

City of Sanford Florida



Riverwalk 2002

COMPREHENSIVE
ANNUAL
FINANCIAL
REPORT

For the Year Ended September 30, 2002

CITY OF SANFORD, FLORIDA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

September 30, 2002

Audit Report Delivery Date:

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Prepared by:

Department of Finance

CITY OF SANFORD, FLORIDA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
Year Ended September 30, 2002

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COMMISSIONERS

Herbert "Whitey" Eckstein

Art Woodruff

Randy Jones

Velma H. Williams, Ph.D.

CITY MANAGER

Tony M. VanDerworp, AICP

DIRECTOR OF FINANCE & ADMINISTRATIVE SERVICES

Kevin L. Smith, CGFO

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Comprehensive Annual Financial Report
Year Ended September 30, 2002

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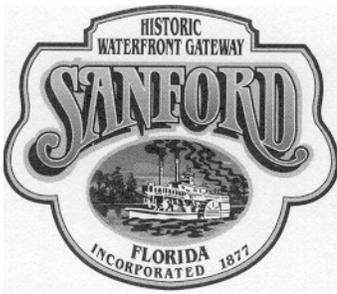
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INTRODUCTORY SECTION:

This section contains the following subsections:

- TABLE OF CONTENTS
- LETTER OF TRANSMITTAL
- ORGANIZATIONAL CHART



City of Sanford, Florida

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Office of the Finance Director
Kevin L. Smith, CGFO

February 10, 2003

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

The Comprehensive Annual Financial Report of the City of Sanford, Florida, for the fiscal year ended September 30, 2002 is hereby submitted as mandated by both local ordinances and state statutes. These ordinances and statutes require that the City of Sanford issue annually a report on its financial position and activity, and that this report be audited by an independent firm of certified public accountants. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with management. To the best of our knowledge and belief, the enclosed information is accurate in all material respects and is reported in a manner that presents fairly the financial position and results of operations of the various funds, account groups and component units of the City of Sanford. All disclosures necessary to enable the reader to gain an understanding of the City of Sanford's activities have been included.

The comprehensive annual financial report is presented in three sections: introductory, financial and statistical. The introductory section, which is unaudited, includes this letter of transmittal, an organizational chart and a list of the City of Sanford's principal elected and appointed officials. The financial section includes the general purpose financial statements and the combining and individual fund and account group financial statements and schedules, as well as the independent auditors' report on these financial statements and schedules. The statistical section, which is unaudited, includes selected financial and demographic information, generally presented on a multi-year basis.

The City of Sanford is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1996 and the U. S. Office of Management and Budget's Circular A-133. Information related to this single audit, including a schedule of expenditures of federal awards, the independent auditors' report on internal controls and compliance with applicable laws and regulations, and a schedule of findings and questioned costs are included in the compliance section of this report.

The financial reporting entity (City of Sanford) includes all the funds and account groups of the primary government (i.e., the City of Sanford as legally defined), as well as all of its component units. Component units are legally separate entities for which the primary government is financially accountable. Blended component units, although legally separate entities, are, in substance, part of the primary government's operations and are included as part of the primary government. Accordingly, the City of Sanford Finance Corporation is presented as a part of the primary government. Discretely presented component units are reported in a separate column in the combined financial statements to emphasize that they are legally separate from the primary government

"The Friendly City"

and to differentiate their financial position, results of operations and cash flows, where applicable, from those of the primary government. The Sanford Airport Authority and the Community Redevelopment Agency are reported as discretely presented component units. The City of Sanford provides a full range of services including police and fire protection services, street and infrastructure maintenance, and recreational activities and cultural events.

Governmental Structure, Local Economic Condition and Outlook

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 adopted a strategic plan, presented by the City Manager. The vision encompasses 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.

Major Initiatives

For the Year. The City of Sanford's staff, following specific directives from the City Commission and the City Manager, has been involved in a variety of projects throughout the year which reflect the City's commitment to its strategic plan. Several major projects or improvements were completed during the year.

The Recreation & Parks Department hosted the 14th Annual Central Florida Soap Box Derby in May 2002 and the 27th Annual Golden Age Games in November 2001. The Golden Age Games are the oldest senior games in the United States and feature senior athletes from across the nation participating in a week-long event with competition in sports, arts and crafts, and entertainment. The Games are a qualifying event for the U.S. Senior Olympics. In October 2001, grand opening ceremonies were held for the newly renovated Historic Sanford Memorial Stadium. This \$2.1M project transformed the stadium, originally built in 1952, into a first class venue with capabilities to host major events such as the 2002 ASA men's Super Slowpitch National Championship Tournament, held in September 2002. The Department also hosted the Florida High School State Water Polo Championships at the Larry A. Dale Aquatic Center in May 2002, featuring 11 of the top high school teams from throughout the state.

The Planning and Community Development continued to focus on the processing of applications associated with the intense growth within the City and peripheral areas. During the year, approximately 425 acres of land were voluntarily annexed into the corporate limits of the City and approximately 421 acres were rezoned, upon request of the property owner, to various permitted uses. The Department processed 176 development project applications during the year. These applications included 16 commercial projects, 1 multi-family project, 4 single-family residential subdivisions, 3 commercial subdivisions, 1 industrial subdivision, 15 industrial projects, and 2 governmental/public projects. Construction on the extension of St. Johns Parkway from Rhinehart Road to Airport Blvd. (a.k.a., East-West connector) continued with funding from the 1-cent sales tax funds available through Seminole County. Planning, design, and contract bidding on the \$10.8M Riverwalk project was completed with construction set to begin early in fiscal year 2003.

The Community Development Division, using State grants, provided weatherization enhancements on 10 housing units, provided Low-Income Emergency Home Repairs (LEHRP) on 10 homes, and provided \$147,796 in assistance to families for electric bills and home energy needs under the Low Income Home Energy Assistance Program (LIHEAP). The Department also received Community Development Block Grants for street improvements, sidewalk construction, park improvements, and water line improvements.

The Finance and Administrative Services Department completed work on a new City wireless network, linking the City's satellite locations to the City's main server to enable those sites to have access to all server capabilities including e-mail, internet, file-sharing, etc. The Department also completed a re-write of the City's Purchasing Policy and began implementation of a Citywide purchasing card program in an effort to provide a more efficient purchasing system.

The Police Department implemented a "take-home" vehicle program for police officers to enhance its neighborhood police presence and also implemented a mortgage assistance program to encourage officers to relocate within the City limits. The Department opened a Downtown Community Service Center, initiated its "Citizens on Patrol" program, and enhanced its bike patrol with the addition of 2 officers. Grants were secured and utilized for DUI enforcement, overtime, and equipment.

The Fire Department replaced its 1981 Arial Platform Truck with a state-of-the-art unit at an approximate cost of \$635,000 and began construction on Fire Station #2 at an estimated cost of \$1.1M. Upon completion, Station #2 will be relocated from its current home on U.S. 17-92 to Airport Boulevard in an effort to leverage services with Seminole County and the City of Lake Mary under the first response agreement. The Public Works Department completed the 2nd year of its 5-year sidewalk renewal and replacement program and performed rehabilitation and resurfacing of City streets with funding from Local Option Gas Tax dollars.

During the year, the Water and Sewer Utility Department spent approximately six (6) million dollars on completed and on going capital projects. Completed projects included sewer line improvements on Narcissus Avenue, Phase II of CR46A water and sewer line improvements, and SR46 Phase II water line improvements. On going projects included E Lake Mary Blvd. water and sewer relocates, Marquette Avenue water and sewer line construction, and Strawberry Avenue water line improvements.

Additionally, the City is expanding its reclaimed water services with an augmentation project. This project will be completed in two phases and will, upon completion, extract water from Lake Monroe to levelize production of reclaimed water. Funding for the project totals approximately \$4.3 million and will be provided by the City, a grant from the St. Johns River Water Management District and an interlocal agreement with Seminole County and the City of Lake Mary. Phase I was completed during the year with Phase II completion projected for fiscal year 03/04.

For the Future. Through the budget process, the City Commission has continued its commitment to maintaining or improving levels of service and promoting the health, safety and welfare of its citizens and enhancing the quality of life, through the appropriation of funds for the following major projects.

Construction of the \$10.8M Riverwalk project. The Trailhead Building and Memorial Park improvements will be add alternates to this project and will be constructed, as funds become available. Fort Mellon Park design and Phase I improvements. The City is seeking grant funding for future phase improvements.

Replacement of play equipment at Woodmere Park, installation of restrooms at Paw Park, security lighting at Touhy Park, and installation of fencing and parking lot lights at Historic Sanford Memorial Stadium.

Phase 1 and 3 of St. John's Parkway.

3rd year of Citywide sidewalk replacement program. Construction of sidewalks in the Georgetown Community.

- Cloud Branch Drainage Project.
- Construction of the new water reclamation facility near the Airport.

Construction of Phase 2 of the Reclaimed Water Augmentation project adding 3.6 mgd to the existing 3.6 mgd capacity.

Phase 2 of Strawberry Avenue water and sewer improvements.

Construction of Chlorine Building at the main water plant, auxiliary water plant and water reclamation facility.

Fort Mellon Lift Station replacement.

Water line extension on Old Lake Mary Road.

Reclaimed water line extension – Woodfield Drive and Valencia Court.

Completion of construction of Fire Station #2.

Streetlight upgrades throughout the City.

Expansion of Police take-home vehicle program via purchase of 4 additional vehicles.

Increase Police community services through programs such as Liaison assigned to the Housing Authority, Weed and Seed program in Georgetown, and partnering with the Front Porch initiative in Goldsboro.

Continuation of Community Volunteer Programs such as Citizens on Patrol and Neighborhood Watch. 2nd year of Fire Department smoke detector program.

Design of S.R. 46 and U.S. 17-92 median landscaping. The City will also seek 17-92 CRA, and state and federal grant funding for this project.

Additionally, the following projects are anticipated:

Finalize interlocal agreement with the County for the construction of the conference center. This project includes seeking federal funds for the construction of a supporting parking lot and soliciting developer proposals for the construction of a supporting hotel.

Solicit developer proposals for construction of condo units on the City's vacant property west of City Hall and work with the County to secure the old FPL building site for redevelopment.

Secure CRA funding for redevelopment projects such as the construction of an outdoor farmers market, redevelopment of older strip centers and median landscaping.

Finalize design for relocating the Public Works Complex off the Riverfront making this site available for redevelopment.

Complete Mayor's visioning process and develop plans for marketing and image building.

Celebrate the City's 125th birthday through various special events.

Finalize plans for bringing the UHRA to the City in 2004.

Financial Information

Management of the City of Sanford is responsible for establishing and maintaining internal controls that are designed to ensure that the assets of the City are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of federal, state and county financial assistance, the City of Sanford is responsible for ensuring that adequate internal controls are in place to ensure and document compliance with applicable laws and regulations related to those programs. These internal controls are subject to periodic evaluation by management, auditors from the grantor agencies, and independent auditors of the City.

As a part of the City's single audit, tests are made to determine the adequacy of internal controls, including that portion related to federal financial awards programs, as well as to determine that the City has complied with applicable laws and regulations. The results of the single audit for the fiscal year ended September 30, 2002 provided no instances of material weaknesses in internal controls or significant violations of applicable laws and regulations.

In addition, the City maintains extensive budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Commission. Activities of the General Fund, certain Special Revenue Funds, Debt Service Fund, certain Capital Project Funds, the Stormwater Fund, and the Water and Sewer Utility Fund are included in the annual appropriated budget. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is the fund level. The City also maintains an encumbrance accounting system as one method of maintaining budgetary control. Appropriations, except an appropriation for a specified major capital expenditure, shall lapse at the close of the fiscal year to the extent that it has not been expended.

As demonstrated by the statements and schedules included in the financial section of this report, the City continues to meet its responsibility for sound financial management.

General Government Functions. The following schedule (Schedule 1) presents a summary of revenues for selected Governmental Funds (General Fund, Local Option Gas Tax Special Revenue Fund, and Debt Service Fund) for the fiscal year ended September 30, 2002 and the amount and percentage increase or decrease in relation to prior year revenues.

Schedule

GOVERNMENTAL FUNDS REVENUE				
	FY 2001	FY 2002	\$ Increase (Decrease)	% Increase (Decrease)
Taxes	\$ 14,938,163	\$ 15,793,062	\$ 854,899	5.72%
Licenses and Permits	1,177,175	827,057	(350,118)	(29.74)%
Intergovernmental Revenues	4,131,529	4,469,773	338,244	8.19%
Charges for Services	4,379,973	4,515,882	135,909	3.10%
Fines and Forfeitures	248,409	237,333	(11,076)	(4.46)%
Contributions	31,947	36,037	4,090	12.80%
Interest	987,620	352,390	(635,230)	(64.32)%
Administrative Services	832,753	906,231	73,478	8.82%
Miscellaneous Revenue	245,537	316,216	70,679	28.79%
Totals	\$ 26,973,106	\$27,453,981	\$ 480,875	1.78%

Revenues in Schedule 1 increased 1.78% in fiscal year 2002. Tax revenues include property taxes, fuel taxes, franchise fees, utility taxes, and the communication services tax and represent the largest portion of all revenues listed above. Current year ad valorem tax millage was reduced from 6.75 mills to 6.625 mills; however, ad valorem tax revenues increased 9.21%, or \$668,451, over the prior year due to new construction and increases in assessed values. Effective October 1, 2001, Florida State Law implemented the Communications Services Tax. This tax seeks to simplify the complex structure of taxes on tele-

communications, cable, direct-to-home satellite and related services that existed prior to October 1, 2001. This law replaced seven different state and local taxes or fees with a single levy having a common rate and base.

Licenses and Permits revenue decreased \$350,118, or 29.74%, over the prior year due mainly to revenue received in the prior fiscal year for several major multi-family housing projects. Intergovernmental Revenues increased, up 8.19%, in fiscal year 2002 attributable mainly to new Community Development Block Grant awards, mild increases in Half-Cent Sales Tax and other State shared revenues, and current year receipt of FDOT grant funds for repairs on the Seawall.

Charges for Services increased 3.10% due to an increase in the customer base for solid waste services. Fines and Forfeitures revenue decreased, down 4.46%, while contributions from private sources were basically unchanged. Miscellaneous revenues increased 28.79% in fiscal year 2002 while net interest income decreased 64.32% due primarily to sharply lower interest rates experienced during the year.

The following schedule (Schedule 2) presents a summary of expenditures for selected Governmental Funds (General Fund, Local Option Gas Tax Special Revenue Fund, and Debt Service Fund) for the fiscal year ended September 30, 2002 and the amount and percentage increase or decrease in relation to prior year amounts.

Schedule 2

GOVERNMENTAL FUNDS – EXPENDITURES				
	FY 2001	FY 2002	\$ Increase (Decrease)	% Increase (Decrease)
General Government	\$ 3,674,085	\$ 4,042,978	\$ 368,893	10.04%
Public Safety	12,451,068	14,113,874	1,662,806	13.35%
Transportation	2,751,813	4,301,689	1,549,876	56.32%
Physical Environment	3,264,698	3,040,917	(223,781)	(6.85)%
Economic Environment	67,517	378,621	311,104	460.78%
Human Services	97,752	230,327	132,575	135.62%
Culture/Recreation	3,361,197	3,518,441	157,244	4.68%
Debt Service:				
Principal Retirement	,034,775	80,000	(954,775)	(92.27)%
Interest and Fiscal Charges	128,033	91,561	(36,472)	(28.49)%
Totals	\$ 26,830,938	\$ 29,798,408	\$ 2,967,470	11.06%

Fiscal Year 2002 activity produced an overall increase in the above expenditures of 11.06%. General Government expenditures were up \$368,893, or 10.04%, over the prior year due to installation of the wireless

computer network and increases in personnel costs associated with new positions, rising health insurance costs, and merit increases.

Public Safety costs increased 13.35%, due to the addition of personnel, purchase of land for the relocation of Fire Station #2, and replacement of the Fire Department's Arial Platform Truck. Transportation costs, including Local Option Gas Tax expenditures, increased 56.32% due to expenditures for planning and design on the Riverwalk Project and various paving and resurfacing projects.

Physical Environment expenditures decreased 6.85%, due to significant prior year expenditures related to the closing of Art Lane landfill. Economic Environment expenditures increased primarily due to awards, totaling \$206,450, under the City's Jobs Growth Incentive Program. Human Service expenditures relate to midge control along Lake Monroe. Culture/Recreation expenditures increased slightly, 4.68%, due to personnel related cost increases, expenditures for the SR46 highway beautification project, and improvements at Academy Manor Park.

Prior year Debt Service expenditures were elevated due to payoff of the 1989 Certificates of Participation. Current year Debt Service expenditures included only the periodic payment on the 2000 Special Facility (Historic Sanford Memorial Stadium) Revenue Bond.

General Fund Balance. The fund balance of the General Fund at September 30, 2002 was \$14,314,757, representing a net decrease from fiscal year 2001 of \$26,115, inclusive of a residual equity transfer of \$218,320 from the termination of the City's Termination Benefit Reserve Trust Fund. Included in the 2002 fund balance is \$2,552,537 reserved for capital projects begun but not yet completed, \$55,343 for inventory, \$2,273 for prepaid expenditures, \$510,075 for loans to a Component Unit, and \$35,000 for loans to other governmental entities. After deduction of these reservations, an undesignated fund balance of \$11,159,529 remains, representing 39.4% of fiscal year 2002 operating expenditures (before transfers) or approximately 4.7 months of operating cost.

Enterprise Operations. As of September 30, 2002, the City's enterprise operations consisted of three separate and distinct activities: the Water and Sewer Utility Fund, the Stormwater Utility Fund and the Airport Authority.

Operating revenues in the Water and Sewer Utility Fund increased 11.29% in fiscal year 2002, due in part to a rate increase effective January 1, 2002, while operating expenses increased 9.99%. Capital acquisitions totaled \$6,334,275 and contributions from developers and other agencies totaled \$2,577,882 for the current fiscal year. These contributions were recorded as non-operating revenues in accordance with GASB Statement 33. The results of current year operations, as well as non-operating revenue and expenses, was an increase in Retained Earnings of \$3,637,087.

Operating revenues in the Stormwater Utility Fund increased 4.60% while operating expenses increased 8.16%. Stormwater service charges are based on a flat rate (\$4 per ERU), while water & sewer charges are based on customer usage. The increase in revenue over expenses resulted in net income and an increase in Retained Earnings of \$390,363. Capital acquisitions totaled \$296,510 for the year due mainly to the replacement of heavy equipment.

