



COMPREHENSIVE ANNUAL FINANCIAL REPORT

City of Cape Coral, Florida
For the Fiscal Year Ended
September 30, 2003



Prepared by:

Financial Services Department



CITY OF CAPE CORAL, FLORIDA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003
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December 23, 2003

Honorable Mayor and Members
of the City Council
City of Cape Coral, Florida

Dear Mayor and Members of City Council:

We are pleased to present to you the Comprehensive Annual Financial Report (CAFR) of the City of Cape Coral, Florida (the City) for the fiscal year ended September 30, 2003. Chapter 218.39, Florida Statutes and the City Charter require that a complete set of financial statements be published within one year of fiscal year end and presented in conformance with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with auditing standards generally accepted in the United States of America by licensed independent certified public accountants.

Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the management of the City. We believe the data, as presented, is accurate in all material respects and is presented in a manner designed to fairly set forth the financial position and the results of operations of the City, on a Government-wide and Fund basis. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

Management of the City is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft or misuse and to ensure that sufficient, reliable, adequate accounting data is compiled for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. Internal accounting controls have been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. 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 evaluation of costs and benefits requires estimates and judgments by management. We believe that the City's internal controls adequately safeguard assets and provide reasonable assurance of properly recorded financial transactions.

In addition, the City maintains budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. The City also maintains an encumbrance system that is employed as an extension of formal budgetary integration in all fund types. Encumbrances for governmental type funds outstanding at fiscal year-end are reported as reservations of fund balance.

In compliance with the laws of the State of Florida the City's financial statements have been audited by KPMG LLP, a firm of licensed certified public accountants. The audit was performed to provide reasonable assurance that the financial statements are free of material misstatement for the fiscal year ended September 30, 2003. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year ended September 30, 2003 are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

SUMMARY OF PRESENTATION

The Comprehensive Annual Financial Report is presented in four sections:

INTRODUCTORY SECTION – includes the table of contents, this letter of transmittal, which is designed to complement the Management's Discussion and Analysis (MD&A) and should be read in conjunction with it, the City's organizational chart, and the list of City officials.

FINANCIAL SECTION – includes the auditors' opinion, Management's Discussion and Analysis (MD&A), Basic Financial Statements, Required Supplemental Information, and Combining Financial Statements and Schedules. GAAP require that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). The MD&A can be found immediately following the report of the independent auditors.

STATISTICAL SECTION – includes selected financial and general information presented on a multi-year comparative basis. This information is designed to reflect social and economic data, financial trends and the fiscal capacity of the City.

SINGLE AUDIT SECTION – is required in order for the City to be in conformity with the provisions of the Single Audit Act and the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and in conformity with the Florida Single Audit Act (Section 215.97, Florida Statutes) and Chapter 27D-1, Rules of the Executive Office of the Governor, Florida Administrative Code. Included in this section are the Schedule of Expenditures of Federal Awards and State Financial Assistance and the auditors' reports on internal control and compliance with applicable laws and regulations.

THE CITY

In 1970, by referendum of the people of the City, a Council/City Manager form of government was adopted, and the City of Cape Coral was incorporated. The policy-making body of the City is a City Council composed of eight (8) members, seven (7) members elected at large on a nonpartisan basis from districts and the Mayor (the eighth member). A Mayor is elected at-large on a nonpartisan basis and has one (1) vote and no veto authority. All terms run for a four (4) year period with the Mayor and three (3) council members being elected at one election and two years later the remaining four (4) council members are elected. The City Council is responsible for all policy-making functions of the government and retains the services of a City Attorney, City Auditor and City Manager. The City Manager is responsible for all administration of the City.

The City provides a comprehensive range of municipal services including general government, public safety, community development, public works, planning, utilities, and parks and recreation.

THE REPORTING ENTITY

This report includes all of the funds of the City. In evaluating the City as a reporting entity, we have included all component units for which the City Council is financially responsible.

The component unit has been blended with the financial statements presented for the Primary Government because the component unit exclusively serves the City. The blended component unit is the Community Redevelopment Agency.

The City Council also appoints the board of directors for the City of Cape Coral Health Facilities Authority; however, in evaluating this entity as a component unit, the Authority did not meet the criteria established by GAAP for inclusion in this report.

ECONOMIC CONDITION AND OUTLOOK

The City of Cape Coral is located on the southwest coast of Florida, in Lee County. The City is approximately 125 miles south of Tampa, at the mouth of the Caloosahatchee River. The City is principally a residential, recreational and vacation community. One bridge connects the City to South Fort Myers and the Southwest Florida International Airport, one bridge connects to Central Fort Myers and the commercial district, and two bridges to the north of the City connect it with Fort Myers. This peninsular city lies between the scenic Caloosahatchee River, Charlotte Harbor and the Intra-coastal Waterway.

Cape Coral is one of the nation's first master-planned communities. It is the third largest city in Florida in land area, encompassing 114 square miles. The most populated city in Southwest Florida, Cape Coral has a population of 124,449 as of September 30, 2003.

The population is an active one and younger than many people realize with a median age of 42. What began as a traditional retirement community has become one of Florida's most attractive areas for young families as well.

In addition to broad boulevards and paved streets, the City is interlaced with over 400 miles of waterways, providing home sites with access to the Intra-coastal Waterway and the Gulf of Mexico. Recreational facilities are provided by a number of City-owned parks, municipal golf course, yacht club and community park and water park.

Strategically situated between Tampa and Miami, Cape Coral serves a major distribution role between the two cities. It has emerged as a secondary market for manufacturers who need to distribute goods throughout other parts of Florida, the southeastern United States and the world.

The Fort Myers/Cape Coral area was named one of the best places to live by *Money Magazine* and received accolades from *Expansion Management Magazines* as a Four-Star Community, one of the top U.S. communities in which to live and work.

For additional information concerning the City, please visit our website at <http://www.capegov.org>.



The following demographic and economic trends have emerged over the past few years:

- € The City's population has grown to 124,449 as of September 30, 2003, an increase of 51% since 1993. The significant growth in Cape Coral's population has created pressure to improve, expand and diversify service delivery to the increasing number of younger families moving into the City. The City's median age has decreased from 48 years in 1987 to 42 in 2003.
- € The City has been experiencing significant growth. The City's population is projected to increase to over 155,000 by 2010. Cape Coral was recently ranked the nation's ninth-fastest growing city. Meeting the needs of our community as it continues to grow is still the City's number one priority. While having a positive impact, growth also represents a challenge to continue meeting the City's service delivery system needs.

€ The total taxable assessed value in Cape Coral increased 30.2% over last year, from \$5,608,534,540 to \$7,300,200,100. As the table below shows, new construction has been steadily increasing over the past seven years following a decline in 1997. The changes in total assessed taxable value result from new construction and changes in the value of existing property. The positive increases in total value are no longer attributable only to new construction. The value of existing property is steadily increasing due to a strong resale market for residential homes as well as efforts to expand the commercial tax base.

<u>Fiscal Year</u>	<u>Taxable Assessed Value</u>	<u>Percent Increase/(Decrease)</u>
1995	3,601,126,430	1.0
1996	3,648,079,090	1.3
1997	3,632,010,230	(0.4)
1998	3,638,777,570	0.2
1999	3,742,215,220	2.8
2000	3,932,343,640	5.1
2001	4,237,777,910	7.8
2002	4,714,588,660	11.3
2003	5,608,534,540	18.9
2004	7,300,200,110	30.2

€ The “Save Our Homes” took effect January 1, 1995 and caps the assessed value on homesteaded property to the consumer price index or 3%, whichever is lower.

€ Growth in the City of Cape Coral is expected to continue well into the next decade, primarily due to the following factors:

- ↓ Significant, remaining undeveloped residential property in the recently completed utility expansion areas.
- ↓ Utility expansions in the Pine Island Road (State Road 78) commercial corridor and Southwest residential areas.
- ↓ Completed Mid-Point Bridge and Veterans Parkway, thereby creating a major east-west access through the City and connection to I-75 via Fort Myers.
- ↓ Completed Diplomat Parkway extension to State Road 41 through two commerce parks.
- ↓ Major transportation improvements along Cape Coral Parkway from Coronado to Chiquita, the Burnt Store Road extension connecting Veterans Parkway with Burnt Store Road, and major new commercial developments planned on Pine Island Road (State Road 78).

€ The City’s ability to expand and diversify its tax base will be a major factor in providing additional financial resources to fund an increasing demand for services.

STRATEGIC FRAMEWORK

Vision 2020 – A young, progressive waterfront community becoming the urban center of Southwest Florida, offering economic and social opportunities, with unparalleled quality of life.

Mission Statement

We, the City of Cape Coral, will meet our community’s needs through the efficient and professional delivery of quality services, and with pride and integrity, in an open, honest, spirit of teamwork, respecting the self-worth of the individual and the environment.

Shared Values

- 3 Involvement and participation of citizens in City government
- 3 Delivery of quality services that are both efficient and effective
- 3 A customer-oriented approach to everything we do
- 3 Honest, respectful and ethical behavior by all City employees
- 3 Stewardship of responsibility for city resources
- 3 Accountability for performance and finances

City Goals: In Harmony with Mission and Values

City Goals

The above mission and value statement is reflected in the City's areas of priority (goals). The overall Citywide goals have been condensed into four areas, as shown below.

1. Economic Stability

To enhance diversity of the City's tax base by supporting favorable economic conditions, encouraging the maintenance of environmental health and employing strategies to attract specific markets.

2. Service Delivery

To provide the highest level of service delivery by maintaining a highly qualified and competent workforce and implementing principles of team work and employee empowerment.

3. Safe Community

To maintain the City as one of the safest communities in the nation by continued application of proactive public safety concepts (community-oriented policing, advanced life support, community emergency response teams, etc.) and the on-going pursuit of innovative approaches to public safety service delivery.

4. Customer Focus

To provide the Cape Coral community the highest quality of service delivery through our commitment to customer service, customer input and on-going employee training.

The successful linkage of missions, strategic planning, community input and broad goals into specific objectives to be achieved compliments this comprehensive financial management system by linking the strategic plan objectives and survey priorities into actual service delivery in terms of next year's or future departmental specific goals.

SIGNIFICANT ACHIEVEMENTS

Significant accomplishments during FY 2003 are delineated below:

- € Cape Coral Parkway Six-Laning – Segment C, west of Santa Barbara Boulevard, Segment D between Pelican Boulevard and Skyline Boulevard, and the sanitary lift station west of Skyline were completed in fiscal year 2003.
- € Construction for Veterans Parkway Extension and Burnt Store Road Extension was completed. The Lee County Department of Transportation completed the Veterans Parkway Extension – Surfside to SW 11th Avenue. This was the last link to complete the corridor between the Midpoint Memorial Bridge and Burnt Store Road/State Road 78.

- € The design for the Gleason Parkway Extension road project is 75% complete. Construction is to start by March 2004 and be completed by the end of fiscal year 2004.
- € Roadway resurfacing of 100.025 lane miles in Phases V and VI (City units # 35, 37, 48, 49, 50, and 95) was completed.
- € Utilities Expansion Projects:
 - Pine Island Road commercial corridor construction was completed. Estimated equivalent lots in this utility expansion area is 4,445 for water, 5,540 for wastewater and 4,059 for irrigation services.
 - Southwest One residential area construction is 99% complete. Estimated equivalent lots in this utility expansion area is 7,165 for water, 7,282 for wastewater and 7,307 for irrigation services. Estimated completion date is early in fiscal year 2004. The estimated completion date of the Master Pump Station is early in fiscal year 2004.
 - Southwest Three residential area construction has commenced and is approximately 60% complete. Estimated equivalent lots in this utility expansion area is 8,263 for water, 8,268 for wastewater and 8,377 for irrigation services. Estimated completion date is fiscal year 2004.
 - Southwest Two residential area design is complete. Estimated equivalent lots in this utility expansion area is 7,235 for water, 7,316 for wastewater and 7,618 for irrigation services. Construction is to begin in fiscal year 2004 with an estimated completion date in fiscal year 2005.
- € Began construction of a clarifier at the Everest Parkway Water Reclamation Plant. The project will improve the plant's ability to handle hydraulic loading and represents the first phase of a planned plant expansion. Estimated completion date is in fiscal year 2004
- € Began demolition of an old pump station and construction of the new Southeast Pump Station. Estimated completion date is in fiscal year 2004.
- € The Santa Barbara Sewer Force Main Construction was completed.
- € Completed improvements under the Gator Slough Phase III–Horizontal Well project and improvements under Gator Slough Phase IV project. These projects included installing above ground piping and valves at the equipment pad, an underground well, pumps and control panel for a transfer pump station, interconnection of four canal basins, and fencing.
- € Completed the Four Mile Ecological Preserve – Canoe/Kayak Shelters renovations. Construction of the Four Mile Cove Ecological Preserve – Pier and Access Path (boardwalk), Portage Area, Fishing Dock and Kayak Launch is 75% complete. Construction is on schedule to complete all improvements by November, 2003.
- € Construction of the in-house fuel tanks was completed and activated in fiscal year 2003. These aboveground tanks were installed at eight sites – Fleet Management, City Hall, Coral Oaks Golf Course, and Fire Stations 1, 5, 6, and 7, and Services Division. The City also has a mobile fuel unit with 1,000 gallons of diesel fuel for off-road equipment and for fire trucks in emergency situations such as brush fires.
- € Completed Construction of the Fleet Management Office Building.
- € Completed Construction of the Lake Kennedy Special Populations Building addition.
- € City Council and Youth Crime Intervention Program, Inc., a non-profit organization, joined in an agreement to raise funds for the construction of a Youth Center located at Lake Kennedy Municipal Park. Construction was completed during fiscal year 2003. The City assumed ownership and maintenance of the facility.
- € Construction of the Parks and Recreation Maintenance Building is 97% complete. Completion estimated in early fiscal year 2004.

- € Real Estate Acquisitions:
 - Acquired 171.082 acres for an Academic Village.
 - Acquired 25.36 acres for the North Cape Treatment Plant.
 - Acquired 1.71 acres for Santa Barbara Access.
 - Acquired various properties for the Parks and Recreation Department to be used as follows:
 - 33 acres for Southwest Community Park
 - 4.36 acres for Lake Meade Park
 - 2.5 acres for Lake Kennedy expansion
 - 2.18 acres for Festival park
 - .8 acres for expansion of Yacht Club
 - .46 acres for the Northwest Softball Complex

- € Cape Coral is the ninth fastest growing city in the U.S. with populations greater than 100,000.

- € The Economic Development Office designed a new tourism promotional campaign based on three tourism categories: sports and athletics, eco-tourism, and family fun. The keystone of the campaign is a new brochure that is available to travelers at tourist information centers, the Southwest Florida Regional Airport in Lee County, and via the City's website.

- € A Public Safety Net, software and hardware for an integrated program for Computer Aided Dispatch, Records Management System, and Field Reporting System, was installed to improve communication efforts with the Police and Fire Departments.

- € Sun Splash Water Park Lifeguard Team was awarded silver medals at the Southwest Regional Lifeguard Championships in Pigeon Forge, Tennessee. The team qualified for the National Lifeguard Championships that were held in Los Angeles for a second year in a row.

- € Selected as one of the top 10 Digital Cities in the nation by the Center for Digital Cities and Microsoft.

- € "Do The Right Thing" program recognized 134 children for positive acts. Two \$1,000 scholarships were granted to "Do The Right Thing" winners.

- € Achievement of Government Finance Officers Association (GFOA) Distinguished Budget Award for the FY 2002-03 Budget.

FINANCIAL CONDITION

Management's Discussion and Analysis (MD&A) (starting on page 3) summarizes the Statement of Net Assets and Statement of Activities and reviews the changes (from the beginning to the end of the period and current year to the prior year). The Government-wide financial statements (in detail) are presented on pages 17 through 19 and are intended to present the City in a manner similar to private-sector businesses.

Additionally, the Fund Financial Statements (starting on page 20) are designed to address the Major (or more significant) individual funds by category. An explanation of these complementary presentations can be found in the MD&A (starting on page 5) and in the notes (See Note I on page 32).

The following review of the types of commitments against unrestricted net assets for the governmental and business-type activities is designed to complement the otherwise available information.

Commitments Against Unrestricted Net Assets

The Unrestricted Net Asset balance represents assets available for the general use of the City. While the City Council and the administration may have made varying commitments against these balances, these choices are subject to revision/change.

The normal types of commitments are:

Encumbrances – where a contract exists to purchase/acquire some item or construct a capital project that will be acquired/constructed after the September 30, 2003 statement date.

Project Commitment – where a tentative pre-contract commitment has been made and a related project budget established for a significant capital or maintenance effort (normally to be preformed by a yet-to-be-hired, third-party contractor).

Working Capital – is available resources set aside to ensure the normal and ordinary conduct of business (the payment of bills and salaries) given certain cyclical flows of revenue.

Other – other tentative commitments that may be for future capital agendas, emergency reserves, etc.

It should also be understood that having reasonable levels of reserves is essential to the bond markets perceptions of local government sound financial position and related ability to utilize private sector styled business practices.

Business-type Activities

The City's Business-type Activities are summarized in the MD&A and the Government-wide financial statements as a combined single column. The major individual funds are presented in the Fund Financial Statements (see pages 24 - 28) and the nonmajor funds are presented in the combining statements (see pages 115 – 117).

To complement the available presentation, the schedule on page IX reflects data for Water and Sewer operations, not including special assessment bond funds, and the data for the Stormwater Fund. The income level was more than sufficient to meet required debt service coverages under the City's bond covenants.

ENTERPRISE ACTIVITIES
Debt Coverage
For the Year Ending September 30, 2003

	<u>Water and Sewer ^(a)</u>	<u>Stormwater Utility</u>
Operating Revenues	\$ 26,894,473	9,241,823
Operating Expenses (excluding depreciation)	18,043,818	5,341,900
Net Operating Revenues	8,850,655	3,899,923
Investment Income	766,073	120,915
Net Revenues Available for Debt Service (excluding Impact Fees)	9,616,728	4,020,838
Impact Fees (Water and Sewer)	8,249,378	
Net Revenues and Impact Fees Available for Debt Service	17,866,106	
Annual Debt Service (a)	4,021,914	573,831
Debt Service Coverage from Net Revenues (100% test)	2.39	7.01
Annual Debt Service (b)	5,318,101	
Debt Service Coverage from Net Revenues and Impact Fees (120% test)	3.36	
Calculation per Water and Sewer Bond Resolution, Section 5.04 Rates		
Annual Debt Service (c)	2,300,062	
Debt Service Coverage from Net Revenues and Impact Fees (120% test)	7.77	

(a) Includes debt service on Bonds and Subordinated Indebtedness paid from Net Revenues.

