are accrued based on meter readings for the applicable consumption taken at the beginning of the succeeding month. Water and Sewer Fund and Stormwater Fund billings are rendered monthly for the month's services.

CITY OF SANFORD, FLORIDA
Notes to Financial Statements
Year Ended September 30, 2004

Note 1 - Summary of Significant Accounting Policies (Continued)

G. Inventories

All inventories are stated at cost on the basis of the "first-in, first-out" method of accounting. The effect of this method is to flow costs through operations in the order in which they are purchased and to assign a balance sheet cost that reflects current replacement values.

Inventories for the General Fund consist of expendable supplies held for consumption. This cost is recorded as an expenditure at the time inventory items are used (consumption method). Reported inventories are equally offset by a fund balance reserve that indicates that they do not constitute "available spendable resources", even though they are a component of net current assets.

H. Capital Assets

Capital assets are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Constructed or purchased assets are recorded at historical cost or estimated historical cost. Donated assets are recorded at the estimated fair market value on the date of donation. Infrastructure assets associated with governmental activities (drainage systems, and road and highway systems) acquired or constructed prior to October 1, 2002 are not yet reported. The threshold for capitalization of assets is \$1,000. Costs of maintenance and repairs that do not add to the value of assets or extend their useful lives are not capitalized.

All capital assets except land and construction in progress are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	30 - 60
Improvements other than buildings	30 - 60
Water and Sewer System	60
Stormwater Management System	40
Equipment	5 - 20
Airport Authority streets	20 - 40

Gains or losses on disposal of fixed assets are included in income in the period of disposal.

CITY OF SANFORD, FLORIDA
Notes to Financial Statements
Year Ended September 30, 2004

Note 1 - Summary of Significant Accounting Policies (Continued)

I. Irrigation Right

The City entered into an interlocal agreement with another city to facilitate disposal of reclaimed water by spraying irrigation. The City paid a proprietary fee of \$2,220,000 for irrigation rights to utilize the other city's irrigation facility. The irrigation rights are for a period of twenty-five (25) years, beginning July 1, 1991. The irrigation rights are being amortized on a straight-line basis over the life of the rights. Accumulated amortization at September 30, 2004 and amortization expense for the fiscal year ended September 30, 2004 are \$1,043,000 and \$88,800, respectively.

J. Compensated Absences

It is the City's policy to grant all permanent full-time and part-time employees annual leave based upon the number of years of employment with the City. Employees are encouraged to use annual leave in the year it is earned. Employees accrue annual leave at a rate of ten (10) days per year for the first ten (10) years of service and at a rate of fifteen (15) days per year after ten (10) years of service. Upon termination in good standing or retirement, employees are paid for accrued annual leave up to a maximum of 22.5 days. Public Safety employees accrue sick and annual leave on a pro-rata basis, using 2080 annual hours as the base. Sick leave is accumulated at a rate of 1.25 workdays per month. Employees may accrue sick time benefits with no restriction as to maximum amount. Comp time is accumulated and accrued subject to several limitations and qualifications. Upon termination in good standing, an employee is entitled to a cash benefit of one-eighth of accrued sick leave. Upon retirement, an employee is entitled to a cash benefit of 100% of accrued sick leave. Both cash benefits are subject to the limits of the maximum accumulated sick leave of thirty (30) days for up to five (5) years service, sixty (60) days for five to ten (5 - 10) years service, or ninety (90) days over ten (10) years service.

Unpaid compensated absences are recorded as a liability when the benefits are earned in the government-wide and proprietary fund financial statements. For governmental funds, there is no legal requirement to accumulate expendable available financial resources to liquidate the obligation; thus expenditures are recognized in the governmental funds when payments are made to employees. Fringe benefits associated with unpaid compensated absences are included in the compensated absences accrual.

K. Unamortized Bond Issuance Costs

Bond issuance costs for the Water and Sewer Revenue Bonds and Stormwater Revenue Bonds are being amortized over the life of the bonds, using straight-line amortization. For financial reporting, unamortized bond issuance costs are netted against applicable long-term debt.

CITY OF SANFORD, FLORIDA
Notes to Financial Statements
Year Ended September 30, 2004

Note 1 - Summary of Significant Accounting Policies (Continued)

L. Unamortized Bond Discounts

Bond discounts associated with the issuance of Water and Sewer Revenue Bonds are amortized over the life of the bonds, using the straight-line method of amortization. For financial reporting, unamortized bond discount is netted against applicable long-term debt.

M. Deferred Revenues

Deferred revenues reported on applicable Governmental Fund Types represent unearned revenues or revenues which are measurable but not available, primarily related to Federal Emergency Management Agency assistance. The deferred revenues will be recognized as revenue in the fiscal year they are earned or become available. The Proprietary Fund Types reported deferred revenue represents advance collection of funds for services to be provided in future reporting periods.

N. Budgets and Budgetary Accounting

The following procedures are used to establish the budgetary data reflected in the financial statements:

- (1) On or before July 1 of each year, the City Manager submits to the City Commission a proposed operating budget for the fiscal year commencing the following October 1.
- (2) Public hearings are conducted to obtain taxpayer comments.
- (3) Prior to October 1, the budget is legally enacted through passage of a resolution.
- (4) Formal budgetary integration is employed as a management control device during the year for all funds which have a legally adopted budget, including the General Fund, Police Education Fund, Law Enforcement Trust Fund, Local Option Gas Tax Fund, Cemetary Fund, Recreation Facilities Impact Fees Fund, Fire Public Safety Facilities Impact Fees, Police Public Safety Facilities Impact Fees, Debt Service Fund, Water and Sewer Fund, and Stormwater Fund.
- (5) Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
- (6) The City Manager is authorized by the Commission to transfer budgeted funds within and/or between departments. At any time during the fiscal year, the City Manager may transfer part or all of any unencumbered appropriation among programs within and/or between departments. The classification detail at which expenditures may not legally exceed appropriations is at the fund level.
- (7) Every appropriation and encumbrance, except an appropriation and/or encumbrance for a specified major capital expenditure, shall lapse at the close of the fiscal year to the extent that it has not been expended.

CITY OF SANFORD, FLORIDA
Notes to Financial Statements
Year Ended September 30, 2004

Note 1 - Summary of Significant Accounting Policies (Continued)

- (8) Supplemental appropriations beyond those for which the City Manager is authorized must be approved by the commission. There were a number of such supplemental appropriations made during the fiscal year.

O. Capitalization of Interest

In accordance with the Statements of Financial Accounting Standards (SFAS) 34 and 62, the City has adopted the policy of capitalizing interest costs during the period of project construction. During 2004, interest capitalized by the City's Water and Sewer Enterprise Fund and Stormwater Enterprise Fund were \$0 and \$4,787, respectively, and total interest costs were \$1,605,674 and \$110,088, respectively.

P. Postemployment Benefits

The City pays health and life insurance of retirees if they meet certain eligibility requirements. The City records the cost of this plan on a "pay-as-you-go" basis. This results in current insurance payments being recorded as expenditures or expenses in the financial statements in the period the insurance is paid. It is the City's policy to pay these premiums on a monthly basis in the period the insurance services were provided.

Note 2 - Cash and Investments

The City maintains cash and investment pools that are available for use by all funds except those whose cash and investments must be segregated due to bond covenants or other legal restrictions and the Pension Trust Funds.

Deposits – Demand deposits are issued by the FDIC up to \$100,000, amounts in excess of \$100,000 are secured by the Public Deposits Trust Fund maintained by the Treasurer of the State of Florida. The Trust Fund is a multiple financial institution pool with the ability to assess its members' financial institutions for collateral shortfalls if a member fails. For this reason, deposits are considered substantially insured.

Investments - The City Charter, Florida Statutes and bond resolutions authorize the City to invest in direct obligations of the United States of America, obligations of federal agencies and instrumentalities of the United States of America, certificates of deposit, money market mutual funds, and the Florida State Board of Administration's (SBA) Local Government Surplus Funds Trust Fund. The SBA is not a registrant, nor regulated by, the Securities and Exchange Commission (SEC) or any other regulatory agency; however, the SBA has adopted operating procedures consistent with the requirements for a 2a-7 like pool and the fair value of the pool is equal to the value of the pool shares. Such investments are stated at amortized cost, which approximates fair value. Investments other than the Local Government Surplus Funds Trust Fund are stated at fair value. During the current fiscal year, the City's investments were limited to the Local Government Surplus Funds Trust Fund and money market mutual funds. The City's investments are not subject to risk categorization since such investments are not evidenced by securities that exist in physical or bank entry form.

CITY OF SANFORD, FLORIDA
Notes to Financial Statements
Year Ended September 30, 2004

Note 2 - Cash and Investments (Continued)

Cash and cash equivalents and investments of the Pension Trust Funds are held separately from those of other City Funds. In accordance with GASB Statement 25, related to pension reporting, the Pension Trust Fund investments are stated at fair value. The investment portfolios for these funds at September 30, 2004 and for the year then ended include mutual funds investing in corporate and U.S. Treasury obligations and corporate stocks, which are not subject to risk categorization since such investments are not evidenced by securities that exist in physical or bank entry form.

The Component Unit - Sanford CRA invests solely in the Local Government Surplus Funds Trust Fund, which is not subject to risk categorization. The component unit utilizes the City's investment policies and strategies.

The following is a summary of the City's cash and investments:

	Carrying Amount	Fair Value
Primary Government		
Pension Funds:		
Money Market Mutual funds	\$ 1,664,257	\$ 1,664,257
Mutual funds investing in common stocks and mutual funds	14,368,606	14,368,606
Mutual fund investing in corporate and U.S. treasury bonds	14,798,689	14,798,689
Total pension funds	30,831,552	30,831,552
Local Government Surplus Funds Trust Fund	35,819,512	35,819,512
Demand Deposits	1,913,718	1,913,718
Total Primary Government	68,564,782	68,564,782
Component Unit - Airport Authority		
Local Government Surplus Funds Trust Fund	2,666,169	2,666,169
Demand Deposits	2,086,947	2,086,947
Total Component Unit - Airport Authority	4,753,116	4,753,116
Component Unit - Sanford CRA		
Local Government Surplus Funds Trust Fund	612,318	612,318
Demand Deposits	2,039,978	2,039,978
Total Component Unit - Sanford CRA	2,652,296	2,652,296
	\$ 75,970,194	\$ 75,970,194
Classified as:		
Cash and cash equivalents	\$ 29,554,890	\$ 29,554,890
Investments	32,831,552	32,831,552
Restricted cash and cash equivalents	13,583,752	13,583,752
	\$ 75,970,194	\$ 75,970,194

The types of deposits and investments and their level of risk exposure as of September 30, 2004 were typical of these items during the fiscal year then ended.

CITY OF SANFORD, FLORIDA
Notes to Financial Statements
Year Ended September 30, 2004

Note 3 - Restricted Cash and Cash Equivalents and Investments

Certain funds have cash and cash equivalents that are restricted either by bond resolutions, ordinances or governmental regulations. The following is a summary of restricted cash and cash equivalent accounts as of September 30, 2004:

	<u>Primary Government</u>		<u>Component Unit</u>	<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Sanford CRA</u>	<u>Airport Authority</u>
Sinking Fund	\$ -	\$ 1,962,545	\$ -	\$ -
Renewal and Replacement Fund	-	200,000	-	-
Customer Deposits	73,336	958,135	-	-
Utility Trust Impact Fees	-	7,471,525	-	-
First Street Streetscape	-	-	1,498,532	-
Escrow Account	-	-	-	1,401,183
Airport Memorial Fund	-	-	-	18,496
	<u>\$ 73,336</u>	<u>\$ 10,592,205</u>	<u>\$ 1,498,532</u>	<u>\$ 1,419,679</u>

Note 4 - Receivables

The following is a detailed listing of receivables by type and fund at September 30, 2004:

	<u>Primary Government</u>		<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Airport Authority</u>
Receivables			
Accounts Billed	\$ 359,700	\$ 1,344,402	\$ 745,731
Unbilled Receivables	205,625	895,106	-
Other Miscellaneous	3,697,770	137,211	-
Gross Receivables	4,263,095	2,376,719	745,731
Less: Allowance for Uncollectibles	3,369,042	378,582	13,214
Net Total Receivables	<u>\$ 894,053</u>	<u>\$ 1,998,137</u>	<u>\$ 732,517</u>

CITY OF SANFORD, FLORIDA
Notes to Financial Statements
Year Ended September 30, 2004

Note 5 - Capital Assets

A. Changes in Capital Assets

During the year ended September 30, 2004, the following changes in capital assets occurred:

	<u>Balance October 1, 2003</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance September 30, 2004</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,573,955	\$ 212,564	\$ -	\$ 1,786,519
Construction in progress	9,621,515	-	(9,621,515)	-
Total capital assets, not being depreciated	<u>11,195,470</u>	<u>212,564</u>	<u>(9,621,515)</u>	<u>1,786,519</u>
Capital assets, being depreciated:				
Buildings and improvements	21,272,077	15,433,710	-	36,705,787
Equipment	14,765,348	1,126,900	-	15,892,248
Total capital assets, being depreciated	<u>36,037,425</u>	<u>16,560,610</u>	<u>-</u>	<u>52,598,035</u>
Less accumulated depreciation for:				
Buildings and improvements	5,617,358	1,421,833	-	7,039,191
Equipment	10,759,322	1,016,255	-	11,775,577
Total accumulated depreciation	<u>16,376,680</u>	<u>2,438,088</u>	<u>-</u>	<u>18,814,768</u>
Total capital assets, being depreciated, net	<u>19,660,745</u>	<u>14,122,522</u>	<u>-</u>	<u>33,783,267</u>
Governmental activities capital assets, net	<u>\$ 30,856,215</u>	<u>\$ 14,335,086</u>	<u>\$ (9,621,515)</u>	<u>\$ 35,569,786</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 6,195,134	\$ 18,874	\$ -	\$ 6,214,008
Construction in progress	5,820,662	4,347,917	(2,609,836)	7,558,743
Total capital assets, not being depreciated	<u>12,015,796</u>	<u>4,366,791</u>	<u>(2,609,836)</u>	<u>13,772,751</u>
Capital assets, being depreciated:				
Buildings and improvements	4,109,221	328,179	-	4,437,400
Water and sewer system	88,269,119	4,031,377	-	92,300,496
Stormwater management	8,958,277	841,372	-	9,799,649
Equipment	6,330,096	418,014	(10,410)	6,737,700
Total capital assets, being depreciated	<u>107,666,713</u>	<u>5,618,942</u>	<u>(10,410)</u>	<u>113,275,245</u>
Less accumulated depreciation for:				
Buildings	146,046	135,993	-	282,039
Water & Sewer	15,747,585	1,568,364	-	17,315,949
Stormwater	2,632,473	185,629	-	2,818,102
Equipment	3,810,383	532,011	(10,410)	4,331,984
Total accumulated depreciation	<u>22,336,487</u>	<u>2,421,997</u>	<u>(10,410)</u>	<u>24,748,074</u>
Total capital assets, being depreciated, net	<u>85,330,226</u>	<u>3,196,945</u>	<u>-</u>	<u>88,527,171</u>
Business-type activities capital assets, net	<u>\$ 97,346,022</u>	<u>\$ 7,563,736</u>	<u>\$ (2,609,836)</u>	<u>\$ 102,299,922</u>

CITY OF SANFORD, FLORIDA
Notes to Financial Statements
Year Ended September 30, 2004

Note 5 - Capital Assets (Continued)

B. Depreciation Expense Allocation

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 80,457
Public safety	1,067,883
Physical environment	4,876
Transportation	558,322
Economic environment	14,629
Human services	2,438
Culture and recreation	<u>709,483</u>
 Total depreciation expense - governmental activities	 <u><u>\$ 2,438,088</u></u>
 Business-type activities:	
Water and Sewer	2,152,428
Stormwater	<u>265,009</u>
 Total depreciation expense - business-type activities	 <u><u>\$ 2,417,437</u></u>

C. Sanford Community Redevelopment Agency – Capital Assets

During the year, the Sanford CRA, a discretely presented component unit, purchased \$740,774 of buildings and improvements related to the First Street Streetscape. As of September 30, 2004, the accumulated depreciation related to these assets was \$7,683.

Note 6 - Operating Lease

A. Long-Term Ground Lease

The City is the lessor on numerous building and land leases. The land leases are generally non-cancelable leases ranging from ten to seventy-five (10 - 75) years. The land lease rental income, which comprises the largest amount of rental income for the City, is based on gross revenue of the leases. The building leases are low rent agreements, usually with non-profit agencies offering public services. In fiscal year 2004, the total lease rental income received in the General Fund and the Enterprise Funds was \$124,008 and \$33,306, respectively.

CITY OF SANFORD, FLORIDA
Notes to Financial Statements
Year Ended September 30, 2004

Note 6 - Operating Lease (Continued)

B. Long-Term Airport Lease

In August 1996, the City entered into a lease agreement with the Sanford Airport Authority (lessee) for the control and operations of the Airport. Payments are not required under the terms of the lease. The City grants the lessee the exclusive right and jurisdiction to occupy, operate, control, maintain and use the airport for a term of thirty-five (35) years.

C. Airport Authority Operating Leases

The Component Unit - Airport Authority is the lessor on numerous building, office and land leases. The T-hanger and some office facility leases are primarily month-to-month cancelable leases. The building and land leases are generally non-cancelable leases with terms ranging from one to thirty (1 - 30) years. The following is a schedule of minimum future rentals on non-cancelable operating leases:

Fiscal Year Ending September 30,	Amount
2005	\$ 1,253,035
2006	1,117,655
2007	1,080,080
2008	1,021,475
2009	1,012,149
2010-2014	3,974,675
2015-2019	2,539,895
2020-2024	2,111,670
2025-2029	565,580
	\$ 14,676,214

The following is a schedule of property under operating leases at September 30, 2004:

Buildings and Improvements	49,803,017
	49,803,017
Less Accumulated Depreciation	(19,404,168)
	\$ 30,398,849

Total income on non-cancelable leases for the year ended September 30, 2004 was \$3,491,293.

CITY OF SANFORD, FLORIDA
Notes to Financial Statements
Year Ended September 30, 2004

Note 7 - Enterprise Fund Bonds Payable

A. Defeasance of Debt

Refunding provides for an irrevocable deposit with an escrow agent (a third party banking institution) of sufficient funds to pay the principal and interest, when due, on the refunded bonds to the earliest call date. The City has the following bond issues outstanding that have been refunded:

<u>Type</u>	<u>Series</u>	<u>Date Refunded</u>	<u>Outstanding as of Refunding</u>	<u>Outstanding as of September 30, 2004</u>
Water and Sewer Revenue Bonds	1986	November, 1993	\$ 12,635,000	\$ 11,640,000
	1989	November, 1993	\$ 4,180,000	\$ 3,185,000
	1991	November, 1993	\$ 11,905,000	\$ 11,445,000
	1992	September, 2003	\$ 6,845,000	\$ 6,255,000
	1993	September, 2003	\$ 8,575,000	\$ 8,230,000

B. Water and Sewer Fund Revenue Bonds

On September 25, 2003, the City issued Water and Sewer Refunding Revenue Bonds, Series 2003 in the amount of \$12,450,000 for the purpose of refunding all of the City's outstanding Water and Sewer Revenue Bonds, Series 1992, and a portion of the City's outstanding Water and Sewer Revenue Bonds, Series 1993, and financing costs of issuance of the Series 2003 Bonds.

- (1) Pledge of Revenues - The Series 1993 and 2003 Bonds are payable solely from and collateralized by the net revenues derived from the:
 - a. Operations of the System.
 - b. Water and Sewer System Development Charges - The growth fees and charges levied upon and collected from property owners when they first connect to the Water and Sewer System and until released as provided for in the bond resolution.

- (2) Establishment of Various Accounts - The Water and Sewer Bond Resolution provides for the creation and establishment of the following funds and accounts:
 - a. Revenue Account - to deposit all gross revenues and provide for payment of costs of operation and maintenance of the System.
 - b. Bond Sinking Fund:
 - Interest Account - to deposit monthly from Revenue Account one-sixth (1/6) of all interest coming due on the next interest payment date.
 - Principal Account - to deposit monthly from Revenue Account one-twelfth (1/12) of the principal amount which will become due on such annual maturity date.

CITY OF SANFORD, FLORIDA
Notes to Financial Statements
Year Ended September 30, 2004

Note 7 - Enterprise Fund Bonds Payable (Continued)

c. Renewal, Replacement and Improvement Account - to deposit monthly from the Revenue Account an amount equal to one-twelfth (1/12) of five percent (5%) of the gross revenues received during the immediately preceding fiscal year until the amounts on deposit equals or exceeds \$200,000.

- (3) Rate Covenants - The City has covenanted that it will collect rates and charges sufficient to cover either of two debt service coverage options. One debt service coverage option is for revenues, including all earnings and connection fees, to cover the costs of operation and maintenance, exclusive of depreciation, plus 110% of the bond service requirement. The second option is to achieve 105% of the bond debt service requirement, under the prior calculation, plus have sufficient revenues and water and sewer development charges to achieve 120% of the bond debt service requirement
- (4) Bonds Issued - At September 30, 2004, Water and Sewer Fund revenue bonds outstanding consisted of the following:

<u>Description</u>	<u>Rates</u>	<u>Maturity</u>	<u>Original Issue</u>	<u>Outstanding at September 30, 2004</u>
Water and Sewer Refunding Revenue Bonds, Series 1993:				
Term Bonds	4.75%	10/01/2018	\$ 7,725,000	\$ 7,725,000
Term Bonds	4.50%	10/01/2021	6,785,000	6,785,000
			<u>\$ 14,510,000</u>	<u>14,510,000</u>
Water and Sewer Refunding Revenue Bonds, Series 2003:				
Serial Bonds	2.00% - 4.00%	10/01/2004 10/01/2014	\$ 12,450,000	11,530,000
			<u>\$ 12,450,000</u>	<u>11,530,000</u>
Net Bonds Payable				26,040,000
Plus: Unamortized Premium on Series 2003				75,452
Less: Unamortized Discount on Series 1993				(436,520)
Less: Unamortized Bond Costs				(444,422)
Less: Deferred Loss on Refinancing				<u>(1,041,877)</u>
Bonds Payable				<u>\$ 24,192,633</u>
Current Portion				\$ 970,000
Long-term Portion				23,222,633
Bonds Payable				<u>\$ 24,192,633</u>

CITY OF SANFORD, FLORIDA
Notes to Financial Statements
Year Ended September 30, 2004

Note 7 - Enterprise Fund Bonds Payable (Continued)

C. Water and Sewer Fund Annual Debt Service Requirements

The following is a schedule of annual debt service requirements to maturity for the Water and Sewer Fund Bonds:

<u>Bond Year Ending</u>	<u>Water and Sewer Revenue Bonds, Series 1993</u>		<u>Water and Sewer Revenue Bonds, Series 2003</u>		<u>Total Debt Service</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2005	\$ -	\$ 672,263	\$ 970,000	\$ 358,820	\$ 2,001,083
2006	-	672,263	990,000	339,420	2,001,683
2007	-	672,263	1,010,000	319,620	2,001,883
2008	-	672,263	1,030,000	296,895	1,999,158
2009	-	672,263	1,065,000	265,995	2,003,258
2010-2014	-	3,361,313	6,465,000	760,495	10,586,808
2015-2019	9,890,000	2,465,463	-	-	12,355,463
2020-2021	4,620,000	314,100	-	-	4,934,100
	<u>\$ 14,510,000</u>	<u>\$ 9,502,191</u>	<u>\$ 11,530,000</u>	<u>\$ 2,341,245</u>	<u>\$ 37,883,436</u>

D. Stormwater System Fund Revenue Bonds

- (1) Bonds Issued - During the year ended September 30, 1999, the City authorized the issuance of Stormwater System Revenue Bonds, Series 1999, not to exceed \$4,200,000. The bonds bear interest at 4.45% and mature on September 30, 2013 if the City draws the remaining balance. As of September 30, 2004, the City has received \$3,653,500 and has an outstanding balance of \$2,210,670.

Bonds Payable	\$ 2,217,852
Less: Unamortized issue costs	(7,182)
Net Bonds Payable	<u>\$ 2,210,670</u>
Current Portion	\$ 302,768
Long-term Portion	1,907,902
Net Bonds Payable	<u>\$ 2,210,670</u>

- (2) Pledge of Revenues - The series 1999 Bonds are payable solely from and collateralized by the net revenues of the Stormwater System.
- (3) Establishment of Various Accounts - The Stormwater System Revenue Bond Resolution provides for the creation and establishment of the following funds and accounts upon completion of construction of system:
- a. Revenue Account - to deposit all gross revenues of the system.

CITY OF SANFORD, FLORIDA
Notes to Financial Statements
Year Ended September 30, 2004

Note 7 - Enterprise Fund Bonds Payable (Continued)

- b. Operations and Maintenance Account - to receive deposits from the revenue account sufficient to pay the operating expenses of the system for the current month.
 - c. Sinking Fund Account - to receive deposits from the revenue account equal to one-sixth (1/6) of the interest due on the next interest payment date and one-twelfth (1/12) of the principal due on the next principal payment date.
- (4) Annual Debt Service Requirements - The following is a schedule of the annual debt service requirements to maturity for the Stormwater System Fund Bonds:

<u>Bond Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 302,768	\$ 95,120	\$ 397,888
2006	316,391	81,497	397,888
2007	330,627	67,261	397,888
2008	345,504	52,384	397,888
2009	361,050	36,838	397,888
2010-2011	561,512	24,570	586,082
	<u>\$ 2,217,852</u>	<u>\$ 357,670</u>	<u>\$ 2,575,522</u>

Note 8 - Notes Payable - Enterprise Funds and Component Unit - Airport Authority

A. Enterprise Funds Notes Payable

Enterprise Funds notes payable at September 30, 2004 are as follows:

Primary Government: Stormwater:

State Revolving Fund loan SWG12058624P payable, \$2,930,268 authorized to be drawn for planning and design for downtown drainage study, payable in forty equal semiannual installments, including interest at 1.40%, on March 31 and September 31 of each year.