Operating revenues for the Sanford Airport Authority (a discretely presented component unit) increased \$763,051, or 16.58%, over the prior fiscal year due to an increase in industrial park revenues, aviation rents, domestic terminal revenues, and airfield revenues. The Authority experienced current year operating income before depreciation of \$1,512,533. Retained Earnings increased \$12,119,290 over the prior fiscal year. This increase can be attributed to the implementation of GASB Statement 33 whereby grants and contributions are now recorded as revenue rather than contributed capital (an equity account). The Authority implemented a Passenger Facility Charge of \$1 per passenger in fiscal year 2001 resulting in revenue of \$281,612 for that fiscal year and \$526,730 for the current fiscal year. These charges may only be used for capital expenditures.

Pension Trust Funds. Pension plan assets are recorded at fair value for the Police and Fire Retirement Funds. For those two funds, annuity payments to retirees increased by \$141,831 due to continued retirement of Police Officers and Firefighters, refunds of contributions to terminating employees (those with less than ten years service and therefore not vested in the system) decreased \$26,642, and net plan assets held in trust decreased \$3,424,251, or 11.55%.

Community Redevelopment Agency. The Community Redevelopment Agency of the City of Sanford reported revenues from ad valorem taxes of \$552,161 and interest earnings of \$14,353 for the current fiscal year. During fiscal year 1994, the Agency issued Revenue Bonds Series 1994A for \$6,000,000 dated August 1, 1994. Series 1994B Bonds totaling \$1,100,000 were issued on October 18, 1994. Of the remaining \$2,900,000 authorized but unissued bonds, \$1,200,000 have been cancelled. A principal payment of \$300,000 and interest payments and fiscal charges of \$318,561 were made on the Series 1994A bonds during the fiscal year. No funds were available for payment on the series 1994B bonds.

Debt Administration. As of September 30, 2002, Sanford continues to have no general obligation bonded debt outstanding. Governmental Funds had a liability for accrued compensated absences of \$1,289,021, \$172,223 as a current liability and \$1,116,798 as a long term liability recorded in the General Long Term Debt Account Group.

During fiscal year 2000, the City issued Special Facility Revenue Bonds Series 2000 for \$1,750,000 with an interest rate of 5.6%. These funds were used for the completion of renovations to Historic Sanford Memorial Stadium. A principal payment of \$80,000 and interest payments totaling \$91,561 were made during the fiscal year.

During fiscal year 1994, the City issued \$25,605,000 in Water and Sewer Refunding Revenue Bonds, Series 1993 with interest rates from 2.75% to 5.25%. These bonds were issued to defease the outstanding Series 1986, Series 1989 and Series 1991 bonds and to pay costs of issuance of the Series 1993 Bonds, including the municipal bond insurance premium. On September 30, 2002, the net Enterprise Fund Revenue Bonds outstanding were \$29,096,722 payable solely from and secured by the net revenue derived from the operations of the System and Water and Sewer System Development Charges. All bonds were fully insured and rated AAA by Standard & Poor's Corporation and Aaa by Moody's Investors Service.

The City has previously been granted four Department of Environmental Protection State Revolving Fund (SRF) Loans. These loans consist of SRF 150 for \$1,712,730 in fiscal year 1991; SRF 170 for \$4,929,600 in fiscal year 1992 (increased to \$5,790,256 in fiscal year 1993); SRF 210 for \$1,565,000 in fiscal year 1993; and SRF 190 for \$500,166 in fiscal year 1994. SRF 150 was used for construction of a master pumping station.

SRF 170 was used toward the Seasonal Discharge System, Wastewater Treatment Plant Expansion and Westerly Interceptor Contract I. SRF 210 was used solely for the Westerly Interceptor Project and SRF 190 was used solely for the Site 10 project. These are low interest loans with rates approximately 3% below the market rate for general obligation bonds as set by the Bond Buyer's 20-year bond Index.

Additionally, during fiscal year 2000, the City began drawdowns on a reimbursable basis on two additional SRF loans to fund construction of the state-of-the-art wastewater treatment facility and various potable water relocation projects. The two new loans will total approximately \$27 million at completion of the projects, which is anticipated in fiscal year 2003. Outstanding principal on existing and new SRF loans at September 30, 2002 was \$15,134,160.

During fiscal year 1998, the City authorized the issuance of a Stormwater Revenue Bond, Series 1998, not to exceed \$4,200,000 for a term of 15 years, with a fixed interest rate of 4.45%. Funds totaling \$3,653,500 were drawn against the authorized bond. The draw was used to fund the Second Street Stormwater Drainage Improvement Project and certain phases of the Mill Creek drainage improvement project. A principal balance of \$2,781,195 was outstanding on this bond at September 30, 2002.

Cash Management. 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 \$888,609 with interest rates ranging from 1.90% to 2.86%, with an average rate of 2.08%. Total SBA investments for the primary government only at September 30, 2002 was \$39,749,906. SBA's portfolio for local governments does not use leverage in its investing practices nor does it own derivatives. Investment instruments typically have a fairly short average maturity, reducing interest rate sensitivity. SBA's pool was comprised of 811 local government participants with total investments of approximately \$18 billion at September 30, 2002.

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 \$15,225,409 at September 30, 2002. The Firefighters' investment portfolio includes the same type instruments, with the exception of international stocks, with a combined market value of \$11,002,917 at September 30, 2002. The rate of return net of investment related expenses for fiscal year 2002 was -13.94% for the Police Officers' Fund and -4.61% for the Firefighters' Fund.

Risk Management. The City is self insured for workers' compensation with a deductible of \$150,000 per incident, but carries catastrophic workers' compensation insurance coverage for claims up to the statutory limit. Employee medical and life insurance is obtained through Aetna Insurance Company. Currently, the City is self-insured for all property damage to City vehicles costing less than \$50,000. All general liability, auto liability and property insurance is obtained through a private carrier with the City maintaining self-insured retention of \$100,000. Self-Insurance is administered through an Internal Service Fund.

Other Information

Independent Audit. State statutes and local ordinances require an annual audit by independent certified public accountants. The accounting firm of Cherry, Bekaert & Holland, L.L.P. performs the City's audit. In addition to meeting the requirements set forth in state statutes and local ordinances, the audit also was designed to meet the requirements of the federal Single Audit Act of 1996 and related OMB Circular A-133. Generally accepted auditing standards and the standards set forth in the General Accounting Office's *Government Auditing Standards* were used by the auditors in conducting the engagement. The auditors' report on the general-purpose financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditors' reports related specifically to the single audit are included in the Compliance section.

Awards. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Sanford for its comprehensive annual financial report for the fiscal year ended September 30, 2001. This was the thirteenth consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

Acknowledgments. The preparation of the comprehensive annual financial report on a timely basis was made possible by the dedicated service of the entire staff of the Finance Department. Each member of the department has our sincere appreciation for the contributions made in the preparation of this report as does our accounting firm, Cherry, Bekaert & Holland, L.L.P. We would also like to acknowledge the Mayor and City Commission for their continued support and adoption of sound fiscal policy for the financial operations of the City.

Respectfully submitted,

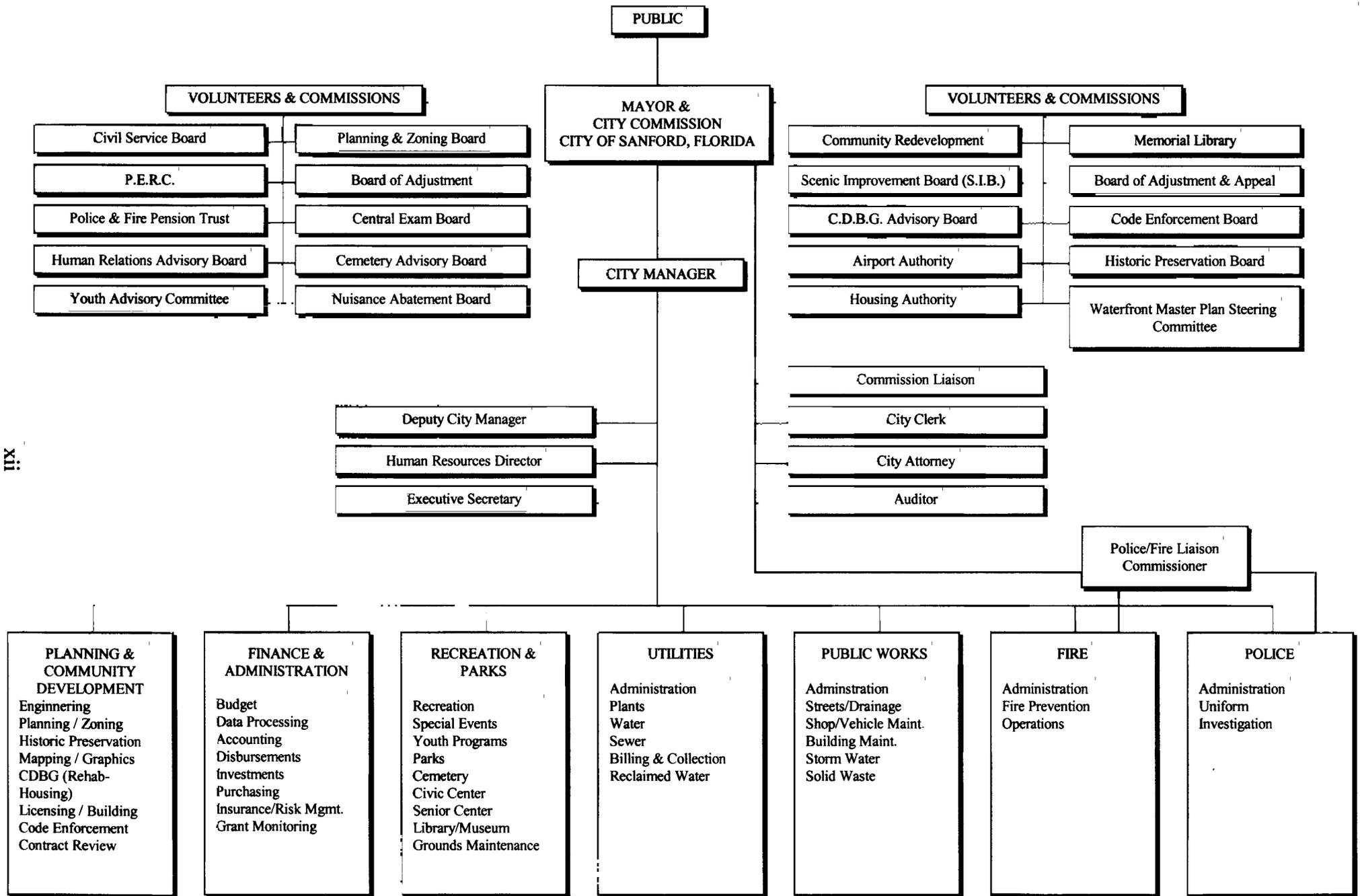


Tony VanDerworp, AICP
City Manager



Kevin Smith, CGFO
Director of Finance &
Administrative Services

City of Sanford Organizational Chart



CITY OF SANFORD, FLORIDA

PRINCIPAL OFFICIALS

Year Ended September 30, 2002

MAYOR

M. Brady Lessard

COMMISSIONERS

Herbert "Whitey" Eckstein

Art Woodruff

Randy Jones

Velma H. Williams, Ph.D.

STAFF

Tony M. VanDerworp, City Manager

Kevin L. Smith, Director of Finance & Administrative Services

Roger Dixon, Deputy City Manager

Janet R. Dougherty, City Clerk

Jay Marder, Director of Planning & Community Development

William M. Kirby, Director of Parks & Recreation

Robert G. Herman, Director of Public Works

Paul Moore, Director of Utilities

Joe Denaro, Director of Human Resources

Brian F. Tooley, Police Chief

J. Thomas Hickson, Fire Chief

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Sanford,
Florida

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2001

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



William Patrick Voth
President

Jeffrey L. Essler
Executive Director

FINANCIAL SECTION:

This section contains the following subsections:

- REPORT OF INDEPENDENT AUDITORS
- GENERAL PURPOSE FINANCIAL STATEMENTS
- COMBINING STATEMENTS – BY FUND TYPE
- SCHEDULES



INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying general-purpose financial statements of the City of Sanford, Florida (the "City"), as of and for the year ended September 30, 2002, 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 opinion.

In our opinion, based on our audit and the report of other auditors, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the City as of September 30, 2002, and the results of its operations and the cash flows of its proprietary fund types 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 14, 2003 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The combining and individual fund and account group financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general-purpose financial statements of the City. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements of the City. Such information has been subjected to the auditing

The required supplementary information as listed in the table of contents is not a required part of the general-purpose financial statements or the combining and individual fund and account group financial statements, but is 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 supplementary information. However, we did not audit the information and express no opinion on it.

The information presented in the statistical section is presented for purposes of additional analysis and is not a required part of the general-purpose financial statements of the City. Such information has not been subjected to the auditing procedures applied in the audit of the general-purpose financial statements. Accordingly, we express no opinion on it.

Cherry, Belsait & Holland, L.L.P.

Orlando, Florida
January 14, 2003

CITY OF SANFORD, FLORIDA
General-Purpose Financial Statements
(Combined Statements - Overview)

These general-purpose financial statements provide an overview of the financial position of all fund types, account groups and discretely presented component units, as well as the operating results of all funds. They also serve as an introduction to the more detailed statements and schedules that are in the following subsections.

CITY OF SANFORD, FLORIDA
Combined Balance Sheet
All Fund Types, Account Groups and
Discretely Presented Component Units
September 30, 2002

PRIMARY

	Governmental Fund Types				Proprietary Fund Types	
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service
Assets and Other Debits						
Cash and cash equivalents	\$ 13,949,383	\$ 1,918,238	\$ -	\$ 150,871	\$ 3,775,906	\$ 1,341,614
Investments	-	-	-	-	-	-
Accounts receivable - net	766,593	-	-	-	1,559,905	-
Due from other funds	260,455	25,691	-	-	-	-
Due from other governments	1,090,006	134,228	-	46,044	2,189,405	-
Due from component unit	510,075	-	-	-	-	-
Due from fiscal agent	-	-	-	-	-	-
Inventories	55,343	-	-	-	-	-
Prepaid expenditures/expenses or other assets	2,273	-	-	-	-	11,896
Restricted cash and cash equivalents	65,951	-	-	-	19,554,922	-
Property plant and equipment	-	-	-	-	91,277,151	-
Unamortized bond costs	-	-	-	-	1,784,876	-
Irrigation rights, net	-	-	-	-	1,221,000	-
Amount to be provided for retirement of general long term debt	-	-	-	-	-	-
	<u>\$ 16,700,079</u>	<u>\$ 2,078,157</u>	<u>\$ -</u>	<u>\$ 196,915</u>	<u>\$ 121,363,165</u>	<u>\$ 1,353,510</u>

See accompanying notes to financial statements.

GOVERNMENT			COMPONENT UNITS			
Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)	Governmental Fund Type	Proprietary Fund Type	Totals (Memorandum Only)
	General Fixed Assets	General Long-Term Debt	Primary Government	Sanford CRA	Airport Authority	Reporting Entity
Trust						
\$ 450,031	\$ -	\$ -	\$ 21,586,043	\$ 580,708	\$ 1,919,604	\$ 24,086,355
26,228,326	-	-	26,228,326	-	-	26,228,326
-	-	-	2,326,498	-	415,173	2,741,671
39,030	-	-	325,176	-	-	325,176
-	-	-	3,459,683	487	618,365	4,078,535
-	-	-	510,075	-	-	510,075
2,131	-	-	2,131	-	-	2,131
-	-	-	55,343	-	-	55,343
-	-	-	14,169	-	7,761	21,930
-	-	-	19,620,873	-	331,160	19,952,033
-	35,427,370	-	126,704,521	-	74,230,422	200,934,943
-	-	-	1,784,876	-	-	1,784,876
-	-	-	1,221,000	-	-	1,221,000
-	-	4,001,469	4,001,469	6,195,000	-	10,196,469
<u>\$ 26,719,518</u>	<u>\$ 35,427,370</u>	<u>\$ 4,001,469</u>	<u>\$ 207,840,183</u>	<u>\$ 6,776,195</u>	<u>\$ 77,522,485</u>	<u>\$ 292,138,863</u>

See accompanying notes to financial statements.

CITY OF SANFORD, FLORIDA
Combined Balance Sheet
All Fund Types, Account Groups and
Discretely Presented Component Units
September 30, 2002

PRIMARY

Liabilities, Fund Equity and Other Credits	Governmental Fund Types				Proprietary Fund Types	
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service
	Liabilities:					
Accounts payable	\$ 726,143	\$ 22,547	\$ -	\$ 39,706	\$ 1,477,134	\$ 163,482
Accrued liabilities	581,921	2,422	-	-	137,214	-
Accrued interest payable	-	-	-	-	102,312	-
Due to other funds	64,721	25,915	-	234,540	-	-
Due to other governments	3,293	-	-	-	2,629	-
Deferred revenues	771,070	30,175	-	-	34,387	-
Notes and contracts payable - current	-	-	-	-	457,297	-
Liabilities payable from restricted assets	65,951	-	-	-	839,759	-
Accrued compensated absences	172,223	-	-	-	276,770	-
Due to primary government						
Notes, loans and contracts payable	-	-	-	-	14,676,863	-
Bonds payable	-	-	-	-	32,711,195	-
Claims payable	-	-	-	-	-	1,051,338
Accrued clean-up and long-term care costs	-	-	-	-	-	-
Total liabilities	<u>2,385,322</u>	<u>81,059</u>	<u>-</u>	<u>274,246</u>	<u>50,715,560</u>	<u>1,214,820</u>
Fund Equity and Other Credits:						
Investment in general fixed assets	-	-	-	-	-	-
Contributions	-	-	-	-	42,667,226	25,621
Retained Earnings:						
Reserved	-	-	-	-	726,204	113,069
Unreserved	-	-	-	-	27,254,175	-
Fund Balances (Deficit):						
Reserved	3,155,228	-	-	-	-	-
Unreserved:						
Undesignated	11,159,529	1,997,098	-	(77,331)	-	-
Total fund equity and other credits	<u>14,314,757</u>	<u>1,997,098</u>	<u>-</u>	<u>(77,331)</u>	<u>70,647,605</u>	<u>138,690</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$ 16,700,079</u>	<u>\$ 2,078,157</u>	<u>\$ -</u>	<u>\$ 196,915</u>	<u>\$ 121,363,165</u>	<u>\$ 1,353,510</u>

See accompanying notes to financial statements.