(b) Includes debt service on Bonds and Subordinated Indebtedness paid from Net Revenues and Impact Fees.

(c) Includes Senior Bonds only.

(d) Does not include special assessments.

PENSION PLANS

Pension funds are used to account for assets held by the City in a trustee capacity. Pension funds are accounted for in essentially the same manner as proprietary funds.

The City currently maintains three pension funds: the General Employees' Retirement Fund, the Police Officers' Retirement Fund, and the Firefighters' Retirement Fund, which are Defined Benefit single-employer pension plans.

GASB Statement No. 27 has eliminated the standardized measure of the employer's pension benefit obligation (PBO), and it has been replaced by a measure of the liability calculated using the actuarial method employed for funding purposes.

Comparative data for the three defined benefit single-employer pension plans is delineated below:

<u>Category</u>	<u>General Employees' Pension Plan</u>	<u>Police Officers' Pension Plan</u>	<u>Firefighters' Pension Plan</u>	<u>Total</u>
Unfunded Actuarial Accrued Liability:				
2003	\$7,516,552	\$1,598,438	\$2,829,467	\$11,944,457
2002	5,983,183	1,780,789	2,977,141	10,741,113
2001	6,037,366	1,878,506	2,745,876	10,661,748
2000	6,076,294	1,991,144	2,728,938	10,796,376
1999	6,095,766	2,002,446	2,890,799	10,989,011

A further analysis of the City's pension funds shows that the City has contributed 103% of its annual required contribution, and the actuarial value of assets has grown to \$154,849,070, as shown below.

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>% of APC Contributed</u>	<u>Actuarial Value of Assets</u>
2003	\$3,620,625	103%	\$154,849,070
2002	3,402,332	107	147,058,968
2001	3,016,305	108	139,669,621
2000	3,018,414	116	127,427,171
1999	3,779,218	100	110,176,809

The above information includes the three City-administered defined benefit plans.

CASH MANAGEMENT

Most of the City's cash is invested with the Local Government Surplus Funds Trust Fund Investment Pool with the State Board of Administration ("SBA") of Florida. Temporarily idle cash is invested for a period of three to four days in an interest bearing account with a local banking institution before being transferred to the SBA. In addition, the City utilizes the services of an investment management firm – Gardnry Michael Capital, Inc. to assist in enhancing investment returns on non-pension related funds. Salem Trust Company manages the City's pension funds.

As of September 30, 2003, the City's portfolio was invested as follows:

<u>Investment Area</u>	<u>Amount (millions)</u>	<u>Percent of Total</u>
SBA	\$ 135.6	46.6%
Pension Funds	140.9	48.4
Investment Manager	9.7	3.3
Sun Trust/Other	4.9	1.7
Total	\$291.1	100.0%

During FY 2003, SBA yields have gone from 1.91% to 1.32% as of September 30, 2003.

RISK MANAGEMENT

The City employs a full-time risk manager who oversees loss prevention programs. In addition to an insurance reserve cash balance of \$1,500,000 at September 30, 2003 and disaster reserve cash balance of \$1,000,000 for the same period, the City is a member of the Public Risk Management of Florida and has third-party coverage in force for property and bodily injury.

MAJOR ISSUES

The City's ability to meet the demands of financing growth will be determined by achieving success in promoting economic development, maintaining and improving revenues and phasing in increases in service delivery. The following are major issues the City will need to address in the next few years:

Growth and Economic Development

The real estate sector is key to Florida's economic outlook which has been characterized by continued growth throughout 2003, reflected in record-high home sales, rising home prices, and substantial increases in both residential and nonresidential construction activity. It is expected that these sectors will continue to grow in 2004.

No issue continues to influence the City's future more than growth and economic development. These two factors hold the potential to reshape the quality of life for those who reside in the City.

The City's economic development mission is to diversify its tax base and enhance economic opportunities in order to relieve the current tax burden on the average homeowner. This burden is directly related to a tax base predominately made up of residential properties. Therefore, with continued rapid growth and ever expanding needs for municipal services to meet the needs of such growth, an aggressive and comprehensive plan for growing existing businesses and recruiting new "tax-base enhancing" employers to Cape Coral becomes a critical activity. Therefore, to achieve this mission the City has determined to pursue the following activities:

- € Promote targeted business attraction and expansion.
- € A new community promotion program through targeted advertising and marketing efforts.
- € Improve the City's assistance provided to small businesses through the Cape Coral Small Business Institute.
- € Participate in Tourism and Quality of Life enhancement efforts.
- € Results of the Citizens' Survey show that fire, rescue and emergency services and road maintenance/street repair represent top priorities for future spending. The City will continue to provide funding for these priorities.
- € The City will be rebuilding Fire Stations #3 and #4, facade improvements to Fire Station #1 in keeping with the downtown CRA theme, as well as the construction of Fire Station #8.
- € The Community Redevelopment Agency (CRA) is working on redeveloping the Commercial District. North side of the Chantry Canal property is to be used for public access for boating and other water-related activities. Full development of the site will continue in FY 2004. Another waterfront mixed use area has been identified on the north side of Cape Coral Parkway entering the City off the Cape Coral Bridge. The CRA is working on developing the site for waterfront commercial and chamber activities.

Asset Management and Comprehensive Plan Implementation

The City of Cape Coral Asset Improvement Program is a comprehensive program detailing future plans for City assets. Revenues and expenditures included in the Asset Improvements Program are integrated into the budget process. All items in the Plan are also included in the City's long-range planning process.

The goals and objectives of the Plan are:

- Ø to increase efficiency of City operations by maintaining assets in a working condition.
- Ø to recommend an annual level of combined expenditures for capital, major maintenance and equipment replacement to aid in the stabilization of property tax levies from year to year.
- Ø to identify assets no longer needed by the City and assess the salvage/recoverable value of these assets, if any.
- Ø to reduce utility and maintenance costs by identifying improvements that will result in annual cost savings.
- Ø to recommend a long-term plan for each asset.
- Ø to identify a plan for proposed maintenance and replacement of existing assets and acquisition of new assets which is based on a reasonable expectation of what the City can afford.
- Ø to be an ongoing tool for annual asset tracking, update the asset inventory and reassess long-term plans.

The funding requirements of the Asset Improvements Program for the next five years (FY 2004-2008) are significant and summarized below:

Capital Improvements	\$448,912,657
Capital Maintenance	153,402,791
Capital Equipment	13,228,815
Capital Vehicle	<u>16,863,512</u>
Total	\$632,407,775

The program presents a structured plan to promote orderly growth patterns and capital improvements in the following manner:

- Ø Compliance with the capital improvements elements of the Comprehensive Plan.
- Ø Utility expansions in the Southwest Areas in conjunction with results of the utility master plan update and the engineering and feasibility analyses conducted by Dames & Moore.
- Ø Land acquisition and construction of Fire Stations #8 and #9.
- Ø Design and construction of Fire Stations #3 and #4 to replace deteriorated stations and renovations to Fire Station #1.
- Ø Land acquisition, design and construction of a new Public Safety Building and Training Facility.
- Ø Roadway improvements including resurfacing, lighting, median curbing and landscaping.
- Ø Santa Barbara Boulevard access management, signalization and roadway improvements.
- Ø Widening of Del Prado Boulevard from State Road 78 (Pine Island Road) to Kismet Parkway.
- Ø Roadway improvements along Chiquita Boulevard.
- Ø Widening of State Road 78 (Pine Island Road) from Santa Barbara Boulevard to Burnt Store Road.

- ∅ Intersection improvements and widening of SE 47th Terrace from Coronado Parkway to Palm Tree Boulevard.
- ∅ Yacht Club pool resurfacing and Pavilion and Gatehouse renovations.
- ∅ Land acquisition and development of major and municipal parks.
- ∅ Construction of an anoxic basin and replacement of the existing grit removal component at the Southwest Water Reclamation Facility.
- ∅ Expansion of the Everest Parkway Water Reclamation Facility.
- ∅ Construction of a new 8.0 MGD Reverse Osmosis Plant.

The City's ability to finance these programs and remain in compliance with the Comprehensive Plan will be a major directive in future City budgets.

Future Initiatives

Over the years, through conservative financial management, the City has been able to build solid fund balances and reserves.

Difficult challenges face the City in future years. The need to enhance the financial strength of the City and, at the same time, the quality of life are among the most consequential and pressing issues that Cape Coral must address. Four initiatives foster the future efforts:

- € Financial Stability
- € Strategic Planning
- € Community Involvement and Customer Focus
- € Mission, Performance-Based Budgeting

Financial Stability

Financial Management Policies

The City has a set of Financial Management Policies adopted by the City Council. The budget follows the financial management policies promoting strong financial position.

Debt Administration

Debt Administration is discussed in the MD&A on pages 13 - 14 of this report.

Strategic Planning

Future spending plans need to emphasize a structured program to promote orderly growth patterns, as evidenced by the capital improvements element of the Comprehensive Plan, transportation improvements through the City's utility expansion areas and commerce parks, planned unit developments, and the downtown redevelopment streetscape and parking improvements. The focus to plan for the future continues with the strategic planning effort being undertaken by City staff. This effort will culminate into a continuous and systematic process where the City will make decisions about future outcomes, how outcomes are to be accomplished and how success is measured and evaluated. While recent management initiatives have set the stage for the Citywide strategic planning endeavor, there is no question that such a process can improve our organization's efficiency, effectiveness, decision-making ability, teamwork, sense of ownership and quality of work. Responses to this effort have been conducted through strategic planning workshops each year among City Council members, City Attorney, City Manager, Department Heads, and Division Managers.

Based on the most recent discussion, City Council has identified the follow strategic objectives as priorities for the City:

1. **Land Acquisition** – Continuation of a comprehensive program to meet public facility needs and provide opportunities for larger scale economic development.
2. **Implementation of Master Plans, Corridor Studies and Land Development Code** – To enhance the City’s economic development, expand public facility amenities, and serve the recreational and commercial needs of a growing community.
3. **Business Incentives** – Expand and develop new, competitive incentive programs, including tax rebates or abatements, impact fee credits or abatements, cash incentives, fee waivers, land assemblage, and others that will promote growth of existing businesses, attract new business investment, and create a balanced City economy in which the share of ad valorem tax paid by homeowners will be reduced.
4. **Academic Village** – Enhance educational opportunity for Cape Coral residents through the development of a site that will include a high school, technical colleges, and degree-granting academic institutions.
5. **Parks and Recreation Attractions** – Develop current and future park facilities as regional attractions including expansion of Sun Splash Waterpark; creation of a skate park; and expansion of the Yacht Club facilities.
6. **Engineering Services** – Review effectiveness of various delivery methods; construction manager at risk; design/bid/build – outsourcing of design; and design/bid/build – in-house design.
7. **Electric Undergrounding** – Continuation of a review of future undergrounding electric transmission and/or distribution service in order to achieve final outcomes of increased visual aesthetics, reduced maintenance, and/or increased property values.
8. **Streets Maintenance and Sidewalk Installation** – Continuation of effort to improve overall quality of streets and construction of sidewalks.
9. **Exotic and Obnoxious Growth Removal** – Explore options for funding the removal of obnoxious growth as required by ordinance.
10. **Tree Canopy** – Increase tree canopy through development of various landscaping ordinances to include special assessment programs for residential neighborhoods.
11. **Competitive Salary and Benefits** – Development of programs that lead to recruitment and retention of employees which include evaluation of current compensation structure and adjustments to collective bargaining agreements in order to reduce vacancies caused by compensation issues.
12. **Facility Planning and Needs** – Planning for, locating, and construction of future City government facilities including such projects as a new public safety building, centralized records center, second boat lock on Southwest Spreader Waterway, boat lock on the Northwest Spreader Waterway, and an analysis of the Everest Parkway maintenance complex.
13. **Legislative Advocacy** – Increase influence in the legislature and regional government by establishing regular council-administration contacts and/or the use of professional lobbyists on an as needed basis.
14. **Revenue Structure and Sufficiency** – Review the revenue structure and sufficiency of major funds to include the exploration of alternative revenue sources in order to ensure diversification of revenue streams and greater assurance that beneficiaries of service pay for the service.

Council is committed to being responsible for planned growth in our ever-changing community. The strong desire to stay on track has enabled the City to forge ahead and continue to grow into one of the largest cities on the Southwest Coast of Florida.

Community Involvement and Customer Focus

As part of the annual planning process, the City organizes surveys, focus groups, workshops, meetings, information programs, and other appropriate forums to encourage and promote public participation. This input is used to evaluate programs and develop priorities for the City services plan. Listening and responding to citizen priorities is essential to the City’s planning process.

Every two years the City conducts a survey to obtain citizens’ priorities and level of satisfaction with city services. In the survey, we asked citizens to comment on Cape Coral’s economic stability, safe community, service delivery, and customer focus.

In May 2003, the City initiated its third Citizen's Survey through in-house measures. The following are the top 5 citizen priorities from this survey:

- € Fire, Rescue and Emergency Services
- € Road Maintenance/Street Repair
- € Police Services
- € Managing Stormwater
- € Attracting Business

Mission, Performance-Based Budgeting

An integral part of the City's efforts towards strategic planning is defining the program mission and identifying program objectives to be accomplished. Future budgets should continue this directive through Citywide, departmental and program mission statements, as well as performance measures per program. The implementation of a comprehensive performance management system is a major focus to lead the City into future decisions regarding service delivery. Performance measures are now updated and published on a periodic basis to better serve as a management tool.

FINANCIAL REPORTING ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) has awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Cape Coral for its comprehensive annual financial report for the fiscal year ended September 30, 2002. This was the 17th consecutive year that the City has achieved this prestigious award.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such reports must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

A Certificate of Achievement for Excellence 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 this report could not be accomplished without the efficient and dedicated service of the Financial Services Department staff. Their continuing efforts toward improving the accounting and financial reporting systems improves the quality of information reported to the City Council, State and Federal Agencies, and the citizens of the City of Cape Coral. We sincerely appreciate and commend them for their contributions.

Respectfully submitted,

Mark C. Mason, CPA
Financial Services Director

Linda Senne
Controller

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

City of Cape Coral,
Florida

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2002

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.



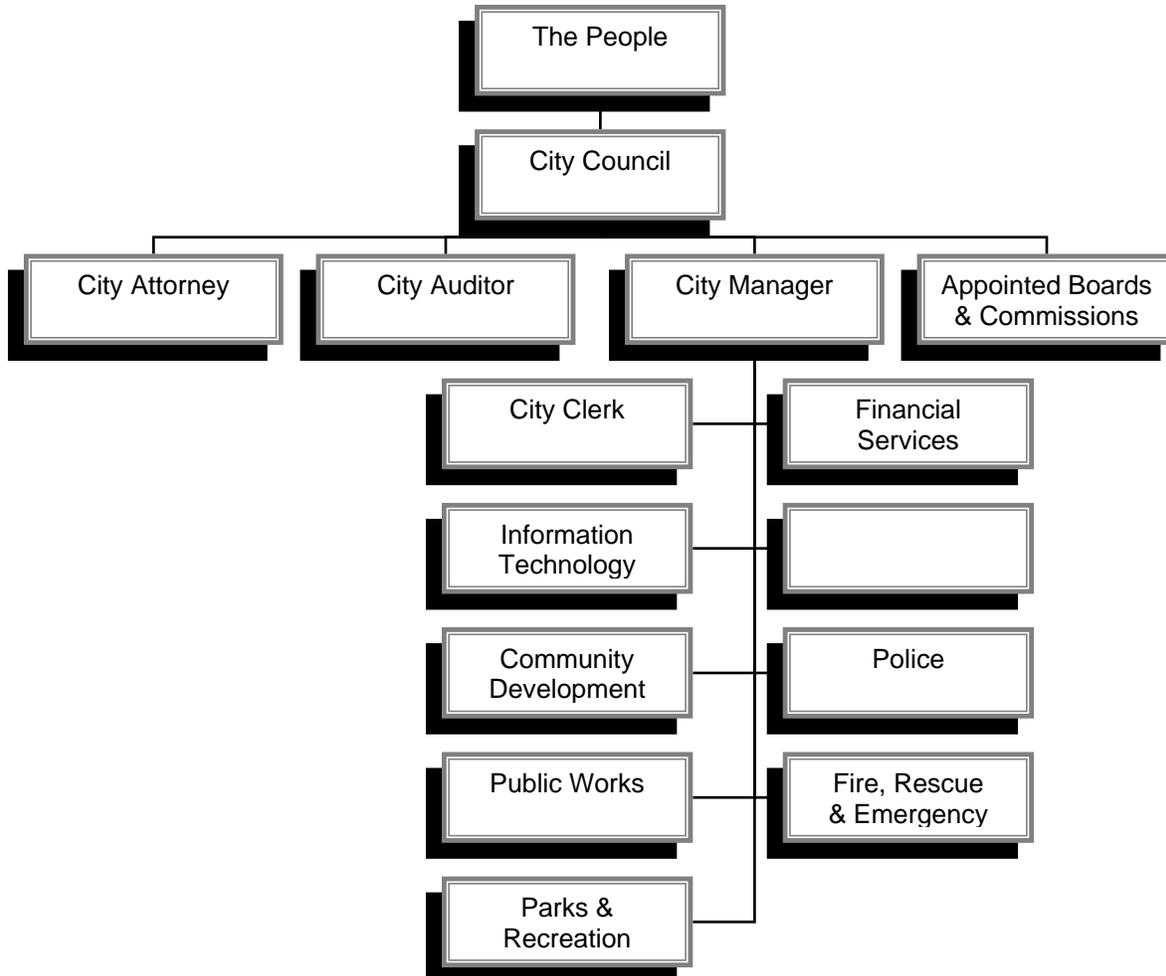
Edward Haney

President

Jeffrey R. Enos

Executive Director

ORGANIZATIONAL CHART



CITY OF CAPE CORAL, FLORIDA

List of City Officials

Mayor

Arnold E. Kempe

City Council

Gloria Raso Tate, District No. 1

Richard L. Stevens, Mayor Pro-Tem,
District No. 2

Alan J. Boyd, Jr., District No. 3

Paul D. Asfour, District No. 4

Alex LePera, District No. 5

Timothy Day, District No. 6

Mickey Rosado, District No. 7

City Manager

Terrance (Terry) Stewart, MPA



KPMG LLP
450 East Las Olas Boulevard
Fort Lauderdale, FL 33301

Telephone 954 524 6000
Fax 954 462 4785

Independent Auditors' Report

To the Honorable Mayor and Members of the City Council
City of Cape Coral, Florida:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cape Coral, Florida (the City), as of and for the year ended September 30, 2003, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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. 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 provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cape Coral, Florida, as of September 30, 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report, dated December 23, 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 management's discussion and analysis (MD&A) on pages 3 through 16, budgetary comparison information on pages 75 through 76, and schedules of funding progress and schedules of contributions from employer and other contributing entities on pages 77 through 80, are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, the combining and individual nonmajor fund financial statements and budget and actual schedules, and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. Additionally, the accompanying schedule of expenditures of federal awards and state financial assistance 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 Chapter 10.550 *Rules of the Auditor General* and is not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and budget and actual schedules and schedule of expenditures of federal awards and state financial assistance have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

KPMG LLP

December 23, 2003

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Cape Coral's (the "City") discussion and analysis is a narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2003. It is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the City's financial activity, (c) identify changes in the City's financial position, (d) identify any material deviations from the financial plan (the approved budget), and (e) identify individual fund issues or concerns.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and current known facts, please read it in conjunction with the City's financial statements (beginning on page 17).