	\$ 156,332
Less: Unamortized loan costs	<u>(14,386)</u>
Loans Payable	<u>\$ 141,946</u>

CITY OF SANFORD, FLORIDA
Notes to Financial Statements
Year Ended September 30, 2004

**Note 8 - Notes Payable - Enterprise Funds and Component Unit - Airport Authority
(Continued)**

Primary Government: Water & Sewer:

<p>State Revolving Fund loan CS120586150 payable, \$1,766,231 authorized, \$1,712,730 drawn for construction of a master pumping station at the wastewater treatment plant, payable in 18 equal annual installments, including interest at 4.02%, on October 1 of each year. (The payment due October 1, 2004 was made prior to October 1, 2004.)</p>	<p>\$ 642,599</p>
<p>State Revolving Fund loan CS120586170 payable, \$5,237,183 authorized to be drawn for construction of wastewater system facilities, payable in twenty equal annual installments, including interest at 3.75% on \$4,411,680 and 2.89% on \$825,497, on December 31 of each year.</p>	<p>3,031,347</p>
<p>State Revolving Fund loan CS120586190 payable, \$500,166 authorized to be drawn for construction of wastewater pollution control facilities, payable in forty equal semi-annual installments, including interest at 2.43%, on February 1 and August 1 of each year.</p>	<p>267,681</p>
<p>State Revolving Fund loan CS120586210 payable, \$1,565,000 authorized to be drawn for construction of the Westerly Interceptor Project, payable in forty equal semi-annual installments, including interest at 2.89%, on February 1 and August 1 of each year.</p>	<p>804,198</p>
<p>State Revolving Fund loan CS120586220 payable, \$18,170,000 authorized to be drawn for collection, transmission and treatment facilities. As of September 30, 2002 \$5,367,431 has been drawn. The loan will be repaid in forty equal semi-annual installments of \$671,172, including interest at an average rate of 1.69%, once the entire proceeds have been drawn.</p>	<p>5,047,889</p>
<p>State Revolving Fund loan DW5906010 payable \$8,069,030, authorized to be drawn for drinking water extension. As of September 30, 2002, \$4,084,783 has been drawn. The loan will be repaid in forty equal semi-annual installments of \$303,459, including interest at an average rate of 3.55% once the entire proceeds have been drawn.</p>	<p style="border-top: 1px solid black;">5,689,912</p> <p>15,483,626</p>
<p>Less unamortized loan costs</p>	<p style="border-top: 1px solid black;">(418,211)</p> <p>15,065,415</p>
<p>Less current portion</p>	<p style="border-top: 1px solid black;">(492,827)</p>
<p>Loans Payable</p>	<p style="border-top: 1px solid black; border-bottom: 3px double black;">\$ 14,572,588</p>

CITY OF SANFORD, FLORIDA
Notes to Financial Statements
Year Ended September 30, 2004

Note 8 - Notes Payable - Enterprise Funds and Component Unit - Airport Authority
(Continued)

Required principal and interest deposits for State Revolving Fund loans are presented as part of sinking funds on the statement of net assets. State Revolving Fund Loan payments for the first years are based upon the full loan amount available, not the monies actually drawn to date. After completion of the project, a final loan dollar amount is established and a final loan payment/amortization schedule is established. Maturity schedules for those loans which have final loan payment/amortization schedules are as follows:

Fiscal Year Ending September 30,	State Revolving Fund Loan CS120586150		
	Principal	Interest	Total
2005	\$ 96,831	\$ 25,832	\$ 122,663
2006	100,723	21,940	122,663
2007	104,772	17,891	122,663
2008	108,984	13,679	122,663
2009	113,365	9,298	122,663
2010	117,924	4,741	122,665
	<u>\$ 642,599</u>	<u>\$ 93,381</u>	<u>\$ 735,980</u>

Fiscal Year Ending September 30,	State Revolving Fund Loan CS120586170		
	Principal	Interest	Total
2005	\$ 291,175	\$ 109,161	\$ 400,336
2006	301,650	98,686	400,336
2007	312,504	87,833	400,337
2008	323,751	76,585	400,336
2009	335,406	64,930	400,336
2010-2013	1,466,861	134,486	1,601,347
	<u>\$ 3,031,347</u>	<u>\$ 571,681</u>	<u>\$ 3,603,028</u>

Fiscal Year Ending September 30,	State Revolving Fund Loan CS120586190		
	Principal	Interest	Total
2005	\$ 25,373	\$ 6,351	\$ 31,724
2006	25,993	5,731	31,724
2007	26,629	5,095	31,724
2008	27,279	4,445	31,724
2009	27,947	3,778	31,725
2010-2014	134,460	8,300	142,760
	<u>\$ 267,681</u>	<u>\$ 33,700</u>	<u>\$ 301,381</u>

CITY OF SANFORD, FLORIDA
Notes to Financial Statements
Year Ended September 30, 2004

Note 8 - Notes Payable - Enterprise Funds and Component Unit - Airport Authority
(Continued)

Fiscal Year Ending September 30,	State Revolving Fund Loan CS120586210		
	Principal	Interest	Total
2005	\$ 79,448	\$ 22,671	\$ 102,119
2006	81,761	20,359	102,120
2007	84,141	17,979	102,120
2008	86,590	15,529	102,119
2009	89,111	13,009	102,120
2010-2013	383,147	25,330	408,477
	<u>\$ 804,198</u>	<u>\$ 114,877</u>	<u>\$ 919,075</u>

B. Discretely Presented Component Unit - Airport Authority Notes Payable

Airport Authority notes payable at September 30, 2004 are as follows:

Note payable to bank, due in monthly principal and interest payments at 4.62%, collateralized by pledged revenues, due September 1, 2023.	\$ 3,391,979
Note payable to bank, due in quarterly principal and interest payments at 6.98%, collateralized by pledged revenues, due June 15, 2006.	3,302,030
Note payable to State of Florida, Department of Transportation for international arrivals building, no interest, due September 2, 2008, unsecured.	1,500,000
Note payable to State of Florida, Department of Transportation for domestic terminal expansion, no interest, due March 4, 2008, unsecured.	3,000,000
Note payable to State of Florida, Department of Transportation for domestic terminal expansion, no interest, due September 18, 2008, unsecured.	2,500,000
Note payable to State of Florida, Department of Transportation for domestic terminal expansion, no interest, due September 2, 2009, unsecured.	6,000,000
Note payable to State of Florida, Department of Transportation for land acquisition for 9L-27R runway extension, no interest, due December 15, 2011, unsecured.	266,490
Note payable to State of Florida, Department of Transportation for land acquisition for 9L-27R runway extension, no interest, due January 15, 2012, unsecured.	250,000
	<u>20,210,499</u>
Less current portion	<u>(302,715)</u>
Long-term portion	<u>\$ 19,907,784</u>

CITY OF SANFORD, FLORIDA
Notes to Financial Statements
Year Ended September 30, 2004

Note 8 - Notes Payable - Enterprise Funds and Component Unit - Airport Authority
(Continued)

Changes in Airport Authority long-term debt for the year ended September 30, 2004 is as follows:

	<u>Balance October 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance September 30, 2004</u>	<u>Due Within One Year</u>
Notes Payable:					
Revenue Note, Series 2001A	\$ 3,477,964	\$ -	\$ 175,934	\$ 3,302,030	\$ 188,539
Revenue Note, Series 2003	3,500,000	-	108,021	3,391,979	114,176
Florida Department of Transportation	<u>13,516,490</u>	<u>-</u>	<u>-</u>	<u>13,516,490</u>	<u>-</u>
Total Notes Payable	<u><u>\$ 20,494,454</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 283,955</u></u>	<u><u>\$ 20,210,499</u></u>	<u><u>\$ 302,715</u></u>

The Airport Authority's grant anticipation note payable has a variable interest rate; therefore, it is not practical to compute the future annual interest requirements on this note. The following is a summary of the future principal debt service requirements on Airport Authority notes payable:

<u>Fiscal Year Ending September 30,</u>	<u>Airport Authority Fund</u>
2005	\$ 302,715
2006	3,233,055
2007	125,206
2008	7,131,115
2009	6,137,302
2010-2014	1,306,528
2015-2019	994,895
2020-2023	<u>979,683</u>
	<u><u>\$ 20,210,499</u></u>

CITY OF SANFORD, FLORIDA
Notes to Financial Statements
Year Ended September 30, 2004

Note 9 - General Long-Term Debt

A. Changes in General Long-Term Debt

Changes in general long-term debt for the year ended September 30, 2004 are summarized as follows:

	<u>Balance October 1, 2003</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance September 30, 2004</u>	<u>Due Within One Year</u>
Governmental activities:					
Bonds payable	\$ 1,510,000	\$ -	\$ (90,000)	\$ 1,420,000	\$ 95,000
Accrued compensated absences	1,426,942	1,018,033	(954,924)	1,490,051	210,291
Claims payable	1,096,237	1,091,625	(1,086,969)	1,100,893	14,827
Accrued clean-up and long-term care costs	<u>1,270,232</u>	<u>-</u>	<u>(19,439)</u>	<u>1,250,793</u>	<u>19,439</u>
Governmental activity Long-term liabilities	<u>\$ 5,303,411</u>	<u>\$ 2,109,658</u>	<u>\$ (2,151,332)</u>	<u>\$ 5,261,737</u>	<u>\$ 339,557</u>
Business-type activities:					
Bonds payable	\$ 27,472,370	\$ -	\$ (1,069,067)	\$ 26,403,303	\$ 1,272,768
Notes, loans and contracts payable	16,172,724	1,091,020	(2,056,383)	15,207,361	492,827
Accrued compensated absences	<u>270,212</u>	<u>408,915</u>	<u>(381,344)</u>	<u>297,783</u>	<u>41,317</u>
Business-type activity Long-term liabilities	<u>\$ 43,915,306</u>	<u>\$ 1,499,935</u>	<u>\$ (3,506,794)</u>	<u>\$ 41,908,447</u>	<u>\$ 1,806,912</u>

B. Special Facilities Revenue Bonds

On July 11, 2000, the City issued \$1,750,000 of Special Facilities Revenue Bonds for the purpose of renovating the Historic Sanford Memorial Stadium.

The Bonds bear interest at 5.60%, payable semi-annually on March 31 and September 30. Principal payments are due and payable on September 30 of each fiscal year through March 31, 2009, with a balloon payment of \$880,000 due on September 30, 2009.

The Special Facilities Revenue Bonds will mature as follows:

<u>Fiscal Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 95,000	\$ 76,860	\$ 171,860
2006	100,000	71,400	171,400
2007	110,000	65,520	175,520
2008	115,000	59,220	174,220
2009	<u>1,000,000</u>	<u>52,640</u>	<u>1,052,640</u>
	<u>\$ 1,420,000</u>	<u>\$ 325,640</u>	<u>\$ 1,745,640</u>

CITY OF SANFORD, FLORIDA
Notes to Financial Statements
Year Ended September 30, 2004

Note 9 - General Long-Term Debt (Continued)

C. Accrued Clean-up and Long-Term Care Costs

State and federal laws and regulations require the City to perform certain maintenance and monitoring functions at the Art Lane Landfill site for thirty (30) years after closure. The City placed a final cover on the landfill during fiscal 2001, and has since initiated post closure maintenance and monitoring functions. The estimated future cost for post closure maintenance, amounting to approximately \$524,853, is reported as long-term debt on the entity-wide statement of net assets. These costs are recognized in the General Fund as expenditures as they became obligations to be liquidated with available financial resources. Amounts reported as long-term debt are based on estimates provided by consulting engineers. All amounts are based on what it would cost to perform post closure functions in current dollars. Actual costs may differ due to inflation, changes in technology, or changes in laws and regulations.

The City is obligated to provide a share of clean-up costs in connection with the alleged release of hazardous substances and/or pollutants as a result of the former operation of a manufactured gas plant during the 1880's until the year 1952. This obligation was formalized during 1992, when the City and five utility companies entered into a Cost Sharing Agreement providing for all parties to equally share in the funding of contamination assessment activities in an effort to evaluate potential soil and groundwater impacts, all in accordance with and approved by the U.S. Environmental Protection Agency. Terms of the agreement call for the City to be responsible for approximately thirteen percent (13%) of the costs of cleaning up soil and groundwater at the site. The total estimated cost of clean-up activities, based on a study performed by an independent engineer in 1995, is \$5.6 million, of which the City would pay approximately \$726,000. There will also be an evaluation of surface water sediments at the site that could potentially result in additional costs and actual costs may differ due to inflation, changes in technology, changes in laws and regulations, or determinations made by the Florida Department of Environmental Protection. Each of the parties must approve specific actions taken under the agreement. All amounts are based on what it would cost in current dollars.

D. Compensated Absences

Vested sick and vacation leave benefits for Governmental Fund Types accrued at September 30, 2004 in accordance with the City's policy, as set forth in Note 1.J., amounted to \$1,490,051 reported as long-term debt and \$210,291 reported as long-term debt payable within one year.

CITY OF SANFORD, FLORIDA
Notes to Financial Statements
Year Ended September 30, 2004

Note 10 – Long-Term Liabilities of the Discretely Presented Component Unit - Sanford CRA

A. Changes in Long-Term Liabilities – Sanford CRA

Changes in long-term for the Sanford CRA for the year ended September 30, 2004 are summarized as follows:

	<u>Balance October 1, 2003</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance September 30, 2004</u>	<u>Due Within One Year</u>
Revenue bonds payable	\$ 5,880,000	\$ -	\$ (330,000)	\$ 5,550,000	\$ 450,000
CRA bank loan	-	2,069,959	-	2,069,959	165,000
Long-term liabilities	<u>\$ 5,880,000</u>	<u>\$ 2,069,959</u>	<u>\$ (330,000)</u>	<u>\$ 7,619,959</u>	<u>\$ 615,000</u>

B. Revenue Bonds Payable

The Sanford CRA and the City Commission approved resolutions authorizing the issuance of Community Redevelopment Revenue Bonds, Series 1994A and Series 1994B not exceeding \$10,000,000, by the Community Redevelopment Agency.