GOVERNMENT			COMPONENT UNITS			
Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)	Governmental Fund Type	Proprietary Fund Type	Totals (Memorandum Only)
	General Fixed Assets	General Long-Term Debt	Primary Government	Sanford CRA	Airport Authority	Reporting Entity
Trust						
\$ 39,279	\$ -	\$ -	\$ 2,468,291	\$ 439	\$ 615,045	\$ 3,083,775
-	-	-	721,557	-	-	721,557
-	-	-	102,312	-	-	102,312
-	-	-	325,176	-	-	325,176
-	-	-	5,922	-	-	5,922
-	-	-	835,632	-	815,999	1,651,631
-	-	-	457,297	-	1,161,057	1,618,354
-	-	-	905,710	-	-	905,710
-	-	1,116,798	1,565,791	-	110,909	1,676,700
-	-	-	-	-	510,075	510,075
-	-	-	14,676,863	-	16,994,453	31,671,316
-	-	1,595,000	34,306,195	6,195,000	-	40,501,195
-	-	-	1,051,338	-	-	1,051,338
-	-	1,289,671	1,289,671	-	-	1,289,671
<u>39,279</u>	<u>-</u>	<u>4,001,469</u>	<u>58,711,755</u>	<u>6,195,439</u>	<u>20,207,538</u>	<u>85,114,732</u>
-	35,427,370	-	35,427,370	-	-	35,427,370
-	-	-	42,692,847	-	30,854,513	73,547,360
-	-	-	839,273	-	867,081	1,706,354
-	-	-	27,254,175	-	25,593,353	52,847,528
26,680,239	-	-	29,835,467	-	-	29,835,467
-	-	-	13,079,296	580,756	-	13,660,052
<u>26,680,239</u>	<u>35,427,370</u>	<u>-</u>	<u>149,128,428</u>	<u>580,756</u>	<u>57,314,947</u>	<u>207,024,131</u>
<u>\$ 26,719,518</u>	<u>\$ 35,427,370</u>	<u>\$ 4,001,469</u>	<u>\$ 207,840,183</u>	<u>\$ 6,776,195</u>	<u>\$ 77,522,485</u>	<u>\$ 292,138,863</u>

See accompanying notes to financial statements.

CITY OF SANFORD, FLORIDA
Combined Statement of Revenues, Expenditures and
Changes in Fund Balances
All Governmental Fund Types, Expendable Trust Funds and
Discretely Presented Component Unit
Year Ended September 30, 2002

	PRIMARY GOVERNMENT					COMPONENT UNIT		Totals (Memorandum Only)
	Governmental Fund Types				Fiduciary Fund Type	Governmental Fund Type	Totals (Memorandum Only)	
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	Primary Government	Sanford CRA	
Revenues:								
Taxes	\$ 15,022,631	\$ 770,431	\$ -	\$ 477,702	\$ -	\$ 16,270,764	\$ 552,161	\$ 16,822,925
Licenses and permits	827,057	-	-	-	-	827,057	-	827,057
Intergovernmental revenues	4,469,773	287,326	-	150,871	-	4,907,970	-	4,907,970
Charges for services	4,515,882	-	-	-	-	4,515,882	-	4,515,882
Fines and forfeitures	237,333	93,829	-	-	-	331,162	-	331,162
Impact fees	-	170,399	-	-	-	170,399	-	170,399
Contributions	36,037	-	-	-	-	36,037	-	36,037
Interest earnings	336,534	78,457	-	-	-	414,991	14,353	429,344
Administrative services	906,231	-	-	-	-	906,231	-	906,231
Miscellaneous revenue	316,216	5,000	-	-	-	321,216	-	321,216
Sale of cemetery plots	-	-	-	-	28,825	28,825	-	28,825
Total revenues	<u>26,667,694</u>	<u>1,405,442</u>	<u>-</u>	<u>628,573</u>	<u>28,825</u>	<u>28,730,534</u>	<u>566,514</u>	<u>29,297,048</u>
Expenditures:								
Current:								
General government	3,905,851	-	-	-	-	3,905,851	1,653	3,907,504
Public safety	12,413,526	21,531	-	-	-	12,435,057	-	12,435,057
Transportation	2,032,587	369,973	-	-	-	2,402,560	-	2,402,560
Physical environment	3,035,878	-	-	-	-	3,035,878	-	3,035,878
Economic environment	378,621	279,384	-	-	-	658,005	65,932	723,937
Human services	222,877	-	-	-	-	222,877	-	222,877
Culture/Recreation	3,213,892	-	-	-	-	3,213,892	-	3,213,892
Capital outlay	3,087,337	1,316,850	-	623,641	-	5,027,828	-	5,027,828
Debt Service:								
Principal	-	-	80,000	-	-	80,000	300,000	380,000
Interest and fiscal charges	-	-	91,561	-	-	91,561	318,386	409,947
Total Expenditures	<u>28,290,569</u>	<u>1,987,738</u>	<u>171,561</u>	<u>623,641</u>	<u>-</u>	<u>31,073,509</u>	<u>685,971</u>	<u>31,759,480</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,622,875)</u>	<u>(582,296)</u>	<u>(171,561)</u>	<u>4,932</u>	<u>28,825</u>	<u>(2,342,975)</u>	<u>(119,457)</u>	<u>(2,462,432)</u>
Other Financing Sources (Uses):								
Operating transfer to component unit	(238,613)	-	-	-	-	(238,613)	-	(238,613)
Operating transfers in	1,788,613	-	171,561	-	-	1,960,174	238,613	2,198,787
Operating transfers out	(171,560)	(1,806,658)	-	-	-	(1,978,218)	-	(1,978,218)
Total Other Financing Sources (Uses)	<u>1,378,440</u>	<u>(1,806,658)</u>	<u>171,561</u>	<u>-</u>	<u>-</u>	<u>(256,657)</u>	<u>238,613</u>	<u>(18,044)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(244,435)</u>	<u>(2,388,954)</u>	<u>-</u>	<u>4,932</u>	<u>28,825</u>	<u>(2,599,632)</u>	<u>119,156</u>	<u>(2,480,476)</u>
Fund Balances, October 1, 2001	<u>14,340,872</u>	<u>4,386,052</u>	<u>-</u>	<u>(82,263)</u>	<u>639,526</u>	<u>19,284,187</u>	<u>461,600</u>	<u>19,745,787</u>
Residual Equity Transfer	218,320	-	-	-	(218,320)	-	-	-
Fund Balances, September 30, 2002	<u>\$ 14,314,757</u>	<u>\$ 1,997,098</u>	<u>\$ -</u>	<u>\$ (77,331)</u>	<u>\$ 450,031</u>	<u>\$ 16,684,555</u>	<u>\$ 580,756</u>	<u>\$ 17,265,311</u>

See accompanying notes to financial statements.

CITY OF SANFORD, FLORIDA
Combined Statement of Revenues, Expenditures and Changes in
Fund Balances - Budget and Actual - Primary Government -
All Budgeted Governmental Fund Types
Year Ended September 30, 2002

	General		Variance Favorable (Unfavorable)
	Budget	Actual	
Revenues:			
Taxes	\$ 14,913,688	\$ 15,022,631	\$ 108,943
Licenses and permits	1,002,918	827,057	(175,861)
Intergovernmental revenues	4,845,369	4,469,773	(375,596)
Charges for services	4,355,656	4,515,882	160,226
Fines and forfeitures	182,200	237,333	55,133
Contributions	15,823	36,037	20,214
Interest	809,500	336,534	(472,966)
Administrative services	906,231	906,231	-
Miscellaneous revenue	318,135	316,216	(1,919)
Total revenues	<u>27,349,520</u>	<u>26,667,694</u>	<u>(681,826)</u>
Expenditures:			
Current:			
General government	4,479,898	4,042,978	436,920
Public safety	15,561,599	14,113,874	1,447,725
Transportation	4,026,242	2,965,411	1,060,831
Physical environment	2,918,112	3,040,917	(122,805)
Economic environment	735,483	378,621	356,862
Human services	247,624	230,327	17,297
Culture/Recreation	4,553,750	3,518,441	1,035,309
Total Expenditures	<u>32,522,708</u>	<u>28,290,569</u>	<u>4,232,139</u>
Excess of Revenues Over (Under) Expenditures	<u>(5,173,188)</u>	<u>(1,622,875)</u>	<u>3,550,313</u>
Other Financing Sources (Uses):			
Operating transfer to component unit	(238,613)	(238,613)	-
Operating transfers in	1,805,128	1,788,613	(16,515)
Operating transfers out	(171,560)	(171,560)	-
Total Other Financing Sources (Uses)	<u>1,394,955</u>	<u>1,378,440</u>	<u>(16,515)</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(3,778,233)</u>	<u>(244,435)</u>	<u>3,533,798</u>
Fund Balances, October 1, 2001	3,559,913	14,340,872	10,780,959
Residual Equity Transfer	218,320	218,320	-
Fund Balances, September 30, 2002	<u>\$ -</u>	<u>\$ 14,314,757</u>	<u>\$ 14,314,757</u>

See accompanying notes to financial statements.

Special Revenue Local Option Gas Tax			Debt Service			Totals (Memorandum Only)		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ 776,000	\$ 770,431	\$ (5,569)	\$ -	\$ -	\$ -	\$ 15,689,688	\$ 15,793,062	\$ 103,374
-	-	-	-	-	-	1,002,918	827,057	(175,861)
-	-	-	-	-	-	4,845,369	4,469,773	(375,596)
-	-	-	-	-	-	4,355,656	4,515,882	160,226
-	-	-	-	-	-	182,200	237,333	55,133
-	-	-	-	-	-	15,823	36,037	20,214
22,500	15,856	(6,644)	-	-	-	832,000	352,390	(479,610)
-	-	-	-	-	-	906,231	906,231	-
-	-	-	-	-	-	318,135	316,216	(1,919)
<u>798,500</u>	<u>786,287</u>	<u>(12,213)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,148,020</u>	<u>27,453,981</u>	<u>(694,039)</u>
-	-	-	171,561	171,561	-	4,651,459	4,214,539	436,920
-	-	-	-	-	-	15,561,599	14,113,874	1,447,725
1,792,808	1,336,278	456,530	-	-	-	5,819,050	4,301,689	1,517,361
-	-	-	-	-	-	2,918,112	3,040,917	(122,805)
-	-	-	-	-	-	735,483	378,621	356,862
-	-	-	-	-	-	247,624	230,327	17,297
-	-	-	-	-	-	4,553,750	3,518,441	1,035,309
<u>1,792,808</u>	<u>1,336,278</u>	<u>456,530</u>	<u>171,561</u>	<u>171,561</u>	<u>-</u>	<u>34,487,077</u>	<u>29,798,408</u>	<u>4,688,669</u>
<u>(994,308)</u>	<u>(549,991)</u>	<u>444,317</u>	<u>(171,561)</u>	<u>(171,561)</u>	<u>-</u>	<u>(6,339,057)</u>	<u>(2,344,427)</u>	<u>3,994,630</u>
-	-	-	-	-	-	(238,613)	(238,613)	-
-	-	-	171,561	171,561	-	1,976,689	1,960,174	(16,515)
-	-	-	-	-	-	(171,560)	(171,560)	-
-	-	-	<u>171,561</u>	<u>171,561</u>	<u>-</u>	<u>1,566,516</u>	<u>1,550,001</u>	<u>(16,515)</u>
(994,308)	(549,991)	444,317	-	-	-	(4,772,541)	(794,426)	3,978,115
994,308	1,136,035	141,727	-	-	-	4,554,221	15,476,907	10,922,686
-	-	-	-	-	-	218,320	218,320	-
<u>\$ -</u>	<u>\$ 586,044</u>	<u>\$ 586,044</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,900,801</u>	<u>\$ 14,900,801</u>

See accompanying notes to financial statements.

CITY OF SANFORD, FLORIDA
Combined Statement of Revenues, Expenses and
Changes in Retained Earnings
All Proprietary Fund Types and
Discretely Presented Component Unit
Year Ended September 30, 2002

	PRIMARY GOVERNMENT			COMPONENT UNIT	Totals (Memorandum Only)
	Proprietary Fund Types		Totals (Memorandum Only)	Proprietary Fund Type	
	Enterprise	Internal Service	Primary Government	Airport Authority	
Operating Revenues:					
Charges for services	\$ 12,318,838	\$ 1,215,409	\$ 13,534,247	\$ 5,364,666	\$ 18,898,913
Total Operating Revenues	<u>12,318,838</u>	<u>1,215,409</u>	<u>13,534,247</u>	<u>5,364,666</u>	<u>18,898,913</u>
Operating Expenses:					
Personal services	3,929,719	-	3,929,719	2,380,125	6,309,844
Materials, supplies and maintenance	2,657,424	-	2,657,424	602,199	3,259,623
Other service charges	1,226,443	1,293,040	2,519,483	869,809	3,389,292
Depreciation	1,974,400	-	1,974,400	3,104,398	5,078,798
Amortization	88,800	-	88,800	-	88,800
Total Operating Expenses	<u>9,876,786</u>	<u>1,293,040</u>	<u>11,169,826</u>	<u>6,956,531</u>	<u>18,126,357</u>
Operating Income (Loss)	<u>2,442,052</u>	<u>(77,631)</u>	<u>2,364,421</u>	<u>(1,591,865)</u>	<u>772,556</u>
Non Operating Revenues (Expenses):					
Interest income	496,819	20,546	517,365	39,751	557,116
Other income	535,899	22,639	558,538	-	558,538
Passenger facility charges	-	-	-	526,730	526,730
Capital contributions	2,577,882	-	2,577,882	12,171,039	14,748,921
Operating grants	-	-	-	-	-
Grant project expenses	-	-	-	(369,420)	(369,420)
Interest expense	(1,931,160)	-	(1,931,160)	(341,296)	(2,272,456)
Amortization of debt costs	(112,086)	-	(112,086)	-	(112,086)
Loss on disposal of property	-	-	-	(87,823)	(87,823)
Public safety fee	-	-	-	99,035	99,035
Total Non Operating Revenues (Expenses)	<u>1,567,354</u>	<u>43,185</u>	<u>1,610,539</u>	<u>12,038,016</u>	<u>13,648,555</u>
Income before transfers	<u>4,009,406</u>	<u>(34,446)</u>	<u>3,974,960</u>	<u>10,446,151</u>	<u>14,421,111</u>
Other financing sources:					
Operating transfers in	18,044	-	18,044	-	18,044
Net Income	<u>4,027,450</u>	<u>(34,446)</u>	<u>3,993,004</u>	<u>10,446,151</u>	<u>14,439,155</u>
Add: Depreciation on property, plant and equipment acquired by contributed capital	-	-	-	1,673,139	1,673,139
Increase (decrease) in Retained Earnings	<u>4,027,450</u>	<u>(34,446)</u>	<u>3,993,004</u>	<u>12,119,290</u>	<u>16,112,294</u>
Retained Earnings, October 1, 2001	<u>23,952,929</u>	<u>147,515</u>	<u>24,100,444</u>	<u>14,341,144</u>	<u>38,441,588</u>
Retained Earnings, September 30, 2002	<u>\$ 27,980,379</u>	<u>\$ 113,069</u>	<u>\$ 28,093,448</u>	<u>\$ 26,460,434</u>	<u>\$ 54,553,882</u>

See accompanying notes to financial statements.

CITY OF SANFORD, FLORIDA
Combined Statement of Changes in Plan Net Assets
Pension Trust Funds
Year Ended September 30, 2002

Additions:

Contributions:

Employer	\$ 676,824
State	330,226
Plan members and others	401,306
Total contributions	1,408,356

Investment income:

Net decrease in fair value of investments	(3,411,500)
Dividends	191,918
Interest	358,020
	(2,861,562)

Less investment expenses:

Custodian and investment management fees	146,608
Net investment income	(3,008,170)

Other income:

Miscellaneous income	7,636
Total other income	7,636

Total deletions	(1,592,178)
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Deductions:

Benefits	1,722,914
Refunds of contributions	48,332
Other services and charges	60,827
	1,832,073

Total deductions	1,832,073
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Net decrease in plan assets	(3,424,251)
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Net Assets Held in Trust for Pension Benefits:

Beginning of year	29,654,459
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End of year	\$ 26,230,208
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See accompanying notes to financial statements.

CITY OF SANFORD, FLORIDA
Combined Statement of Cash Flows
All Proprietary Fund Types and
Discretely Presented Component Unit
Year Ended September 30, 2002

	PRIMARY GOVERNMENT			COMPONENT UNIT	Totals (Memorandum Only)
	Proprietary Fund Types		Totals (Memorandum Only)	Proprietary Fund Type	
	Enterprise	Internal Service	Primary Government	Airport Authority	
				Reporting Entity	
Cash Flows from Operating Activities:					
Cash received from customers	\$ 12,417,334	\$ 1,215,409	13,632,743	\$ 5,356,457	18,989,200
Cash payments to suppliers for goods and services	(3,257,819)	(1,236,201)	(4,494,020)	(1,190,940)	(5,684,960)
Cash payments to employees for services	(3,882,671)	-	(3,882,671)	(2,400,877)	(6,283,548)
Other revenues	535,899	22,639	558,538	99,035	657,573
Net cash provided by operating activities	<u>5,812,743</u>	<u>1,847</u>	<u>5,814,590</u>	<u>1,863,675</u>	<u>7,678,265</u>
Cash Flows from Noncapital Financing Activities:					
(Decrease) in due from other funds	(1,323,069)	-	(1,323,069)	-	(1,323,069)
Increase in due to other governments	125	-	125	-	125
Operating transfers in from other funds	18,044	-	18,044	-	18,044
Net cash used by noncapital financing activities	<u>(1,304,900)</u>	<u>-</u>	<u>(1,304,900)</u>	<u>-</u>	<u>(1,304,900)</u>
Cash Flows from Capital and Related Financing Activities:					
Capital contributed by other governments and developers	2,577,882	-	2,577,882	12,483,658	15,061,540
Increase (decrease) in deferred revenues	-	-	-	(215,778)	(215,778)
Acquisition and construction of capital assets	(6,630,785)	-	(6,630,785)	(11,411,237)	(18,042,022)
Proceeds from loans	3,625,390	-	3,625,390	1,026,565	4,651,955
Principal paid on revenue bonds	(1,148,500)	-	(1,148,500)	-	(1,148,500)
Principal paid on notes and capital lease obligation	(444,425)	-	(444,425)	(2,656,309)	(3,100,734)
Passenger facility charges received	-	-	-	526,730	526,730
Grant project expenses	-	-	-	(369,420)	(369,420)
Interest paid on revenue bonds, notes payable and capital lease obligations	(1,939,013)	-	(1,939,013)	(341,296)	(2,280,309)
Net cash used by capital and related financing activities	<u>(3,959,451)</u>	<u>-</u>	<u>(3,959,451)</u>	<u>(957,087)</u>	<u>(4,916,538)</u>
Cash Flows from Investing Activities:					
Amounts due grantor for earnings on restricted assets	-	-	-	-	-
Interest income	496,819	20,546	517,365	39,751	557,116
Net cash provided by investing activities	<u>496,819</u>	<u>20,546</u>	<u>517,365</u>	<u>39,751</u>	<u>557,116</u>
Net Increase in Cash and Cash Equivalents	1,045,211	22,393	1,067,604	946,339	2,013,943
Cash and Cash Equivalents at Beginning of Year	22,285,617	1,319,221	23,604,838	1,304,425	24,909,263
Cash and Cash Equivalents at End of Year	<u>\$ 23,330,828</u>	<u>\$ 1,341,614</u>	<u>\$ 24,672,442</u>	<u>\$ 2,250,764</u>	<u>\$ 26,923,206</u>
Cash and Cash Equivalents Classified as:					
Current assets	\$ 3,775,906	\$ 1,341,614	\$ 5,117,520	\$ 1,919,604	\$ 7,037,124
Restricted assets	19,554,922	-	19,554,922	331,160	19,886,082
	<u>\$ 23,330,828</u>	<u>\$ 1,341,614</u>	<u>\$ 24,672,442</u>	<u>\$ 2,250,764</u>	<u>\$ 26,923,206</u>

See accompanying notes to financial statements.