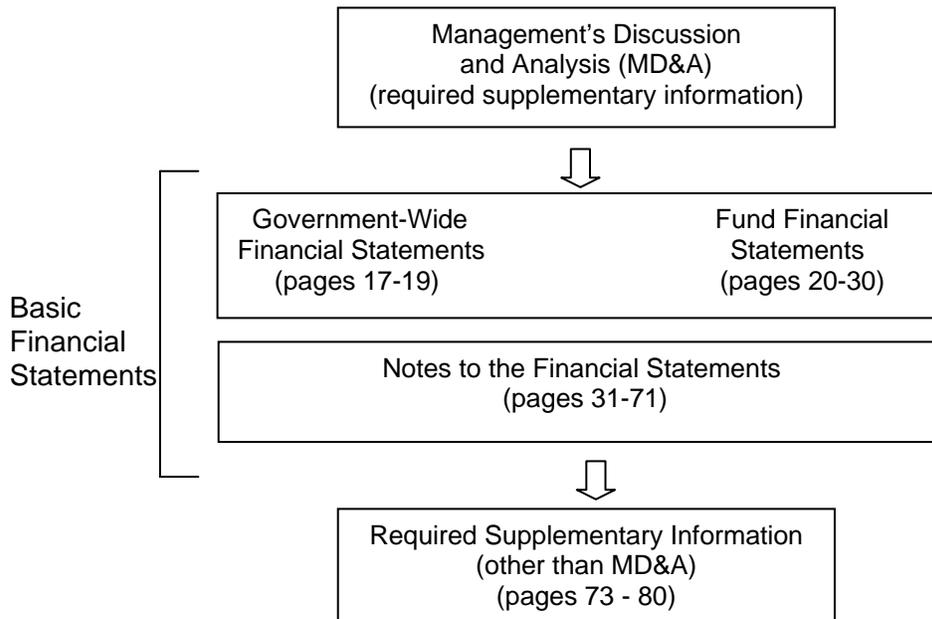
HIGHLIGHTS

Financial Highlights

- € At the close of fiscal year 2003, the City's assets exceeded its liabilities by \$381.5 million (net assets). Governmental and business-type assets exceeded its liabilities by \$115.5 million and \$266 million, respectively.
- € The City's total net assets increased by \$45.4 million, or 13.5%, in comparison to the prior year.
- € The City had \$144.2 million of unrestricted net assets that can be used to meet the City's ongoing obligations.
- € Total revenues increased \$31.9 million, or 23.3%, in comparison to the prior year.
- € Total expenses increased \$13.7 million, or 12.5%, in comparison to the prior year.
- € The City's governmental activities reported total net assets of \$115.5 million, which is an increase of \$22.8 million, or 24.6%, in comparison to the prior year. Approximately 13.7% of the total, or \$15.8 million, is unrestricted and thus available for spending.
- € The City's business-type activities reported total net assets of \$266 million, which is an increase of \$22.6 million, or 9.3%, in comparison to the prior year. Approximately, 46.5% of the total, or \$123.7 million, is unrestricted and thus available for spending.

USING THIS ANNUAL REPORT

The following diagram presents the City's financial statements.



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

Government-wide Financial Statements

The government-wide financial statements (statement of net assets and statement of activities (found on pages 17-19) are designed in a manner similar to a private-sector business in that all governmental and business-type activities are presented in separate columns which add to a total for the Primary Government. Fiduciary funds are not included in the government-wide statements.

The focus of the Statement of Net Assets (the "Unrestricted Net Assets") is designed to be similar to a bottom line for the City and its governmental and business-type activities. This statement combines and consolidates governmental fund's current financial resources (short-term spendable resources) with capital assets, including infrastructure, and long-term obligations. Net assets is the difference between the City's assets and liabilities. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving.

The Statement of Activities reflects the expenses of a given function, which are offset by program revenues. Program revenues are defined as charges for services, operating grants and contributions, and capital grants and contributions directly associated with a given function.

Governmental activities are supported by taxes and intergovernmental revenues whereas the business-type activities are primarily supported by user fees and charges for services. The governmental activities of the City include general government, public safety, public works, community development, parks and recreation, and transportation. The business-type activities of the City reflect private sector type operations (water and sewer, stormwater utility, yacht basin, building division, golf course and water park), where the fee for service typically covers all or most of the cost of operation, including depreciation.

Fund Financial Statements

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations for each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenue, 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 City's funds are presented in separate fund financial statements. These funds are presented on a Governmental Fund Financial Statement and a Proprietary Fund (Business-type) Financial Statement. The City's major funds are presented in separate columns on the fund financial statements. The funds that do not meet the criteria of a major fund are considered non-major funds and are combined into a single column on the fund financial statements.

While the total column on the Proprietary Fund (Business-type) Financial Statements (see pages 24-26) is the same as the Business-type column at the Government-wide Financial Statement, the Governmental Funds Total column requires a reconciliation because of the different measurement focus (current financial resources versus total economic resources) which is reflected on the page following each statement (see pages 21 and 23). The flow of current financial resources will reflect bond proceeds and the interfund transfers as other financial sources as well as capital expenditures and bond principal payments as expenditures. The reconciliation will eliminate these transactions and incorporate the capital assets and long-term obligations (bonds and others) into the Governmental Activities column in the Government-wide Statements.

Governmental Fund Financial Statements

Governmental Fund Financial Statements (found on pages 20-23) are prepared on the modified accrual basis using current financial resources measurement focus. Under the modified accrual basis, revenues are recognized when they become measurable and available as net current assets.

Two of the City's governmental funds, the General Fund and Gas Tax Fund are classified as major funds. All other governmental funds are combined into a single column on the governmental major-fund financial statements. Individual fund data for the non-major funds is found in the combining statements as supplemental financial data (found on pages 85-96).

The City adopts an annual appropriated budget for the General Fund, the following Special Revenue Funds: gas tax, police confiscation-federal, police confiscation-state, fire impact fee, park impact fee, road impact fee, community redevelopment agency, community development block grant, local housing assistance, and greenscape donations, Debt Service, and all the Capital Projects Funds. A budgetary comparison has been presented for these funds which compares not only actual results to budget, but also the original adopted budget to final budget. (found on pages 75-76 and pages 97-113)

Proprietary Fund Financial Statements

Proprietary Fund Financial Statements (found on pages 24-28), like government-wide financial statements, are prepared on the full accrual basis. Proprietary funds record both operating and non-operating revenues and expenses. Operating revenues are those that are obtained from the operations of the proprietary fund.

Two of the City's proprietary funds, the Water and Sewer Fund and Stormwater Utility Fund are classified as major funds. All other proprietary funds are combined into a single column on the proprietary major-fund financial statements. Individual fund data for the non-major funds is found in the combining statements as supplemental financial data (found on pages 115-117). Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements.

Fiduciary Fund Financial Statement

The Fiduciary Fund Financial Statement (found on pages 29-30) is not presented as part of the Government-wide Financial Statements because the resources of these funds are not available to support the City's programs. Fiduciary (Trust and Agency) Funds represent trust responsibilities of the government, however these assets are restricted in purpose and do not represent discretionary assets of the government.

GOVERNMENT-WIDE STATEMENTS

The Government-wide Financial Statements were designed so that the user could determine if the City is in a better or worse financial condition from the prior year. The building division was moved to an enterprise fund and solid waste was moved to an agency fund in fiscal year 2003. Both funds were previously reported within the general fund. The beginning balances have been adjusted to reflect this change so that the prior year comparison can be made.

Summary of Net Assets

The following table reflects a Summary of Net Assets for fiscal years 2003 and 2002.

City of Cape Coral, Florida
Summary of Net Assets
(in millions)

	Governmental Activities		Business-type Activities		Total	
	2003	2002	2003	2002	2003	2002
Current and other assets	\$ 51.1	\$ 53.8	\$ 144.4	\$ 123.9	\$ 195.5	\$ 177.7
Capital assets	102.3	78.0	321.0	266.1	423.3	344.1
Total assets	<u>153.4</u>	<u>131.8</u>	<u>465.4</u>	<u>390.0</u>	<u>618.8</u>	<u>521.8</u>
Current and other liabilities	6.3	8.5	8.4	7.7	14.7	16.2
Noncurrent liabilities	31.6	30.6	191.0	138.9	222.6	169.5
Total liabilities	<u>37.9</u>	<u>39.1</u>	<u>199.4</u>	<u>146.6</u>	<u>237.3</u>	<u>185.7</u>
Net assets:						
Invested in capital assets, net of related debt	75.1	50.8	132.0	129.6	207.1	180.4
Restricted	19.9	11.9	10.3	11.0	30.2	22.9
Unrestricted	20.5	30.0	123.7	102.8	144.2	132.8
Total net assets	<u>\$ 115.5</u>	<u>\$ 92.7</u>	<u>\$ 266.0</u>	<u>\$ 243.4</u>	<u>\$ 381.5</u>	<u>\$ 336.1</u>

The invested in capital assets, net of related debt is the largest portion of net assets. This represents capital assets (land, buildings, improvements, equipment, and infrastructure), net of accumulated depreciation, and the outstanding related debt used to acquire the assets. The invested in capital assets, net of related debt balance of \$207.1 million (54.3% of total net assets) increased \$26.7 million or 14.8%, in comparison to prior year. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The restricted net asset balance of \$30.2 million (7.9% of total net assets), increased \$7.3 million or 31.9%, in comparison to prior year. This balance represents resources subject to external restrictions on their use.

The unrestricted net asset balance of \$144.2 million (37.8% of total net assets), increased \$11.4 million or 8.6%, in comparison to prior year. This balance represents resources that are available for spending.

Summary of Changes in Net Assets

The following schedule compares the revenues and expenses for the current and previous fiscal year.

City of Cape Coral, Florida Summary of Changes in Net Assets (in millions)						
	Governmental Activities		Business-type Activities		Total	
	2003	2002	2003	2002	2003	2002
REVENUES:						
Program Revenues:						
Charges for Services	\$ 13.1	\$ 10.7	\$ 45.1	\$ 40.8	\$ 58.2	\$ 51.5
Operating Grants and Contributions	13.9	12.7	-	-	13.9	12.7
Capital Grants and Contributions	15.0	8.1	24.3	13.9	39.3	22.0
General Revenues:						
Property Taxes	34.1	29.2	1.4	1.6	35.5	30.8
Franchise Taxes	3.4	3.3	-	-	3.4	3.3
Communication Taxes	3.8	3.5	-	-	3.8	3.5
Gas Tax	6.4	6.0	-	-	6.4	6.0
Interest Income	1.0	1.3	7.2	5.8	8.2	7.1
Gain on sale of capital assets	0.1	-	-	-	0.1	-
Total Revenues	<u>90.8</u>	<u>74.8</u>	<u>78.0</u>	<u>62.1</u>	<u>168.8</u>	<u>136.9</u>
EXPENSES:						
Program Activities						
Governmental Activities:						
General Government	15.9	11.0	-	-	15.9	11.0
Public Safety						
Police	16.7	15.5	-	-	16.7	15.5
Fire	12.3	11.3	-	-	12.3	11.3
Public Works	5.1	4.9	-	-	5.1	4.9
Community Development	1.1	1.4	-	-	1.1	1.4
Parks and Recreation	7.6	7.3	-	-	7.6	7.3
Transportation	9.6	9.6	-	-	9.6	9.6
Interest on Long-Term Debt	1.5	1.7	-	-	1.5	1.7
Business-type Activities:						
Water and Sewer	-	-	38.9	34.2	38.9	34.2
Stormwater Utility	-	-	7.0	6.0	7.0	6.0
Nonmajor Enterprise	-	-	7.7	6.8	7.7	6.8
Total Expenses	<u>69.8</u>	<u>62.7</u>	<u>53.6</u>	<u>47.0</u>	<u>123.4</u>	<u>109.7</u>
Increase in Net Assets Before Transfers	21.0	12.1	24.4	15.1	45.4	27.2
Transfers	1.8	4.9	(1.8)	(4.9)	-	-
Increase in Net Assets	<u>22.8</u>	<u>17.0</u>	<u>22.6</u>	<u>10.2</u>	<u>45.4</u>	<u>27.2</u>
Net Assets - beginning	<u>92.7</u>	<u>75.7</u>	<u>243.4</u>	<u>233.2</u>	<u>336.1</u>	<u>308.9</u>
Net Assets - ending	<u>\$ 115.5</u>	<u>\$ 92.7</u>	<u>\$ 266.0</u>	<u>\$ 243.4</u>	<u>\$ 381.5</u>	<u>\$ 336.1</u>

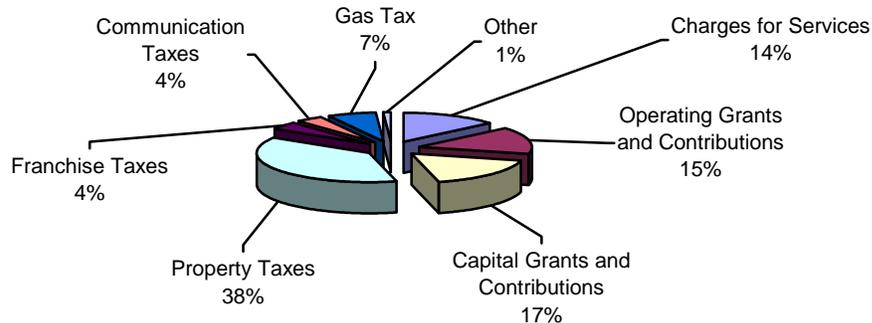
Total revenues increased \$31.9 million, or 23.3%, in comparison to prior year. Total expenses increased \$13.7 million, or 12.5%, in comparison to prior year.

Governmental Activities

The governmental activities increased the City's net assets by \$22.8 million. This represents 50.2% of the total increase in net assets. The increase in the governmental activities' invested in capital assets net of related debt is \$24.3 million, or 47.8% in comparison to prior year.

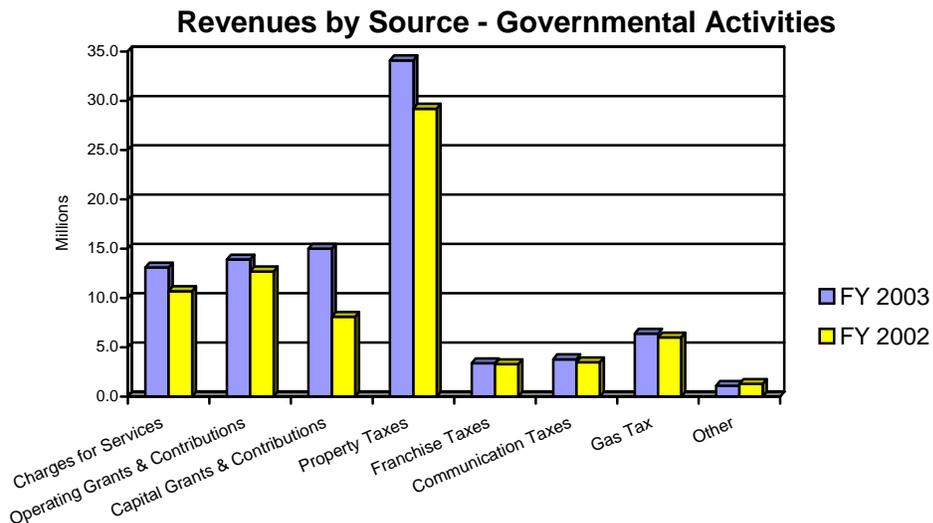
The following is a chart of revenues by source of governmental activities by percent of total revenues.

Revenues by Source - Governmental Activities



Total revenues for governmental activities increased \$16 million or 21.4%, in comparison to prior year.

The following is a chart of revenues by source for governmental activities for fiscal years 2003 and 2002.



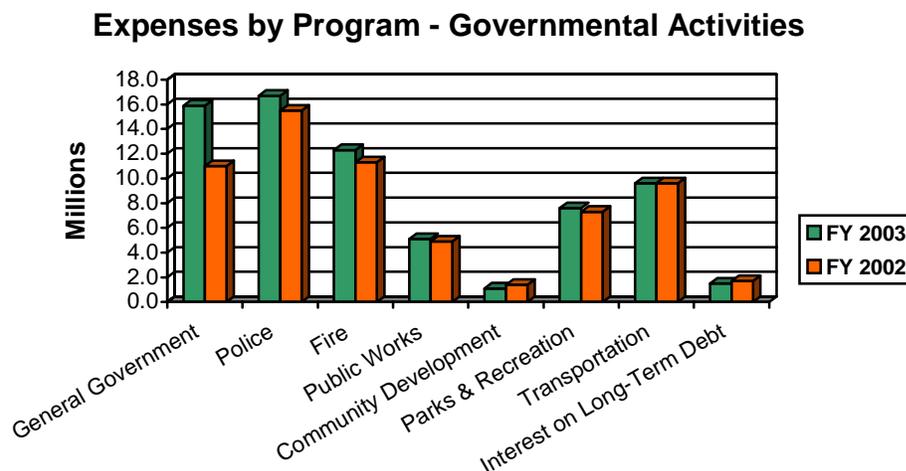
Charges for services reported in the governmental activities increased \$2.4 million, or 22.4%, in comparison to prior year. This increase was primarily the recognition of revenue for administrative fees charged to the enterprise funds.

Operating grants and contributions reported in the governmental activities increased \$1.2 million, or 9.4%, in comparison to prior year. This increase was primarily the recognition of on-behalf payments from the State as revenues and expenditures.