On August 1, 1994, the Sanford CRA issued \$6,000,000 in Revenue Bonds, Series 1994A. Series 1994B Bonds totaling \$1,100,000 were issued October 18, 1994. Of the remaining \$2,900,000 of authorized but unissued bonds, \$1,200,000 have been canceled. A Redevelopment Trust Fund pursuant to Florida Statute 163.38 was established and the City pledged to pay an amount equal to 47.5% of the ad valorem tax increment in the development project area to the fund. The Sanford CRA was to utilize the sum of the incremental ad valorem taxes to pay the principal and interest on the bonds. The bonds were issued to finance the Redevelopment Plan to improve blighted areas within the City.

The Series 1994A Bonds bear interest at rates ranging from 4.80% to 6.00%, payable semi-annually on June 1 and December 1. Principal payments are payable on June 1 of each fiscal year as shown below. The Series 1994B bonds are comprised of a single term bond and bear interest at 9% with a maturity date of December 1, 2011, of which such payment is due only to the extent that the City has adequate legally available pledged revenues available to make the bond principal payment.

CITY OF SANFORD, FLORIDA
Notes to Financial Statements
Year Ended September 30, 2004

Note 10 – Long-Term Liabilities of the Discretely Presented Component Unit - Sanford CRA (Continued)

Fiscal Year Ending September 30,	Series 1994A		Series 1994B		Total
	Principal	Interest	Principal	Interest	
2005	\$ 450,000	\$ 265,200	\$ -	\$ 99,000	\$ 814,200
2006	480,000	240,000	-	99,000	819,000
2007	510,000	211,200	-	99,000	820,200
2008	655,000	180,600	-	99,000	934,600
2009	695,000	141,300	-	99,000	935,300
2010-2011	1,660,000	154,800	1,100,000	214,500	3,129,300
	<u>\$ 4,450,000</u>	<u>\$ 1,193,100</u>	<u>\$ 1,100,000</u>	<u>\$ 709,500</u>	<u>\$ 7,452,600</u>

C. Community Redevelopment Agency Loan

On September 28, 2004, the City and the Sanford CRA entered into a \$2,100,000 loan agreement with SunTrust Bank for the purpose of funding improvements related to the First Street Streetscape.

Loan principal payable	\$ 2,100,000
Less: Loan issue costs	(30,041)
Net loan payable	<u>\$ 2,069,959</u>

The CRA Loan will mature as follows:

Fiscal Year Ending September 30,	Principal	Interest	Total
2005	\$ 165,000	\$ 67,793	\$ 232,793
2006	165,000	67,532	232,532
2007	170,000	61,773	231,773
2008	175,000	55,840	230,840
2009	185,000	49,733	234,733
2010-2014	1,015,000	147,802	1,162,802
2015	225,000	7,852	232,852
	<u>\$ 2,100,000</u>	<u>\$ 458,325</u>	<u>\$ 2,558,325</u>

Note 11 - Airport Authority – Line of Credit

Line of credit - The Airport Authority entered into a line of credit agreement for \$1,500,000 with a financial institution in May 2001. This line of credit is secured by a pledge of landing fee revenue and bears interest at 0.75% under the bank's prime rate. The agreement expired May 29, 2004 and was renewed with no expiration date. The Airport Authority either pays a non-use fee of 0.25% of \$1,500,000 (\$3,750) or interest, if higher. At September 30, 2004, the outstanding balance was \$0. Therefore, the Airport Authority had available \$1,500,000 at September 30, 2004.

CITY OF SANFORD, FLORIDA
Notes to Financial Statements
Year Ended September 30, 2004

Note 11 - Airport Authority – Line of Credit (Continued)

The Airport Authority also has available a line of credit up to \$425,000, at prime rate, with Orlando Sanford Domestic, Inc. under the management agreement discussed in Note 16.E. The Airport Authority has not borrowed anything on this line of credit.

Note 12 - Interfund Accounts and Transfers

Individual fund Interfund receivables and payables at September 30, 2004 consist of the following:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 1,524,825	\$ -
Riverwalk Construction	-	1,462,157
Other Governmental Funds	-	62,668
	<u>\$ 1,524,825</u>	<u>\$ 1,524,825</u>

The interfund receivables and payables represent the payment of expenditures by one fund for another fund and will be repaid within twelve months.

Interfund Transfers:

	<u>Transfers In:</u>		
	<u>Other Government</u>	<u>Stormwater</u>	<u>Total</u>
Transfers Out:			
General Fund	<u>\$ 172,026</u>	<u>\$ 11,500</u>	<u>\$ 183,526</u>
Total	<u>\$ 172,026</u>	<u>\$ 11,500</u>	<u>\$ 183,526</u>

Transfers between the funds are used to fund various different activities of the City, such as the Riverwalk and the Stormwater system, through the use of cash collected in the General Fund.

CITY OF SANFORD, FLORIDA
Notes to Financial Statements
Year Ended September 30, 2004

Note 13 - Pension Plans and Postemployment Benefits Other than Pensions

A. Florida Retirement System

The City contributes to the Florida Retirement System (FRS), a multiple-employer cost sharing defined benefit pension plan administered by the State of Florida, for the City's authorized permanent, full-time and part-time employees, except police and fire. The Airport Authority also participates in the FRS. The State of Florida issues a publicly available report that includes financial statements and required supplementary information for FRS. That report may be obtained by writing to Florida Retirement System, State of Florida, Tallahassee, Florida, 32399-1560.

FRS members are eligible for retirement after vesting, which occurs at six (6) years of creditable service for regular members. Normal retirement age is attained at the earlier of thirty (30) years of creditable service, regardless of age, or retirement at age sixty-two (62) with at least ten (10) years of creditable service. Early retirement may be taken anytime; however, there is a five percent (5%) benefit reduction for each year prior to normal retirement age. Members are also eligible for in-line-of-duty or regular disability benefits if permanently disabled and unable to work. Benefits are computed on the basis of age, average final compensation and service credit.

Funding Policy

The FRS has six (6) classes of membership. Only two (2) classes are applicable to the City's eligible employees. These two (2) classes, with descriptions and contribution rates in effect during the period ended September 30, 2004, are as follows (contribution rates are in agreement with the actuarially determined rates, each including an additional .94% health insurance subsidy contribution):

Regular Class - Members not qualifying for other classes (7.39% from 10/01/03 to 09/30/04). Three employees qualified for DROP – Deferred Retirement Option Program (9.11% from 07/01/04 to 09/30/04).

Special Risk Class - Members employed as law enforcement officers, firefighters, or correctional officers (18.53% from 10/01/03 to 09/30/04). There are no City employees in this special risk category, only airport firefighters.

The contribution requirements of the City are established and may be amended by FRS. The plan is non-contributory for employees with all contributions being the obligation of the employer. The City's contributions to FRS for the years ended September 30, 2004, 2003 and 2002 were \$665,880, \$554,244 and \$569,521, respectively, and equal the required contributions for each year. The Airport Authority's contributions to FRS for the years ended September 30, 2004, 2003 and 2002 were \$236,754, \$176,837 and \$169,543, respectively, and equal the required contributions for each year.

CITY OF SANFORD, FLORIDA
Notes to Financial Statements
Year Ended September 30, 2004

Note 13 - Pension Plans and Postemployment Benefits Other than Pensions (Continued)

B. Police Officers' and Firefighters' Retirement System

The City participates in the Police Officers' and Firefighters' Retirement System. Each plan is a single-employer defined benefit pension plan for the sole benefit of the Police Officers' and Firefighters' of the City.

- (1) Plan Description - All full-time police officers and firefighters are eligible from date of employment to participate in the Police Officers' and Firefighters' plans. A member's normal retirement date shall be the first day of the month coincident with, or the next following attainment of age fifty-five (55) for police officers and firefighters, and the completion of ten (10) years of credited service or the completion of twenty-five (25) years of credited service.

A member may retire on his normal retirement date or on the first day of any month thereafter, and each member shall become 100% vested in his accrued benefit on the member's normal retirement date.

Normal retirement under the system is retirement from employment with the City on or after the normal retirement date. The monthly retirement benefit shall equal 3.50% and 3.08% of average final compensation, defined as the highest five (5) years of salary paid during the last ten (10) years of covered employment, for each year of credited service for police officers and firefighters, respectively.

Sanford Airport Authority firefighters who retire at the earlier of age fifty-five (55) and ten (10) years of credited service or twenty-five (25) years of credited service, regardless of age, are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 2.0% of their average final compensation, defined as the highest five (5) years of salary paid during covered employment, for each year of credited service.

In addition, all of the City's pension plans provide death and disability benefits. These benefits and other requirements are established by State Statute and City ordinance.

CITY OF SANFORD, FLORIDA
Notes to Financial Statements
Year Ended September 30, 2004

Note 13 - Pension Plans and Postemployment Benefits Other than Pensions (Continued)

- (2) Contributions - The City's funding policy provides for actuarially determined periodic contributions to the plans. The required contributions include normal costs (after deducting expected employee contributions, if applicable) and the amount of the additional unfunded obligations, amortized over thirty (30) years, created due to increases in plan benefits. Employer contribution rates are determined using the frozen entry age actuarial cost method. The City contributed \$717,309 and \$388,876 to the Police Officers Retirement System and Firefighters Retirement System, respectively, during the year ended September 30, 2004.

The police officers are required to contribute 5.1% of their gross compensation (an additional five percent (5%) is paid by the City), and the firefighters are required to contribute seven (7%) of their base pay compensation (an additional five (5%) is paid by the City). Both of the plans also receive contributions from the State for insurance premium refunds. The State contributions are not based on covered payroll. The City is required to contribute the remaining amount necessary to pay the annual normal cost plus an amount sufficient to fund any unfunded accrued liability over twenty-five (25) years for police officers and thirty (30) years for firefighters.

- (3) Method Used to Value Investments and Investment Policies - Investments are reported at fair value. Securities traded on a national exchange are valued at the last reported sales price at current exchange rates. An independent investment manager and custodial bank handles all pension investments and check writing duties. Other administrative duties are handled by the City's Finance Director under direction of the Board of Trustees and City Commission.

Investment guidelines limit cash and equivalents to U.S. Government obligations, certificates of deposit and repurchase agreements with major money center banks, commercial paper rated A-1 by Standard & Poor's or P-1 by Moody's. Equity securities are limited to issues of U.S. corporations with a rating by a major rating service in one of the three highest classifications, limited to fifty percent (50%) of the fund's assets overall for the police officers and firefighters, and to five percent (5%) of the equity portfolio value invested in any single corporation.

In addition, the police officers' and firefighters' plans require fixed income securities to comprise a minimum fifty percent (50%) of the total assets at cost with a limit to any single corporation of ten percent (10%) of the total bond portfolio. The fixed income portfolio is limited to U.S. Government and U.S. Government agency bonds, and/or bonds issued by U.S. corporations. No investment in any one organization exceeds five percent (5%) or more of plan net assets.

No investments in loan to, or leases with, any parties related to the pension plans have been made.

CITY OF SANFORD, FLORIDA
Notes to Financial Statements
Year Ended September 30, 2004

Note 13 - Pension Plans and Postemployment Benefits Other than Pensions (Continued)

- (4) Plan Membership - At September 30, 2004, membership of each plan consisted of the following:

	Police Officers	Firefighters
Retirees and beneficiaries receiving benefits	39	36
Active plan members	124	72
Total	163	108

- (5) Annual Pension Costs - Annual Pension costs were as follows:

	2002	2003	2004
Police Officers' plan	\$ 387,734	\$ 627,453	\$ 717,309
Firefighters' plan	\$ 289,051	\$ 419,805	\$ 388,876

The percentage contribution for the police officers' and firefighters' retirement plans for each of the past three (3) years was one hundred percent (100%) of the Annual Pension Costs. Therefore, the retirement plans have had no net pension obligation at any of the September 30 year ends.

The Airport Authority Firefighters' plan was excluded from the above analysis as it was not considered material.

- (6) The plans do not issue separate financial statements.
- (7) Costs of administering the Police Officers' and Firefighters pension plans are financed through investment earnings.

CITY OF SANFORD, FLORIDA
Notes to Financial Statements
Year Ended September 30, 2004

Note 13- Pension Plans and Postemployment Benefits Other than Pensions (Continued)

(8) The following is a summary of actuarial methods and significant actuarial assumptions used in the latest actuarial valuations.