CITY OF SANFORD, FLORIDA
Combined Statement of Cash Flows
All Proprietary Fund Types and
Discretely Presented Component Unit (Continued)
Year Ended September 30, 2002

	<u>PRIMARY GOVERNMENT</u>			<u>COMPONENT UNIT</u>	<u>Totals (Memorandum Only)</u>
	<u>Proprietary Fund Types</u>		<u>Totals (Memorandum Only)</u>	<u>Proprietary Fund Type</u>	
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Primary Government</u>	<u>Airport Authority</u>	
				<u>Totals (Memorandum Only)</u>	<u>Reporting Entity</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Income					
Operating Income (Loss)	\$ 2,442,052	\$ (77,631)	2,364,421	\$ (1,591,865)	\$ 772,556
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation	1,974,400	-	1,974,400	3,104,398	5,078,798
Amortization of irrigation rights	88,800	-	88,800	-	88,800
Provision for uncollectible accounts	55,305	-	55,305	-	55,305
Other non-operating income	535,899	22,639	558,538	99,035	657,573
Changes in operating assets and liabilities:					
Accounts receivable	16,389	-	16,389	(137,107)	(120,718)
Prepaid expenses		(11,896)	(11,896)	1,146	(10,750)
Accounts payable	626,048	143,588	769,636	279,922	1,049,558
Accrued liabilities	7,979	(74,853)	(66,874)	-	(66,874)
Deferred revenue	162	-	162	128,898	129,060
Customer deposits	26,640	-	26,640		26,640
Compensated absences	39,069	-	39,069	(20,752)	18,317
Total adjustments	<u>3,370,691</u>	<u>79,478</u>	<u>3,450,169</u>	<u>3,455,540</u>	<u>6,905,709</u>
Net Cash Provided by Operating Activities	<u>\$ 5,812,743</u>	<u>\$ 1,847</u>	<u>\$ 5,814,590</u>	<u>\$ 1,863,675</u>	<u>\$ 7,678,265</u>
Noncash investing and financing activities:					
Use of prepaid assets to acquire land	<u>\$ 950,000</u>	<u>\$ -</u>	<u>\$ 950,000</u>	<u>\$ -</u>	<u>\$ 950,000</u>

See accompanying notes to financial statements.

CITY OF SANFORD, FLORIDA
Notes to Financial Statements
Year Ended September 30, 2002

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 and account groups 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 no separate note reference is 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, 2002

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 "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 Authority and approves the Authority's annual operating budget, as well as any budget adjustments or amendments. Separate financial statements of the Authority can be obtained from the 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, 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 were presented as a discrete component unit of the City. Financial records are maintained by the City. No separate financial statements are prepared for the Sanford CRA.

CITY OF SANFORD, FLORIDA
Notes to Financial Statements
Year Ended September 30, 2002

Note 1 - Summary of Significant Accounting Policies (Continued)

B. Fund Accounting

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds, based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The purpose of the City's various funds and account groups are as follows:

(1) Governmental Funds

General Fund - 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.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes. The City has eight (8) Special Revenue Funds: Local Option Gas Tax Fund, Law Enforcement Trust Fund, Community Development Block Grant Fund, Other Grants Fund, Recreation Facilities Impact Fees Fund, Fire Public Safety Facilities Impact Fees Fund, Police Public Safety Facilities Impact Fees Fund and Police Education Fund.

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. The City has one (1) Debt Service Fund used to account for Special Facilities Revenue Bond.

Capital Projects Funds - The Capital Projects Funds are 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). The City has one (1) Capital Projects Fund, the East-West Connector Construction Fund.

Component Unit - Sanford CRA - Component Unit - Sanford CRA is used to account for financial resources of the Seminole Towne Center CRA Bonds Trust Fund and the Lake Monroe Waterfront and Downtown Sanford Community Redevelopment Trust Fund. Fixed assets are constructed with the proceeds, and are donated to the primary government. This component unit is presented as a discrete component unit in the accompanying financial statements.

CITY OF SANFORD, FLORIDA
Notes to Financial Statements
Year Ended September 30, 2002

Note 1 - Summary of Significant Accounting Policies (Continued)

(2) Proprietary Funds

Enterprise Funds - Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. These funds consist of the Water and Sewer Fund and the Stormwater Fund.

Internal Service Fund - 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.

Component Unit - Airport Authority - Component Unit- Airport Authority is used to account for the related discretely presented component unit activity.

(3) Fiduciary Funds

Trust Funds - Trust Funds are used to account for assets held by the City in a trustee capacity. The City had two (2) expendable trust funds during the fiscal year, including a Termination Benefit Reserve Fund that was closed out through a residual equity transfer and a Cemetery Fund. Also, it has two (2) pension trust funds: the Police Officers' Retirement System Fund and the Firefighters' Retirement System Fund.

(4) Accounting Groups

General Fixed Assets - The General Fixed Asset Account Group is used to account for all fixed assets of the City, except fixed assets of the City's proprietary funds.

General Long Term Debt - The General Long-Term Debt Account Group is used to account for all the outstanding principal balances of any general or special obligation debt, notes payable, or compensated absences of the City, except long-term debt of the City's proprietary funds.

C. Measurement Focus

Governmental Fund Types - General, Special Revenue, Debt Service and Capital Projects Funds are accounted for on a "flow of current financial resources" measurement focus. This means that generally only current assets and current liabilities are included on the balance sheets. Accordingly, the reported undesignated fund balances (net current assets) are considered a measure of available, spendable or appropriable resources. Governmental Fund Type operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

CITY OF SANFORD, FLORIDA
Notes to Financial Statements
Year Ended September 30, 2002

Note 1 - Summary of Significant Accounting Policies (Continued)

Proprietary Fund Types - Enterprise and Internal Service Funds are accounted for on a "flow of economic resources" measurement focus. Accordingly, all assets and liabilities are included on their balance sheets, and the reported fund equity (total reported assets, less total reported liabilities) provides an indication of the economic net worth of the fund. Operating statements for Proprietary Fund Types (on a flow of economic resources measurement focus) report increases (revenues) and decreases (expenses) in total economic net worth.

Fiduciary Fund Types - The Expendable Trust Funds are accounted for in essentially the same manner as governmental funds. The Pension Trust Funds are accounted for in essentially the same manner as proprietary funds.

Account Groups - The General Long-Term Debt and General Fixed Assets Account Groups are concerned only with the measurement of financial position. They are not involved with the measurement of results of operations.

D. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All Governmental Funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis, revenues are recognized when they become measurable and available as net current assets. Revenues susceptible to accrual include intergovernmental revenues, charges for services, and investment earnings. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. The exception to this general rule is principal and interest on general long-term debt which is recognized when due.

All Proprietary Funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

All Pension Trust Funds are accounted for using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to each plan are recognized when due and the City has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

The Expendable Trust Funds are accounted for on the modified accrual basis of accounting.

CITY OF SANFORD, FLORIDA
Notes to Financial Statements
Year Ended September 30, 2002

Note 1 - Summary of Significant Accounting Policies (Continued)

E. New accounting pronouncements

The GASB has issued Statement No. 34, Basic Financial Statements - and Management's Discussion and Analyses - for State and Local Governments. This statement is a change in the reporting model for governmental entities. It will require a "dual perspective" approach along with management discussion and analysis and reporting of infrastructure assets and depreciation. Due to the significance of the changes, the GASB has allowed an extended implementation period depending on the entities' revenues. The City and its component units will implement this standard in the fiscal year ending September 30, 2003.

F. 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 proprietary fund types.

G. Cash and Cash Equivalents

The Enterprise Funds, Internal Service Fund and the discretely presented Component Unit - Airport Authority consider all highly liquid investments (including restricted assets) with a maturity of three (3) months or less when purchased to be cash equivalents.

H. 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, 2002 was 6.625 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.

CITY OF SANFORD, FLORIDA
Notes to Financial Statements
Year Ended September 30, 2002

Note 1 - Summary of Significant Accounting Policies (Continued)

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 solid waste 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. Stormwater Fund billings are rendered monthly for the month's services.

I. 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.

J. Fixed Assets

- (1) General Fixed Assets - Fixed assets purchased in the Governmental Fund Types are recorded as capital outlay expenditures at the time of purchase. Such assets are capitalized at cost in the General Fixed Assets Account Group, except for certain improvements other than buildings ("infrastructure"), such as roads and bridges, streets and sidewalks, and lighting systems. Gifts or contributions of fixed assets are recorded in General Fixed Assets at fair market value at the time received. No depreciation has been provided on General Fixed Assets.

CITY OF SANFORD, FLORIDA
Notes to Financial Statements
Year Ended September 30, 2002

Note 1 - Summary of Significant Accounting Policies (Continued)

- (2) Proprietary Fund and Component Unit Fixed Assets - The fixed assets purchased in the Proprietary Fund Types are capitalized at cost when purchased. Contributed fixed assets are capitalized at their fair market value at the date received. Depreciation is provided using the straight-line method over the estimated useful lives of the various classes of depreciable assets. The City's depreciation policy begins recognition of the expense in the month of the acquisition of the asset.

The estimated useful lives of the various classes of depreciable assets are as follows:

Assets	Years
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.

With the creation of the Stormwater Utility Fund in 1991, the City established an asset balance for this Enterprise Fund. Because these assets are infrastructure in nature and have not been historically booked within the General Fixed Asset Account Group, the City had to establish the initial asset valuation and the related accumulated depreciation. Accordingly, assets were valued at a current replacement value, discounted back to their estimated acquisition date, and any accumulated depreciation was then established over a straight-line basis for 40 years. The City believes that this estimated historical cost is an equitable basis for initially establishing the asset base for this Enterprise Fund.

K. 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 an irrigation right to utilize the other city's irrigation facility. The irrigation right is for a period of twenty-five (25) years, beginning July 1, 1991. The irrigation right is being amortized on a straight-line basis over the life of the right. Accumulated amortization at September 30, 2002 and amortization expense for the fiscal year ended September 30, 2002 are \$999,000 and \$88,800, respectively.

CITY OF SANFORD, FLORIDA
Notes to Financial Statements
Year Ended September 30, 2002

Note 1 - Summary of Significant Accounting Policies (Continued)

L. Contributions

Prior to October 1, 2000 contributed capital was accounted for in the Enterprise Funds as a direct addition to equity. These represent outside contributions from the City's General Fund, other City funds, the U.S. Government, federal aid programs, and water and sewer development charges to customers for initial hook-up to the utility system. Similar accounting treatment was provided for contributed capital of the Airport Authority. Due to the adoption of GASB Statement 33, effective October 1, 2000, contributed capital has since been accounted for as revenue.

Depreciation expense on contributions, representing depreciation on donated fixed assets or on fixed asset additions financed by contributions, is reflected in the statement of revenues, expenses and changes in retained earnings.

M. 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.

The City records compensated absences in the Governmental Fund Types as an expenditure for the amount accrued during the year that would normally be liquidated with expendable, available financial resources. The long-term portion of the liability is reported in the General Long-Term Debt Account Group. Proprietary Fund Types and the discretely presented Component Unit - Airport Authority accrue compensated absences in the period they are earned.

CITY OF SANFORD, FLORIDA
Notes to Financial Statements
Year Ended September 30, 2002

Note 1 - Summary of Significant Accounting Policies (Continued)

N. Unamortized Bond Issuance Costs

Bond issuance costs for the Water and Sewer Revenue Bonds are being amortized over the life of the bonds, using the interest method of amortization. Bond issuance costs for the Stormwater Revenue Bonds are amortized over the life of the bond, using straight-line amortization.

O. 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 interest method of amortization. For financial reporting, unamortized bond discount is netted against applicable long-term debt.

P. Deferred Revenues

Deferred revenues reported on applicable Governmental Fund Types represent unearned revenues or revenues which are measurable but not available. 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.

Q. 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, Local Option Gas Tax Fund, 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.

CITY OF SANFORD, FLORIDA
Notes to Financial Statements
Year Ended September 30, 2002

Note 1 - Summary of Significant Accounting Policies (Continued)

- (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.
- (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.

R. 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 2002, interest capitalized by the City's Water and Sewer Enterprise Fund was \$214,370.

S. 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.

T. Total Columns on Combined Statements - Overview

Total columns on the combined statements - overview are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with accounting principles generally accepted in the United States of America. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

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.

CITY OF SANFORD, FLORIDA
Notes to Financial Statements
Year Ended September 30, 2002

Note 2 - Cash and Investments (Continued)

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.

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, 2002 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.

CITY OF SANFORD, FLORIDA
Notes to Financial Statements
Year Ended September 30, 2002

Note 2 - Cash and Investments (Continued)

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

	<u>Carrying Amount</u>	<u>Fair Value</u>
Primary Government		
Pension Funds:		
Money Market Mutual funds	\$ 1,695,017	\$ 1,695,017
Mutual funds investing in common stocks and mutual funds	13,639,564	13,639,564
Mutual fund investing in corporate and U.S. treasury bonds	10,893,745	10,893,745
Total pension funds	<u>26,228,326</u>	<u>26,228,326</u>
Local Government Surplus Funds Trust Fund	39,749,906	39,749,906
Demand Deposits	1,457,010	1,457,010
Total Primary Government	<u>67,435,242</u>	<u>67,435,242</u>
Component Unit - Airport Authority		
Local Government Surplus Funds Trust Fund	1,361,878	1,361,878
Demand Deposits	888,886	888,886
Total Component Unit - Airport Authority	<u>2,250,764</u>	<u>2,250,764</u>
Component Unit - Sanford CRA		
Local Government Surplus Funds Trust Fund	580,708	580,708
Total Component Unit - Sanford CRA	<u>580,708</u>	<u>580,708</u>
	<u>\$ 70,266,714</u>	<u>\$ 70,266,714</u>
Classified as:		
Cash and cash equivalents	\$ 24,086,355	\$ 24,086,355
Investments	26,228,326	26,228,326
Restricted cash and cash equivalents	19,952,033	19,952,033
	<u>\$ 70,266,714</u>	<u>\$ 70,266,714</u>

The types of deposits and investments and their level of risk exposure as of September 30, 2002 were typical of these items during the fiscal year then ended.

CITY OF SANFORD, FLORIDA
Notes to Financial Statements
Year Ended September 30, 2002

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, by fund, of restricted cash and cash equivalent accounts as of September 30, 2002:

	<u>Primary Government</u>		<u>Component Unit</u>
	<u>General Fund</u>	<u>Water and Sewer</u>	<u>Airport Authority</u>
Sinking Fund	\$ -	\$ 10,515,378	\$ -
Renewal and Replacement Fund	-	200,000	-
Operating Reserve Fund	-	526,204	-
Earnings on Restricted Assets	-	-	331,160
Customer Deposits	65,951	839,759	-
Utility Trust Impact Fees	-	7,473,581	-
	<u>\$ 65,951</u>	<u>\$ 19,554,922</u>	<u>\$ 331,160</u>

Note 4 - Receivables

The following is a detailed listing of receivables by type and fund at September 30, 2002:

	<u>Primary Government</u>			<u>Component Unit</u>
	<u>General</u>	<u>Enterprise</u>	<u>Total</u>	<u>Airport Authority</u>
Receivables				
Accounts Billed	\$ 218,781	\$ 808,190	\$ 1,026,971	\$ 429,391
Unbilled Receivables	269,478	880,364	1,149,842	-
Other Miscellaneous	322,134	116,005	438,139	-
Gross Receivables	<u>810,393</u>	<u>1,804,559</u>	<u>2,614,952</u>	<u>429,391</u>
Less: Allowance for Uncollectibles	43,800	244,654	288,454	14,218
Net Total Receivables	<u>\$ 766,593</u>	<u>\$ 1,559,905</u>	<u>\$ 2,326,498</u>	<u>\$ 415,173</u>

CITY OF SANFORD, FLORIDA
Notes to Financial Statements
Year Ended September 30, 2002

Note 5 - General Fixed Assets and Property, Plant and Equipment

A. General Fixed Assets

During the year ended September 30, 2002, the following changes in general fixed assets occurred:

	<u>Balance September 30, 2001</u>	<u>Additions</u>	<u>Transfers/ Deletions</u>	<u>Balance September 30, 2002</u>
Land and Paving	\$ 1,368,976	\$ 204,979	\$ -	\$ 1,573,955
Buildings and Improvements	18,242,090	972,910	-	19,215,000
Equipment	<u>12,701,230</u>	<u>2,047,531</u>	<u>(110,346)</u>	<u>14,638,415</u>
	<u>\$ 32,312,296</u>	<u>\$ 3,225,420</u>	<u>\$ (110,346)</u>	<u>\$ 35,427,370</u>

B. Enterprise Fund Fixed Assets

A summary of Enterprise Fund property, plant and equipment follows:

	<u>Primary Government</u>			<u>Component Unit</u>
	<u>Water and Sewer</u>	<u>Stormwater</u>	<u>Total</u>	<u>Airport Authority</u>
Land	\$ 4,916,702	\$ 1,141,932	\$ 6,058,634	\$ 11,327,807
Buildings and Improvements	280,857	1,161	282,018	70,736,450
Water and Sewer System	82,420,293	-	82,420,293	158,280
Stormwater Management	-	8,185,018	8,185,018	-
Street Construction	-	-	-	4,357,350
Equipment	4,740,107	1,358,141	6,098,248	5,283,269
T Hangers	-	-	-	1,044,900
	<u>92,357,959</u>	<u>10,686,252</u>	<u>103,044,211</u>	<u>92,908,056</u>
Less Accumulated Depreciation	<u>(16,832,928)</u>	<u>(3,470,807)</u>	<u>(20,303,735)</u>	<u>(25,439,128)</u>
	75,525,031	7,215,445	82,740,476	67,468,928
Construction in Progress	<u>8,501,125</u>	<u>35,550</u>	<u>8,536,675</u>	<u>6,761,494</u>
	<u>\$ 84,026,156</u>	<u>\$ 7,250,995</u>	<u>\$91,277,151</u>	<u>\$ 74,230,422</u>

CITY OF SANFORD, FLORIDA
Notes to Financial Statements
Year Ended September 30, 2002

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 2002, the total lease rental income received in the General Fund and the Enterprise Funds was \$120,489 and \$52,755, respectively.