Capital grants and contributions reported in the governmental activities increased \$6.9 million, or 85.2%, in comparison to prior year. This increase was primarily due to the volume of permits being issued and an increase in the fire, road, and park impact fee rates. Each permit issued results in collection of impact fees. For residential construction, there was a 5% increase in the fire impact fee rate in fiscal year 2003 (\$253 in fiscal year 2003 as opposed to \$241 in fiscal year 2002), there was a 10% increase in the road impact fee rate in fiscal year 2003 (\$1,379 in fiscal year 2003 as opposed to \$1,258 in fiscal year 2002), and there was a 145.6% increase in the park impact fee rate in fiscal year 2003 (\$1,115 in fiscal year 2003 as opposed to \$454 in fiscal year 2002). Also, the Youth Center Building and various parcels of land were donated to the City.

Property taxes reported in the governmental activities increased \$4.9 million, or 16.8%, in comparison to prior year. Taxable assessed property valuation of \$5,608,534,540 for fiscal year 2003 represents a 19% increase over the previous fiscal year. The increase in the assessed property values resulted in higher ad valorem tax revenues.

The following is a chart of expenses by program of governmental activities.



Total expenses for governmental activities increased \$7.1 million, or 11.3% in comparison to prior year.

General government expenses reported in governmental activities increased \$4.9 million, or 44.5%, in comparison to prior year due to an increase in computer maintenance, upgrades, software licenses, and training and support; salaries, wages and benefits; and an increase in the number of City employees.

Public Safety Police expenses reported in governmental activities increased \$1.2 million, or 7.7%, in comparison to prior year due to increases in salaries, wages and benefits, professional services, travel and training, and repairs and maintenance.

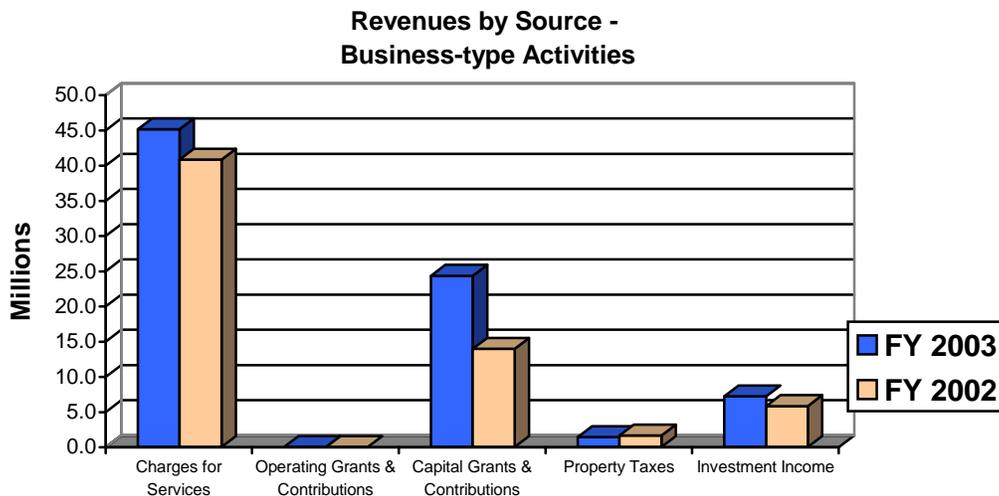
Public Safety Fire expenses reported in governmental activities increased \$1.0 million, or 8.8%, in comparison to prior year due to increases in salaries, wages and benefits, telecommunication services and operating supplies.

Interest on long-term debt reported in governmental activities decreased .2 million, or 11.8%, in comparison to prior year due to refundings and retirement of debt.

Business-type Activities

The business-type activities increased the City's net assets by \$22.6 million. This represents 49.8% of the total increase in net assets. The increase in the business-type activities' unrestricted net assets is \$20.9 million, or 20.3% in comparison to prior year.

The following is a chart of revenues by source for business-type activities.

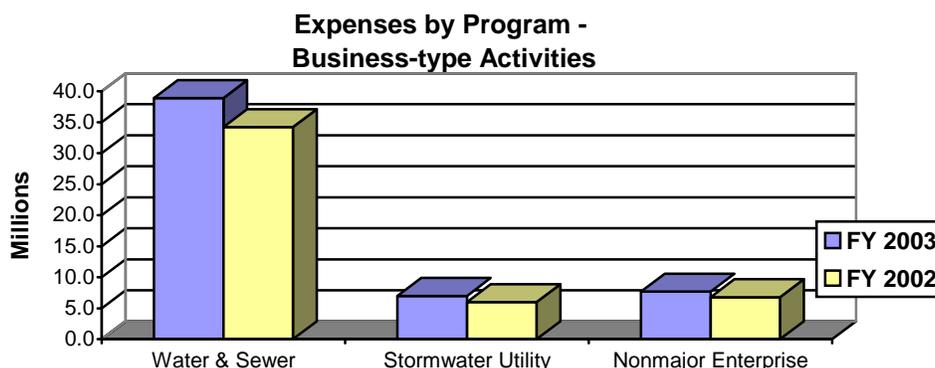


Charges for services reported in business-type activities increased \$4.3 million, or 10.5%, in comparison to prior year. This increase is a direct result of additional customer connections to the water and sewer system as new construction occurs and expansion areas are completed and an increase in the stormwater utility collections as a result of stormwater charges being on the non-ad valorem tax section of the property tax bill. There was also a 31.9% increase in the number of residential construction permits issued during fiscal year 2003 (4,558 residential construction permits in fiscal year 2003 as opposed to 3,456 construction permits in fiscal year 2002) resulting in a significant increase in permit fees.

Capital grants and contributions reported in business-type activities increased \$10.4 million, or 74.8%, in comparison to prior year. This increase was primarily due to Southwest Three utility expansion payments received from benefited property owners. Also, property owners in Pine Island and Southwest One utility expansion areas connected to water and sewer services resulting in water and sewer impact fee collections.

Interest income reported in business-type activities increased \$1.4 million, or 24.1%, in comparison to prior year. This increase was due to the property owners being billed interest for Southwest One utility expansion areas for the first time in fiscal year 2003.

The following is a chart of expenses by program of business-type activities.



Water and sewer expenses reported in business-type activities increased \$4.7 million, or 13.7%, in comparison to prior year. This increase was primarily due to depreciation expense associated with Pine Island and Southwest One utility expansion areas being reclassified from construction in progress to capital assets. Also, an increase in the number of water meters installed during fiscal year 2003 (3,181 meters in fiscal year 2003 as opposed to 1,559 meters in fiscal year 2002).

Stormwater expenses reported in business-type activities increased \$1.0 million, or 16.7%, in comparison to prior year due to increases in salaries, wages and benefits, professional services, repairs and maintenance, and the Lee County Tax Collector's fee associated with putting the stormwater charges on the non-ad valorem tax section of the property tax bill.

Nonmajor enterprise expenses reported in business-type activities increased \$.9 million, or 13.2%, in comparison to prior year. This increase was salaries, wages and benefits which resulted from 11 new positions in the building division due to increases in the number of permits issued, inspections and other related building activities.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Governmental Funds

Governmental funds are comprised of the general fund, special revenue funds, debt service fund and capital projects funds. Governmental funds use the current financial resources measurement focus that provides information on near-term inflows, outflows, and balances of spendable resources.

The *General fund* is the chief operating fund of the City. It is used to account for all financial resources, except those required to be accounted for in another fund. At the end of the current fiscal year, unreserved fund balance of the general fund was \$11 million, while total fund balance reached \$13.5 million. The fund balance of the City's general fund decreased by \$3 million during the current fiscal year. Key factors in this decrease are as follows:

- € Taxes increased \$4.9 million, or 16.8%, in comparison to prior year due to an increase in the assessed property value thus increasing the ad valorem tax revenues.
- € Increased expenses in the Information Technology Department for computer upgrades and training.
- € The general fund expenditures include \$6.8 million for land acquisition for the Academic Village. Costs were funded through an interfund advance which affected fund balance but not cash position.

The *Gas Tax fund* is used to account for the local option gas tax. This fund has a total fund balance of \$6.3 million, all of which is reserved for the payment of road improvements and related items.

Proprietary Funds

The City's proprietary funds are comprised of the enterprise funds. An enterprise fund is used to account for activities for which a fee is charged to external users for goods and services. These funds provide the same type of information found in the government-wide financial statements, but in more detail. The following are noteworthy facts and changes from prior year.

Water and Sewer Fund. The City continues with their water and sewer expansion programs due to increased development throughout the City. Capital contributions increased in comparison to prior year due to collections of Southwest Three Utility Expansion prepayments by benefited property owners.

Stormwater Utility. The City's stormwater utility collections increased as a result of stormwater charges being on the non-ad valorem tax section of the property tax bill.

Budgetary Highlights

The following is a brief review of the budgeting changes from the original budget to the final budget for the General Fund (see budget to actual comparison on page 75).

General Fund. The final amended budget increased \$8.98 million (includes transfers), or 12.2%, from the original budget, which can be briefly summarized as follows:

- € \$264,086 increase for carryovers
- € \$3,738 increase allocated to Public Works
- € \$34,110 increase allocated to Council and City Manager
- € \$509,927 increase allocated to Fire Department
- € \$123,271 increase allocated to Parks and Recreation
- € \$274,619 increase allocated to Police Department
- € \$135,000 increase allocated to Information Technology Department
- € \$90,000 increase allocated to Ecopark
- € \$7,545,256 increase allocated to government services which is a combination of the following:
 - ↓ \$650,000 increase for the Youth Center
 - ↓ \$6,843,280 increase for land acquisition for the Academic Village
 - ↓ \$51,976 increase for public safety building

General Fund. Significant variances from final budget to actual amounts are summarized as follows:

Revenues:

- € Licenses and permits were less than budgeted by \$3,006,977. The building division was budgeted within the general fund but reclassified to an enterprise fund.
- € Charges for services were more than budgeted by \$2,919,293. The general fund's allocation of administrative fees for enterprise funds was reported as charges for services but budgeted as transfers to the general fund.

Expenses:

- € General government expenses were less than budgeted by \$1,838,242. The building division was budgeted within the general fund but reclassified to an enterprise fund.
- € Parks and recreation expenses were less than budgeted by \$1,107,595. This is due to vacant positions and budgeted projects that were not completed and carried over to fiscal year 2004.
- € Capital outlay expenses were less than budgeted by \$5,018,108. This is due to \$2.5 million budgeted land acquisitions that were not acquired prior to fiscal year end and various budgeted projects that were not completed and carried over to fiscal year 2004.

Transfers in were less than budgeted by \$2,916,277. The allocation of administrative fees for enterprise funds was reported as charges for services but budgeted as transfers to the general fund.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets, net of related debt, for its governmental and business-type activities as of September 30, 2003 amounts to \$207.1 million (net of accumulated depreciation). The total increase in the City's investment in capital assets, net of related debt, for the current fiscal year was 14.8%.

The following schedule reflects the City's capital assets as of September 30, 2003 and 2002.

City of Cape Coral, Florida
Capital Assets
(net of depreciation)
(in millions)

	Governmental		Business-type		Total	
	Activities		Activities			
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Land	\$ 22.7	10.1	3.8	3.0	26.5	13.1
Buildings	26.3	24.0	17.4	18.1	43.7	42.1
Building Improvements	0.3	-	0.1	-	0.4	-
Improvements other than buildings	4.5	3.7	247.3	189.6	251.8	193.3
Equipment	9.4	7.5	4.2	4.2	13.6	11.7
Infrastructure	36.0	17.0	-	-	36.0	17.0
Construction in progress	3.1	15.7	48.2	51.2	51.3	66.9
Total capital assets	<u>\$ 102.3</u>	<u>78.0</u>	<u>321.0</u>	<u>266.1</u>	<u>423.3</u>	<u>344.1</u>

Major capital asset purchases/projects during the current fiscal year included the following:

- € Purchased AS 400 Mainframe Computer System.
- € Purchased a public safety net, software and hardware for Police and Fire Departments.
- € Purchased several pieces of heavy equipment, trucks, utility vehicles and vans.
- € Police purchased 28 new vehicles, three utility vehicles, one truck and one boat.
- € Fire purchased a heavy duty rescue pumper truck, a pierce rescue truck, one trailer and one other truck.
- € Department of Community Development purchased 13 new trucks.
- € Real estate acquisitions (see details on page VII).
- € Completion of Cape Coral Six-Laning.
- € Completion of Fleet In-House Fuel Tank System.
- € Completion of Fleet Management Office Building.
- € Completion of Gator Slough Project, Phases III and IV.

Additional information on the City's capital assets can be found on pages 47-49 of this report.

Long-Term Debt

During the period April through June, three major rating institutions (Moody's, Fitch and Standard & Poor's) evaluated the City's financial management, economic conditions and administrative practices. Based on their evaluations, the following ratings were achieved:

<u>Agency</u>	<u>General Obligation</u>		<u>Water & Sewer</u>	
	<u>Insured</u>	<u>Underlying</u>	<u>Insured</u>	<u>Underlying</u>
Moody's	Aaa	A1	Aaa	A1
Fitch	AAA	A+	AAA	A+
Standard & Poor's	AAA	A+	AAA	A

The general obligation underlying ratings were all upgrades while the water & sewer underlying ratings represented first time, stand alone ratings for the City's utility system.

The insured rating is based on the credit worthiness of the company insuring the bonds, whereas an underlying rating is based upon the credit worthiness of the issuer or security which is actually pledged for the repayment of the bonds.

At September 30, 2003, the City had \$216.3 million of outstanding debt (excluding compensated absences). The general obligation bonds, which are backed by the full-faith and credit of the City, had an outstanding balance of \$10.7 million, or 4.9%, of the total outstanding debt. Revenue bonds, which are secured solely by specified revenue sources, had an outstanding balance of \$51.6 million, or 23.9%, of the total outstanding debt. Special assessment debt which is collateralized by special assessments levied against the benefited property owners, had an outstanding balance of \$53.8 million, or 24.9%, of the total outstanding debt. Notes payable, which are collateralized by the related equipment, tax increment revenue (within the geographic boundaries of the Community Redevelopment Area), water and sewer revenue, and special assessment revenue, had an outstanding balance of \$97.5 million, or 45.1%, of the total outstanding debt. Capital leases, which are collateralized by the related equipment, had an outstanding balance of \$2.7 million, or 1.2%, of the total outstanding debt.

The following is a schedule of outstanding debt as of September 30, 2003 and 2002.

City of Cape Coral, Florida
Outstanding Debt
(in millions)

	Governmental		Business-type		Total	
	Activities		Activities			
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
General Obligation Bonds	\$ 8.7	9.6	2.0	3.1	10.7	12.7
Revenue Bonds	15.8	16.4	35.8	38.1	51.6	54.5
Special Assessment Debt with Governmental Commitment	-	-	53.8	22.6	53.8	22.6
Notes	0.2	0.3	97.3	72.5	97.5	72.8
Capital Leases	2.6	0.8	0.1	0.2	2.7	1.0
Total	<u>\$ 27.3</u>	<u>27.1</u>	<u>189.0</u>	<u>136.5</u>	<u>216.3</u>	<u>163.6</u>

The City's total debt increased by \$52.7 million (32.2%) during the current fiscal year. The key factors in this increase were new debt issues for assessments in Southwest One, Southwest Three and Pine Island utility expansion areas and new capital leases (land for future park, safety network, AS 400 computer system, and equipment).

During the current fiscal year, the City refinanced some of its existing debt to take advantage of favorable interest rates and reduce total future debt service payments.

- € The City issued Special Revenue Refunding and Improvement Bonds, Series 2002 in the amount of \$6,240,000 at an interest rate ranging from 2.0% to 3.75% and maturing in 2012. Proceeds from the bonds, together with other available funds, were used to refund all of the outstanding \$6,540,000 Franchise Fee Revenue Bonds, Series 1993.
- € The City issued General Obligation Refunding Bonds, Series 2003A in the amount of \$8,705,000 at an interest rate ranging from 2.0% to 2.75% and maturing in 2009. Proceeds from the bonds, together with other available funds, were used to refund all of the outstanding \$8,455,000 Florida General Obligation Refunding Bonds, Series 1993.
- € The City issued Water and Sewer Refunding Revenue Bonds, Series 2003 in the amount of \$14,075,000 at an interest rate ranging from 2.0% to 5.25% and maturing in 2018. Proceeds from the bonds, together with other available funds, were used to refund all of the outstanding \$14,900,969 (including accreted value) Water and Sewer Refunding Revenue Bonds, Series 1993.

The ratio of net bonded debt to assessed valuation and the amount of general bonded debt per capita are useful indicators of the City's debt position to municipal management, citizens, and investors. This data for the City at September 30, 2003 was as follows:

<u>Debt Ratios</u>	<u>General Obligation Bonded Debt Only</u>
Debt Per Capita (estimated population 124,449 as of September 30, 2003)	\$86
Debt to Assessed Taxable Value of Property as of September 30, 2003 (\$5,608,534,540)	.19%
Debt Per Capita as a Percentage of Per Capita Income (estimated per capita income of \$29,540 as of June 30,2003) *	.29%

* Latest per capita data available.

Additional information on the City's long-term debt can be found in note 11 on pages 51-63 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The State of Florida operates primarily using sales, gasoline and corporate income taxes. Local governments (cities, counties, and school boards) primarily rely on property and a limited array of permitted other taxes (sales, gasoline, communication services, etc.) and fees (franchise, occupational licensing, etc.) for their governmental activities. There are a limited number of state-shared revenues and recurring and non-recurring (one-time) grants from both the state and federal governments.

For the business-type and governmental activities (impact fees, etc.) the user pays a related fee or charge associated with the service.

The following factors were considered in preparing the City's budget for the 2004 fiscal year.

- € Unemployment rates were examined and the City of Cape Coral has a lower unemployment rate compared to the state and nation. Utilizing September 2002, as a benchmark, the City had a 4.3% unemployment rate as compared to the state which had a 5.6% unemployment rate, and the nation which had a 5.7% unemployment rate.
- € The real estate sector is a key to the City's economic outlook which has been characterized by continued growth throughout 2003. The City's population increased by 9,530 residents to 124,449, an increase of 8.3% over the 2002 population.
- € Increasing home sales and increases in both residential and nonresidential construction activity.
- € Low interest rates are a factor in the outlook for both residential and nonresidential building.
- € The final year of a five-year utility rate program ended in FY2000. In FY2001 the City contracted with a Company to complete a water and sewer revenue sufficiency analysis: a utility rate study to determine whether utility revenues derived from existing and scheduled user fees are sufficient to meet the needs of all three systems (water, wastewater and irrigation). The objective of the project was to evaluate the coverage of the City's rates over a short-term or five-year period and a long-term or twenty-year forecast period. During the course of the study, it was determined that the results of the study should be combined in the form of a ten-year projection period. The model is currently being updated with preliminary results indicating that a rate increase will be required in FY2007. The model allows for phased-in rates beginning in FY2004 at 2.4%. No changes to the existing capacity and commodity rates in all three systems (water, wastewater and irrigation) were incorporated in the adopted FY2004 budget. Any shortfalls in current revenue will be offset by existing cash reserves and will be applied to the purchase of one-time non-reoccurring capital expenditures.