	<u>Police Officers'</u>	<u>Firefighters'</u>
Valuation date	10/01/2004	10/01/2004
Actuarial cost method	Entry Age Normal	Entry Age Normal
Amortization method	Level percent, closed	Level percent, closed
Remaining amortization period	28 years	27 years
Asset valuation method	4-year smoothed market	4-year smoothed market
Actuarial assumptions:		
Investment rate of return	8.00%	8.00%
Projected salary increase (including both cost of living and merit)	6.00%	6.00%
Inflation rate	3.00%	3.00%
Postretirement benefit increases	0.00%	0.00%

CITY OF SANFORD, FLORIDA
Notes to Financial Statements
Year Ended September 30, 2004

Note 13 - Pension Plans and Postemployment Benefits Other than Pensions (Continued)

Pension trust fund financial statements

Financial statements for the Police Officers' Retirement System and Firefighters' Retirement System at September 30, 2004 and for the year then ended are as follows:

	<u>Police Officers'</u> <u>Retirement System</u>	<u>Firefighters'</u> <u>Retirement System</u>
Assets		
Investments, at fair value:		
Money market funds	\$ 1,401,582	\$ 262,675
Equity securities, individual stocks and mutual funds	10,398,590	3,970,016
Mutual funds investing in corporate and U.S. Treasury bonds	<u>6,570,961</u>	<u>8,227,728</u>
Total investments	18,371,133	12,460,419
Due from fiscal agent	<u>31</u>	<u>1,630</u>
Total assets	<u>18,371,164</u>	<u>12,462,049</u>
Liabilities		
Accounts payable	<u>27,377</u>	<u>17,672</u>
Total liabilities	<u>27,377</u>	<u>17,672</u>
Net assets		
Held in trust for pension benefits	<u>\$ 18,343,787</u>	<u>\$ 12,444,377</u>

CITY OF SANFORD, FLORIDA
Notes to Financial Statements
Year Ended September 30, 2004

Note 13 - Pension Plans and Postemployment Benefits Other than Pensions (Continued)

	Police Officers' Retirement System	Firefighters' Retirement System
Additions		
Contributions:		
Employer	\$ 717,309	\$ 388,876
State	263,609	176,646
Plan members and others	252,707	174,444
Total contributions	1,233,625	739,966
Investment earnings:		
Net increase in fair value of investments	767,178	657,493
Dividends	146,790	78,714
Interest	279,591	3,892
Total investment earnings	1,193,559	740,099
Less investment expenses	95,101	60,054
Net investment earnings	1,098,458	680,045
Miscellaneous income	2,309	3,385
Total additions	2,334,392	1,423,396
Deductions		
Benefits	1,000,667	870,653
Refunds of contributions	99,757	28,368
Other services and charges	34,066	21,844
Total deductions	1,134,490	920,865
Change in net assets	1,199,902	502,531
Total net assets - beginning	17,143,885	11,941,846
Total net assets - ending	\$ 18,343,787	\$ 12,444,377

C. Post-employment Benefits other than Pensions

The City's resolutions and ordinances allow employees who have retired to continue their life and health insurance benefits, and a portion of the cost, in an amount determined by City management, is borne by the City. The City pays, up to age sixty-five (65), health insurance benefits for employees retiring after October 1, 1991, with twenty-five (25) or more years of service. The City pays the health benefits of employees who retired prior to October 1, 1991, for the remainder of their lives. The City pays the life insurance benefits for retired employees who retired after October 1, 1991, with the level of the benefit being delineated as \$3,000 term life. Expenditures for these insurance premiums, which are recognized when paid, were recorded in the General and Water and Sewer Funds in the amounts of \$280,045 and \$15,335, respectively, for the year ended September 30, 2004 for 83 retirees receiving health insurance and 123 receiving life insurance.

CITY OF SANFORD, FLORIDA
Notes to Financial Statements
Year Ended September 30, 2004

Note 13 - Pension Plans and Postemployment Benefits Other than Pensions (Continued)

The nature of the plan is such that no formal trust fund exists. The plan pays premiums to an insurance company that maintains no assets or liabilities in the name of the City or on the City's behalf.

Note 14 - Deferred Compensation Plan

The City and the Airport Authority each have separate deferred compensation plans, created in accordance with Internal Revenue Code Section 457, in which all employees are eligible to participate. Deferred compensation amounts withheld from participating employees' pay are not taxable as current income until withdrawn from the plan. Annual contributions by a participant may not exceed limits established by the Internal Revenue Service. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

The City and Airport Authority have each placed the assets of the plans in trust with a third-party administrator and as such are not recorded in the financial records of either organization.

Note 15 - Risk management

Primary Government

The City accounts for its risk management activities in an internal service fund that includes self-insurance programs for workers' compensation, general liability, and any other claims. The City has made the decision to retain up to \$200,000 per incident relating to workers' compensation. Coverage in excess of statutory limits per incident for workers' compensation has been purchased from an outside carrier. All other liability and property damage insurance is obtained through insurance carriers with a \$25,000 deductible for general liability claims per occurrence and an aggregate stop loss that varies by line-of-coverage for all types of claims for fiscal year 2004. There have been no significant reductions in insurance coverage from the prior year. No settlements have exceeded the City's insurance coverage for each of the past three (3) fiscal years. At September 30, 2004 a reserve of \$188,781 and \$912,112 was recorded for the settlement of pending workers' compensation, property and general liability claims, respectively, including a provision for incurred but not reported claims. This liability is the City's best estimate based on available information.

The City utilizes the expertise of the plan administrator in determining the liability for claims incurred and other related costs on a claim-by-claim basis.

CITY OF SANFORD, FLORIDA
Notes to Financial Statements
Year Ended September 30, 2004

Note 15 - Risk management (Continued)

The changes in the City's claims liability during the years ended September 30, 2003 and 2004 were as follows:

	<u>Balance at Fiscal Year Beginning</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Current Year Claim Payments</u>	<u>Balance at Fiscal Year End</u>
2002 - 2003	\$ 1,214,820	\$ 2,011,260	\$ (2,129,843)	\$ 1,096,237
2003 - 2004	\$ 1,096,237	\$ 1,091,625	\$ (1,086,969)	\$ 1,100,893

Airport Authority

The Airport Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the Airport Authority carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three (3) years.

Note 16 - Commitments and contingencies

Primary Government

- A. Various suits and claims arising in the ordinary course of the City's operations are pending against the City. While the ultimate effect of such litigation cannot be ascertained at this time, management believes, based on the advice of legal counsel, that there will be no material effect on the City's financial position and/or that the City has sufficient insurance coverage to cover any claims.
- B. Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. If any expenditures are disallowed as a result of these audits, the claims for reimbursement to the grantor agency would become a liability of the City. In the opinion of management, any such adjustments would not be significant.
- C. The City has various construction contracts outstanding in the Governmental Funds and Enterprise Funds, commitments on which amount to \$7,029,533 at September 30, 2004.

Airport Authority

- D. The Airport Authority is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Airport Authority's counsel the resolution of these matters will not have a material adverse effect on the financial condition of the Airport Authority.

CITY OF SANFORD, FLORIDA
Notes to Financial Statements
Year Ended September 30, 2004

Note 16 - Commitments and contingencies (continued)

- E. During the year ended September 30, 2001, the Domestic Terminal project was completed. In concert with the design and construction of the domestic terminal expansion, the Airport Authority entered into a Memorandum of Understanding with TBI, plc to negotiate a thirty (30) year management contract for the domestic terminal in exchange for their private sector investment into the project of \$7,500,000. TBI, plc's United States corporation, known as Orlando Sanford Domestic (OSD), will manage all operations involving the domestic terminal. The contractual agreement provides for five (5) fixed annual lump sum payments to the Airport Authority as well as additional minimum operation payments to the Airport Authority for years one through thirty (1 - 30) in exchange for the revenues generated by the operation of the domestic terminal. The Airport Authority will also participate in a percentage of gross revenues generated from the operation of the domestic terminal should those amounts exceed the agreed upon revenue thresholds. Additionally, many expenses and liabilities associated with the operation of the domestic terminal will be removed from the Airport Authority and transferred to OSD.
- F. At the end of fiscal year September 30, 2004, the Airport Authority had entered into construction contracts in the amount of \$2,300,000.
- G. The Airport Authority receives a significant amount of other revenue under several Federal and State grant programs. These programs are subject to compliance audits as required by the Federal government and the State of Florida. The amount, if any, of expenditures, which may be disallowed, is not determinable at this time.
- H. The Airport Authority has identified several sites that have environmental issues on airport property. The State of Florida and the United States Navy is responsible for cleaning up the majority of these sites. At this time the Airport Authority is unable to determine the cost and their responsibility in the clean-up of these sites. The Airport Authority is pursuing all possible remedies to mitigate any contamination.

Note 17 - Conduit debt obligations

From time to time, the Airport Authority has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for construction of aviation related facilities on the airport's premises. The bonds do not constitute a debt or pledge of the faith and credit of the Authority, Seminole County, the City of Sanford or the State of Florida, and accordingly, have not been reported in the accompanying financial statements. As of September 30, 2004, there was one (1) series of Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of \$28,230,000.

CITY OF SANFORD, FLORIDA
Notes to Financial Statements
Year Ended September 30, 2004

Note 18 - Component unit - Sanford CRA

Condensed financial statement information related to the Sanford CRA as of and for the year ended September 30, 2004 is as follows:

	<u>General</u>	<u>Debt Service</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
Condensed Balance Sheet:					
Cash and cash equivalents	\$ 2,652,296	\$ -	\$ 2,652,296	\$ -	\$ 2,652,296
Due from other governments	928	-	928	-	928
Capital assets - depreciable	-	-	-	733,091	733,091
Total Assets and Other Debits	<u>\$ 2,653,224</u>	<u>\$ -</u>	<u>\$ 2,653,224</u>	<u>\$ 733,091</u>	<u>\$ 3,386,315</u>
Accounts payable	\$ 324,260	\$ -	\$ 324,260	\$ -	\$ 324,260
Accrued interest payable	-	-	-	88,400	88,400
Bonds payable	-	-	-	5,550,000	5,550,000
Loan payable	-	-	-	2,069,959	2,069,959
Fund Balance/ Net Assets - Unrestricted	<u>2,328,964</u>	<u>-</u>	<u>2,328,964</u>	<u>(6,975,268)</u>	<u>(4,646,304)</u>
Total Liabilities and Fund Balances	<u>\$ 2,653,224</u>	<u>\$ -</u>	<u>\$ 2,653,224</u>	<u>\$ 733,091</u>	<u>\$ 3,386,315</u>
Condensed Revenues, Expenditures and Changes in Fund Balances:					
Revenues:					
Taxes	\$ 662,286	\$ -	\$ 662,286	\$ -	\$ 662,286
Interest	12,021	-	12,021	-	12,021
Contributions	244,509	-	244,509	-	244,509
Total revenues	<u>918,816</u>	<u>-</u>	<u>918,816</u>	<u>-</u>	<u>918,816</u>
Expenditures:					
General government	57,396	-	57,396	-	57,396
Transportation	601,156	-	601,156	(575,346)	25,810
Economic environment	6,384	-	6,384	-	6,384
Culture/Recreation	157,745	-	157,745	(157,745)	-
Principal retirement	-	330,000	330,000	(330,000)	-
Interest and fiscal charges	-	283,350	283,350	(39,050)	244,300
Total expenditures	<u>822,681</u>	<u>613,350</u>	<u>1,436,031</u>	<u>(1,102,141)</u>	<u>333,890</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	96,135	(613,350)	(517,215)	1,102,141	584,926
Other Financing Sources (Uses):					
Proceeds from bank loan	2,069,959	-	2,069,959	(2,069,959)	-
Operating transfers (out) in	(613,350)	613,350	-	-	-
Total Other Financing Sources (Uses)	<u>1,456,609</u>	<u>613,350</u>	<u>2,069,959</u>	<u>(2,069,959)</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	1,552,744	-	1,552,744	(967,818)	584,926
Fund Balances / Net Asset Deficit					
October 1, 2003	<u>776,220</u>	<u>-</u>	<u>776,220</u>	<u>(6,007,450)</u>	<u>(5,231,230)</u>
Fund Balances, September 30, 2004	<u>\$ 2,328,964</u>	<u>\$ -</u>	<u>\$ 2,328,964</u>	<u>\$(6,975,268)</u>	<u>\$ (4,646,304)</u>

CITY OF SANFORD, FLORIDA
Notes to Financial Statements
Year Ended September 30, 2004

Note 19 – Extraordinary Item – Hurricane Expenditures

During August and September 2004, three hurricanes directly impacted the City of Sanford. The City incurred over \$5M worth of costs related to debris removal and employee overtime during this period. The majority of these hurricane-related expenses are subject to reimbursement through FEMA. The expenditures are shown as an extraordinary item in the general fund on the fund level financial statements since there is no revenue meeting the availability criteria of 60 days under the modified accrual basis of accounting. On the government-wide statements, the revenue and expenses are both recognized resulting in a minimal net effect to net assets. Therefore, an extraordinary item is not presented on the statement of activities.