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. No payments are required to be made 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:

Year Ending	Amount
September 30, 2002	
2003	\$ 2,153,975
2004	1,612,718
2005	1,117,084
2006	988,761
Thereafter	<u>12,192,994</u>
	<u><u>\$ 18,065,532</u></u>

CITY OF SANFORD, FLORIDA
Notes to Financial Statements
Year Ended September 30, 2002

Note 6 - Operating Lease (Continued)

The following is a schedule of approximate cost or carrying value and accumulated depreciation of property under operating leases:

Land	\$	11,327,807
Buildings and Improvements		22,590,953
		33,918,760
Less Accumulated Depreciation		(15,849,079)
		\$ 18,069,681

Total income on non-cancelable leases for the year ended September 30, 2002 was \$2,829,384.

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 that have been refunded:

Type	Series	Date Refunded	Outstanding as of Refunding	as of September 30, 2002
Water and Sewer	1986	June, 1992	\$ 3,310,000	\$ -
Revenue Bonds	1986	November, 1993	\$ 12,635,000	\$ 12,635,000
	1989	November, 1993	\$ 4,180,000	\$ 3,405,000
	1991	November, 1993	\$ 11,905,000	\$ 11,565,000

B. Water and Sewer Revenue Bonds

(1) Pledge of Revenues - The Series 1992 and 1993 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.

CITY OF SANFORD, FLORIDA
Notes to Financial Statements
Year Ended September 30, 2002

Note 7 - Enterprise Fund Bonds Payable (Continued)

- (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 Service Accounts:
 - 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.
 - Redemption Account - to deposit monthly from Revenue Account one-twelfth (1/12) of any amortization installment established for the redemption of Term Bonds.
 - c. Reserve Account - to maintain a reserve requirement for each bond issue. The series 1992 and 1993 reserve requirement shall be the lesser of (i) maximum bond service requirement, or (ii) 125% of the average annual bond requirement. Any withdrawals from this account shall be subsequently restored from the first monies available in the Revenue Account after meeting costs of operation and maintenance and bond service requirements.
 - d. Operating Reserve Account - to deposit from the Revenue Account one-twelfth (1/12) of the actual cost of operation and maintenance from the immediate preceding fiscal year.
 - e. Subordinate Debt Service Account - to deposit from the Revenue Account any amounts required on subordinate debt.
 - f. 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) Investment Restrictions - Monies in any account created in the resolution, except the Reserve Account, may be invested in authorized investments that mature no later than the dates on which the monies will be needed for the purpose of such fund. Monies in the Reserve Account may be invested in Federal Securities maturing no later than the latest maturity of the Series 1991 bond issue.

CITY OF SANFORD, FLORIDA
Notes to Financial Statements
Year Ended September 30, 2002

Note 7 - Enterprise Fund Bonds Payable (Continued)

Authorized investments as specified by the resolution are as follows:

- a. Direct obligations of the U.S. Government.
 - b. Bonds, debentures or notes backed by the full faith and credit of the U.S. Government.
 - c. Certificates of deposits (insured and/or collateralized).
 - d. High rated commercial paper.
 - e. Repurchase agreements for which the underlying securities are U.S. Government obligations.
 - f. Pre-refunded municipal obligations.
 - g. Money market funds rated AAA by Standard & Poor's.
 - h. Investment agreement approved by AMBAC Indemnity Corporation.
 - i. Local Government Surplus Funds Trust Fund.
- (4) Disbursements from Construction Account - Monies on deposit in the Construction Account shall be used from time to time to pay or reimburse the following project costs:
- a. Costs incurred directly or indirectly for, or in conjunction with, a project or a proposed or future project including, but not limited to, those for preliminary planning and studies, architectural, legal, financial, engineering and supervisory services, labor, services, materials, equipment, acquisitions, land, rights-of-way, improvements and installation.
 - b. Premiums attributable to all insurance required to be taken out and maintained during the period of construction with respect to a project to be acquired or constructed, the premium on such surety bond, if any, required with respect to work on such facilities and taxes, assessments and other charges that may become payable during the period of construction with respect to such a project.
 - c. Costs incurred directly or indirectly in seeking to enforce any remedy against a contractor or subcontractor in respect of any default under a contract relating to a project or costs incurred directly or indirectly in defending any claim by a contractor or subcontractor with respect to a project.
 - d. Financial, legal, accounting, appraisals, title evidence and printing and engraving fees, charges and expenses, and all other such fees, charges and expenses incurred in connection with the authorization, sale, issuance and delivery of such Series of Bonds.

CITY OF SANFORD, FLORIDA
Notes to Financial Statements
Year Ended September 30, 2002

Note 7 - Enterprise Fund Bonds Payable (Continued)

- e. Interest funded from Bond proceeds for a reasonable period of time, which shall be deposited in the Interest Account within the Bond Service Accounts and shall be used as provided in the Series Resolution authorizing such Series of Bonds.
 - f. Any other incidental and necessary costs including, without limitation and expenses, fees and charges relating to the acquisition, construction or installation of a project, and the making of extraordinary repairs, renewals and replacements, decommissioning or retirement of any portion of the System.
 - g. Costs incurred directly or indirectly in placing any project in operation in order that completion of such project may occur.
 - h. Any other costs authorized pursuant to a supplemental resolution of the issuer and permitted under the laws of the State.
 - i. Reimbursements to the issuer for any of the above items theretofore paid by or on behalf of the issuer.
- (5) Rate Covenants - The City has covenanted that it will collect rates and charges in each year, which will provide revenues sufficient to pay all costs of operation and maintenance, exclusive of depreciation and amortization, plus 100% of the bond service requirement. In addition, these revenues, together with the System Development Charges, are required to be sufficient in each year to pay the aggregate of all costs of operation and maintenance, exclusive of depreciation and amortization, plus 125% of the bond service requirement and 100% of all other deposits to be made under the resolution.

The following reflects the calculation required for the fiscal year ended September 30, 2002 in order to comply with the Water and Sewer Revenue Bond rate covenant:

a. Charges for services		\$ 10,728,955
Interest income		466,260
Total available revenues		11,195,215
Less: Costs of operation and maintenance (excluding depreciation, amortization and non-recurring costs)		(6,927,173)
Bond service requirements		(2,471,235)
Operating revenues in excess of costs		\$ 1,796,807

CITY OF SANFORD, FLORIDA
Notes to Financial Statements
Year Ended September 30, 2002

Note 7 - Enterprise Fund Bonds Payable (Continued)

b. Charges for services	\$ 10,728,955
Interest income	466,260
System development charges	2,005,814
Total available revenues	13,201,029
Less: Costs of operation and maintenance (excluding depreciation, amortization and non-recurring costs)	(6,927,173)
Bond service requirements (x 125%)	(3,089,044)
Operating reserve deposit	(26,818)
Available revenues in excess of costs and required deposits	\$ 3,157,994

(6) Bonds Issued - At September 30, 2002, revenue bonds outstanding consisted of the following:

Description	Rates	Maturity	Original Issue	Outstanding at September 30, 2002
Water and Sewer Refunding Revenue Bonds, Series 1992:				
Serial Bonds	3.0% - 6.10%	10/01/1992 10/01/2004	\$ 5,520,000	\$ 1,215,000
Term Bonds	6.25%	10/01/2008 10/01/2011	5,630,000	5,630,000
			\$11,150,000	6,845,000
Less: Unamortized Discount				(37,784)
				6,807,216
Water and Sewer Refunding Revenue Bonds, Series 1993:				
Serial Bonds	2.75% - 5.00%	11/01/1994 10/01/2008	\$ 4,805,000	2,285,000
Term Bonds	5.50%	10/01/2011	1,410,000	1,410,000
Term Bonds	5.25%	10/01/2014	4,880,000	4,880,000
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
			\$25,605,000	23,085,000
Less: Unamortized Discount				(795,494)
				22,289,506
Net Bonds Payable				29,096,722
Unamortized Discount presented as unamortized bond costs				833,278
Bonds Payable				\$ 29,930,000

CITY OF SANFORD, FLORIDA
Notes to Financial Statements
Year Ended September 30, 2002

Note 7 - Enterprise Fund Bonds Payable (Continued)

C. Annual Debt Service Requirements

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

Bond Year Ending	Water and Sewer Revenue Bonds, Series 1992		Water and Sewer Revenue Bonds, Series 1993		Total Debt Service
	Principal	Interest	Principal	Interest	
2003	\$ 590,000	\$ 425,695	\$ 345,000	\$ 1,113,245	\$ 2,473,940
2004	625,000	390,000	355,000	1,098,065	2,468,065
2005	665,000	351,875	370,000	1,082,090	2,468,965
2006	705,000	310,313	390,000	1,064,978	2,470,291
2007	755,000	266,250	405,000	1,046,453	2,472,703
2008 - 2012	3,505,000	563,750	3,375,000	4,898,713	12,342,463
2013 - 2017	-	-	8,990,000	3,365,875	12,355,875
2018 - 2021	-	-	8,855,000	1,023,079	9,878,079
	<u>\$ 6,845,000</u>	<u>\$ 2,307,883</u>	<u>\$23,085,000</u>	<u>\$14,692,498</u>	<u>\$46,930,381</u>

D. Stormwater System 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, 2002, the City has received \$3,653,500 and has an outstanding balance of \$2,781,195.
- (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.
 - 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.

CITY OF SANFORD, FLORIDA
Notes to Financial Statements
Year Ended September 30, 2002

Note 7 - Enterprise Fund Bonds Payable (Continued)

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 Enterprise Fund's Bonds:

<u>Bond Year</u> <u>Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ 277,256	\$ 120,632	\$ 397,888
2004	289,731	108,157	397,888
2005	302,768	95,120	397,888
2006	316,391	81,497	397,888
2007	330,627	67,261	397,888
2008 - 2011	<u>1,264,422</u>	<u>327,130</u>	<u>1,591,552</u>
	<u>\$ 2,781,195</u>	<u>\$ 799,797</u>	<u>\$ 3,580,992</u>

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

A. Enterprise Funds Notes and Contracts Payable

Enterprise Funds notes payable at September 30, 2002 are as follows:

Primary Government: Water & Sewer:

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, 2002 was made prior to October 1, 2002.) \$ 825,179

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. 3,583,726

CITY OF SANFORD, FLORIDA
Notes to Financial Statements
Year Ended September 30, 2002

Note 8A – Enterprise Funds Notes and Contracts Payable

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. \$ 316,625

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. 956,416

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. 5,367,431

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. 4,084,783

Less current portion 10,725,255
Total Enterprise Funds notes and contracts payable (457,297)
\$ 10,267,958

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
2003	\$ 89,491	\$ 33,172	\$ 122,663
2004	93,088	29,575	122,663
2005	96,831	25,832	122,663
2006	100,723	21,940	122,663
2007	104,772	17,891	122,663
Thereafter	340,274	27,717	367,991
	<u>\$ 825,179</u>	<u>\$ 156,127</u>	<u>\$ 981,306</u>

CITY OF SANFORD, FLORIDA
Notes to Financial Statements
Year Ended September 30, 2002

Note 8A – Enterprise Funds Notes and Contracts Payable (Continued)

Fiscal Year Ending September 30,	State Revolving Fund Loan CS120586170		
	Principal	Interest	Total
2003	\$ 271,312	\$ 129,024	\$ 400,336
2004	281,067	119,269	400,336
2005	291,175	109,161	400,336
2006	301,650	98,686	400,336
2007	312,504	87,833	400,337
Thereafter	2,126,018	276,001	2,402,019
	<u>\$ 3,583,726</u>	<u>\$ 819,974</u>	<u>\$ 4,403,700</u>

Fiscal Year Ending September 30,	State Revolving Fund Loan CS120586190		
	Principal	Interest	Total
2003	\$ 24,176	\$ 7,458	\$ 31,634
2004	24,767	6,957	31,724
2005	25,373	6,351	31,724
2006	25,993	5,731	31,724
2007	26,629	5,095	31,724
Thereafter	189,687	16,613	206,300
	<u>\$ 316,625</u>	<u>\$ 48,205</u>	<u>\$ 364,830</u>

Fiscal Year Ending September 30,	State Revolving Fund Loan CS120586210		
	Principal	Interest	Total
2003	\$ 75,017	\$ 27,102	\$ 102,119
2004	77,201	24,918	102,119
2005	79,448	22,671	102,119
2006	81,761	20,359	102,120
2007	84,141	17,979	102,120
Thereafter	558,848	53,869	612,717
	<u>\$ 956,416</u>	<u>\$ 166,898</u>	<u>\$ 1,123,314</u>

CITY OF SANFORD, FLORIDA
Notes to Financial Statements
Year Ended September 30, 2002

Note 8 – Enterprise Funds Notes and Contracts Payable (Continued)

B. Discretely Presented Component Unit - Airport Authority Notes Payable, Contracts Payable and Due to Primary Government

Note payable to bank, due in quarterly principal and interest payments at 6.98%, collateralized by pledged revenues.	\$ 3,642,134
Grant anticipation note payable to bank, interest at 99.35% of 30 day Libor rate due every six months and principal due when scheduled grant payment received.	996,886
Note payable to State of Florida, Department of Transportation, no interest, due September 2, 2008, unsecured.	1,500,000
Note payable to State of Florida, Department of Transportation, no interest, due March 4, 2008, unsecured.	3,000,000
Note payable to State of Florida, Department of Transportation, no interest, due September 18, 2008, unsecured.	2,500,000
Note payable to State of Florida, Department of Transportation, no interest, due September 2, 2009, unsecured.	6,000,000
Note payable to State of Florida, Department of Transportation, no interest, due December 15, 2011, unsecured.	266,490
Note payable to State of Florida, Department of Transportation, no interest, due January 15, 2012, unsecured.	250,000
Loan agreement & promissary note with City of Sanford, interest based on SBA pays City on its reserve accounts (1.8% at Sept. 30, 2002), interest payments due monthly, entire principle & interest due January 2007.	510,075
	<u>18,665,585</u>
Less current portion	(1,161,057)
Less due to primary government	<u>(510,075)</u>
Total Airport Authority notes and contracts payable	<u><u>\$ 16,994,453</u></u>

CITY OF SANFORD, FLORIDA
Notes to Financial Statements
Year Ended September 30, 2002

Note 8A – Enterprise Funds Notes and Contracts Payable (Continued)

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 these notes and contracts. The following is a summary of the future principal debt service requirements on these notes and contracts:

Fiscal Year Ending September 30,	Airport Authority Fund
2003	\$ 1,161,057
2004	175,933
2005	188,539
2006	3,113,491
2007	510,075
Thereafter	13,516,490
	\$ 18,665,585

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, 2002 are summarized as follows:

	Balance October 1, 2001	Increase	Decrease	Balance October 1, 2002
Special Facilities:				
Revenue bonds	\$ 1,675,000	\$ -	\$ 80,000	\$ 1,595,000
Accrued clean-up and long-term care costs	-	1,289,671	-	1,289,671
Compensated absences	949,571	167,227	-	1,116,798
	\$ 2,624,571	\$ 1,456,898	\$ 80,000	\$ 4,001,469

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.

CITY OF SANFORD, FLORIDA
Notes to Financial Statements
Year Ended September 30, 2002

Note 9 - General Long-Term Debt (Continued)

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:

Fiscal Year Ending September 30,	Principal	Interest	Total
2003	\$ 85,000	\$ 86,940	\$ 171,940
2004	90,000	82,041	172,041
2005	95,000	76,860	171,860
2006	100,000	71,400	171,400
2007	110,000	65,520	175,520
2008 - 2009	1,270,000	321,369	1,591,369
	<u>\$ 1,750,000</u>	<u>\$ 704,130</u>	<u>\$ 2,454,130</u>

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 \$564,000, is reported in the General Long-Term Debt Account Group as a liability. These costs are recognized in the General Fund as expenditures as they became obligations to be liquidated with available financial resources. Amounts reported in the General Long-Term Debt Account Group 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.

CITY OF SANFORD, FLORIDA
Notes to Financial Statements
Year Ended September 30, 2002

Note 9 - General Long-Term Debt (Continued)

D. Compensated Absences

Vested sick and vacation leave benefits for Governmental Fund Types accrued at September 30, 2002 in accordance with the City's policy, as set forth in Note 1.M., amounted to \$1,116,798 in the Long-Term Debt Account Group and \$172,223 in the General Fund as accrued expenses.

Note 10 - Revenue Bonds Payable of the Discretely Presented Component Unit - Sanford CRA

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.

Fiscal Year Ending September 30,	Series 1994A		Series 1994B		Total
	Principal	Interest	Principal	Interest	
2003	\$ 315,000	\$ 300,360	\$ -	\$ 99,000	\$ 714,360
2004	330,000	283,350	-	99,000	712,350
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 - 2011	3,010,000	476,700	1,100,000	412,500	4,999,200
	<u>\$5,095,000</u>	<u>\$1,776,810</u>	<u>\$1,100,000</u>	<u>\$ 907,500</u>	<u>\$8,879,310</u>

CITY OF SANFORD, FLORIDA
Notes to Financial Statements
Year Ended September 30, 2002

Note 10 - Revenue Bonds Payable of the Discretely Presented Component Unit - Sanford CRA (Continued)

Activity related to the Community Redevelopment Agency Revenue Bonds for the year was as follows:

	<u>Balance October 1, 2001</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance October 1, 2002</u>
CRA Bonds	\$ 6,495,000	\$ -	\$ 300,000	\$ 6,195,000

Note 11 - Airport Authority – Line of Credit

Line of credit - The Authority signed a revenue note agreement for \$1,500,000 with a financial institution in May 2001. This revenue note is a renewal of a \$1,500,000 revenue bond issued during 2000. 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. At September 30, 2002, the outstanding balance was \$0. Therefore, the Authority had available \$1,500,000 at September 30, 2002.

The 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 18.G. The Authority has not borrowed anything on this line of credit.