- € An increase in the stormwater utility rates was adopted and incorporated into the operating budget. The following are the adopted stormwater utility rates:

FY 2004	FY 2005	FY 2006	FY 2007
\$40.00	\$43.00	\$50.00	\$57.00

- € Inclusion of 3.0% - 6.5% average wage adjustments for police officers, sergeants, and lieutenants and continuation of pay-for-performance plan for non-bargaining unit employees (average 4% merit). Increases resulting from pay range adjustments, firefighter, blue, white, and supervisory contract negotiations will be funded through reserves.

REQUEST FOR INFORMATION

The City's financial statements are designed to present users (citizens, taxpayers, customers, investors and creditors) with a general overview of the City's finances and to demonstrate the City's accountability. Questions concerning any of the information provided in this report or requests for additional financial information should be directed to the Financial Services Department, 1015 Cultural Park Blvd., Cape Coral, FL 33990.

City of Cape Coral, Florida

STATEMENT OF NET ASSETS

September 30, 2003

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 50,999,913	\$ 20,033,529	\$ 71,033,442
Investments	1,506,090	3,008,330	4,514,420
Interest receivable	3,721	136,205	139,926
Accounts receivable, net	1,054,961	1,542,817	2,597,778
Notes receivable	562,081	-	562,081
Intergovernmental receivable	1,993,175	363,394	2,356,569
Internal balances	(6,484,783)	6,484,783	-
Inventories	109,701	392,713	502,414
Prepaid items	115,827	103,014	218,841
Net pension asset	685,175	-	685,175
Restricted:			
Cash and cash equivalents	-	68,057,935	68,057,935
Investments	-	5,176,125	5,176,125
Accounts receivable, net	-	2,040,836	2,040,836
Assessments receivable, net	388,967	35,959,081	36,348,048
Unamortized bond issue costs	152,227	1,160,517	1,312,744
Capital Assets (net of accumulated depreciation):			
Land	22,667,140	3,824,404	26,491,544
Buildings	26,320,248	17,367,103	43,687,351
Building Improvements	304,548	67,475	372,023
Improvements other than buildings	4,486,150	247,294,982	251,781,132
Equipment	9,435,764	4,175,613	13,611,377
Infrastructure	36,013,120	-	36,013,120
Construction in progress	3,068,617	48,243,952	51,312,569
Total assets	<u>153,382,642</u>	<u>465,432,808</u>	<u>618,815,450</u>
LIABILITIES			
Accounts payable and other accrued liabilities	2,692,084	5,520,818	8,212,902
Accrued payroll	1,955,802	798,487	2,754,289
Deposits	31,304	826,862	858,166
Accrued interest payable	148,096	1,136,803	1,284,899
Deferred revenue	1,485,393	131,977	1,617,370
Noncurrent liabilities:			
Due within one year	3,631,296	12,222,474	15,853,770
Due in more than one year	27,948,405	178,767,813	206,716,218
Total liabilities	<u>37,892,380</u>	<u>199,405,234</u>	<u>237,297,614</u>
NET ASSETS			
Invested in capital assets, net of related debt	75,136,338	131,999,783	207,136,121
Restricted for:			
Debt service	449,461	10,301,964	10,751,425
Transportation	14,455,500	-	14,455,500
Fire public safety facilities	1,747,647	-	1,747,647
Park facilities	3,151,991	-	3,151,991
Unrestricted	20,549,325	123,725,827	144,275,152
Total net assets	<u>\$ 115,490,262</u>	<u>\$ 266,027,574</u>	<u>\$ 381,517,836</u>

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

City of Cape Coral, Florida

STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2003

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
General Government	\$ 15,882,687	\$ 8,834,807	\$ 13,207,879	\$ 1,971,634
Public Safety:				
Police	16,681,383	237,594	362,445	591,574
Fire	12,343,150	285,015	-	1,250,923
Public Works	5,086,678	-	59,243	-
Community Development	1,130,261	888,275	160,054	1,486,110
Parks and Recreation	7,565,632	2,306,109	104,792	4,316,109
Transportation	9,645,598	562,680	-	5,426,170
Interest on long-term debt	1,518,503	-	-	-
Total governmental activities	<u>69,853,892</u>	<u>13,114,480</u>	<u>13,894,413</u>	<u>15,042,520</u>
Business-type activities:				
Water and Sewer	38,977,836	27,184,806	-	24,316,758
Stormwater Utility	6,986,521	9,241,823	-	1,451
Yacht Basin	164,781	247,277	-	-
Building Division	3,575,291	5,017,511	-	-
Golf Course	1,701,144	1,412,752	-	2,623
Water Park	2,275,012	1,978,423	-	-
Total business-type activities	<u>53,680,585</u>	<u>45,082,592</u>	<u>-</u>	<u>24,320,832</u>
Total Government	<u>\$ 123,534,477</u>	<u>\$ 58,197,072</u>	<u>\$ 13,894,413</u>	<u>\$ 39,363,352</u>

General revenues:

Property taxes, levied for general purpose
 Property taxes, levied for debt service
 Franchise taxes
 Communication taxes
 Gas tax

Interest income

Gain on sale of capital assets

Transfers

Total general revenues and transfers

Change in net assets

Net assets - beginning

Net assets - ending

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

**Net (Expense) Revenue and
Changes in Net Assets**

Governmental Activities	Business-type Activities	Total
\$ 8,131,633	\$ -	\$ 8,131,633
(15,489,770)	-	(15,489,770)
(10,807,212)	-	(10,807,212)
(5,027,435)	-	(5,027,435)
1,404,178	-	1,404,178
(838,622)	-	(838,622)
(3,656,748)	-	(3,656,748)
(1,518,503)	-	(1,518,503)
<u>(27,802,479)</u>	<u>-</u>	<u>(27,802,479)</u>
-	12,523,728	12,523,728
-	2,256,753	2,256,753
-	82,496	82,496
-	1,442,220	1,442,220
-	(285,769)	(285,769)
-	(296,589)	(296,589)
<u>-</u>	<u>15,722,839</u>	<u>15,722,839</u>
<u>\$ (27,802,479)</u>	<u>\$ 15,722,839</u>	<u>\$ (12,079,640)</u>
\$ 32,441,753	\$ -	\$ 32,441,753
1,712,396	1,401,052	3,113,448
3,379,802	-	3,379,802
3,791,547	-	3,791,547
6,407,369	-	6,407,369
951,489	7,193,049	8,144,538
138,387	-	138,387
1,751,499	(1,751,499)	-
<u>50,574,242</u>	<u>6,842,602</u>	<u>57,416,844</u>
<u>22,771,763</u>	<u>22,565,441</u>	<u>45,337,204</u>
<u>92,718,499</u>	<u>243,462,133</u>	<u>336,180,632</u>
<u>\$ 115,490,262</u>	<u>\$ 266,027,574</u>	<u>\$ 381,517,836</u>

City of Cape Coral, Florida

**BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2003**

	General	Gas Tax	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 21,055,935	\$ 6,568,945	\$ 23,375,033	\$ 50,999,913
Investments	1,506,090	-	-	1,506,090
Interest receivable	3,721	-	-	3,721
Accounts receivable, net	1,054,961	-	-	1,054,961
Notes receivable	-	-	562,081	562,081
Intergovernmental receivable	1,148,514	-	844,661	1,993,175
Due from other funds	679,210	-	-	679,210
Advances to other funds	728,791	-	-	728,791
Inventories	109,701	-	-	109,701
Prepaid items	102,992	8,305	4,530	115,827
Restricted assessments receivable	-	-	388,967	388,967
Total assets	<u>26,389,915</u>	<u>6,577,250</u>	<u>25,175,272</u>	<u>58,142,437</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and other accrued liabilities	1,803,784	283,862	604,438	2,692,084
Accrued payroll and compensated absences	2,641,810	42,057	13,413	2,697,280
Due to other funds	-	-	679,210	679,210
Deposits	31,304	-	-	31,304
Deferred revenue	1,485,393	-	303,503	1,788,896
Advances from other funds	6,884,306	-	329,268	7,213,574
Total liabilities	<u>12,846,597</u>	<u>325,919</u>	<u>1,929,832</u>	<u>15,102,348</u>
Fund balances:				
Reserved for:				
Advances	728,791	-	-	728,791
Inventories	109,701	-	-	109,701
Encumbrances	1,607,203	1,591,922	972,293	4,171,418
Prepays	102,992	8,305	4,530	115,827
Debt service	-	-	449,461	449,461
Transportation	-	4,651,104	-	4,651,104
Unreserved, reported in:				
General fund	10,994,631	-	-	10,994,631
Special revenue funds	-	-	17,501,320	17,501,320
Capital project funds	-	-	4,317,836	4,317,836
Total fund balances	<u>13,543,318</u>	<u>6,251,331</u>	<u>23,245,440</u>	<u>43,040,089</u>
Total liabilities and fund balances	<u>\$ 26,389,915</u>	<u>\$ 6,577,250</u>	<u>\$ 25,175,272</u>	<u>\$ 58,142,437</u>

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

City of Cape Coral, Florida

**RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
GOVERNMENTAL FUNDS**

September 30, 2003

Fund balance total \$ 43,040,089

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Capital assets	\$ 134,187,494	
Accumulated depreciation	<u>(31,891,907)</u>	102,295,587

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. 303,503

Unamortized bond issue costs are not current financial resources and, therefore, are not reported in the funds. 152,227

Net pension asset resulting from overfunding of the police and fire pension plans is not reported in the funds. 685,175

Debt interest payable that will not be liquidated with current financial resources is not reported in the funds. (148,096)

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

Bonds and notes payable	\$ (24,601,099)	
Leases	(2,558,150)	
Compensated absences long-term	<u>(3,678,974)</u>	<u>(30,838,223)</u>

Net assets of governmental activities \$ 115,490,262

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

City of Cape Coral, Florida

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS**

For the Year Ended September 30, 2003

	<u>General</u>	<u>Gas Tax</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Taxes:				
Property	\$ 32,014,131	\$ -	\$ 2,140,018	\$ 34,154,149
Franchise	3,379,802	-	-	3,379,802
Communication	3,791,547	-	-	3,791,547
Gas	-	6,407,369	-	6,407,369
Special assessments	-	-	177,162	177,162
Licenses and permits	595,301	-	-	595,301
Intergovernmental	14,862,263	-	2,020,927	16,883,190
Charges for services	10,078,573	-	-	10,078,573
Impact fees	-	-	10,082,109	10,082,109
Interest income	478,613	80,280	392,596	951,489
Other revenue	1,385,445	5,976	898,138	2,289,559
Total revenues	<u>66,585,675</u>	<u>6,493,625</u>	<u>15,710,950</u>	<u>88,790,250</u>
EXPENDITURES				
Current:				
General government	12,447,269	-	2,234,256	14,681,525
Public safety:				
Police	15,714,682	-	7,894	15,722,576
Fire	11,662,507	-	32,052	11,694,559
Public works	4,920,654	-	-	4,920,654
Community development	1,122,139	-	-	1,122,139
Parks and recreation	6,709,222	-	36,942	6,746,164
Transportation	4,962,919	3,037,985	125,724	8,126,628
Capital outlay	11,296,921	241,296	13,236,365	24,774,582
Debt service:				
Principal	783,570	-	2,169,583	2,953,153
Interest and fiscal charges	83,249	-	1,287,158	1,370,407
Total expenditures	<u>69,703,132</u>	<u>3,279,281</u>	<u>19,129,974</u>	<u>92,112,387</u>
Excess of revenues over (under) expenditures	<u>(3,117,457)</u>	<u>3,214,344</u>	<u>(3,419,024)</u>	<u>(3,322,137)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,499,642	500,000	7,766,381	9,766,023
Transfers out	(1,379,129)	(3,103,356)	(3,431,952)	(7,914,437)
Bond proceeds	-	-	10,470,000	10,470,000
Payment to escrow agent to refund bonds	-	-	(10,577,963)	(10,577,963)
Total other financing sources (uses)	<u>120,513</u>	<u>(2,603,356)</u>	<u>4,226,466</u>	<u>1,743,623</u>
Net change in fund balances	<u>(2,996,944)</u>	<u>610,988</u>	<u>807,442</u>	<u>(1,578,514)</u>
Fund balances - beginning	<u>16,540,262</u>	<u>5,640,343</u>	<u>22,437,998</u>	<u>44,618,603</u>
Fund balances - ending	<u>\$ 13,543,318</u>	<u>\$ 6,251,331</u>	<u>\$ 23,245,440</u>	<u>\$ 43,040,089</u>

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

City of Cape Coral, Florida

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**
For the Year Ended September 30, 2003

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

Net change in Fund balance – total governmental funds		\$ (1,578,514)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.

Capital outlay	\$ 24,774,582	
Depreciation	<u>(5,122,998)</u>	19,651,584

The net effect on the governmental funds of capital assets transferred between governmental and enterprise funds.

General fund to water and sewer	\$ (123,294)	
Water and sewer to general fund	23,207	
General fund to building division	<u>(191,001)</u>	(291,088)

The net effect of various miscellaneous transactions involving capital assets is to increase net assets.

Donations	\$ 1,794,472	
Deletions	<u>(18,895)</u>	1,775,577

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		303,503
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The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discount, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal debt payments	\$ 2,953,153	
Bond proceeds	(10,470,000)	
Principal payment to escrow agent to refund bonds	10,351,600	
Deferred loss on refunding	184,764	
Premium, discount and deferred loss amortization	<u>88,141</u>	3,107,658

Pension contributions are reported as expenditures in the fund financial statements. A portion of the prior year net pension asset was applied in current year resulting in a decreased expenditure in the fund financial statements and a reduction to the net pension asset on the statement of net assets.		(48,861)
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		<u>(148,096)</u>
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Change in net assets of governmental activities		<u>\$ 22,771,763</u>
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The accompanying notes to the financial statements are an integral part of this statement.

City of Cape Coral, Florida

**STATEMENT OF NET ASSETS
ENTERPRISE FUNDS**
September 30, 2003

	<u>Water and Sewer</u>	<u>Stormwater Utility</u>	<u>Other Enterprise Funds</u>	<u>Total</u>
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 10,924,490	\$ 5,378,923	\$ 3,730,116	\$ 20,033,529
Investments	2,002,080	1,006,250	-	3,008,330
Interest receivable	112,299	23,906	-	136,205
Accounts receivable, net	1,535,552	2,637	4,628	1,542,817
Intergovernmental receivable	111,465	251,929	-	363,394
Inventories	343,103	-	49,610	392,713
Prepaid items	12,628	82,770	7,616	103,014
Total current assets	<u>15,041,617</u>	<u>6,746,415</u>	<u>3,791,970</u>	<u>25,580,002</u>
Noncurrent assets:				
Restricted:				
Cash and cash equivalents	67,452,804	250,000	355,131	68,057,935
Investments	5,176,125	-	-	5,176,125
Accounts receivable, net	2,040,836	-	-	2,040,836
Assessments receivable, net	35,959,081	-	-	35,959,081
Total restricted assets	<u>110,628,846</u>	<u>250,000</u>	<u>355,131</u>	<u>111,233,977</u>
Advances to other funds	6,884,306	-	-	6,884,306
Unamortized bond issue costs	971,370	79,045	110,102	1,160,517
Capital assets:				
Land	2,121,511	53,542	1,649,351	3,824,404
Buildings	25,534,442	-	1,650,478	27,184,920
Building improvements	67,742	1,451	3,327	72,520
Improvements other than buildings	376,148,059	18,002,954	7,476,924	401,627,937
Equipment	18,947,039	4,548,152	1,793,176	25,288,367
Construction in progress	47,031,230	1,171,328	41,394	48,243,952
Less accumulated depreciation	<u>(169,626,733)</u>	<u>(9,855,739)</u>	<u>(5,786,099)</u>	<u>(185,268,571)</u>
Total capital assets, net	<u>300,223,290</u>	<u>13,921,688</u>	<u>6,828,551</u>	<u>320,973,529</u>
Total noncurrent assets	<u>418,707,812</u>	<u>14,250,733</u>	<u>7,293,784</u>	<u>440,252,329</u>
Total assets	<u>\$ 433,749,429</u>	<u>\$ 20,997,148</u>	<u>\$ 11,085,754</u>	<u>\$ 465,832,331</u>

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

City of Cape Coral, Florida

**STATEMENT OF NET ASSETS
ENTERPRISE FUNDS
September 30, 2003**

	<u>Water and Sewer</u>	<u>Stormwater Utility</u>	<u>Other Enterprise Funds</u>	<u>Total</u>
LIABILITIES				
Current liabilities:				
Accounts payable and other accrued liabilities	\$ 5,035,452	\$ 293,152	\$ 192,214	\$ 5,520,818
Accrued payroll and compensated absences	521,541	186,107	294,625	1,002,273
Settlement payable	500,000	-	-	500,000
Total current liabilities	6,056,993	479,259	486,839	7,023,091
Current liabilities payable from restricted assets:				
Deposits	504,963	24,616	297,283	826,862
Accrued interest payable	1,015,553	75,617	45,633	1,136,803
Debt:				
General obligation bonds	1,300,000	-	-	1,300,000
Revenue bonds	2,390,000	390,000	640,000	3,420,000
Special assessment debt	2,350,881	-	-	2,350,881
Notes	4,440,097	-	-	4,440,097
Capital leases	-	-	7,710	7,710
Total debt	10,480,978	390,000	647,710	11,518,688
Deferred revenue	-	-	131,977	131,977
Total current liabilities payable from restricted assets	12,001,494	490,233	1,122,603	13,614,330
Noncurrent liabilities:				
Advances from other funds	-	-	399,523	399,523
Compensated absences	729,514	230,719	352,522	1,312,755
Debt:				
General obligation bonds	699,775	-	-	699,775
Revenue bonds	23,598,332	3,637,202	5,195,520	32,431,054
Special assessment debt	51,437,537	-	-	51,437,537
Notes	92,815,013	-	-	92,815,013
Capital leases	-	-	71,679	71,679
Total debt	168,550,657	3,637,202	5,267,199	177,455,058
Total noncurrent liabilities	169,280,171	3,867,921	6,019,244	179,167,336
Total liabilities	187,338,658	4,837,413	7,628,686	199,804,757
NET ASSETS				
Invested in capital assets, net of related debt	121,191,655	9,894,486	913,642	131,999,783
Restricted for debt service	10,301,964	-	-	10,301,964
Unrestricted	114,917,152	6,265,249	2,543,426	123,725,827
Total net assets	\$ 246,410,771	\$ 16,159,735	\$ 3,457,068	\$ 266,027,574