**REQUIRED SUPPLEMENTARY
INFORMATION**

CITY OF SANFORD, FLORIDA

**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
General Fund
Year Ended September 30, 2004**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 16,635,863	\$ 17,030,863	\$ 17,823,525	\$ 792,662
Licenses and permits	931,680	931,680	1,490,136	558,456
Intergovernmental revenues	3,902,907	4,208,834	4,879,009	670,175
Charges for services	4,620,502	4,622,080	4,979,130	357,050
Fines and forfeitures	206,700	206,700	238,459	31,759
Contributions	5,000	88,669	113,914	25,245
Interest	325,000	325,000	221,269	(103,731)
Administrative services	906,231	906,231	906,231	-
Miscellaneous revenue	518,560	540,610	578,521	37,911
Total revenues	<u>28,052,443</u>	<u>28,860,667</u>	<u>31,230,194</u>	<u>2,369,527</u>
Expenditures				
Current:				
General government	4,285,346	5,089,024	4,747,408	341,616
Public safety	14,950,812	15,054,794	15,109,381	(54,587)
Transportation	2,551,070	7,964,927	7,359,448	605,479
Physical environment	2,925,184	2,929,498	3,044,929	(115,431)
Economic environment	36,500	316,817	84,140	232,677
Human services	151,450	151,450	259,918	(108,468)
Culture/Recreation	3,449,246	4,430,832	3,577,200	853,632
Total expenditures	<u>28,349,608</u>	<u>35,937,342</u>	<u>34,182,424</u>	<u>1,754,918</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(297,165)</u>	<u>(7,076,675)</u>	<u>(2,952,230)</u>	<u>4,124,445</u>
Other financing sources (uses)				
Transfers out	<u>(402,835)</u>	<u>(183,540)</u>	<u>(183,526)</u>	<u>14</u>
Total other financing sources (uses)	<u>(402,835)</u>	<u>(183,540)</u>	<u>(183,526)</u>	<u>14</u>
Net change in fund balances	<u>(700,000)</u>	<u>(7,260,215)</u>	<u>(3,135,756)</u>	<u>4,124,459</u>
Fund balance - beginning	<u>13,259,263</u>	<u>13,259,263</u>	<u>13,259,263</u>	<u>-</u>
Fund balance - ending	<u>\$ 12,559,263</u>	<u>\$ 5,999,048</u>	<u>\$ 10,123,507</u>	<u>\$ 4,124,459</u>

CITY OF SANFORD, FLORIDA
Schedule of Funding Progress
Defined Benefit Pension Trust Funds
Year Ended September 30, 2004

<u>Actual Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Accrued Liability (AAL) Frozen Entry Age</u>	<u>Actuarial Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as Percentage of Covered Payroll</u>
Police Officers' Retirement System						
10/1/1999	\$17,591,379	\$ 19,541,704	\$1,950,325	90.02%	\$2,849,125	68.45%
10/1/2000	\$19,432,369	\$ 21,244,881	\$1,812,512	91.47%	\$3,194,472	56.74%
10/1/2001	\$20,032,657	\$ 21,642,332	\$1,609,675	92.56%	\$3,612,283	44.56%
10/1/2002	\$19,469,655	\$ 20,296,277	\$2,026,510	90.02%	\$3,853,643	52.59%
10/1/2003	\$19,272,243	\$ 21,146,557	\$2,874,314	87.02%	\$4,167,079	68.98%
10/1/2004	\$19,095,103	\$ 24,090,829	\$4,995,726	79.26%	\$4,470,513	111.75%
Firefighters' Retirement System						
10/1/1999	\$11,251,058	\$ 13,515,882	\$2,264,824	83.24%	\$1,821,056	124.37%
10/1/2000	\$12,268,181	\$ 14,313,055	\$2,044,874	85.71%	\$2,050,682	99.72%
10/1/2001	\$12,611,092	\$ 14,613,575	\$2,002,483	86.30%	\$2,107,190	95.03%
10/1/2002	\$12,610,665	\$ 14,710,733	\$2,100,068	85.72%	\$2,460,554	85.35%
10/1/2003	\$12,727,078	\$ 15,672,231	\$2,945,153	81.21%	\$2,466,177	119.42%
10/1/2004	\$12,805,517	\$ 16,372,831	\$3,567,314	78.21%	\$2,540,193	140.43%

CITY OF SANFORD, FLORIDA

**Schedule of Contributions from the City and Other Contributing Entities
Defined Benefit Pension Trust Funds
Year Ended September 30, 2004**

<u>Year Ended September 30,</u>	<u>Annual Required City Contribution</u>	<u>Actual City Contribution</u>	<u>Percentage of Requirement Contributed</u>	<u>Additional State Contribution</u>
Police Officers' Retirement System				
1999	\$ 232,224	\$ 284,467	122.50%	\$ 155,028 *
2000	\$ 165,216	\$ 313,029	189.47%	\$ 155,028 *
2001	\$ 174,653	\$ 362,475	207.54%	\$ 157,123 *
2002	\$ 359,349	\$ 387,734	107.90%	\$ 163,847 *
2003	\$ 627,348	\$ 627,453	100.02%	\$ 163,847 *
2004	\$ 717,309	\$ 717,309	100.00%	\$ 263,309 *
Firefighters' Retirement System				
1999	\$ 188,857	\$ 193,325	102.37%	\$ 115,162 *
2000	\$ 154,763	\$ 207,895	134.33%	\$ 115,162 *
2001	\$ 197,915	\$ 213,689	107.97%	\$ 125,840 *
2002	\$ 289,051	\$ 289,051	100.00%	\$ 125,840 *
2003	\$ 419,804	\$ 419,805	100.00%	\$ 125,840 *
2004	\$ 388,876	\$ 388,876	100.00%	\$ 176,646 *

* Frozen per Chapter 185, Florida Statutes, as amended.

CITY OF SANFORD, FLORIDA
Combining and Individual Funds Statements and Schedules

Combining Financial Statements provide a more detailed view of summarized information in the "Basic Financial Statements."

CITY OF SANFORD, FLORIDA
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2004

	Special Revenue Funds	Capital Project Funds	Total Nonmajor Governmental Funds
Assets			
Cash and cash equivalents	\$ 2,262,341	\$ 51,710	\$ 2,314,051
Due from other governments	197,414	-	197,414
Total assets	\$ 2,459,755	\$ 51,710	\$ 2,511,465
Liabilities and fund balances			
Liabilities:			
Accounts payable	\$ 61,339	\$ -	\$ 61,339
Accrued liabilities	1,880	-	1,880
Due to other funds	62,668	-	62,668
Total liabilities	125,887	-	125,887
Fund balances:			
Reserved	-	51,710	51,710
Unreserved:			
Undesignated	2,333,868	-	2,333,868
Total fund balances	2,333,868	51,710	2,385,578
Total liabilities and fund balances	\$ 2,459,755	\$ 51,710	\$ 2,511,465

CITY OF SANFORD, FLORIDA

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended September 30, 2004**

	Special Revenue Funds	Debt Service Fund	Capital Project Funds	Total Nonmajor Governmental Funds
Revenues				
Taxes	\$ 792,936	\$ -	\$ 793,383	\$ 1,586,319
Intergovernmental revenues	298,275	-	-	298,275
Fines and forfeitures	122,990	-	-	122,990
Impact fees	746,665	-	-	746,665
Interest earnings	19,810	-	-	19,810
Miscellaneous revenue	24,275	-	173,619	197,894
Total revenues	2,004,951	-	967,002	2,971,953
Expenditures				
Current:				
Public safety	36,810	-	-	36,810
Transportation	373,420	-	-	373,420
Economic environment	299,247	-	-	299,247
Capital outlay	1,079,281	-	1,123,180	2,202,461
Principal	-	90,000	-	90,000
Interest and fiscal charges	-	82,026	-	82,026
Total expenditures	1,788,758	172,026	1,123,180	3,083,964
Excess (deficiency) of revenues over (under) expenditures	216,193	(172,026)	(156,178)	(112,011)
Other financing sources (uses)				
Transfers in	-	172,026	-	172,026
Total other financing sources (uses)	-	172,026	-	172,026
Net change in fund balances	216,193	-	(156,178)	60,015
Fund balance - beginning	2,117,675	-	207,888	2,325,563
Fund balance - ending	\$ 2,333,868	\$ -	\$ 51,710	\$ 2,385,578

CITY OF SANFORD, FLORIDA
Nonmajor Special Revenue Funds

Special Revenue Funds account for revenues from specific taxes or other earmarked revenue sources which, by law, are designated to finance particular functions or activities of government. The City has the following Special Revenue Funds:

Police Education:

To account for that portion of fines on certain violations, per statute, to fund continuing education for police officers.

Law Enforcement Trust Fund:

To account for proceeds obtained through forfeiture of confiscated and unclaimed property through court judgment. The proceeds are to be used solely for law enforcement purposes, with emphasis given to community policing activities, training & law enforcement operations.

Local Option Gas Tax Fund:

To account for the City's allocation of the 6-cent local option gas tax collected in Seminole County and the expenditures used for the additions to or maintenance of the City's transportation system.

Other Grants Fund:

To account for grants received by the City as a subgrantee, Grant proceeds are utilized to provide rehabilitation improvements to blighted areas of the City.

Cemetery:

To account for certain funds set aside to be used for capital improvements and perpetual care of a local cemetery.

Recreation Facilities Impact Fees Fund, Fire Public Safety Facilities Impact Fees Fund and Police Public Safety Facilities Impact Fees Fund:

To account for impact fees collected by the City to be used solely for the expansion or acquisition of capital facilities or equipment made necessary by the new construction from which the fees were collected or for principal payments (including sinking fund payments) on bonds to expand or acquire such facilities or equipment.

CITY OF SANFORD, FLORIDA
Combining Balance Sheet
Nonmajor Special Revenue Funds
September 30, 2004

	Police Education	Law Enforcement Trust	Local Option Gas Tax	Other Grants	Cemetary	Recreation Facilities Impact Fees	Fire Public Safety Facilities Impact Fees	Police Public Safety Facilities Impact Fees	Total Nonmajor Special Revenue Funds
Assets									
Cash and cash equivalents	\$ 24,679	\$ 141,786	\$ 452,536	\$ (182)	\$ 486,356	\$ 396,731	\$ 162,605	\$ 597,830	\$ 2,262,341
Due from other governments	-	26,009	72,601	98,804	-	-	-	-	197,414
Total assets	\$ 24,679	\$ 167,795	\$ 525,137	\$ 98,622	\$ 486,356	\$ 396,731	\$ 162,605	\$ 597,830	\$ 2,459,755
Liabilities and fund balances									
Liabilities:									
Accounts payable	\$ 462	\$ -	\$ 50,121	\$ 4,408	\$ -	\$ -	\$ -	\$ 6,348	\$ 61,339
Accrued liabilities	-	-	-	1,880	-	-	-	-	1,880
Due to other funds	-	-	-	62,668	-	-	-	-	62,668
Total liabilities	462	-	50,121	68,956	-	-	-	6,348	125,887
Fund balances:									
Unreserved:									
Undesignated	24,217	167,795	475,016	29,666	486,356	396,731	162,605	591,482	2,333,868
Total fund balances	24,217	167,795	475,016	29,666	486,356	396,731	162,605	591,482	2,333,868
Total liabilities and fund balances	\$ 24,679	\$ 167,795	\$ 525,137	\$ 98,622	\$ 486,356	\$ 396,731	\$ 162,605	\$ 597,830	\$ 2,459,755

CITY OF SANFORD, FLORIDA
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
Year Ended September 30, 2004

	Police Education	Law Enforcement Trust	Local Option Gas Tax	Other Grants	Cemetery	Recreation Facilities Impact Fees	Fire Public Safety Facilities Impact Fees	Police Public Safety Facilities Impact Fees
Revenues								
Taxes	\$ -	\$ -	\$ 792,936	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues	-	-	-	298,275	-	-	-	-
Fines and forfeitures	42,507	80,483	-	-	-	-	-	-
Impact fees	-	-	-	-	-	359,299	102,676	284,690
Interest earnings	387	1,683	5,441	360	-	3,627	1,383	6,929
Miscellaneous revenue	-	-	-	-	24,275	-	-	-
Total revenues	42,894	82,166	798,377	298,635	24,275	362,926	104,059	291,619
Expenditures								
Current:								
Public safety	22,353	14,457	-	-	-	-	-	-
Transportation	-	-	373,420	-	-	-	-	-
Economic environment	-	-	-	299,247	-	-	-	-
Capital outlay	-	35,575	386,450	-	-	56,500	-	600,756
Total expenditures	22,353	50,032	759,870	299,247	-	56,500	-	600,756
Excess (deficiency) of revenues over (under) expenditures	20,541	32,134	38,507	(612)	24,275	306,426	104,059	(309,137)
Net change in fund balances	20,541	32,134	38,507	(612)	24,275	306,426	104,059	(309,137)
Fund balance - beginning	3,676	135,661	436,509	30,278	462,081	90,305	58,546	900,619
Fund balance - ending	\$ 24,217	\$ 167,795	\$ 475,016	\$ 29,666	\$ 486,356	\$ 396,731	\$ 162,605	\$ 591,482

CITY OF SANFORD, FLORIDA

**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Nonmajor Special Revenue Funds
Year Ended September 30, 2004**

	Police Education		
	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Taxes	\$ -	\$ -	\$ -
Fines and forfeitures	11,500	42,507	31,007
Impact Fees	-	-	-
Interest	750	387	(363)
Miscellaneous revenue	-	-	-
Total revenues	<u>12,250</u>	<u>42,894</u>	<u>30,644</u>
Expenditures			
Current:			
Public safety	52,250	22,353	29,897
Transportation	-	-	-
Culture/Recreation	-	-	-
Total expenditures	<u>52,250</u>	<u>22,353</u>	<u>29,897</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(40,000)</u>	<u>20,541</u>	<u>60,541</u>
Net change in fund balances	(40,000)	20,541	60,541
Fund balance - beginning	<u>40,000</u>	<u>3,676</u>	<u>(36,324.00)</u>
Fund balance - ending	<u><u>\$ -</u></u>	<u><u>\$ 24,217</u></u>	<u><u>\$ 24,217</u></u>

Law Enforcement Trust			Local Option Gas Tax		
Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
\$ -	\$ -	\$ -	\$ 732,180	\$ 792,936	\$ 60,756
-	80,483	80,483	-	-	-
-	-	-	-	-	-
1,300	1,683	383	5,000	5,441	441
-	-	-	-	-	-
<u>1,300</u>	<u>82,166</u>	<u>80,866</u>	<u>737,180</u>	<u>798,377</u>	<u>61,197</u>
90,000	50,032	39,968	-	-	-
-	-	-	878,092	759,870	118,222
-	-	-	-	-	-
<u>90,000</u>	<u>50,032</u>	<u>39,968</u>	<u>878,092</u>	<u>759,870</u>	<u>118,222</u>
<u>(88,700)</u>	<u>32,134</u>	<u>120,834</u>	<u>(140,912)</u>	<u>38,507</u>	<u>179,419</u>
(88,700)	32,134	120,834	(140,912)	38,507	179,419
88,700	135,661	46,961	140,912	436,509	295,597
<u>\$ -</u>	<u>\$ 167,795</u>	<u>\$ 167,795</u>	<u>\$ -</u>	<u>\$ 475,016</u>	<u>\$ 475,016</u>