Note 12 - Interfund Accounts

Individual fund Interfund receivables and payables at September 30, 2002 consist of the following:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 260,455	\$ 64,721
Special Revenue Funds:		
Other Grants	25,691	25,915
Capital Projects Fund:		
East-West Connector Construction	-	234,540
Trust and Agency Funds:		
Police Pension	23,095	-
Fire Pension	15,935	-
	<u>\$ 325,176</u>	<u>\$ 325,176</u>

CITY OF SANFORD, FLORIDA
Notes to Financial Statements
Year Ended September 30, 2002

Note 13 - Fund Equity

- A. The City has established certain reserves for restricted assets of the Water and Sewer Enterprise Fund. These assets are restricted by various covenants within the revenue bond issue, as described in Note 7.B, and certain City ordinances and resolutions. Reserved retained earnings at September 30, 2002 consist of the following:

Renewal and replacement fund	\$ 200,000
Operating reserve fund	526,204
	\$ 726,204
	\$ 726,204

- B. The City has established certain reserves within the fund equity section of the Governmental Fund Types. Reserved fund balance at September 30, 2002 consists of the following:

General Fund:	
Reserved for capital projects	\$ 2,552,537
Reserved for loan to component unit	510,075
Reserved for other long-term amounts due from other governments	35,000
Reserved for inventories	55,343
Reserved for prepaid expenditures	2,273
	\$ 3,155,228
	\$ 3,155,228

- C. The City established an Internal Service Fund to account for its risk management activities. As such, the amount of retained earnings of \$113,069 is reserved for future payments of insurance.
- D. The East-West Connector Construction Fund (Capital Projects Fund) has a deficit fund balance of \$77,331. The deficit balance is expected to be cured by reimbursement from Seminole County.
- E. The City has established certain reserves and designations within the fund equity section of the Fiduciary Fund Types. Reserved and designated fund balances at September 30, 2002 consist of the following:

	Reserves
Expendable Trust Funds:	
Reserved for cemetery perpetual care	\$ 450,031
Pension Trust Funds:	
Reserved for employees' pension benefits	26,230,208
	\$ 26,680,239
Total	\$ 26,680,239

CITY OF SANFORD, FLORIDA
Notes to Financial Statements
Year Ended September 30, 2002

Note 13 - Fund Equity (Continued)

F. The following is a summary of changes in Enterprise Funds, Internal Service Fund and Component Unit contributions.

	<u>Primary Government</u>			<u>Primary Government Total</u>	<u>Airport Authority Fund</u>
	<u>Water and Sewer Fund</u>	<u>Stormwater Fund</u>	<u>Risk Management Fund</u>		
Contributions at October 1, 2001	\$40,493,032	\$2,174,194	\$ 25,621	\$42,692,847	\$32,527,652
Depreciation on contributed assets	-	-	-	-	(1,673,139)
Contributions at September 30, 2002	<u>\$40,493,032</u>	<u>\$2,174,194</u>	<u>\$ 25,621</u>	<u>\$42,692,847</u>	<u>\$30,854,513</u>

G. The Airport Authority has established a reserve within the retained earnings of \$112,214 for an Airport Memorial Fund, \$218,946 for passenger facility charges and \$535,921 for bond debt service.

Note 14 - 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.

CITY OF SANFORD, FLORIDA
Notes to Financial Statements
Year Ended September 30, 2002

Note 14 - Pension Plans and Postemployment Benefits Other than Pensions (Continued)

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, 2002, 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 (9.15% from 07/01/01 to 06/30/02, and 7.30% from 07/01/02 to 09/30/02).

Special Risk Class - Members employed as law enforcement officers, firefighters, or correctional officers and meeting the criteria to qualify for this (20.29% from 07/01/01 to 06/30/02, and 18.44% from 07/01/02 to 09/30/02). 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, 2002, 2001 and 2000 were \$569,521, \$658,168 and \$536,488, respectively, and equal the required contributions for each year. The Airport Authority's contributions to FRS for the years ended September 30, 2002, 2001 and 2000 were \$169,543, \$157,499 and \$61,362, respectively, and equal the required contributions for each year.

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.

CITY OF SANFORD, FLORIDA
Notes to Financial Statements
Year Ended September 30, 2002

Note 14 - Pension Plans and Postemployment Benefits Other than Pensions (Continued)

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.

- (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 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. Short-term investments are reported at cost, which approximates 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.

CITY OF SANFORD, FLORIDA
Notes to Financial Statements
Year Ended September 30, 2002

Note 14 - Pension Plans and Postemployment Benefits Other than Pensions (Continued)

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.

- (4) Plan Membership - At September 30, 2002, membership of each plan consisted of the following:

	Police Officers	Firefighters
Retirees and beneficiaries receiving benefits	38	37
Active plan members	105	69
Total	143	106

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

	2000	2001	2002
Police Officers' plan	\$ 156,514	\$ 172,990	\$ 193,867
Firefighters' plan	\$ 103,948	\$ 213,689	\$ 289,051

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.

CITY OF SANFORD, FLORIDA
Notes to Financial Statements
Year Ended September 30, 2002

Note 14 - Pension Plans and Postemployment Benefits Other than Pensions (Continued)

- (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.

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 life, and the life insurance benefits for retired employees, 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 amount of \$252,454 and \$13,187, respectively for the year ended September 30, 2002 for 81 retirees in the aggregate. Three (3) current employees are eligible for postemployment benefits at September 30, 2002.

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 15 - 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 16 - Segment information for Enterprise Funds and Component Unit - Airport Authority

The City maintains two (2) Enterprise Funds that provide water and sewer, and stormwater services. In addition, the discretely presented Component Unit - Airport Authority provides airport services. Segment information for the fiscal year ended September 30, 2002 follows:

CITY OF SANFORD, FLORIDA
Notes to Financial Statements
Year Ended September 30, 2002

**Note 16 - Segment information for Enterprise Funds and Component Unit - Airport Authority
(Continued)**

	Primary Government			Component Unit
	Water and Sewer	Stormwater	Total	Airport Authority
Operating revenues	\$ 10,728,955	\$ 1,589,883	\$ 12,318,838	\$ 5,364,666
Depreciation	\$ 1,751,988	\$ 222,412	\$ 1,974,400	\$ 3,104,398
Operating income (loss)	\$ 1,960,994	\$ 481,058	\$ 2,442,052	\$ (1,591,865)
Operating transfers in	\$ 11,084	\$ 6,960	\$ 18,044	\$ -
Net income	\$ 3,637,087	\$ 390,363	\$ 4,027,450	\$ 10,446,151
Fixed assets:				
Additions	\$ 5,487,250	\$ 1,212,670	\$ 6,699,920	\$ 11,733,713
Deletions	\$ 55,279	\$ 908	\$ 56,187	\$ 2,475,016
Total assets	\$ 112,667,295	\$ 8,695,870	\$ 121,363,165	\$ 77,522,485
Capital contributions	\$ 2,577,882	\$ -	\$ 2,577,882	\$ 12,174,039
Long-term liabilities:				
Notes payable	\$ 15,134,160	\$ -	\$ 15,134,160	\$ 17,504,528
Bonds	\$ 29,930,000	\$ 2,781,195	\$ 32,711,195	\$ -
Net working capital	\$ 3,879,839	\$ 1,397,712	\$ 5,277,551	\$ 662,472
Total equity	\$ 24,308,956	\$ 3,671,423	\$ 27,980,379	\$ 57,314,947

Note 17 - 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 \$150,000 per incident relating to workers' compensation. City owned vehicles with a purchase cost of less than \$50,000 are not insured for property damage. Excess coverage up to statutory limits per incident for workers' compensation has been purchased from an outside carrier. All other liability and property damage insurance is obtained through excess carriers with a \$100,000 deductible for general liability claims per incident and an aggregate stop loss of \$950,000 for all types of claims for fiscal year 2002. 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, 2002 a reserve of \$495,580 and \$555,758 was recorded for the settlement of pending workers' compensation 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.

CITY OF SANFORD, FLORIDA
Notes to Financial Statements
Year Ended September 30, 2002

Note 17 - Risk management (Continued)

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. In addition, an experience study is performed by an outside consultant to determine the extent, if any, of the claims incurred but not reported.

The changes in the City's claims liability during the years ended September 30, 2001 and 2002 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>
2000 - 2001	\$ 1,017,115	\$ 1,430,225	\$ 1,321,149	\$ 1,126,191
2001 - 2002	\$ 1,126,191	\$ 1,218,187	\$ 1,293,040	\$ 1,051,338

Airport Authority

The 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 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 18 - 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 \$1,835,173 at September 30, 2002.

CITY OF SANFORD, FLORIDA
Notes to Financial Statements
Year Ended September 30, 2002

Note 18 - Commitments and contingencies (continued)

Airport Authority

- D.** During the year 2000, an airport tenant, Jett Aire Group, Inc., filed a breach of contract claim against the Authority. The Authority feels that although the claim amount is significant, the likelihood of adverse financial consequences is minimal and an estimate of the possible loss, if any, cannot be made.
- E.** Threatened litigation also exists involving a contract dispute with a contractor over construction of the instrument landing system and MALS. The amount in controversy, which is reimbursable from grant funds, is potentially significant; however, an estimate of the possible loss cannot be made.
- F.** During the year ended September 30, 2001, the Domestic Terminal project was completed. At September 30, 2002, there is still \$234,579 in deferred revenue for the private sector investment received from TBI that is not yet spent. These funds will be used to pay debt service on the grant anticipation note and any additional terminal construction costs.
- G.** In concert with the design and construction of the domestic terminal expansion, the 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 Authority as well as additional minimum operation payments to the Authority for years one through thirty (1 - 30) in exchange for the revenues generated by the operation of the domestic terminal. The Authority will also participate in a percentage of gross revenues generated from the operation of the domestic terminal should those amounts exceed the minimum operation payments referred to above. Additionally, many expenses and liabilities associated with the operation of the domestic terminal will be removed from the Authority and transferred to OSD.
- H.** At the end of fiscal year September 30, 2002, construction in progress on several airport projects total \$6,761,494. The total project costs are approximately \$10,141,987 of which approximately \$3,918,959 remains unbilled at September 30, 2002. The projects have various completion dates. Funding for the projects are from various sources including Florida Department of Transportation, Federal Aviation Administration, and the Sanford Airport Authority.
- I.** The 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 Authority is unable to determine the cost and their responsibility in the clean-up of these sites. The Authority is pursuing all possible remedies to mitigate any contamination.

CITY OF SANFORD, FLORIDA
Notes to Financial Statements
Year Ended September 30, 2002

Note 19 - 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, 2002, there was one (1) series of Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of \$30,915,000.

CITY OF SANFORD, FLORIDA
Notes to Financial Statements
Year Ended September 30, 2002

Note 20 - Component unit - Sanford CRA

Condensed financial statement information related to the Sanford CRA as of and for the year ended September 30, 2002 is as follows:

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>General Long-Term Debt</u>	<u>Total Combined CRA</u>
Condensed Balance Sheet:				
Cash and cash equivalents	\$ 580,708	\$ -	\$ -	\$ 580,708
Due from other governments	487	-	-	487
Amount to be provided for retirement of general long-term debt	-	-	6,195,000	6,195,000
Total Assets and Other Debits	<u>\$ 581,195</u>	<u>\$ -</u>	<u>\$6,195,000</u>	<u>\$6,776,195</u>
Bonds payable	\$ -	\$ -	\$6,195,000	\$6,195,000
Accounts payable	438	-	-	438
Fund Balance:				
Unreserved-Undesignated	580,757	-	-	580,757
Total Liabilities and Fund Balances	<u>\$ 581,195</u>	<u>\$ -</u>	<u>\$6,195,000</u>	<u>\$6,776,195</u>
Condensed Revenues, Expenditures and Changes in Fund Balances:				
Revenues:				
Taxes	\$ 552,161	\$ -	\$ -	\$ 552,161
Interest	14,353	-	-	14,353
Total revenues	<u>566,514</u>	<u>-</u>	<u>-</u>	<u>566,514</u>
Expenditures:				
General government	1,653	-	-	1,653
Economic environment	65,932	-	-	65,932
Principal retirement	-	300,000	-	300,000
Interest and fiscal charges	-	318,386	-	318,386
Total expenditures	<u>65,932</u>	<u>618,386</u>	<u>-</u>	<u>684,318</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	500,582	(618,386)	-	(117,804)
Other Financing Sources (Uses):				
Operating transfers from primary government	238,613	-	-	238,613
Operating transfers (out) in	(620,039)	620,039	-	-
Total Other Financing Sources (Uses)	<u>(381,426)</u>	<u>620,039</u>	<u>-</u>	<u>238,613</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	119,156	1,653	-	120,809
Fund Balances, October 1, 2001	<u>461,600</u>	<u>-</u>	<u>-</u>	<u>461,600</u>
Fund Balances, September 30, 2002	<u>\$ 580,756</u>	<u>\$ 1,653</u>	<u>\$ -</u>	<u>\$ 582,409</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SANFORD, FLORIDA
Schedule of Funding Progress
Year Ended September 30, 2002

<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						
10/01/1996	12,241,737	13,342,054	1,100,317	91.75%	2,693,765	40.85%
10/01/1997	13,679,367	15,509,410	1,830,043	88.20%	2,492,585	73.42%
10/01/1998	15,725,789	17,576,478	1,850,689	89.47%	2,836,950	65.24%
10/01/1999	17,591,379	19,541,704	1,950,325	90.02%	2,849,125	68.45%
10/01/2000	19,432,369	21,244,881	1,812,512	91.47%	3,194,472	56.74%
10/01/2001	20,032,657	21,642,332	1,609,675	92.56%	3,612,283	44.56%
10/01/2002	19,469,655	21,144,642	1,674,987	92.08%	3,853,643	43.47%
Firefighters' Retirement System						
10/01/1996	8,019,626	9,694,455	1,674,829	82.72%	1,695,444	98.78%
10/01/1997	8,957,875	10,863,990	1,906,115	82.45%	1,659,287	114.88%
10/01/1998	10,203,906	12,476,469	2,272,563	81.79%	1,825,725	124.47%
10/01/1999	11,251,058	13,515,882	2,264,824	83.24%	1,821,056	124.37%
10/01/2000	12,268,181	14,313,055	2,044,874	85.71%	2,050,682	99.72%
10/01/2001	12,611,092	14,613,575	2,002,483	86.30%	2,107,190	95.03%
10/01/2002	12,610,665	14,583,248	1,972,583	86.47%	2,460,554	80.17%

CITY OF SANFORD, FLORIDA
Schedule of Contributions from the City and Other Contributing Entities
Year Ended September 30, 2002

<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				
1996	335,548	335,548	100.00%	134,115
1997	265,008	265,008	100.00%	146,512
1998	285,753	285,753	100.00%	155,028
1999	284,467	284,467	100.00%	155,028 *
2000	156,514	156,514	100.00%	155,028 *
2001	172,990	172,990	100.00%	157,123 *
2002	193,867	193,867	100.00%	163,847 *
Firefighters' Retirement System				
1996	172,928	172,928	100.00%	100,843
1997	168,889	168,889	100.00%	100,529
1998	190,886	190,886	100.00%	115,162
1999	193,325	193,325	100.00%	115,162 *
2000	207,895	207,895	100.00%	115,162 *
2001	213,689	213,689	100.00%	125,840 *
2002	289,051	289,051	100.00%	125,840 *

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

CITY OF SANFORD, FLORIDA
Notes to Schedule of Funding Progress
Year Ended September 30, 2002

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. As discussed more fully in Note 14.B. to the financial statements, the preceding data was acquired from the most recent actuarial valuation available at the time of the financial statement issuance. Additional information as of the latest actuarial valuation follows:

	<u>Police Officers'</u>	<u>Firefighters'</u>
Valuation date	10/01/2001	10/01/2001
Actuarial cost method	Frozen Entry Age	Frozen Entry Age
Amortization method	Level percent, closed	Level percent, closed
Remaining amortization period	30 years	29 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)	6.50%	6.50%
Inflation rate	3.00%	3.00%
Postretirement benefit increases	0.00%	0.00%

CITY OF SANFORD, FLORIDA
Combining and Individual Funds Statements -
By Fund Type

Combining Financial Statements provide a more detailed view of the "General-Purpose Financial Statements" presented in the preceding subsection.

CITY OF SANFORD, FLORIDA
General Fund

To account for resources associated with the general government operations that are not required to be accounted for in another fund.

CITY OF SANFORD, FLORIDA
Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual - General Fund
Year Ended September 30, 2002

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Taxes	\$ 14,913,688	\$ 15,022,631	\$ 108,943
Licenses and permits	1,002,918	827,057	(175,861)
Intergovernmental revenues	4,845,369	4,469,773	(375,596)
Charges for services	4,355,656	4,515,882	160,226
Fines and forfeitures	182,200	237,333	55,133
Contributions	15,823	36,037	20,214
Interest	809,500	336,534	(472,966)
Administrative services	906,231	906,231	-
Miscellaneous revenue	318,135	316,216	(1,919)
Total Revenues	<u>27,349,520</u>	<u>26,667,694</u>	<u>(681,826)</u>
Expenditures:			
General government:			
City Commission	205,078	196,383	8,695
City Manager	405,551	379,707	25,844
Legal	126,530	106,816	19,714
City Clerk	234,357	223,562	10,795
Finance	838,289	754,712	83,577
Personnel/EEO	328,181	309,158	19,023
Civil service	57,200	59,359	(2,159)
Licensing	39,930	30,689	9,241
Public employee relations	53,202	57,162	(3,960)
Engineering and planning	924,632	881,661	42,971
Data processing	434,377	362,990	71,387
Code Enforcement Board	293,086	263,293	29,793
Community development - administration	164,029	91,286	72,743
Special programs	375,456	326,199	49,257
Public Safety:			
Police	8,768,848	8,403,987	364,861
Fire	6,315,073	5,320,516	994,557
Buildings, codes and zoning	477,678	389,371	88,307
Transportation	4,026,242	2,965,411	1,060,831
Physical environment	2,918,112	3,040,917	(122,805)
Economic environment	735,483	378,621	356,862
Human services	247,624	230,327	17,297
Culture/Recreation	4,553,750	3,518,442	1,035,308
Contingencies	-	-	-
Total expenditures	<u>32,522,708</u>	<u>28,290,569</u>	<u>4,232,139</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(5,173,188)</u>	<u>(1,622,875)</u>	<u>3,550,313</u>
Other Financing Sources (Uses):			
Operating transfer to component unit	(238,613)	(238,613)	-
Operating transfers in	1,805,128	1,788,613	(16,515)
Operating transfers out	(171,560)	(171,560)	-
Total Other Financing Sources (Uses)	<u>1,394,955</u>	<u>1,378,440</u>	<u>(16,515)</u>
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>(3,778,233)</u>	<u>(244,435)</u>	<u>3,533,798</u>
Fund Balances, October 1, 2001	3,559,913	14,340,872	10,780,959
Residual equity transfer	218,320	218,320	-
Fund Balances, September 30, 2002	<u>\$ -</u>	<u>\$ 14,314,757</u>	<u>\$ 14,314,757</u>

See accompanying notes to financial statements.

CITY OF SANFORD, FLORIDA
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:

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.

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.

Community Development Block Grant Fund:

To account for grants received by the City as subgrantee under the Small Cities Community Development Block Grant Program, which, is administered by the State of Florida Department of Community Affairs. Grant proceeds are utilized to provide rehabilitation improvements to blighted areas of the City.