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

City of Cape Coral, Florida

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
ENTERPRISE FUNDS**

For the Year Ended September 30, 2003

	<u>Water and Sewer</u>	<u>Stormwater Utility</u>	<u>Other Enterprise Funds</u>	<u>Total</u>
OPERATING REVENUES				
Charges for services	\$ 26,076,149	\$ 9,225,042	\$8,410,026	\$ 43,711,217
Other revenue	1,108,657	16,781	245,937	1,371,375
Total operating revenues	<u>27,184,806</u>	<u>9,241,823</u>	<u>8,655,963</u>	<u>45,082,592</u>
OPERATING EXPENSES				
Salaries, wages and employee benefits	7,900,491	2,991,483	5,014,662	15,906,636
Contractual services, materials and supplies	10,593,878	2,350,417	1,862,759	14,807,054
Depreciation	15,962,403	1,432,624	529,076	17,924,103
Total operating expenses	<u>34,456,772</u>	<u>6,774,524</u>	<u>7,406,497</u>	<u>48,637,793</u>
Operating income (loss)	<u>(7,271,966)</u>	<u>2,467,299</u>	<u>1,249,466</u>	<u>(3,555,201)</u>
NONOPERATING REVENUES (EXPENSES)				
Intergovernmental	121,812	-	-	121,812
Interest income	7,068,474	120,915	3,660	7,193,049
Ad valorem taxes	1,401,052	-	-	1,401,052
Interest expense and bond discount amortization	(4,336,441)	(208,817)	(298,203)	(4,843,461)
Loss on disposal of assets	(184,623)	(3,180)	(11,528)	(199,331)
Total nonoperating revenues (expenses)	<u>4,070,274</u>	<u>(91,082)</u>	<u>(306,071)</u>	<u>3,673,121</u>
Income (loss) before contributions and transfers	<u>(3,201,692)</u>	<u>2,376,217</u>	<u>943,395</u>	<u>117,920</u>
Capital contributions	24,194,946	1,451	2,623	24,199,020
Transfers in	123,294	-	666,432	789,726
Transfers out	(1,924,436)	(616,789)	-	(2,541,225)
Total contributions and transfers	<u>22,393,804</u>	<u>(615,338)</u>	<u>669,055</u>	<u>22,447,521</u>
Change in net assets	19,192,112	1,760,879	1,612,450	22,565,441
Total net assets - beginning	<u>227,218,659</u>	<u>14,398,856</u>	<u>1,844,618</u>	<u>243,462,133</u>
Total net assets - ending	<u>\$246,410,771</u>	<u>\$ 16,159,735</u>	<u>\$3,457,068</u>	<u>\$266,027,574</u>

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

City of Cape Coral, Florida

**ENTERPRISE FUNDS
STATEMENT OF CASH FLOWS**
For the Year Ended September 30, 2003

	<u>Water and Sewer</u>	<u>Stormwater Utility</u>	<u>Other Enterprise Funds</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	\$ 27,593,691	\$ 9,087,121	\$ 9,084,789	\$ 45,765,601
Cash payments to suppliers	(8,454,981)	(1,948,210)	(1,540,266)	(11,943,457)
Cash payments to employees	(7,843,925)	(2,958,070)	(4,563,154)	(15,365,149)
Interfund service payments	(2,120,992)	(703,604)	(186,040)	(3,010,636)
Net cash provided by operating activities	<u>9,173,793</u>	<u>3,477,237</u>	<u>2,795,329</u>	<u>15,446,359</u>
CASH FLOWS FROM NONCAPITAL FINANCING				
Transfers in	-	-	666,432	666,432
Transfers out	(1,901,230)	(616,789)	-	(2,518,019)
Advances to other funds	(6,843,279)	-	-	(6,843,279)
Net cash provided (used) by noncapital financing activities	<u>(8,744,509)</u>	<u>(616,789)</u>	<u>666,432</u>	<u>(8,694,866)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition and construction of capital assets	(70,391,339)	(1,072,139)	(558,981)	(72,022,459)
Payment to refunding escrow agent	(686,890)	-	(908,218)	(1,595,108)
Proceeds from debt issuance	63,214,679	-	422,134	63,636,813
Principal payments on debt	(11,493,688)	(434,357)	(291,959)	(12,220,004)
Collection of special assessments	19,972,684	-	-	19,972,684
Capital contributions	22,161,772	-	-	22,161,772
Collection of taxes for bond debt service	1,401,052	-	-	1,401,052
Interest paid	(3,873,691)	(196,549)	(182,712)	(4,252,952)
Advances from other funds	-	-	53,043	53,043
Net cash provided (used) by capital and related financing activities	<u>20,304,579</u>	<u>(1,703,045)</u>	<u>(1,466,693)</u>	<u>17,134,841</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchases of investments	(6,699,000)	-	-	(6,699,000)
Proceeds from sales and maturities of investments	14,400,000	-	-	14,400,000
Interest income	1,684,378	166,545	3,660	1,854,583
Net cash provided by investing activities	<u>9,385,378</u>	<u>166,545</u>	<u>3,660</u>	<u>9,555,583</u>
Net increase in cash and cash equivalents	30,119,241	1,323,948	1,998,728	33,441,917
Cash and cash equivalents - beginning	48,258,053	4,304,975	2,086,519	54,649,547
Cash and cash equivalents - ending	<u>\$ 78,377,294</u>	<u>\$ 5,628,923</u>	<u>\$ 4,085,247</u>	<u>\$ 88,091,464</u>
The following reconciles cash and cash equivalents to the Statement of Net Assets:				
Cash and cash equivalents	\$ 10,924,490	\$ 5,378,923	\$ 3,730,116	\$ 20,033,529
Restricted cash and cash equivalents	67,452,804	250,000	355,131	68,057,935
Total cash and cash equivalents	<u>\$ 78,377,294</u>	<u>\$ 5,628,923</u>	<u>\$ 4,085,247</u>	<u>\$ 88,091,464</u>

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

City of Cape Coral, Florida

**ENTERPRISE FUNDS
STATEMENT OF CASH FLOWS**
For the Year Ended September 30, 2003

	<u>Water and Sewer</u>	<u>Stormwater Utility</u>	<u>Other Enterprise Funds</u>	<u>Total</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ (7,271,966)	\$ 2,467,299	\$ 1,249,466	\$ (3,555,201)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation expense	15,962,403	1,432,624	529,076	17,924,103
Provision for uncollectible accounts	53,900	-	-	53,900
(Increase) decrease in assets:				
Accounts receivable	(216,460)	(2,637)	1,716	(217,381)
Intergovernmental receivable	165,843	(251,929)	(1,569)	(87,655)
Inventories	(23,538)	-	2,651	(20,887)
Prepaid items	(4,260)	(82,770)	(459)	(87,489)
Restricted accounts receivable	(160,347)	-	-	(160,347)
Assessment receivable	(8,271)	-	-	(8,271)
Unamortized bond issue costs	97,928	9,209	11,447	118,584
Increase (decrease) in liabilities:				
Accounts payable and other accrued liabilities	298,170	(139,505)	137,577	296,242
Accrued payroll and compensated absences	56,556	33,413	451,508	541,477
Deposits	223,835	11,533	295,488	530,856
Restricted deferred revenue	-	-	118,428	118,428
Total adjustments	<u>16,445,759</u>	<u>1,009,938</u>	<u>1,545,863</u>	<u>19,001,560</u>
Net cash provided by operating activities	<u>\$ 9,173,793</u>	<u>\$ 3,477,237</u>	<u>\$ 2,795,329</u>	<u>\$ 15,446,359</u>

Supplemental disclosure of noncash investing, capital and financing activities:

Water and Sewer recognized \$53,328 of restricted accounts receivable through capital contributions.

Water and Sewer assessments receivable new loans of \$271,289.

Water and Sewer accreted interest for revenue bonds of \$741,906.

Decrease in fair value of investments of \$86,462.

Water and Sewer recognized \$438,621 equipment and utility lines donations through capital contributions.

Water and Sewer recognized capital asset transfers of \$10,856.

Stormwater Utility recognized capital asset transfers of \$36,595.

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

City of Cape Coral, Florida

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
 September 30, 2003

	<u>Pension Trust Funds</u>	<u>Agency Funds</u>
ASSETS		
Cash and cash equivalents	\$ 5,303,445	\$ 1,392,643
Employee contributions receivable	3,282,276	-
Accounts receivable	-	46,000
	<u>8,585,721</u>	<u>1,438,643</u>
Investments, at fair value:		
U.S. government obligations	8,839,448	-
Federal agency notes	6,959,812	-
Corporate bonds	17,201,654	-
Corporate stocks	66,761,569	-
Mortgage-backed securities	14,369,575	-
Mutual funds	21,466,023	-
Total investments	<u>135,598,081</u>	<u>-</u>
Total assets	<u>144,183,802</u>	<u>1,438,643</u>
LIABILITIES		
Refunds payable and other liabilities	3,521,690	-
Due to others	-	1,438,643
Total liabilities	<u>3,521,690</u>	<u>\$ 1,438,643</u>
NET ASSETS		
Held in trust for pension benefits	<u>\$ 140,662,112</u>	

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

City of Cape Coral, Florida

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS**

For the Year Ended September 30, 2003

	<u>Pension Trust</u>
ADDITIONS	
Contributions:	
Employer	\$ 3,702,030
Employee	3,282,132
State	<u>1,027,798</u>
Total contributions	<u>8,011,960</u>
Interest income:	
Net increase in fair value of investments	14,959,239
Interest	<u>3,287,894</u>
Total interest income	18,247,133
Less investment expenses	<u>(406,525)</u>
Net interest income	<u>17,840,608</u>
Total additions	<u>25,852,568</u>
 DEDUCTIONS	
Benefits and refunds	5,467,310
Administrative expenses	<u>130,200</u>
Total deductions	<u>5,597,510</u>
Change in net assets	20,255,058
Net assets - beginning	<u>120,407,054</u>
Net assets - ending	<u>\$ 140,662,112</u>

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

NOTES TO THE FINANCIAL STATEMENTS
September 30, 2003

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NOTES TO THE FINANCIAL STATEMENTS

September 30, 2003

NOTE I. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Organization

The City of Cape Coral, Florida (the City) was incorporated in 1970 pursuant to the laws of Florida, Chapter 70-623. The City operates under the Council-Manager form of government, which is comprised of an elected City Council (eight members) including an elected mayor, and a City Manager appointed by the City Council. The City provides the following services: public safety, recreation, cultural, community development, transportation, planning and zoning, water and wastewater services, stormwater utility services, and general administrative services.

For financial reporting purposes, the accompanying financial statements include all the operations of the City for which the City is financially accountable. The City is financially accountable for organizations that make up its legal entity, as well as legally separate organizations that meet certain criteria. The criteria for inclusion in the reporting entity entails those cases where the City or its officials appoint a voting majority of an organization's governing body and is able to impose its will on the organization or there is a potential for the organization to provide specific financial benefits or burdens to the City.

The Cape Coral Community Redevelopment Agency (Agency) is a blended component unit of the City and was created in 1986 by Ordinance 51-87 of the City of Cape Coral, Florida, pursuant to Section 163.356 of the Florida Statutes. The City Council appoints the Agency's Board of Directors. The Agency provides services for the benefit of the City. The Agency's projects result in capital assets (mainly infrastructure) being owned by the City. The Agency's transactions are recorded and reported by the City. The Agency does not publish individual component unit financial statements.

2. Related Organization

The City's officials are responsible for appointing the members of the Board of the City of Cape Coral Health Facilities Authority. The City's accountability for this organization does not extend beyond making these appointments; therefore, there is no blended or discrete financial presentation for this entity.

3. Summary of Significant Accounting Policies

The financial statements of the City have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units.

Basic Financial Statements – GASB Statement No. 34

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements along with the notes to the financial statements. The focus of the financial statements is on either the City as a whole or major individual funds (within the fund financial statements). Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business-type. In the Statement of Net Assets, both the governmental and business-type activities columns are reflected on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function (Public Safety, Parks and Recreation, etc.). Program revenues are defined as charges for services, operating grants and contributions, and capital grants and contributions directly associated with a given function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The Statement of Activities reflects both the gross and net costs per function (Public Safety, Parks and Recreation, etc.) which are otherwise being supported by general government revenues (property taxes, franchise taxes, gas taxes, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. The program revenues must be directly associated with the function.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

This government-wide focus is more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

Separate fund financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The emphasis of the fund financial statements is on the major funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns and the non-major funds are summarized into a single column.

Measurement Focus and Basis of Accounting

The Government-wide Financial Statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the Proprietary Fund and Fiduciary Fund financial statements. The City's fiduciary funds are presented in the fund financial statements by type (pension and agency). Since by definition these assets are being held for the benefit of a third party (pension participants, other local governments, and other entities) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements. Since agency funds report only assets and liabilities they do not have a measurement focus. They do, however, use the accrual basis of accounting to recognize receivables and payables.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented on the page following each statement, which briefly explains the adjustments necessary to transform the fund based financial statements into the governmental activities of the government-wide presentation.

The focus of the Statement No. 34 model is on the City as a whole and the fund financial statements. The focus of the Fund Financial Statements is on the major funds of the governmental and business-type activities. Each presentation provides valuable information that can be analyzed to enhance the usefulness of the information.

Basis of accounting refers to when revenue and expenditures/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.

The Government-wide Financial Statements and the Proprietary and Fiduciary Fund Financial Statements are presented on an accrual basis of accounting. The Governmental Funds in the Fund Financial Statements are presented on a modified accrual basis of accounting.

1. Accrual:

Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred.

Proprietary funds record both operating and non-operating revenues and expenses. Operating revenues are those that are obtained from the operations of the proprietary fund that include charges for services and user fees. Non-operating revenues are not related to the operations of the proprietary fund and include interest earnings and intergovernmental revenue. Operating expenses represent the cost of operations, which includes depreciation. Non-operating expenses are not related to operations such as interest expense.

The proprietary funds follow private-sector standards issued prior to December 1, 1989, to the extent those standards do not conflict with Governmental Accounting Standards Board statements. However, pursuant to Governmental Accounting Standards Board Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Funds Accounting*, the City has elected not to apply Financial Accounting Standards Board Statements and interpretations issued after November 30, 1989 by the Financial Accounting Standards Board.

2. Modified Accrual:

Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual (i.e., both measurable and available). "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers all revenues available if they are collected within 60 days after year-end. Primary revenue sources that have been treated as susceptible to accrual include, where material, intergovernmental revenue, franchise fees, communication taxes and charges for services. Property taxes are accounted for when measurable and available as described in Note II. Grant revenue is considered earned and is accrued when all eligibility requirements are met.

In applying the "susceptible to accrual" concept to intergovernmental revenues pursuant to Governmental Accounting Standards Board (GASB) Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions* (the City may act as either provider or recipient), the provider should recognize liabilities and expenses and the recipient should recognize receivables and revenue when the applicable eligibility requirements including time requirements, are met. Resources transmitted before the eligibility requirements are met should, under most circumstances, be reported as advances by the provider and deferred revenue by recipient.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, as under accrual accounting. Exceptions to this general rule include principal and interest on general obligation long-term debt, as well as expenditures related to compensated absences and claims and judgments which are recognized when due.

Basis of Presentation

The financial transactions of the City are recorded in individual funds. The operations for each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures/expenses. 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.

Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The City's major funds are presented in separate columns on the governmental fund financial statement and the proprietary fund financial statement. The funds that do not meet the criteria of a major fund are considered non-major funds and are combined into a single column in the fund financial statements and detailed in the combining section.

The following major funds are used by the City:

1. Governmental Funds:

The focus of Governmental Fund measurement (in the Fund Financial Statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the major Governmental Funds of the City:

- a. **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.
- b. **Gas Tax Fund** accounts for the Local Option Gas Tax, which is used for road improvements and related items.

2. Proprietary Funds:

The focus of Proprietary Fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows, which is similar to businesses. The following is a description of the major Proprietary Funds of the City:

- a. **Water and Sewer Fund** is used to account for the activities of the City's water and sewer utility programs.
- b. **Stormwater Utility Fund** is used to account for the activities of the City's stormwater drainage program.

3. Other Fund Types:

Additionally, the City reports the following Fund types

- a. **Pension Trust Funds** are used to account for three defined benefit plans which accumulate resources for pension benefit payments to its employees/retirees.
- b. **Agency Funds** are used to account for the City's collection of school impact fees, at the time of building permit issuance, for the Lee County School Board, collection of solid waste fees for Waste Management Inc. and to account for monies held for Youth Crime Intervention Program Inc., a non-profit organization.

Assets, Liabilities and Net Assets or Equity, Revenues, and Expenditures/Expenses

1. Equity in Pooled Cash and Investments

The City, for accounting and investment purposes, maintains a pooled cash and investments account. This gives the City the ability to invest large amounts of idle cash for short periods of time and to maximize earning potential. The pooled cash and investments consist of the Local Government Surplus Funds Trust Fund administered by the Florida State Board of Administration, direct U.S. securities, money market, and savings accounts.

Interest income is allocated based upon the proportionate balance of each fund's equity in pooled cash and investments.

For purposes of the statement of cash flows, the City considers highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash and cash equivalents.

2. Investments

The City's investments are reported at fair value.

Investments, including restricted investments, consist of mutual funds, U.S. Government securities, corporate debt and equity securities, and securities of governmental agencies unconditionally guaranteed by the U.S. Government.

3. Receivables and Payables

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

Assessments receivable – the City levies a special assessment against benefited property owners for construction of water, wastewater and irrigation utility expansion in certain areas of the City.

Noncurrent portions of interfund loan receivables classified as advances between funds, as reported in the fund financial statements, are offset equally by a fund balance reserve account in applicable governmental funds which indicates that they do not constitute expendable available financial resources, and therefore, are not available for appropriation.

4. Inventories and Prepaid Items

Inventories, consisting primarily of expendable supplies held for consumption, are stated at cost (first-in, first-out method). The City utilizes the consumption method of accounting, which provides that expenditures are recognized when inventory is used.

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

5. Capital Assets

Capital assets include property, plant, equipment, and infrastructure assets. Infrastructure assets are defined as public domain fixed assets such as roads, bridges, sidewalks, traffic signals, and similar items that are immovable and of value only to the governmental unit. Capital assets are reported in the government-wide financial statements in the applicable governmental or business-type activities columns, as well as the proprietary fund financial statements. Capital assets are defined by the City as assets with an initial, individual cost of \$1,000 or more and a useful life in excess of one year. Capital assets are recorded at historical cost or estimated historical cost, if actual historical cost is not available. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized, but are expensed as incurred.