CITY OF SANFORD, FLORIDA

**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (continued)
Nonmajor Special Revenue Funds
Year Ended September 30, 2004**

	Cemetery		
	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Taxes	\$ -	\$ -	\$ -
Fines and forfeitures	-	-	-
Impact Fees	-	-	-
Interest	-	-	-
Miscellaneous revenue	35,000	24,275	(10,725)
Total revenues	<u>35,000</u>	<u>24,275</u>	<u>(10,725)</u>
Expenditures			
Current:			
Public safety	-	-	-
Transportation	-	-	-
Culture/Recreation	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>35,000</u>	<u>24,275</u>	<u>(10,725)</u>
Net change in fund balances	35,000	24,275	(10,725)
Fund balance - beginning	<u>464,000</u>	<u>462,081</u>	<u>1,919</u>
Fund balance - ending	<u><u>\$ 499,000</u></u>	<u><u>\$ 486,356</u></u>	<u><u>\$ (8,806)</u></u>

Recreation Facilities Impact Fees			Fire Public Safety Facilities Impact Fees		
Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
75,000	359,299	284,299	50,000	102,676	52,676
-	3,627	3,627	650	1,383	733
-	-	-	-	-	-
<u>75,000</u>	<u>362,926</u>	<u>287,926</u>	<u>50,650</u>	<u>104,059</u>	<u>53,409</u>
-	-	-	94,305	-	94,305
-	-	-	-	-	-
90,365	56,500	33,865	-	-	-
<u>90,365</u>	<u>56,500</u>	<u>33,865</u>	<u>94,305</u>	<u>-</u>	<u>94,305</u>
<u>(15,365)</u>	<u>306,426</u>	<u>321,791</u>	<u>(43,655)</u>	<u>104,059</u>	<u>147,714</u>
(15,365)	306,426	321,791	(43,655)	104,059	147,714
15,365	90,305	74,940	43,655	58,546	14,891
<u>\$ -</u>	<u>\$ 396,731</u>	<u>\$ 396,731</u>	<u>\$ -</u>	<u>\$ 162,605</u>	<u>\$ 162,605</u>

CITY OF SANFORD, FLORIDA

**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (continued)
Nonmajor Special Revenue Funds
Year Ended September 30, 2004**

	Police Public Safety Facilities Impact Fees		
	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Taxes	\$ -	\$ -	\$ -
Fines and forfeitures	-	-	-
Impact fees	100,000	284,690	184,690
Interest	13,000	6,929	(6,071)
Miscellaneous revenue	-	-	-
Total revenues	<u>113,000</u>	<u>291,619</u>	<u>178,619</u>
Expenditures			
Current:			
Public safety	967,973	600,756	367,217
Transportation	-	-	-
Culture/Recreation	-	-	-
Total expenditures	<u>967,973</u>	<u>600,756</u>	<u>367,217</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(854,973)</u>	<u>(309,137)</u>	<u>545,836</u>
Net change in fund balances	(854,973)	(309,137)	545,836
Fund balance - beginning	<u>854,973</u>	<u>900,619</u>	<u>45,646</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 591,482</u>	<u>\$ 591,482</u>

CITY OF SANFORD, FLORIDA
Nonmajor Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for the payment of general long-term debt principal, interest and related costs:

Debt Service:

To account for and report on payment of principal, interest and related costs on Special Facilities Revenue Bonds.

CITY OF SANFORD, FLORIDA

**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Debt Service Fund
Year Ended September 30, 2004**

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Expenditures			
Debt service:			
Principal	\$ 90,000	\$ 90,000	\$ -
Interest and fiscal charges	82,040	82,026	14
Total expenditures	<u>172,040</u>	<u>172,026</u>	<u>14</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(172,040)</u>	<u>(172,026)</u>	<u>14</u>
Other financing sources (uses)			
Transfers in	172,040	172,026	(14)
Total other financing sources (uses)	<u>172,040</u>	<u>172,026</u>	<u>(14)</u>
Net change in fund balances	-	-	-
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

CITY OF SANFORD, FLORIDA
Nonmajor Capital Projects Fund

The Capital Projects Fund is used to account for financial resources earmarked for the acquisition or construction of major capital facilities and other project-oriented activities (other than those financed by proprietary funds):

East-West Connector Construction:

To account for certain funds set aside for construction of the East-West Connector.

CITY OF SANFORD, FLORIDA
Balance Sheet
Nonmajor Capital Project Funds
September 30, 2004

	East-West Connector Construction
Assets	
Cash and cash equivalents	\$ 51,710
Total assets	<u>\$ 51,710</u>
Fund balances	
Reserved	\$ 51,710
Total fund balances	<u>\$ 51,710</u>

CITY OF SANFORD, FLORIDA
Statement of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Capital Project Funds
Year Ended September 30, 2004

	East-West Connector Construction
Revenues	
Taxes	\$ 793,383
Miscellaneous revenue	173,619
Total revenues	967,002
 Expenditures	
Current:	
Capital outlay	1,123,180
Total expenditures	1,123,180
Excess (deficiency) of revenues over (under) expenditures	(156,178)
 Net change in fund balances	(156,178)
 Fund balance - beginning	207,888
 Fund balance - ending	\$ 51,710

STATISTICAL SECTION:

Statistical schedules differ from financial statements because they usually cover more than one fiscal year and may present non-accounting data. These schedules reflect social data and economic data, and financial trends of the City of Sanford, Florida.

CITY OF SANFORD, FLORIDA
Statistical Section
Year Ended September 30, 2004

The Statistical Section consists of tables and charts designed to provide the reader with insights into the financial position of the City which are not readily apparent from the Financial Statements.

The following statistical tables recommended for inclusion by the Government Accounting Standards Board are not included for the reasons stated:

- A. Ratio of Net General Obligation Bonded Debt to Assessed Value and Net General Obligation Bonded Debt per Capita - Last Ten Fiscal Years

During the past ten years, the City had no general bonded indebtedness.

- B. Ratio of Annual Debt Service Expenditures for General Obligation Bonded Debt to Total General Governmental Expenditures - Last Ten Fiscal Years

During the past ten years, the City had no general bonded indebtedness.

- C. Computation of Legal Debt Margin

Neither the Constitution of the State of Florida, the Florida Statutes, nor the Charter of the City sets a legal debt margin.

- D. Special Assessments Billing and Collection - Last Ten Fiscal Years

During the past ten years, the City had no Special Assessment Debt.

The following statistical tables include the primary government only.

TABLE I

CITY OF SANFORD, FLORIDA

General Governmental Expenditures by Function (1)
Last Ten Fiscal Years

(amounts expressed in thousands)

<u>Fiscal Year</u>	<u>General Government</u>	<u>Public Safety</u>	<u>Transportation</u>	<u>Physical Environment</u>	<u>Economic Environment</u>	<u>Human Services</u>	<u>Culture/ Recreation</u>	<u>Capital Outlay</u>	<u>Debt Service</u>	<u>Total</u>
1995	2,281	7,650	1,622	48	471	13	2,070	6,936	940	22,031
1996	2,397	7,850	1,801	-	645	2	2,193	1,741	971	17,600
1997	2,426	7,971	1,906	-	950	9	2,264	1,280	971	17,777
1998	2,903	9,008	1,928	-	1,349	8	2,519	1,065	609	19,389
1999	3,101	8,850	1,884	-	793	18	2,513	3,005	387	20,551
2000	3,610	9,348	2,237	2,628	417	73	2,671	2,527	304	23,815
2001	3,571	11,422	2,424	3,265	423	98	2,964	1,909	1,163	27,239
2002	3,906	12,784	3,369	3,036	659	223	3,214	3,087	172	30,450
2003	4,411	13,415	2,520	2,930	534	252	3,217	3,326	172	30,777
2004	8,951	14,584	2,604	3,045	386	260	3,232	2,876	172	36,110

(1) Includes General, Special Revenue and Debt Service Funds.

TABLE II

CITY OF SANFORD, FLORIDA
General Governmental Revenues by Source (1)
Last Ten Fiscal Years

(amounts expressed in thousands)

<u>Fiscal Year</u>	<u>Taxes</u>	<u>Licenses and Permits</u>	<u>Inter-governmental</u>	<u>Charges for Services</u>	<u>Fines and Forfeitures</u>	<u>Miscellaneous</u>	<u>Total</u>
1995	9,794	697	3,322	611	330	1,700	16,454
1996	10,881	661	3,796	601	314	1,502	17,755
1997	12,143	752	4,059	661	253	1,598	19,466
1998	12,623	713	4,695	1,006	270	1,762	21,069
1999	13,522	851	5,228	1,053	383	1,967	23,004
2000	14,276	1,081	4,230	4,067	285	2,819	26,758
2001	14,938	1,177	4,520	4,380	1,166	2,959	29,140
2002	15,793	827	4,757	4,516	331	1,849	28,073
2003	17,462	1,006	5,522	4,524	323	1,746	30,585
2004	18,616	1,490	5,177	4,979	331	2,586	33,179

(1) Includes General, Special Revenue and Debt Service Funds.

TABLE IIA

CITY OF SANFORD, FLORIDA

General Governmental Tax Revenues by Source (1)
Last Ten Fiscal Years

(amounts expressed in thousands)

<u>Fiscal Year</u>	<u>Property Taxes</u>	<u>Local Option Gas and Use Taxes</u>	<u>Franchise Fees</u>	<u>Utility Services</u>	<u>Other Taxes</u>	<u>Total</u>
1995	5,213	451	1,552	2,567	11	9,794
1996	5,281	482	1,849	3,258	11	10,881
1997	6,243	570	1,901	3,414	15	12,143
1998	6,337	589	1,986	3,693	18	12,623
1999	6,492	846	2,315	3,858	11	13,522
2000	6,916	817	2,224	4,307	12	14,276
2001	7,256	808	2,603	4,252	19	14,938
2002	7,924	770	2,397	4,686	16	15,793
2003	8,855	1,050	2,477	5,072	7	17,461
2004	9,483	1,188	2,833	5,095	17	18,616

(1) Includes General, Special Revenue and Debt Service Funds

TABLE III

CITY OF SANFORD, FLORIDA
Property Tax Levies and Collections (2)
Last Ten Fiscal Years

Tax Year	Fiscal Year	Total Tax Levy (1)	Current Tax Collections (2)	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Collections As % of Current Levy
1994	1995	5,312,281	5,013,541	94.38%	199,265	5,212,806	98.13%
1995	1996	5,482,048	5,219,577	95.21%	61,807	5,281,384	96.34%
1996	1997	6,407,351	6,197,399	96.72%	46,104	6,243,503	97.44%
1997	1998	6,816,324	6,274,222	92.05%	62,933	6,337,155	92.97%
1998	1999	6,781,938	6,472,094	95.43%	19,775	6,491,869	95.72%
1999	2000	7,188,198	6,831,026	95.03%	84,672	6,915,698	96.21%
2000	2001	7,569,251	7,208,953	95.24%	46,767	7,255,720	95.86%
2001	2002	8,321,052	7,863,714	94.50%	60,457	7,924,171	95.23%
2002	2003	9,207,029	8,808,277	95.67%	46,371	8,854,648	96.17%
2003	2004	9,822,331	9,415,246	95.86%	67,644	9,482,890	96.54%

(1) Total assessed value times millage rate.

(2) Includes General Fund.

Source: "Annual Financial Report of Units of Local Government"

TABLE IV

CITY OF SANFORD, FLORIDA

Assessed and Estimated Actual Value of Taxable Property (1)
Last Ten Fiscal Years

(amounts expressed in thousands)

Tax Year	Fiscal Year	Real Property		Personal Property		Centrally Assessed Property (2)		Total		Ratio of Total Assessed to Total Estimated Actual Value
		Assessed Value (1)	Estimated Actual Value	Assessed Value (1)	Estimated Actual Value	Assessed Value (1)	Estimated Actual Value	Assessed Value (1)	Estimated Actual Value	
1994	1995	649,068	649,068	122,366	122,366	1,160	1,160	772,594	772,594	100.00%
1995	1996	664,468	686,434	131,296	135,636	1,161	1,199	796,925	823,269	96.80%
1996	1997	771,712	797,223	159,142	164,403	1,002	1,035	931,856	962,661	96.80%
1997	1998	810,040	810,040	179,625	179,625	1,671	1,671	991,336	991,336	100.00%
1998	1999	860,728	877,399	193,660	197,411	1,357	1,383	1,055,745	1,076,193	98.10%
1999	2000	921,760	929,194	204,173	205,820	2,264	2,282	1,128,197	1,137,296	99.20%
2000	2001	973,327	995,222	214,988	219,824	2,162	2,211	1,190,477	1,217,257	97.80%
2001	2002	1,091,830	1,117,533	236,505	242,073	1,911	1,956	1,330,246	1,361,562	97.70%
2002	2003	1,264,975	1,275,176	232,219	234,092	1,955	1,971	1,499,149	1,511,239	99.20%
2003	2004	1,349,546	1,381,316	248,862	254,721	3,678	3,764	1,602,086	1,639,801	97.70%

(1) Source: "Certification of Taxable Value" as filed with the Seminole County Property Appraiser's Office.

(2) Centrally assessed property consists of railroad and telegraph systems assessed by the State of Florida.