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.

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
All Special Revenue Funds
September 30, 2002

	<u>Local Option Gas Tax</u>	<u>Police Education</u>	<u>Law Enforcement Trust</u>
Assets			
Cash and cash equivalents	\$ 531,780	\$ 42,278	\$ 117,633
Due from other funds	-	-	-
Due from other governments	60,942	1,092	-
Total Assets	<u>592,722</u>	<u>43,370</u>	<u>117,633</u>
Liabilities and Fund Equity			
Liabilities:			
Accounts payable	6,678	-	-
Accrued liabilities	-	-	-
Due to other funds	-	-	-
Deferred revenues	-	30,175	-
Total liabilities	<u>6,678</u>	<u>30,175</u>	<u>-</u>
Fund Equity:			
Fund Balances:			
Unreserved/Undesignated	586,044	13,195	117,633
Total fund equity	<u>586,044</u>	<u>13,195</u>	<u>117,633</u>
Total Liabilities and Fund Equity	<u>\$ 592,722</u>	<u>\$ 43,370</u>	<u>\$ 117,633</u>

See accompanying notes to financial statements.

Other Grants	Recreation Facilities Impact Fees	Fire Public Safety Facilities Impact Fees	Police Public Safety Facilities Impact Fees	Total
\$ -	\$ 325,527	\$ 49,877	\$ 851,143	\$ 1,918,238
25,691	-	-	-	25,691
72,194	-	-	-	134,228
<u>97,885</u>	<u>325,527</u>	<u>49,877</u>	<u>851,143</u>	<u>2,078,157</u>
15,869	-	-	-	22,547
2,422	-	-	-	2,422
25,915	-	-	-	25,915
-	-	-	-	30,175
<u>44,206</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>81,059</u>
<u>53,679</u>	<u>325,527</u>	<u>49,877</u>	<u>851,143</u>	<u>1,997,098</u>
<u>53,679</u>	<u>325,527</u>	<u>49,877</u>	<u>851,143</u>	<u>1,997,098</u>
<u>\$ 97,885</u>	<u>\$ 325,527</u>	<u>\$ 49,877</u>	<u>\$ 851,143</u>	<u>\$ 2,078,157</u>

See accompanying notes to financial statements.

CITY OF SANFORD, FLORIDA
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
All Special Revenue Funds
Year Ended September 30, 2002

	<u>Local Option Gas Tax</u>	<u>Police Education</u>	<u>Law Enforcement Trust</u>
Revenues:			
Taxes	\$ 770,431	\$ -	\$ -
Intergovernmental revenues	-	-	-
Fines and forfeitures	-	12,953	80,876
Interest	15,856	894	15,799
Miscellaneous revenue	-	-	5,000
Impact Fees	-	-	-
Total Revenues	<u>786,287</u>	<u>13,847</u>	<u>101,675</u>
Expenditures:			
Public safety	-	12,179	9,352
Transportation	369,973	-	-
Economic environment	-	-	-
Capital outlay	966,305	-	349,060
Total Expenditures	<u>1,336,278</u>	<u>12,179</u>	<u>358,412</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(549,991)</u>	<u>1,668</u>	<u>(256,737)</u>
Other Financing Sources (Uses):			
Operating transfers in	-	-	-
Operating transfers out	-	-	(585,507)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(585,507)</u>
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>(549,991)</u>	<u>1,668</u>	<u>(842,244)</u>
Fund Balances, October 1, 2001	<u>1,136,035</u>	<u>11,527</u>	<u>959,877</u>
Fund Balances, September 30, 2002	<u>\$ 586,044</u>	<u>\$ 13,195</u>	<u>\$ 117,633</u>

See accompanying notes to financial statements.

<u>Other Grants</u>	<u>Recreation Facilities Impact Fees</u>	<u>Fire Public Safety Facilities Impact Fees</u>	<u>Police Public Safety Facilities Impact Fees</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ 770,431
287,326	-	-	-	287,326
-	-	-	-	93,829
-	23,085	6,350	16,473	78,457
-	-	-	-	5,000
-	33,833	23,508	113,058	170,399
<u>287,326</u>	<u>56,918</u>	<u>29,858</u>	<u>129,531</u>	<u>1,405,442</u>
-	-	-	-	21,531
-	-	-	-	369,973
279,384	-	-	-	279,384
1,485	-	-	-	1,316,850
<u>280,869</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,987,738</u>
<u>6,457</u>	<u>56,918</u>	<u>29,858</u>	<u>129,531</u>	<u>(582,296)</u>
-	-	-	-	-
-	(822,203)	(295,000)	(103,948)	(1,806,658)
-	(822,203)	(295,000)	(103,948)	(1,806,658)
6,457	(765,285)	(265,142)	25,583	(2,388,954)
<u>47,221</u>	<u>1,090,813</u>	<u>315,019</u>	<u>825,560</u>	<u>4,386,052</u>
<u>\$ 53,678</u>	<u>\$ 325,528</u>	<u>\$ 49,877</u>	<u>\$ 851,143</u>	<u>\$ 1,997,098</u>

See accompanying notes to financial statements.

CITY OF SANFORD, FLORIDA
Enterprise Funds

Enterprise Funds account for operations that are financed and operated in a manner similar to private enterprise, where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The City has the following Enterprise Funds:

Water and Sewer Fund:

To account for the fiscal activities of the City's water and sewer treatment and distribution operations, as well as the funding and payment of related debt.

Stormwater Fund:

To account for the operations of the City's Stormwater management utility.

CITY OF SANFORD, FLORIDA
Combining Balance Sheet
All Enterprise Funds
September 30, 2002

Assets	<u>Water and Sewer</u>	<u>Stormwater</u>	<u>Totals</u>
Current Assets:			
Cash and cash equivalents	\$ 2,424,762	\$ 1,351,144	\$ 3,775,906
Accounts receivable	1,687,621	116,938	1,804,559
Allowance for estimated uncollectibles	(212,684)	(31,970)	(244,654)
Due from other governments	2,189,405	-	2,189,405
Total current assets	<u>6,089,104</u>	<u>1,436,112</u>	<u>7,525,216</u>
Restricted Assets:			
Restricted cash and cash equivalents:			
Sinking Fund	10,515,378	-	10,515,378
Renewal and Replacement Fund	200,000	-	200,000
Operating Reserve Fund	526,204	-	526,204
Customer Deposits	839,759	-	839,759
Utility Trust Impact Fees	7,473,581	-	7,473,581
Total restricted assets	<u>19,554,922</u>	<u>-</u>	<u>19,554,922</u>
Property, Plant and Equipment:			
Land	4,916,702	1,141,932	6,058,634
Buildings and improvements	280,857	1,161	282,018
Water and sewer system	82,420,293	-	82,420,293
Stormwater management system	-	8,185,018	8,185,018
Equipment	4,740,107	1,358,141	6,098,248
	<u>92,357,959</u>	<u>10,686,252</u>	<u>103,044,211</u>
Less accumulated depreciation	<u>(16,832,928)</u>	<u>(3,470,807)</u>	<u>(20,303,735)</u>
	75,525,031	7,215,445	82,740,476
Construction in progress	8,501,125	35,550	8,536,675
Total property, plant and equipment	<u>84,026,156</u>	<u>7,250,995</u>	<u>91,277,151</u>
Other Assets:			
Unamortized bond costs	1,776,113	8,763	1,784,876
Irrigation rights, net	1,221,000	-	1,221,000
Total other assets	<u>2,997,113</u>	<u>8,763</u>	<u>3,005,876</u>
Total Assets	<u>\$ 112,667,295</u>	<u>\$ 8,695,870</u>	<u>\$ 121,363,165</u>

See accompanying notes to financial statements.

CITY OF SANFORD, FLORIDA
Combining Balance Sheet
All Enterprise Funds (Continued)
September 30, 2002

Liabilities and Fund Equity	Water and Sewer	Stormwater	Totals
Current Liabilities (payable from current assets):			
Accounts payable	\$ 1,461,124	\$ 16,010	\$ 1,477,134
Accrued liabilities	118,781	18,433	137,214
Accrued compensated absences	32,735	3,957	36,692
Accrued interest payable	102,312	-	102,312
Deferred revenue	34,387	-	34,387
Due to other governments	2,629	-	2,629
Notes, loan and contracts payable, current	457,297	-	457,297
Total current liabilities	<u>2,209,265</u>	<u>38,400</u>	<u>2,247,665</u>
Current Liabilities (payable from restricted assets):			
Customer deposits	839,759	-	839,759
Total current liabilities	<u>839,759</u>	<u>-</u>	<u>839,759</u>
Other Liabilities:			
Accrued compensated absences	209,420	30,658	240,078
Notes, loan and contracts payable	14,676,863	-	14,676,863
Bonds payable	29,930,000	2,781,195	32,711,195
Total other liabilities	<u>44,816,283</u>	<u>2,811,853</u>	<u>47,628,136</u>
Total liabilities	<u>47,865,307</u>	<u>2,850,253</u>	<u>50,715,560</u>
Fund Equity:			
Contributions	40,493,032	2,174,194	42,667,226
Retained Earnings:			
Reserve for renewal and replacement	200,000	-	200,000
Operating reserve	526,204	-	526,204
Unreserved	23,582,752	3,671,423	27,254,175
	<u>24,308,956</u>	<u>3,671,423</u>	<u>27,980,379</u>
Total fund equity	<u>64,801,988</u>	<u>5,845,617</u>	<u>70,647,605</u>
Total Liabilities and Fund Equity	<u>\$ 112,667,295</u>	<u>\$ 8,695,870</u>	<u>\$ 121,363,165</u>

See accompanying notes to financial statements.

CITY OF SANFORD, FLORIDA
Combining Statement of Revenues, Expenditures and
Changes in Retained Earnings
All Enterprise Funds
Year Ended September 30, 2002

	<u>Water and Sewer</u>	<u>Stormwater</u>	<u>Totals</u>
Operating Revenues:			
Charges for services	<u>\$ 10,728,955</u>	<u>\$ 1,589,883</u>	<u>\$ 12,318,838</u>
Operating Expenses:			
Personal services	3,370,906	558,813	3,929,719
Materials	2,496,754	160,670	2,657,424
Other services	1,059,513	166,930	1,226,443
Depreciation	1,751,988	222,412	1,974,400
Amortization	88,800	-	88,800
Total Operating Expenses	<u>8,767,961</u>	<u>1,108,825</u>	<u>9,876,786</u>
Operating Income	<u>1,960,994</u>	<u>481,058</u>	<u>2,442,052</u>
Non Operating Revenues (Expenses):			
Interest income	466,260	30,559	496,819
Other income	528,934	6,965	535,899
Capital Contributions	2,577,882	-	2,577,882
Interest expense	(1,796,772)	(134,388)	(1,931,160)
Amortization of debt costs	(111,295)	(791)	(112,086)
Total Non Operating Revenues (Expenses)	<u>1,665,009</u>	<u>(97,655)</u>	<u>1,567,354</u>
Other financing sources:			
Operating transfers in	<u>11,084</u>	<u>6,960</u>	<u>18,044</u>
Net Income	3,637,087	390,363	4,027,450
Retained Earnings, October 1, 2001	<u>20,671,869</u>	<u>3,281,060</u>	<u>23,952,929</u>
Retained Earnings, September 30, 2002	<u>\$ 24,308,956</u>	<u>\$ 3,671,423</u>	<u>\$ 27,980,379</u>

See accompanying notes to financial statements.

CITY OF SANFORD, FLORIDA
Combining Statement of Cash Flows
All Enterprise Funds
Year Ended September 30, 2002

	<u>Water and Sewer</u>	<u>Stormwater</u>	<u>Totals</u>
Cash Flows from Operating Activities:			
Cash received from customers	\$ 10,812,687	\$ 1,604,647	\$ 12,417,334
Cash payments to suppliers for goods and services	(2,939,017)	(318,802)	(3,257,819)
Cash payments to employees for services	(3,334,296)	(548,375)	(3,882,671)
Other revenues	528,934	6,965	535,899
Net cash provided by operating activities	<u>5,068,308</u>	<u>744,435</u>	<u>5,812,743</u>
Cash Flows from Noncapital Financing Activities:			
Decrease in due from other governments	(1,323,069)	-	(1,323,069)
Operating transfers in from other funds	11,084	6,960	18,044
Increase in due to other governments	125	-	125
Net cash provided (used) by noncapital financing activities	<u>(1,311,860)</u>	<u>6,960</u>	<u>(1,304,900)</u>
Cash Flows from Capital and Related Financing Activities:			
Capital contributed by other governments and developers	2,577,882	-	2,577,882
Acquisition and construction of capital assets	(6,334,275)	(296,510)	(6,630,785)
Proceeds from loans	3,625,390	-	3,625,390
Principal paid on revenue bonds	(885,000)	(263,500)	(1,148,500)
Principal paid on notes payable	(444,425)	-	(444,425)
Interest paid on revenue bonds and notes payable	(1,804,625)	(134,388)	(1,939,013)
Net cash provided (used) by capital and related financing activities	<u>(3,265,053)</u>	<u>(694,398)</u>	<u>(3,959,451)</u>
Cash Flows from Investing Activities:			
Interest income	466,260	30,559	496,819
Net cash provided by investing activities	<u>466,260</u>	<u>30,559</u>	<u>496,819</u>
Net Increase in Cash and Cash Equivalents	957,655	87,556	1,045,211
Cash and Cash Equivalents at Beginning of Year	<u>21,022,029</u>	<u>1,263,588</u>	<u>22,285,617</u>
Cash and Cash Equivalents at End of Year	<u>\$ 21,979,684</u>	<u>\$ 1,351,144</u>	<u>\$ 23,330,828</u>
Cash and Cash Equivalents Classified as:			
Current assets	\$ 2,424,762	\$ 1,351,144	\$ 3,775,906
Restricted assets	19,554,922	-	19,554,922
	<u>\$ 21,979,684</u>	<u>\$ 1,351,144</u>	<u>\$ 23,330,828</u>

See accompanying notes to financial statements.

CITY OF SANFORD, FLORIDA
Combining Statement of Cash Flows
All Enterprise Funds (Continued)
Year Ended September 30, 2002

	<u>Water and Sewer</u>	<u>Stormwater</u>	<u>Totals</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Income			
Operating Income	<u>\$ 1,960,994</u>	<u>\$ 481,058</u>	<u>\$ 2,442,052</u>
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	1,751,988	222,412	1,974,400
Amortization of irrigation rights	88,800	-	88,800
Provision for uncollectible accounts	37,166	18,139	55,305
Other non-operating income	528,934	6,965	535,899
Changes in operating assets and liabilities:			
Accounts receivable	19,764	(3,375)	16,389
Accounts payable	617,250	8,798	626,048
Accrued liabilities	6,222	1,757	7,979
Deferred revenue	162	-	162
Customer deposits	26,640	-	26,640
Compensated absences	<u>30,388</u>	<u>8,681</u>	<u>39,069</u>
Total adjustments	<u>3,107,314</u>	<u>263,377</u>	<u>3,370,691</u>
Net Cash Provided by Operating Activities	<u>\$ 5,068,308</u>	<u>\$ 744,435</u>	<u>\$ 5,812,743</u>
Noncash investing and financing activities:			
Use of prepaid assets to acquire land	<u>\$ -</u>	<u>\$ 950,000</u>	<u>\$ 950,000</u>

See accompanying notes to financial statements.

CITY OF SANFORD, FLORIDA
Fiduciary Funds

Fiduciary Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, or outside agencies. The City has the following Fiduciary Funds:

Cemetery Expendable Trust Fund:

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

Termination Benefit Reserve Expendable Trust Fund:

To account for the payment of retirement benefits to long-time employees.

Pension Trust Funds:

To account for the contributions, investments and payments for the Police Officers' and Firefighters' Retirement Systems.

CITY OF SANFORD, FLORIDA
Combining Balance Sheet
All Fiduciary Funds
September 30, 2002

	Expendable Trust Funds	
Assets	Cemetery	Termination Benefit Reserve
Cash and cash equivalents	\$ 450,031	\$ -
Investments, at fair value	-	-
Due from other funds	-	-
Due from fiscal agent	-	-
	-	-
Total Assets	\$ 450,031	\$ -
Liabilities and Fund Equity		
Liabilities:		
Accounts payable	\$ -	\$ -
Total liabilities	-	-
Fund Equity:		
Net assets held in trust for pension benefits	-	-
Fund Balances:		
Reserved for cemetery perpetual care	450,031	-
Total fund equity	450,031	-
Total Liabilities and Fund Equity	\$ 450,031	\$ -

See accompanying notes to financial statements.

Pension Trust Funds

Police Officers' Retirement System	Firefighters' Retirement System	Total
\$ -	\$ -	\$ 450,031
15,225,409	11,002,917	26,228,326
23,095	15,935	39,030
1,019	1,112	2,131
\$ 15,249,523	\$ 11,019,964	\$ 26,719,518
\$ 23,769	\$ 15,510	\$ 39,279
23,769	15,510	39,279
15,225,754	11,004,454	26,230,208
-	-	450,031
15,225,754	11,004,454	26,680,239
\$ 15,249,523	\$ 11,019,964	\$ 26,719,518

CITY OF SANFORD, FLORIDA
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
Expendable Trust Funds
Year Ended September 30, 2002

	<u>Cemetery</u>	<u>Termination Benefit Reserve</u>	<u>Total</u>
Revenues:			
Sale of cemetery plots	\$ 28,825	\$ -	\$ 28,825
Total revenues	<u>28,825</u>	<u>-</u>	<u>28,825</u>
Excess of Revenues Over Expenditures	<u>28,825</u>	<u>-</u>	<u>28,825</u>
Fund Balances, October 1, 2001	421,206	218,320	639,526
Residual Equity Transfer	<u>-</u>	<u>(218,320)</u>	<u>(218,320)</u>
Fund Balances, September 30, 2002	<u>\$ 450,031</u>	<u>\$ -</u>	<u>\$ 450,031</u>

See accompanying notes to financial statements.

CITY OF SANFORD, FLORIDA
Combining Statement of Plan Net Assets
Pension Trust Funds
September 30, 2002

	Police Officers' Retirement System	Firefighters' Retirement System	Total
Assets			
Investments, at fair value:			
Money market funds	\$ 1,178,234	\$ 516,783	\$ 1,695,017
Equity securities, individual stocks and mutual funds	7,498,146	6,141,418	13,639,564
Mutual funds investing in corporate and U.S. Treasury bonds	6,549,029	4,344,716	10,893,745
Total investments	15,225,409	11,002,917	26,228,326
Due from other funds	23,095	15,935	39,030
Due from fiscal agent	1,019	1,112	2,131
Total assets	\$ 15,249,523	\$ 11,019,964	\$ 26,269,487
Liabilities			
Accounts payable	\$ 23,769	\$ 15,510	\$ 39,279
Total liabilities	23,769	15,510	39,279
Net Assets Held in Trust for Pension Benefits	\$ 15,225,754	\$ 11,004,454	\$ 26,230,208

See accompanying notes to financial statements.