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

<u>Assets</u>	<u>Years</u>
Equipment	3-5
Traffic signals	15
Parking lots	20
Roads	30
Sidewalks	30
Bridges	40
Improvements other than buildings	5-40
Building improvements	10-20
Buildings	30-50

6. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits, which will be paid to employees upon separation from City service if they meet certain criteria. The City's policy requires the employees to receive a cash buyout on an annual basis once their bank reaches a certain level depending on the employee's job classification. These benefits plus their related taxes are classified as compensated absences. The accumulated compensated absences are accrued when incurred in the government-wide financial statements and proprietary funds for both the current and long-term portions. For the Governmental Funds, the amounts normally liquidated with expendable available financial resources are accrued in the individual funds and the remaining portion (the amount estimated to be used in subsequent fiscal years) is maintained separately and represents a reconciling item between the fund and government-wide presentations.

7. Long-term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

8. Bond Discount, Bond Premium, Issuance Costs, and Deferred Loss on Defeasance

In governmental funds the face amount of debt issued is reported net of bond premiums and discounts as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

In the government-wide financial statements and proprietary funds, bond premiums and discounts, issuance costs, and deferred loss on defeasance are amortized over the life of the bonds using the straight-line method, which does not result in a material difference from the effective interest method. The face amount of the debt issued is reported net of bond premiums and discounts whereas issuance costs are recorded as other assets.

9. Deferred Gain/Loss from Current Refunding or Advance Refunding of Debt

In the government-wide financial statements and enterprise funds, the difference between the re-acquisition price (new debt) and the net carrying value of the old debt on refunded debt transactions is deferred and amortized as a component of interest expense using the straight-line method over the shorter of the remaining life of the old debt or the life of the new debt. The deferred amount is offset against the new liability.

10. Utility Capital Expansion Fee (Impact Fee)

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

11. Special Assessments

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

The City also levies a special assessment against benefited property owners for construction of seawalls.

12. Deferred Revenue

Deferred revenue recorded in the General fund relates to occupational licenses, lot mowing fees, and user fees that are not earned until the next fiscal year.

Deferred revenue recorded in the other governmental funds relates to special assessments that are not collectible in the current year. The special assessments revenue will be recognized when billed.

Deferred revenue in the enterprise funds relates to golf course memberships, rain checks and gift certificates that will be redeemed in the next fiscal year.

13. Intragovernmental Allocation of Administrative Expenses

The General fund incurs certain administrative expenses for other funds, including accounting, legal, data processing, personnel administration, and other services. The governmental funds that receive these services were charged \$482,012 for fiscal year 2003. These amounts are eliminated in the statement of activities. The enterprise funds that receive these services were charged \$3,010,636 for fiscal year 2003. These amounts are recorded as revenue in the general fund and operating expenses in the enterprise funds.

14. Restricted Net Assets and Reservations of Fund Balance

In the government-wide and enterprise fund financial statements, when both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted for a specific future use. Designations of fund balance represent tentative management plans that are subject to change. Unreserved, undesignated fund balance indicates funds that are available for current expenditure.

In the proprietary funds, restricted net assets are used to indicate segregation of a portion of net assets equal to certain assets that are restricted for meeting various covenants as may be specified and defined in the revenue bond indenture or other legal commitment.

15. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of revenue and expenditures or expenses during the reporting period. Actual results could differ from those estimates.

NOTE II. PROPERTY TAXES

Property taxes are levied on November 1 of each year, and are due and payable upon receipt of the notice of levy. The Lee County, Florida Tax Collector's office bills and collects property taxes on behalf of the City. The total tax rate of 6.3745 mils per \$1,000 of assessed taxable property value consists of 5.8033 mils to finance general governmental services and 0.5712 mils to finance general obligation debt service for the fiscal year ended September 30, 2003. Property tax revenue is recognized in the fiscal year for which the taxes are levied. On May 1 of each year, unpaid taxes become a lien on the property. The past due tax certificates are sold at public auction prior to June 1, and the proceeds collected are remitted to the City.

No accruals for the property tax levy becoming due in November 2003 are included in the accompanying financial statements since such taxes are levied for the subsequent fiscal year and are not considered available at September 30, 2003.

NOTE III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Compliance With Finance-Related Legal and Contractual Provisions

The City has no violations of finance-related legal and contractual provisions.

NOTE IV. DETAILED NOTES

1. Cash and Investments

The City maintains a cash and investment pool that is available for use by all funds except for those in which the cash and investments must be segregated due to bond indenture or other legal restrictions such as in the pension trust funds.

Deposits

Deposits whose values exceed the limits of federal depository insurance are entirely insured or collateralized pursuant to *Florida Statutes*, Chapter 280, *Florida Security for Public Deposits Act* (the Act). Under this Act, financial institutions which are qualified as public depositories place with the State Board of Administration securities which have a market value equal to 50% of the average daily balance for each month of all public deposits in excess of applicable deposit insurance. The Public Deposit Security Trust Funds have a procedure to allocate and recover losses in the event of default or insolvency. When public deposits are made in accordance with Chapter 280, no public depositor shall be liable for any loss thereof. All City depositories at year-end were designated as qualified public depositories. The bank balance of deposits insured by the Federal Depository Insurance Corporation or pursuant to Chapter 280 of the *Florida Statutes* was \$733,575 as of September 30, 2003.

Investments

Florida Statutes 218.415 and the City's Investment Policy Ordinance 87-00 authorize investments in the Florida Local Government Surplus Funds Trust Fund (SBA), U.S. Government securities and agencies, Federal instrumentalities, interest-bearing time deposit or savings accounts, repurchase agreements, commercial paper, bankers' acceptances, state and/or local government taxable and/or tax-exempt debt, mutual funds, and any other investment authorized by bond resolutions. Certificates of deposit, savings accounts and bank balances whose value exceeds the amount of federal depository insurance are collateralized pursuant to the Act of the State of Florida. Additionally, the Pension Trust Funds are authorized to invest in corporate bonds and equity securities.

The City invests in non-derivative mortgage-backed products in part to modify exposure to certain risks, to enhance yields on investments, or to affect changes in investment portfolios without significantly affecting liquidity. Within the mortgage-backed securities category are investments in mortgages and principal and interest strips. Diversification of investments as to the investment type and the term to maturity serve to reduce both market and interest rate uncertainty. The City has and shall maintain prudent diversification of investments as to both issuer and term; in addition, to the extent possible, the City matches its investments with anticipated cash flow requirements.

In accordance with GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements*, the City's investments are categorized as follows to give an indication of the level of risk assumed by the City:

- Category 1 Includes investments that are insured or registered, or securities held by the City or its agents in the City's name, or held by the City's agents in a Depository Trust Company custodial account.
- Category 2 Includes uninsured and unregistered investments held by a counterparty's trust department or agent in the City's name.
- Category 3 Includes uninsured and unregistered investments for which securities are held by a counterparty, its trust department or agent, but not in the City's name.

Investments in mutual fund pools (commercial paper and bankers' acceptances) and the Local Government Surplus Funds Investment Pool Trust Fund (SBA) are not categorized as they are not evidenced by securities that exist in physical or book entry form.

The City invests funds throughout the year with the Local Government Surplus Funds Investment Pool Trust Fund (SBA), which is administered by the State Board of Administration, under the regulatory oversight of the State of Florida. The SBA pool's investments are recorded at amortized cost, consistent with GASB Statement No. 31. The value of the City's position in the pool is the same as the value of the pool shares.

There were no losses during the period due to default by counterparties to investment transactions, and the City had no other types of investments during the year other than those described above.

	<u>Category 1</u>	<u>Category 2</u>	<u>Carrying/ fair value</u>
General Investments			
U.S. Treasury bonds	\$ 1,139,400	\$ -	\$ 1,139,400
Federal agency bonds/notes	8,551,145	-	8,551,145
Total general investments	<u>\$ 9,690,545</u>	<u>\$ -</u>	<u>\$ 9,690,545</u>
Cash Equivalents			
Money market	<u>\$ -</u>	<u>\$ 2,112,383</u>	<u>\$ 2,112,383</u>
Pension Trust Funds			
U.S. Treasury bonds, notes and bills	\$ 8,839,449	\$ -	\$ 8,839,449
Federal agency guaranteed securities	6,959,812	-	6,959,812
Corporate bonds	17,201,653	-	17,201,653
Corporate stocks	66,761,569	-	66,761,569
Mortgage-backed securities	14,369,575	-	14,369,575
Mutual funds	21,466,023	-	21,466,023
Total pension trust funds	<u>\$ 135,598,081</u>	<u>\$ -</u>	<u>\$ 135,598,081</u>
Investments not subject to categorization:			
Money market:			
Pension trust funds			5,303,445
Local Government Surplus Trust Funds			
Investment Pool (SBA)			<u>135,552,225</u>
Total non-categorized			<u>140,855,670</u>
Total investments, excluding money market account			286,144,296
Deposits, including money market fund			<u>4,931,795</u>
Total deposits and investments			<u>\$ 291,076,091</u>

The following schedule reconciles the deposit and investment information on page 41 to the City's Net Assets:

	Current		Noncurrent - Restricted		Total cash and investments
	Cash and cash equivalents	Investments	Cash and cash equivalents	Investments	
Governmental Activities:					
General	\$ 21,055,935	\$ 1,506,090	\$ -	\$ -	\$ 22,562,025
Gas Tax	6,568,945	-	-	-	6,568,945
Nonmajor Governmental	23,375,033	-	-	-	23,375,033
Total Governmental	50,999,913	1,506,090	-	-	52,506,003
Business-type Activities:					
Water and Sewer	10,924,490	2,002,080	67,452,804	5,176,125	85,555,499
Stormwater	5,378,923	1,006,250	250,000	-	6,635,173
Nonmajor Enterprise	3,730,116	-	355,131	-	4,085,247
Total Business-type	20,033,529	3,008,330	68,057,935	5,176,125	96,275,919
Fiduciary Funds:					
Trust	-	-	5,303,445	135,598,081	140,901,526
Agency	1,392,643	-	-	-	1,392,643
Total Fiduciary Funds	1,392,643	-	5,303,445	135,598,081	142,294,169
Total	\$ 72,426,085	\$ 4,514,420	\$ 73,361,380	\$ 140,774,206	\$ 291,076,091

2. Restricted Cash and Investments

Restricted cash and investments of the proprietary funds represent resources to be restricted for capital improvements, debt service, and renewal and replacement.

	Water and Sewer	Stormwater Utility	Nonmajor Enterprise	Total
Restricted for capital improvements	\$ 22,423,798	\$ -	\$ 183,653	\$ 22,607,451
Restricted for debt service	47,107,834	-	171,478	47,279,312
Restricted for renewal and replacement	3,097,297	250,000	-	3,347,297
Total restricted assets	\$ 72,628,929	\$ 250,000	\$ 355,131	\$ 73,234,060

3. Accounts and Assessments Receivable

	General	Other Governmental Funds	Total
Unrestricted:			
Interest	\$ 3,721	\$ -	\$ 3,721
Notes	-	562,081	562,081
Intergovernmental	1,148,514	844,661	1,993,175
Gross accounts receivable	3,007,570	-	3,007,570
Less: allowance for uncollectibles	(1,952,609) ¹	-	(1,952,609)
Total net unrestricted	<u>2,207,196</u>	<u>1,406,742</u>	<u>3,613,938</u>
Restricted:			
Assessments	-	388,967	388,967
Total net restricted	<u>-</u>	<u>388,967</u>	<u>388,967</u>
Total net receivables	<u>\$ 2,207,196</u>	<u>\$ 1,795,709</u>	<u>\$ 4,002,905</u>

¹ The City lawfully requires that weeds, grass, or underbrush be kept at a height of not more than 12 inches. Where land owners in the City choose not to maintain their own vacant property in compliance with the ordinance, the City provides such service and bills the owner a fee. The city invokes the right to lien properties with unpaid lot mowing bills and has chosen not to write-off delinquent balances. Bills are sent out in February of each year. Before the end of each fiscal year the allowance for uncollectibles is adjusted to include all unpaid balances over 90 days past due.

Business-type activities:

	Water and Sewer	Stormwater Utility	Other Enterprise Funds	Total
Unrestricted:				
Interest	\$ 112,299	\$ 23,906	\$ -	\$ 136,205
Intergovernmental	111,465	251,929	-	363,394
Gross accounts receivable	1,926,241	234,412	4,628	2,165,281
Less: allowance for uncollectibles	(390,689) ²	(231,775) ³	-	(622,464)
Total net unrestricted	<u>1,759,316</u>	<u>278,472</u>	<u>4,628</u>	<u>2,042,416</u>
Restricted:				
Assessments	35,959,081	-	-	35,959,081
Gross accounts receivable	2,040,836	-	-	2,040,836
Total net restricted	<u>37,999,917</u>	<u>-</u>	<u>-</u>	<u>37,999,917</u>
Total net receivables	<u>\$ 39,759,233</u>	<u>\$ 278,472</u>	<u>\$ 4,628</u>	<u>\$ 40,042,333</u>

² The City bills users for water and sewer services monthly; before the end of each fiscal year the allowance for uncollectibles is adjusted to include all unpaid balances over 90 days past due.

³ The City by ordinance, bills each property owner within the City a fee to provide for and to make repairs to the stormwater runoff system designed to help alleviate standing water and provide water quality following heavy rains. The billing is done annually in October and before the end of the fiscal year the allowance for uncollectibles is adjusted to include all unpaid balances over 90 days past due. The billing for most properties in the City has been transferred to the tax roll for fiscal year 2003.

The City has established a delinquent collection team as well as three law firms under contract, to assist in collection of delinquent utility assessment and stormwater utility accounts. These firms specialize in such services and are working on foreclosing delinquent utility assessment and stormwater accounts. The City monitors the accounts on a monthly basis. The City has not established an allowance for the utility assessments; ultimately through liens/foreclosures, the revenue is expected to be recovered.

4. Accounts Payable and Other Accrued Liabilities

Accounts payable and other accrued liabilities at September 30, 2003 is as follows:

Governmental activities:

	<u>General</u>	<u>Gas Tax</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Accounts and contracts payable	\$ 1,717,018	\$ 283,862	\$ 604,438	\$ 2,605,318
Intergovernmental payable	9,266	-	-	9,266
Accrued liabilities	77,500	-	-	77,500
Total	<u>\$ 1,803,784</u>	<u>\$ 283,862</u>	<u>\$ 604,438</u>	<u>\$ 2,692,084</u>

Business-type activities:

	<u>Water and Sewer</u>	<u>Stormwater Utility</u>	<u>Other Enterprise Funds</u>	<u>Total</u>
Accounts and contracts payable	\$ 5,031,868	\$ 293,152	\$ 158,176	\$ 5,483,196
Intergovernmental payable	3,584	-	34,038	37,622
Total	<u>\$ 5,035,452</u>	<u>\$ 293,152</u>	<u>\$ 192,214</u>	<u>\$ 5,520,818</u>

5. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of September 30, 2003 is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Purpose for Balance</u>	<u>Amount</u>
General	Eco Park	Awaiting grant reimbursement	\$ 606,736
	Community Development Block Grant	Awaiting grant reimbursement	72,474
Total			<u>\$ 679,210</u>

Advances to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Purpose for Balance</u>	<u>Amount</u>
General	Seawall Phase VI	Construction/repaid by assessments	68,073
	Seawall Phase VII	Construction/repaid by assessments	242,164
	Seawall Phase VIII	Construction/repaid by assessments	19,031
	Golf Course Land Purchase	Clubhouse expansion project ¹	53,043
	Water Park	Construction of Slide ²	346,480
Total General Fund			<u>\$ 728,791</u>
Water and Sewer	General	Academic Village Land purchase ³	<u>\$ 6,884,306</u>

¹ Operations at the Golf Course provide funds to repay the advance. The advance is scheduled to mature in September 2009.

² Operations at the Water Park provide funds to repay the advance. The advance is scheduled to mature in April 2005.

³ Annual principal repayment of \$977,611 plus interest over seven years.

Interfund Transfers:

Transfers Out:	Transfers In						Total
	General Fund	Gas Tax	Nonmajor Governmental	Water and Sewer	Nonmajor Enterprise	Capital Asset Transfers	
General Fund	\$ -	\$ -	\$ 1,054,129 ^{2,9}	\$ -	\$ 325,000 ⁴	\$ -	\$ 1,379,129
Gas Tax	303,356 ¹	-	2,800,000 ³	-	-	-	3,103,356
Nonmajor Governmental	346,596 ^{1,6}	-	2,743,924 ⁸	-	341,432 ⁵	-	3,431,952
Water and Sewer	789,010 ^{1,6}	-	1,112,219 ^{2,3}	-	-	23,207 ⁷	1,924,436
Stormwater Utility	60,680 ^{1,6}	500,000 ¹⁰	56,109 ²	-	-	-	616,789
Capital Asset Transfers	-	-	-	\$ 123,294 ⁷	-	-	123,294
Total Transfers Out	\$ 1,499,642	\$ 500,000	\$ 7,766,381	\$ 123,294	\$ 666,432	\$ 23,207	\$ 10,578,956

¹ Funds transferred to the General fund are for reimbursement at budgetary established levels for administrative services.

² Various funds transferred receipts restricted to the debt service fund as debt service payments became due.

³ The Gas Tax fund transferred \$2,800,000 and the water and sewer fund transferred \$1,000,000 to a nonmajor governmental fund (Cape Coral Six-Laning) for road construction.

⁴ The general fund transferred \$325,000 to a nonmajor enterprise fund (Golf Course) at budgetary established levels to support operations.

⁵ Park impact fees are transferred to the Water Park to support debt service.

⁶ Various non-recurring transfers of funds.

⁷ This represents capital assets that were transferred to/from governmental funds to/from proprietary funds.

⁸ Various special revenue funds made transfers to capital projects funds for construction.

⁹ General Fund transferred \$90,000 to a nonmajor governmental fund (Eco Park) for capital improvements.

¹⁰ Stormwater transferred \$500,000 to the Gas Tax fund for reimbursement at budgetary established levels.