TABLE V

CITY OF SANFORD, FLORIDA

Property Tax Rates - Direct and Overlapping Governments (1) (2)
Last Ten Fiscal Years

<u>Tax Year</u>	<u>Fiscal Year</u>	<u>City of Sanford</u>	<u>Seminole County</u>	<u>Seminole County School Board</u>	<u>Other</u>	<u>Total</u>
1994	1995	6.8759	5.3622	10.093	0.482	22.8131
1995	1996	6.8759	5.3772	10.337	0.482	23.0721
1996	1997	6.8759	5.3889	10.3080	0.482	23.0548
1997	1998	6.8759	5.3625	10.0360	0.482	22.7564
1998	1999	6.8700	5.2813	9.9180	0.482	22.5513
1999	2000	6.7900	5.1159	9.5410	0.482	21.9289
2000	2001	6.7500	5.1072	9.3450	0.472	21.6742
2001	2002	6.6250	5.2197	9.1620	0.462	21.4687
2002	2003	6.5000	5.2075	9.0000	0.462	21.1695
2003	2004	6.4750	5.1899	8.7360	0.462	20.8629

(1) Source : Seminole County Tax Collector's Office and City of Sanford Finance Department

(2) Rates are stated as an amount per \$1,000 of assessment value.

TABLE VI

CITY OF SANFORD, FLORIDA

Principal Taxpayers (1)
September 30, 2004

<u>Taxpayer Name</u>	<u>Business Name</u>	<u>Type of Business</u>	<u>2003 Assessed Value</u>	<u>2004 Assessed City Taxes</u>	<u>Percent of Total Assessed Taxes</u>
Seminole Towne Center, LP	Seminole Towne Center Mall	Shopping Center	\$ 87,542,663	\$ 566,839	5.46%
Central Florida Regional Hospital	Central Florida Regional Hospital	Hospital	30,543,139	197,767	1.91%
BellSouth	BellSouth	Telecommunications	26,132,102	169,205	1.63%
Wal-Mart Stores East	Wal-Mart Stores East - Inc.	Discount Store	25,218,164	163,288	1.57%
Plantation Lakes	Plantation Lakes LTD	Property Management	21,818,658	141,276	1.36%
FL Power & Light	FL Power & Light	Utilities	19,956,470	129,218	1.25%
Unicell Paper Mills Inc.	Unicell Paper Mills Inc.	Pulp Paper Mills	19,271,124	124,781	1.20%
Westlake Apartments LTD	Cardinal Cove	Multi - Family Apartments	16,242,071	105,167	1.01%
Arbor Lakes Ltd.	Arbor Lakes Ltd.	Multi - Family Apartments	15,760,887	102,052	0.98%
KIMCO of Merrit Island Inc.	Kimco Realty Corp.	Retail Center	13,688,535	88,633	0.85%

(1) Source : Research conducted by the City of Sanford Finance Department from data supplied by the Seminole County Property Appraiser's Office. Does not necessarily reflect all or highest principal taxpayers.

TABLE VII

CITY OF SANFORD, FLORIDA
Computation of Direct and Overlapping Debt
General Obligation Bonds
September 30, 2004

<u>Jurisdiction</u>	<u>Total Bonded Debt Outstanding</u>	<u>Percentage Applicable to City of Sanford</u>	<u>Amount Applicable to City of Sanford</u>
Overlapping :			
Seminole County School District (1)	\$ 8,970,000	8.37%	\$ 750,912
Seminole County Government (2)	26,355,000	8.37%	<u>2,206,274</u>
Total Debt Overlapping			<u>\$ 2,957,186</u>

(1) Source: Seminole County School Board

(2) Source: Seminole County Finance Department

TABLE VIII

CITY OF SANFORD, FLORIDA

**Revenue Bond Coverage
Water and Sewer Bonds
Last Ten Fiscal Years**

Fiscal Year	Gross Revenues (1) (4)	Direct Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements (3)			Basic Covenant Coverage
				Principal	Interest	Total	
1995	8,808,567	5,275,785	3,532,782	635,000	1,828,918	2,463,918	1.434
1996	9,362,738	5,539,924	3,822,814	665,000	1,803,131	2,468,131	1.549
1997	9,851,873	5,362,477	4,489,396	695,000	1,774,301	2,469,301	1.818
1998	9,874,955	5,911,245	3,963,710	725,000	1,742,480	2,467,480	1.606
1999	10,278,860	5,929,803	4,349,057	755,000	1,708,180	2,463,180	1.766
2000	10,531,532	5,992,626	4,538,906	795,000	1,670,930	2,465,930	1.841
2001	10,927,894	6,314,436	4,613,458	840,000	1,630,335	2,470,335	1.868
2002	11,195,215	6,927,173	4,268,042	560,000	459,015	1,019,015	4.188
2003	12,330,291	7,197,024	5,133,267	935,000	1,538,940	2,473,940	2.075
2004	13,242,221	7,928,953	5,313,268	920,000	1,055,770	1,975,770	2.689

- (1) Gross revenues from water and sewer charges for services, plus interest income and service charges
- (2) Total operating expenses exclusive of depreciation, amortization of intangibles and non-recurring costs.
- (3) Includes principal and interest of revenue bonds only. Does not include debt defeasance transactions.
- (4) Does not include system development charges or pledged public service taxes which are allowable revenues to meet extended covenant requirements.

TABLE IX

CITY OF SANFORD, FLORIDA

Demographic Statistics
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Population (1)</u>	<u>School Enrollment (2)</u>	<u>Unemployment Rate (3)</u>
1995	35,311	9,367	4.1%
1996	35,279	9,345	3.3%
1997	35,529	9,388	3.1%
1998	36,274	9,533	2.6%
1999	37,327	9,523	2.8%
2000	38,974	10,771	3.3%
2001	40,435	10,782	3.6%
2002	43,251	11,957	5.9%
2003	44,549	12,450	5.1%
2004	46,078	13,326	3.8%

- Source :
- (1) The Florida Legislative Office of Economic and Demographic Research.
 - (2) Seminole County School Board. Public schools are under the jurisdiction of the Seminole County School Board. This table reflects enrollment for public schools within the Sanford city limits.
 - (3) Florida Department of Labor and Employment Security, Division of Employment Security, Bureau of Labor Market Information. Figures are for Seminole County.

TABLE X

CITY OF SANFORD, FLORIDA

Property Value, Construction and Bank Deposits
Last Ten Fiscal Years

Fiscal Year	Estimated Actual Value of Total Property (amount in thousands) (1)	Value of Construction Permits Issued (2)	Financial Institutions Deposits (amount in thousands) (3)
1995	772,594	73,241,292	2,452,081
1996	823,269	49,669,055	2,058,040
1997	962,661	52,847,795	2,563,169
1998	991,336	60,347,667	2,638,247
1999	1,055,745	73,369,019	2,883,016
2000	1,128,197	128,430,376	2,942,999
2001	1,190,477	115,185,098	3,217,878
2002	1,330,246	51,845,838	3,686,984
2003	1,602,087	100,739,965	4,248,041
2004	1,777,280	172,119,173	4,784,515

- Source :
- (1) Seminole County Property Appraiser's Office.
 - (2) City of Sanford Building Department.
 - (3) Florida League of Financial Institutions & Florida Bankers Association
Figures are for Seminole County.

CITY OF SANFORD, FLORIDA

Miscellaneous Statistics
September 30, 2004

Date of Incorporation	September 29, 1877
Form of Government	Commission / City Manager
Area	22 square miles
Miles of Streets	157
Fire Protection :	
Number of Fire Stations	3
Number of Firefighters and Officers	69.5
Police Protection	
Number of Stations	5
Number of Sworn Officers	116
Municipal Water System :	
Number of Customers	13,867
Average Daily Consumption	6.6 MGD
Plant Capacity - All Plants	17.5 MGD
Deep Wells	20
Number of Fire Hydrants	1008
Municipal Sewer System :	
Number of Customers	12,461
Treatment Facility Capacity	7.3 MGD
Annual Average Flow	6.5 MGD
Municipal Stormwater System :	
Number of Customers	12,482
Building Permits Issued	5,901
Recreation and Culture :	
Number of Regional Parks	1
Number of Neighborhood Parks	36
Park Area - # of acres	342 acres
Number of Libraries / Museums	1
Number of Books	3,556
City Employees	446

COMPLIANCE SECTION:

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*
- INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL AWARDS PROGRAM AND STATE FINANCIAL ASSISTANCE PROJECT AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
- SCHEDULE OF FINDINGS AND QUESTIONED COSTS
- SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND CORRECTIVE ACTION PLAN
- SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
- NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
- INDEPENDENT AUDITORS' MANAGEMENT LETTER



**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, City Commissioners
and City Management
City of Sanford, Florida:

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Sanford, Florida (the "City") (other than the Sanford Airport Authority) as of and for the year ended September 30, 2004, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 31, 2005. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's (other than the Sanford Airport Authority) internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to management of the City in a separate management letter dated January 31, 2005.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements (other than the Sanford Airport Authority) are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those

provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of City management, the City Commission, the State of Florida Office of the Auditor General and applicable federal and state agencies and is not intended to be and should not be used by anyone other than these specified parties.

Cheng, Behaert & Holland, L.L.P.

Orlando, Florida
January 31, 2005



**Independent Auditors' Report on Compliance With Requirements
Applicable to Each Major Federal Awards Program and State Financial Assistance
Project and Internal Control over Compliance in Accordance with
OMB Circular A-133**

Honorable Mayor, City Commissioners
and City Management
City of Sanford, Florida:

Compliance

We have audited the compliance of the City of Sanford, Florida (the "City") (other than the Sanford Airport Authority) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement*, and the requirements described in the Executive Office of the Governor's State Projects Compliance Supplement, that are applicable to each of its major federal awards programs and state financial assistance projects for the year ended September 30, 2004. The City's major federal awards programs and state financial assistance projects are identified in the summary of auditors' findings section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal awards programs and state financial assistance projects is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal awards programs and state financial assistance projects for the year ended September 30, 2004.

Internal Control Over Compliance

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

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

This report is intended solely for the information and use of City management, the City Commission, the State of Florida Office of the Auditor General and applicable federal and state agencies and is not intended to be and should not be used by anyone other than these specified parties.

Cherry, Behaert & Holland, L.L.P.

Orlando, Florida
January 31, 2005

City of Sanford, Florida
Notes to Schedule of Expenditures of Federal Awards and
State Financial Assistance
For The Year Ended September 30, 2004

Note 1 – Reporting Entity

For reporting entity purposes, the Schedule of Federal Awards and State Financial Assistance include only the activities of the City of Sanford's primary government and not its discretely presented component units.

Note 2 – Summary of Significant Accounting Policies

The accounting policies and presentation of the Schedule of Expenditures of Federal Awards and State Financial Assistance are in accordance with accounting principles generally accepted in the United States of America as applicable to governmental organizations.



INDEPENDENT AUDITORS' MANAGEMENT LETTER

Honorable Mayor, City Commissioners
and City Management
City of Sanford, Florida:

We have audited the financial statements of the City of Sanford (the "City"), as of and for the year ended September 30, 2004, and have issued our report thereon dated January 31, 2005.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters, Independent Auditors' Report on Compliance with Requirements Applicable to each Major Program and Internal Control over Compliance in accordance with OMB Circular A-133, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated January 31, 2005, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.550, Rules of the Auditor General. Those rules (Section 10.554(1)(h)1) require that we address in the management letter, if not already addressed in the auditors' reports on internal controls over financial reporting and on compliance and other matters or on the schedule of findings and questioned costs, whether or not corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report. There were no such matters reported in the preceding annual financial audit.

The Rules of the Auditor General (Section 10.554(1)(h)2) state that a management letter shall have a statement as to whether or not the City complied with Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit of the financial statements of the City, the results of our tests did not indicate that the City was in noncompliance with Section 218.415 regarding the investment of public funds.

The Rules of the Auditor General (Section 10.554(1)(h)3) require disclosure in the management letter of any recommendations to improve the City's management, accounting procedures, and internal controls. There were no such matters noted.

The Rules of the Auditor General (Section 10.554(1)(h)4) require disclosure in the management letter of the following matters if not clearly inconsequential, considering both quantitative and qualitative factors: (1) violations of laws, rules, regulations, and contractual provisions that have occurred, or are likely to have occurred; (2) improper or illegal expenditures; (3) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the financial statements); (4) failures to properly record financial transactions; and (5) other inaccuracies,

shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. There were no such matters found.

The Rules of the Auditor General (Section 10.554(1)(h)5) also require that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in the management letter, unless disclosed in the notes to the financial statements. The City was formed under Chapter 4511, laws of Florida (1893) and is subject to Chapter 165, Florida Statutes. The legal authority for component units is provided in the notes to the financial statements.

As required by the Rules of the Auditor General (Section 10.554(1)(h)6.a.), the scope of our audit included a review of the provisions of Section 218.503(1), Florida Statutes, regarding financial emergencies. In connection with our audit of the financial statements of the City, the results of our tests did not indicate that the City met any of the specified conditions of a financial emergency contained in Section 218.503(1), Florida Statutes. However, our audit does not provide a legal determination on the City's compliance with this requirement.

The Rules of the Auditor General (Section 10.554(1)(h)6.b.) state that a management letter shall include a statement as to whether or not the financial report filed with the Florida Department of Financial Services, pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the current audit period and, if not, explanations of any significant differences. In connection with our audit of the City, the results of our tests indicate that the financial report, filed with the Department of Financial Services, is in agreement with the annual audited financial statements for the year ended September 30, 2004.

As required by the Rules of the Auditor General (Sections 10.554(1)(h)6.c. and 10.556), the scope of our audit included financial condition assessment procedures as of September 30, 2004. It is management's responsibility to monitor the entity'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 management. The results of our financial condition assessment procedures disclosed no deteriorating financial conditions.

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

Cheng, Behant & Holland, L.L.P.

Orlando, Florida
January 31, 2005