CITY OF SANFORD, FLORIDA
Combining Statement of Changes in Plan Net Assets
Pension Trust Funds
Year Ended September 30, 2002

	<u>Police Officers' Retirement System</u>	<u>Firefighters' Retirement System</u>	<u>Total</u>
Additions:			
Contributions:			
Employer	\$ 387,734	\$ 289,090	\$ 676,824
State	194,044	136,182	330,226
Plan members and others	241,078	160,228	401,306
Total contributions	<u>822,856</u>	<u>585,500</u>	<u>1,408,356</u>
Investment income:			
Net increase (decrease) in fair value of investments	(2,872,713)	(538,787)	(3,411,500)
Dividends	136,229	55,689	191,918
Interest	351,619	6,401	358,020
	<u>(2,384,865)</u>	<u>(476,697)</u>	<u>(2,861,562)</u>
Less investment expenses:			
Custodian fees and investment management fees	88,758	57,850	146,608
Net investment income	<u>(2,473,623)</u>	<u>(534,547)</u>	<u>(3,008,170)</u>
Other income:			
Miscellaneous income	3,851	3,785	7,636
Total additions	<u>(1,646,916)</u>	<u>54,738</u>	<u>(1,592,178)</u>
Deductions:			
Benefits	915,365	807,549	1,722,914
Refunds of contributions	41,307	7,025	48,332
Other services and charges	39,240	21,587	60,827
Total deductions	<u>995,912</u>	<u>836,161</u>	<u>1,832,073</u>
Net decrease in plan assets	(2,642,828)	(781,423)	(3,424,251)
Net Assets Held in Trust for Pension Benefits:			
Beginning of year	<u>17,868,582</u>	<u>11,785,877</u>	<u>29,654,459</u>
End of year	<u>\$ 15,225,754</u>	<u>\$ 11,004,454</u>	<u>\$ 26,230,208</u>

See accompanying notes to financial statements.

CITY OF SANFORD, FLORIDA
General Fixed Assets Account Group

To account for fixed assets other than those accounted for in proprietary fund types.

CITY OF SANFORD, FLORIDA
Schedule of General Fixed Assets - By Source
September 30, 2002

General Fixed Assets:

Land and paving	\$ 1,573,955
Building and improvements	19,215,000
Equipment	<u>14,638,415</u>

Total General Fixed Assets \$ 35,427,370

Investment in General Fixed Assets From:

General Fund	\$ 26,430,794
Special Revenue Funds	2,444,033
Capital Project Funds	6,505,755
Contributions/Donations	<u>46,788</u>

Total Investment in General Fixed Assets \$ 35,427,370

CITY OF SANFORD, FLORIDA
Schedule of General Fixed Assets - By Function and Activity
September 30, 2002

<u>Function and Activity</u>	<u>Land</u>	<u>Improvements</u>	<u>Equipment</u>	<u>Total</u>
General Government:				
Legislative	\$ 478,260	\$ 100,053	\$ 1,464	\$ 579,777
Executive	-	2,036,378	13,582	2,049,960
Finance and Administration	-	249,108	995,314	1,244,422
Economic Environment	2,580	66,033	15,424	84,037
Other	459,769	1,928	1,880,369	2,342,066
Public Safety:				
Police	16,117	1,488,216	5,852,049	7,356,382
Fire	307,283	761,634	2,812,520	3,881,437
Inspections	-	-	45,031	45,031
Public Works:				
Public Works	50,221	5,867,863	1,558,634	7,476,718
Parks/Recreation:				
Parks/Recreation	256,805	8,101,617	1,445,602	9,804,024
Libraries/Museum	2,920	542,170	18,426	563,516
	<u>\$ 1,573,955</u>	<u>\$ 19,215,000</u>	<u>\$ 14,638,415</u>	<u>\$ 35,427,370</u>

CITY OF SANFORD, FLORIDA
Schedule of Changes in General
Fixed Assets - By Function and Activity
Year Ended September 30, 2002

<u>Function and Activity</u>	<u>Fixed Assets September 30, 2001</u>	<u>Additions</u>	<u>Transfers/ Deletions</u>	<u>Fixed Assets September 30, 2002</u>
General Government:				
Legislative	\$ 579,777	\$ -	\$ -	\$ 579,777
Executive	2,049,960	-	-	2,049,960
Finance and Administration	1,120,132	126,132	1,842	1,244,422
Economic Environment	82,552	1,485	-	84,037
Other	2,331,070	10,996	-	2,342,066
Public Safety:				
Police	6,468,900	973,163	85,681	7,356,382
Fire	2,812,507	1,068,930	-	3,881,437
Inspections	35,891	9,140	-	45,031
Public Works:				
Public Works	6,717,527	760,006	815	7,476,718
Parks/Recreation:				
Parks/Recreation	9,549,875	275,568	21,419	9,804,024
Libraries/Museum	564,105	-	589	563,516
	<u>\$ 32,312,296</u>	<u>\$ 3,225,420</u>	<u>\$ 110,346</u>	<u>\$ 35,427,370</u>

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, 2002

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)

Fiscal Year	General Government	Public Safety	Transportation	Physical Environment	Economic Environ-	Human Services	Culture/ Recreation	Capital Outlay	Debt Service	Total
1993	\$ 2,693	\$ 7,106	\$ 2,719	\$ 52	\$ 448	\$ 17	\$ 2,184	\$ 435	\$ 649	\$ 16,303
1994	2,681	7,693	1,711	134	568	10	2,101	256	565	15,719
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

(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>
1993	\$ 9,265	\$ 346	\$ 3,236	\$ 407	\$ 852	\$ 1,387	\$ 15,493
1994	9,365	505	3,253	454	332	1,413	15,322
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

(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)

Fiscal Year	Property Taxes	Local Option Gas and Use Taxes	Franchise Fees	Utility Services	Other Taxes	Total
1993	\$ 4,745	\$ 535	\$ 1,513	\$ 2,467	\$ 6	\$ 9,266
1994	4,820	485	1,555	2,500	6	9,366
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

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

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

Table III

CITY OF SANFORD, FLORIDA
Property Tax Levies and Collections
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
1992	1993	\$ 5,025,643	\$ 4,713,523	93.79%	\$ 31,021	\$ 4,744,544	94.41%
1993	1994	5,042,337	4,787,604	94.95%	31,905	4,819,509	95.58%
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%

(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	
1992	1993	\$ 614,453	\$ 614,453	\$ 115,532	\$ 115,532	\$ 922	\$ 922	\$ 730,907	\$ 730,907	100.00%
1993	1994	616,887	616,887	115,502	115,502	946	946	733,335	733,335	100.00%
1994	1995	649,068	649,068	122,366	122,366	1,160	1,160	772,594	772,594	100.00%
1995	1996	664,468	686,433	131,296	135,636	1,161	1,199	796,925	823,268	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%

(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

Tax Year	Fiscal Year	City of Sanford	Seminole County	Seminole County School Board	Other	Total
1992	1993	6.8759	5.4197	10.0710	0.358	22.7246
1993	1994	6.8759	5.3841	10.0430	0.470	22.7730
1994	1995	6.8759	5.3622	10.0930	0.482	22.8131
1995	1996	6.8759	5.3772	10.3370	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

(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, 2002

<u>Taxpayer Name</u>	<u>Business Name</u>	<u>Type of Business</u>	<u>2001 Assessed Value</u>	<u>2002 Assessed City Taxes</u>	<u>Percent of Total Assessed Taxes</u>
Seminole Towne Center, LP	Seminole Towne Center Mall	Shopping Center	\$ 88,035,493	\$ 583,235	6.62%
BellSouth	BellSouth	Telecommunications	33,701,142	223,270	2.53%
Central Florida Regional Hospital	Central Florida Regional Hospital	Hospital	26,324,490	174,400	1.98%
FL Power & Light	FL Power & Light	Utilities	20,986,281	139,034	1.58%
Kimco of Merritt Island, Inc.	Seminole Center	Property Management	17,366,340	115,052	1.31%
ZOM Gateway Plaza	Gateway Plaza	Shopping Center	15,302,620	101,380	1.15%
Vestcor Fund XI Ltd			14,506,382	96,105	1.09%
TWC Ninety-Five Ltd	Windchase Apartments	Apartments	9,515,420	63,040	0.72%
Dillard Department Stores, Inc.	Dillards	Department Store	9,835,180	65,158	0.74%
Placid Lake Association	Placid Lake Association	Land Development	10,769,590	71,349	0.81%

(1) Sources: 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 highest or principal taxpayers.

Table VII

CITY OF SANFORD, FLORIDA
Computation of Direct and Overlapping Debt
General Obligation Bonds
September 30, 2002

<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)	\$ 25,915,000	7.85%	\$ 2,034,328
Seminole County Government (2)	30,970,000	7.85%	<u>2,431,145</u>
Total Debt Overlapping			<u><u>\$ 4,465,473</u></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 Fiscal	Gross Revenues (1) (4)	Direct Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements (3)			Basic Covenant Coverage
				Principal	Interest	Total	
1993	\$ 7,496,604	\$ 4,871,714	\$ 2,624,890	\$ 165,000	\$ 2,063,790	\$ 2,228,790	1.178
1994	8,337,961	5,077,452	3,260,509	620,000	1,843,918	2,463,918	1.323
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	10,250,591	5,866,986	4,383,605	755,000	1,708,180	2,463,180	1.780
2000	10,531,433	5,938,324	4,593,109	795,000	1,670,930	2,465,930	1.863
2001	10,927,894	6,314,436	4,613,458	840,000	1,630,336	2,470,336	1.868
2002	11,195,215	6,927,173	4,268,042	885,000	1,586,235	2,471,235	1.727

(1) Gross revenues from water and sewer charges for services, plus interest income and service charges.

(2) Total operating expenses exclusive of depreciation and amortization of intangibles.

(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

Fiscal Year	Population (1)	School Enrollment (2)	Unemployment Rate (3)
1993	34,096	9,060	5.1%
1994	34,542	9,152	5.4%
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%

- Sources:
- (1) University of Florida and City of Sanford Engineering Department research.
 - (2) Seminole County School Board. Public schools are under the jurisdiction of the Seminole County School Board. This table reflects the 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)
1993	\$ 730,907	\$ 16,322,862	\$ 2,339,756
1994	733,335	41,776,621	2,403,008
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

- Sources:
- (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, 2002

Date of Incorporation	September 29, 1877
Form of Government	Commission/City Manager
Area	21 square miles
Miles of Streets	149 miles
Fire Protection:	
Number of Fire Stations	3
Number of Firefighters and Officers	67
Police Protection:	
Number of Stations	4
Number of Sworn Officers	111
Municipal Water System:	
Number of Customers	12,445
Average Daily Consumption	6.08 MGD
Plant Capacity - All Plants	16.5 MGD
Deep Wells	18
Number of Fire Hydrants	907
Municipal Sewer System:	
Number of Customers	11,952
Treatment Facility Capacity	7.3 MGD
Annual Average Flow	5.47 MGD
Municipal Stormwater System:	
Number of Customers	11,412
Building Permits Issued	2,723
Recreation and Culture:	
Number of Regional Parks	1
Number of Neighborhood Parks	36
Park Area - Number of Acres	342 acres
Number of Libraries/Museums	1
Number of Books	3,556
City Employees	467

COMPLIANCE SECTION:

This section demonstrates compliance with the Single Audit requirements of OMB Circular A-133.

CITY OF SANFORD, FLORIDA
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2002

<u>Federal Grantor/Pass-Through Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant Number/ Pass-Through Grantor's Number</u>	<u>Expenditures</u>
Cash programs:			
U.S. Department of HUD:			
Passed through: Seminole County - Community Development Block Program:			
Community Development Block Grant	14.219		\$ 166,365
U.S. Department of Energy:			
Passed through: State Department of Community Affairs:			
Weatherization Assistance	81.042	02-LH-90-06-69-02-029	40,289
Weatherization Assistance	81.042	02-WX-1B-06-69-02-029	16,039
Weatherization Assistance	81.042	02-LE-35-06-69-02-029	30,267
Low Income Home Energy Assist. Prog.	81.042	02-EA-25-06-69-02-026	104,595
Low Income Home Energy Assist. Prog.	81.042	01-EA-90-06-69-02-026	96,138
Total Department of HUD			<u>287,328</u>
U.S. Department of Agriculture:			
Passed through: State Department of Education			
Summer Food Service Program	10.559		<u>6,336</u>
U.S. Department of Justice:			
Local Law Enforcement Block Grant	16.580	00-LB-BX-1174	10,139
Local Law Enforcement Block Grant	16.580	01-LB-BX-2050	16,004
DEA Office Reimbursement	16.580		8,925
Total Department of Justice			<u>35,068</u>
U.S. Department of Transportation:			
Passed through: State of Florida Department of Transportation:			
Local Agency Agreement	20.205		<u>390,531</u>
U.S. Environmental Protection Agency:			
Passed through: State of Florida Department of Environmental Protection:			
Financial Assistance Grant	66.606	XP984497-98-01	<u>187,675</u>
Total Federal Cash Program Expenditures			<u>1,073,303</u>

NOTE: The schedule of expenditures of federal awards includes the federal grant activity of the City of Sanford, Florida and is presented in accordance with accounting principles generally accepted in the United States of America.

CITY OF SANFORD, FLORIDA
Schedule of Expenditures of Federal Awards (Continued)
Year Ended September 30, 2002

<u>Federal Grantor/Pass-Through Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant Number/ Pass-Through Grantor's Number</u>	<u>Expenditures</u>
Non-cash programs with continuing compliance requirements:			
U.S. Environmental Protection Agency:			
Pass Through:			
Florida Department of Environmental Protection:			
State Revolving Fund Loan	66.458	CS120-586150	\$ 825,179
State Revolving Fund Loan	66.458	CS120-586170	3,583,726
State Revolving Fund Loan	66.458	CS120-586190	316,625
State Revolving Fund Loan	66.458	CS120-586210	956,416
State Revolving Fund Loan	66.458	CS120-586220	5,367,431
State Revolving Fund Loan	66.468	DW5906010	<u>4,084,783</u>
Total Federal Non-Cash Program Expenditures			<u>15,134,160</u>
Total Expenditures of Federal Awards			<u><u>\$ 16,207,463</u></u>

CITY OF SANFORD, FLORIDA
Schedule of Findings and Questioned Costs – Federal Awards Programs
Year Ended September 30, 2002

Part I. Summary of Auditors' Results

1. The Independent Auditors' Report on the financial statements expresses an unqualified opinion.
2. No reportable conditions relating to the audit of the financial statements are reported.
3. No instances of noncompliance material to the financial statements were disclosed during the audit.
4. No reportable conditions relating to the audit of federal awards programs are reported.
5. The Independent Auditors' Report on compliance for each major federal award program expresses an unqualified opinion.
6. Our audit did not disclose any audit findings which are required to be reported.
7. Major programs identified on the Schedule of Expenditures of Federal Awards are as follows:

	CFDA Number
U.S. Environmental Protection Agency:	
Capitalization Grant	66.458
Capitalization Grant	66.468
 U.S. Department of Transportation:	
Local Agency Program Agreement	20.205

8. The threshold used to distinguish between Type A and Type B programs is \$300,000.
9. The City of Sanford, Florida qualified as a low-risk auditee as that term is defined in OMB Circular A-133.

Part II. Findings Related to The Financial Statements

This section identifies reportable conditions, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*. None are reported.

Part III. Findings and Questioned Costs for Federal Awards

There were no findings or questioned costs reported.

CITY OF SANFORD, FLORIDA
Summary Schedule of Prior Audit Findings and Corrective Action Plan
Federal Awards Programs
Year Ended September 30, 2002

Prior Year Audit Findings:

There were no audit findings in the prior year independent auditors' reports which required corrective action.

Corrective Action Plan:

There were no findings in the current year that required a corrective action plan.



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

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

We have audited the financial statements of the City of Sanford, Florida (the "City") (other than the Sanford Airport Authority) as of and for the year ended September 30, 2002, and have issued our report thereon dated January 14, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's (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 condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the 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.

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, Bofant & Holland, L.L.P.

Orlando, Florida
January 14, 2003



**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM 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* that are applicable to each of its major federal programs for the year ended September 30, 2002. The City's major federal programs 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 programs 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; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2002.

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 grants applicable to federal programs. 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 program 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.

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 condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program 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, Belsant & Holland, L.L.P.

Orlando, Florida
January 14, 2003



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, 2002, and have issued our report thereon dated January 14, 2003.

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 Compliance and Internal Control over Financial Reporting, 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 14, 2003, 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)(g)1.a.) require that we address in the management letter, if not already addressed in the auditors' reports on compliance and internal controls or schedule of findings and questioned costs, whether or not inaccuracies, shortages, defalcations, fraud, and/or violations of laws, rules, regulations, and contractual provisions reported in the preceding annual financial audit report have been corrected. There were no such matters reported in the preceding annual financial audit.

The Rules of the Auditor General (Section 10.554(1)(g)1.b.) require that we address in the management letter, if not already addressed in the auditors' reports on compliance and internal controls or schedule of findings and questioned costs, whether or not recommendations made in the preceding annual financial audit report have been followed. There were no recommendations made in the preceding audit report.

As required by the Rules of the Auditor General (Section 10.554(1)(g)6.a.), the scope of our audit included a review of the provisions of Section 218.503(1), Florida Statutes, regarding financial emergencies. Management of the City has determined that the City is not in a state of financial emergency under Section 218.503(1). In connection with our audit of the City, the results of our tests did not indicate that the City is in a state of financial emergency as a consequence of the conditions in Section 218.503(1). 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)(g)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 Banking and Finance, pursuant to Section 218.32, 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 annual financial report for the year ended September 30, 2002, filed with the Department of Banking and Finance, is in agreement with the annual financial audit report for the current audit period.

The Rules of the Auditor General (Section 10.554(1)(g)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. However, our audit was not directed toward obtaining knowledge regarding the City's compliance with this requirement.

The Rules of the Auditor General (Section 10.554(1)(g)4.) require disclosure in the management letter of the following matters if not already addressed in the auditors' reports on compliance and internal controls or schedule of findings and questioned costs: (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 noted.

The Rules of the Auditor General (Section 10.554(1)(g)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 (Sections 10.554(1)(g)6.c. and 10.556), the scope of our audit included financial condition assessment procedures. 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 same. The 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.

Cherry, Belsait & Holland, L.L.P.

Orlando, Florida
January 14, 2003