6. Intergovernmental Revenue

Intergovernmental revenue at September 30, 2003 is as follows:

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Operating Grant and State Shared Revenue:			
Community development	\$ 160,037	\$ -	\$ 160,037
Parks and recreation	104,792	-	104,792
Police	362,445	-	362,445
Public works	11,744	-	11,744
Local shared revenue	348,389	-	348,389
State shared revenue	12,859,489	-	12,859,489
Capital Grant Revenue:			
Community development	20,000	-	20,000
Parks and recreation	296,277	554,817	851,094
Police	591,574	-	591,574
Fire	60,000	-	60,000
Other Intergovernmental Revenue:			
Community development	-	1,466,110	1,466,110
Other Inter-local Agreements			
	<u>47,516</u>	<u>-</u>	<u>47,516</u>
Total	<u><u>\$ 14,862,263</u></u>	<u><u>\$ 2,020,927</u></u>	<u><u>\$ 16,883,190</u></u>

7. Interest Income

Interest income as of September 30, 2003 is as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Investment income	\$ 876,177	\$ 1,375,459	\$ 2,251,636
Interest on advances	21,232	42,893	64,125
Interest billed on loans	22,910	5,763,181	5,786,091
Interest received from tax collector	31,170	11,516	42,686
Total	<u><u>\$ 951,489</u></u>	<u><u>\$ 7,193,049</u></u>	<u><u>\$ 8,144,538</u></u>

8. Operating Leases

The City has entered into various lease agreements for copiers, fax machines and police motorcycles. These leases are accounted for as operating leases. The leases are generally for a 3 or 5-year term and include renewal options. The following schedule reflects the operating lease obligations for the next five years. There are no current leases extending beyond 2008.

Year Ending September 30	Lease Payments
2004	\$ 150,020
2005	129,770
2006	54,312
2007	19,622
2008	10,129
Total	<u>\$ 363,853</u>

9. Capital Assets

Capital asset activity for the year ended September 30, 2003 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 10,168,579	\$ 13,180,171	\$ (681,610)	\$ 22,667,140
Construction in progress	15,654,019	10,971,442	(23,556,844)	3,068,617
Total capital assets, not being depreciated	<u>25,822,598</u>	<u>24,151,613</u>	<u>(24,238,454)</u>	<u>25,735,757</u>
Capital assets, being depreciated:				
Buildings	28,775,432	3,048,592	(13,327)	31,810,697
Building improvements	-	307,910	-	307,910
Improvements other than buildings	7,019,492	1,216,969	(183,918)	8,052,543
Equipment	21,671,256	5,151,189	(3,484,672)	23,337,773
Infrastructure	24,988,001	20,048,327	(93,514)	44,942,814
Total capital assets, being depreciated	<u>82,454,181</u>	<u>29,772,987</u>	<u>(3,775,431)</u>	<u>108,451,737</u>
Less accumulated depreciation for:				
Buildings	(4,696,728)	(793,721)	-	(5,490,449)
Building improvements	-	(3,362)	-	(3,362)
Improvements other than buildings	(3,328,275)	(413,411)	175,293	(3,566,393)
Equipment	(14,274,264)	(2,889,462)	3,261,717	(13,902,009)
Infrastructure	(7,983,540)	(1,023,042)	76,888	(8,929,694)
Total accumulated depreciation	<u>(30,282,807)</u>	<u>(5,122,998)</u>	<u>3,513,898</u>	<u>(31,891,907)</u>
Total capital assets, being depreciated, net	<u>52,171,374</u>	<u>24,649,989</u>	<u>(261,533)</u>	<u>76,559,830</u>
Governmental activities capital assets, net	<u>\$ 77,993,972</u>	<u>\$ 48,801,602</u>	<u>\$ (24,499,987)</u>	<u>\$ 102,295,587</u>

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land				
Water and sewer	\$ 1,374,165	\$ 882,826	\$ (115,480)	\$ 2,121,511
Stormwater	31,900	21,642	-	53,542
Other enterprise	1,596,308	53,043	-	1,649,351
Total Land	<u>3,002,373</u>	<u>937,511</u>	<u>(115,480)</u>	<u>3,824,404</u>
Construction in progress				
Water and sewer	50,786,183	69,073,280	(72,828,213)	47,031,230
Stormwater	437,845	733,483	-	1,171,328
Other enterprise	-	45,360	(3,966)	41,394
Total Construction in progress	<u>51,224,028</u>	<u>69,852,103</u>	<u>(72,832,179)</u>	<u>48,243,952</u>
Total capital assets, not being depreciated	<u>54,226,401</u>	<u>70,789,614</u>	<u>(72,947,659)</u>	<u>52,068,356</u>
Capital assets, being depreciated:				
Buildings				
Water and sewer	25,534,442	-	-	25,534,442
Stormwater	-	-	-	-
Other enterprise	1,650,478	-	-	1,650,478
Total buildings	<u>27,184,920</u>	<u>-</u>	<u>-</u>	<u>27,184,920</u>
Building improvements				
Water and sewer	-	67,742	-	67,742
Stormwater	-	1,451	-	1,451
Other enterprise	-	3,327	-	3,327
Total building improvements	<u>-</u>	<u>72,520</u>	<u>-</u>	<u>72,520</u>
Improvements other than buildings				
Water and sewer	306,473,870	73,324,021	(3,649,832)	376,148,059
Stormwater	18,002,954	-	-	18,002,954
Other enterprise	7,600,856	103,764	(227,896)	7,476,924
Total improvements other than buildings	<u>332,077,680</u>	<u>73,427,785</u>	<u>(3,877,528)</u>	<u>401,627,937</u>
Equipment				
Water and sewer	18,477,103	805,402	(335,466)	18,947,039
Stormwater	4,097,870	514,618	(64,336)	4,548,152
Other enterprise	1,512,800	372,924	(92,548)	1,793,176
Total equipment	<u>24,087,773</u>	<u>1,692,944</u>	<u>(492,350)</u>	<u>25,288,367</u>
Total capital assets, being depreciated	<u>\$ 383,350,373</u>	<u>\$ 75,193,249</u>	<u>\$ (4,369,878)</u>	<u>\$ 454,173,744</u>

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Less accumulated depreciation for:				
Buildings				
Water and sewer	\$ (8,536,125)	\$ (668,923)	\$ -	\$ (9,205,048)
Stormwater	-	-	-	-
Other enterprise	(566,890)	(45,879)	-	(612,769)
Total buildings	<u>(9,103,015)</u>	<u>(714,802)</u>	<u>-</u>	<u>(9,817,817)</u>
Building improvements				
Water and sewer	-	(4,570)	-	(4,570)
Stormwater	-	(31)	-	(31)
Other enterprise	-	(444)	-	(444)
Total building improvements	<u>-</u>	<u>(5,045)</u>	<u>-</u>	<u>(5,045)</u>
Improvements other than buildings				
Water and sewer	(132,726,864)	(14,499,925)	3,589,543	(143,637,246)
Stormwater	(5,826,531)	(899,351)	-	(6,725,882)
Other enterprise	(3,914,150)	(283,373)	227,696	(3,969,827)
Total improvements other than buildings	<u>(142,467,545)</u>	<u>(15,682,649)</u>	<u>3,817,239</u>	<u>(154,332,955)</u>
Equipment				
Water and sewer	(16,262,173)	(788,985)	271,289	(16,779,869)
Stormwater	(2,651,477)	(533,242)	54,893	(3,129,826)
Other enterprise	(1,058,034)	(199,380)	54,355	(1,203,059)
Total equipment	<u>(19,971,684)</u>	<u>(1,521,607)</u>	<u>380,537</u>	<u>(21,112,754)</u>
Total accumulated depreciation	<u>(171,542,244)</u>	<u>(17,924,103)</u>	<u>4,197,776</u>	<u>(185,268,571)</u>
Total capital assets, being depreciated, net	<u>211,808,129</u>	<u>57,269,146</u>	<u>(172,102)</u>	<u>268,905,173</u>
Business-type activities capital assets, net	<u>\$ 266,034,530</u>	<u>\$ 128,058,760</u>	<u>\$(73,119,761)</u>	<u>\$ 320,973,529</u>

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

Governmental activities:	
General government	\$ 1,027,364
Public safety	
Police	955,758
Fire	611,749
Public works	166,024
Community development	8,122
Parks and recreation	835,011
Transportation	1,518,970
Total depreciation expense - governmental activities	<u>\$ 5,122,998</u>
Business-type activities:	
Water and sewer	\$ 15,962,403
Stormwater	1,432,624
Other enterprise	529,076
Total depreciation expense - business-type activities	<u>\$ 17,924,103</u>

10. Construction Commitments

The City has active construction projects as of September 30, 2003. The projects include access to canal waterways, widening and reconstruction of existing streets, replacement of the public safety network, planning of new fire stations, improvements to parks, water production enhancements, and utility expansions. At year-end, the City's commitments with contractors are as follows:

	<u>Total Contract</u>	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Governmental activities:			
Chantry canal launching facility/marina ¹	\$ 63,000	\$ (12,497)	\$ 50,503
Chiquita boat lock ¹	126,600	(109,098)	17,502
Del Prado widening ²	495,111	(387,262)	107,849
Gleason Parkway extension (land and design) ²	329,650	(311,898)	17,752
Chiquita widening study ²	32,663	(19,848)	12,815
Country Club Boulevard improvements ²	774,526	(30,996)	743,530
Police/Fire public safety network ³	2,019,567	(718,500)	1,301,067
Design of new fire station #3 ³	86,700	(16,278)	70,422
Design of new fire station #8 ³	75,960	(9,495)	66,465
Parks and recreation office and maintenance building at everest annex ⁴	189,473	(170,525)	18,948
Camelot Park - tennis courts and parking lots ⁴	89,775	(42,160)	47,615
Eco Park pond and loop boardwalk ⁴	18,000	(7,286)	10,714
Horton Park improvements ⁴	12,453	(8,717)	3,736
Rotary Park - glover bright trail and boardwalk ⁴	464,979	(278,769)	186,210
Total governmental activities	<u>4,778,457</u>	<u>(2,123,329)</u>	<u>2,655,128</u>
Business-type activities:			
Water production enhancements ⁵	2,529,265	(1,103,588)	1,425,677
Utility Expansions:⁶			
Southwest 2 water, wastewater and irrigation (design only)	43,784,898	(4,324,208)	39,460,690
Southwest 3 water, wastewater and irrigation	42,958,228	(37,695,644)	5,262,584
Total business-type activities	<u>89,272,391</u>	<u>(43,123,440)</u>	<u>46,148,951</u>
Total	<u>\$ 94,050,848</u>	<u>\$ (45,246,789)</u>	<u>\$ 48,804,079</u>

¹ The access to canal waterways is funded through the general fund.

² The widening and reconstruction of existing streets is funded from the Community Redevelopment Agency, gas taxes, road impact fees, and water and sewer operations.

³ The public safety improvements are funded by grants, fire impact fees and the general fund.

⁴ Park Improvements are funded by grants and the general fund.

⁵ The water production enhancements are funded by water and sewer operations, impact fees and betterment fees.

⁶ The utility expansions are financed by State Revolving Fund Loans and special assessment debt, both will be repaid by the benefited property owners.

11. Long-term Debt

The following is a summary of changes in the City's bonded and other indebtedness for the year ended September 30, 2003:

<u>Governmental Activities</u>	<u>General obligation bonds</u>	<u>Revenue bonds</u>	<u>Notes payable</u>	<u>Capital leases payable</u>	<u>Total</u>
Original amounts	\$ 8,705,000	\$ 17,265,000	\$ 650,000	\$ 4,249,718	\$ 30,869,718
Debt payable - beginning	9,635,000	16,366,600	355,110	788,252	27,144,962
Debt issued	8,705,000	1,785,000	-	2,969,718	13,439,718
Debt retired	(9,635,000)	(2,276,600)	(193,333)	(1,199,820)	(13,304,753)
Debt payable - ending	8,705,000	15,855,000	161,777	2,558,150	27,279,927
Less amounts recorded as current liabilities	(1,355,000)	(550,000)	(43,333)	(964,567)	(2,912,900)
Long-term debt - ending	<u>\$ 7,350,000</u>	<u>\$ 15,305,000</u>	<u>\$ 118,444</u>	<u>\$ 1,593,583</u>	<u>\$ 24,367,027</u>

Business-type Activities	General obligation bonds	Revenue bonds	Notes payable	Capital leases payable	Special assessment debt	Total
Original amounts	\$ 11,710,000	\$ 44,485,000	\$ 164,167,165	\$ 235,579	\$ 60,850,000	\$ 220,597,744
Debt payable - beginning	3,162,650	38,056,070	72,472,051	190,947	22,628,579	136,510,297
Debt issued	-	18,550,000	27,868,997	-	35,640,000	82,058,997
Debt payments made	(1,225,000)	(2,290,000)	(3,958,688)	(101,316)	(4,645,000)	(12,220,004)
Other additions/deletions	-	(19,370,587)	672,750	(10,242)	(68,969)	(18,577,048)
Accretion of capital appreciation bonds	-	647,823	-	-	-	647,823
Amortization of discount (premium)	(5,889)	(48,318)	-	-	23,111	(31,096)
Amortization of deferred gain (loss) on refunding	68,014	306,066	-	-	210,697	584,777
	1,899,775	36,851,054	97,255,110	79,389	53,788,418	188,973,746
Less amounts recorded as current liabilities	(1,300,000)	(3,420,000)	(4,440,097)	(7,710)	(2,350,881)	(11,518,688)
Long-term debt - ending	\$ 699,775	\$ 32,431,054	\$ 92,815,013	\$ 71,679	\$ 51,437,537	\$ 177,455,058

Long-term Debt at September 30, 2003 is comprised of the following

General Long-term Debt

General Obligation Bonds

\$8,705,000 General Obligation Bonds, Series 2003A, issued to refund the City's General Obligation Bonds, Series 1993. Interest accrues at rates ranging from 2.00% to 2.75% collateralized by the full faith and credit of the City. Bond principal is payable annually through July 2009 with interest paid semiannually.

\$ 8,705,000

Revenue Bonds

\$1,765,000 Special Revenue Refunding and Improvement Bonds, Series 2002 issued to refund the Series 1993, Franchise Fee Revenue Bonds. Interest accrues at rates ranging from 2.00% to 3.75% collateralized by franchise fees and communication taxes. Bond principal is payable annually through December 2012 with interest paid semiannually. (combined with \$4,475,000 proprietary revenue bond)

\$ 1,765,000

\$15,500,000 Capital Improvement Revenue Bonds, Series 1999, consisting of \$7,620,000 Serial Bonds maturing October 2000 through October 2015, and \$7,880,000 Term Bonds maturing in 2024 issued to finance the cost of acquisition, construction and equipping the new city hall complex and emergency operation center and a renovation of existing city hall. Interest accrues at rates ranging from 3.7% to 5.38%, collateralized by half-cent sales tax proceeds.

14,090,000

\$ 15,855,000

Notes Payable

\$650,000 Improvement Revenue Note, Series 1992 payable to a financial institution for the purpose of financing the cost of capital improvements within the City's Community Redevelopment Area. The note is collateralized by ad valorem tax revenue within the geographic boundaries of the Community Redevelopment Area. The note requires annual principal payments through December 2007. The interest rate is set at 85.5% of the prime rate (the note interest rate was 3.42% at September 30, 2003) and is payable semiannually.

\$ 161,777

Capital Leases Payable

\$1,280,000 capital lease payable to Tryon Investments II LLC for police vehicles. The lease is collateralized by the related vehicles that were capitalized in the amount of the lease and included as part of the capital assets of the City. The lease requires annual debt service payments ranging from \$284,228 to \$311,353 including principal and interest accruing at 5.37% through February 2005.

\$ 532,432

\$73,827 capital lease payable to GE Capital for two Groundmaster 4500-D mowers with attachments. The lease is collateralized by the related equipment that is capitalized in the amount of the lease and included as part of the capital assets of the City. The lease requires annual debt service payments of \$20,731 including principal and interest accruing at 6.25% through June 2007.

\$ 69,367

\$112,000 capital lease payable to IBM Credit Corporation for an AS 400 Computer System. The lease is collateralized by the related equipment that is capitalized in the amount of the lease and included as part of the capital assets of the City. The lease requires annual debt service payments of \$42,132 including principal and interest accruing at 7.95% through January 2006.

87,026

\$1,118,891 capital lease payable to OSSI Software Solutions for the Safety Network. The lease is collateralized by the related hardware and software that is capitalized in the amount of the lease and included as part of the capital assets of the City. The lease requires annual debt service principal payments of \$183,131 in fiscal year 2004 and \$218,722 in fiscal years 2005 and 2006. There is no interest cost associated with this lease.

620,575

\$1,665,000 capital lease payable to the Trust For Public Land for future park land. The lease is collateralized by the related property that is collateralized in the amount of the lease and included as part of the capital assets of the City. The lease requires annual debt service payments of \$416,250 plus interest at prime through August 2006.

1,248,750

\$ 2,558,150

Proprietary Funds - Long-term Debt

General Obligation Bonds

\$11,710,000 General Obligation Water and Sewer Refunding Bonds, Series 1995, issued and used to refund the City's General Obligation Water and Sewer Refunding Bonds, Series 1987. Interest accrues at rates ranging from 4.2% to 6%, collateralized by the full faith and credit of the City. Principal payable annually with interest being paid semiannually.

\$ 2,075,000

Less deferred loss on refunding

(85,529)

Plus unamortized premium

10,304

\$ 1,999,775

Revenue Bonds

\$3,080,000 Capital Improvement Refunding Revenue Bonds, Series 1997, maturing October 2009 at an interest rate of 4.89%. The bond is collateralized by a first lien upon the proceeds of the local government half-cent sales tax.

\$ 1,735,000

\$5,680,000 Water and Sewer Revenue Bonds, Series 1991, consisting of Capital Appreciation Bonds. The Bonds were partially defeased in the amount of \$3,818,819, plus accreted interest of \$663,129 by the Water and Sewer Refunding Revenue Bonds, Series 1993. The remaining bonds accrete to a value of \$5,680,000 due between 2008 and 2012. Interest rates range from 6.75% to 7.1%, collateralized by a lien upon the water and sewer system's net revenues as defined by the bond resolution. Accreted interest at September 30, 2003 is \$1,716,804 and has been added to the balance due. The Series 1991 bonds are issued in parity with the City's Water and Sewer Refunding Revenue Bonds, Series 1993 and the Water and Sewer Refunding Revenue Bonds, Series 2000.

\$ 3,567,454

\$12,595,000 Water and Sewer Refunding Revenue Bonds, Series 2000, the bonds are secured by a pledge of and lien upon the water and sewer system's net revenues as defined by the bond resolution. The bonds refunded all of the outstanding Series 1986 Water and Sewer Revenue Bonds and a portion of the principal amount of the City's outstanding 1992 Wastewater Improvement Assessment Bonds (Green Area). Principal paid annually until 2013, with interest paid semiannually at rates ranging from 4.750% to 5.625%. The Series 2000 bonds are issued in parity with the City's Water and Sewer Revenue Bonds, Series 1991 and the Water and Sewer Refunding Revenue Bonds, Series 1993.

8,180,000

\$4,580,000 Florida Municipal Loan Council Revenue Bonds, Series 2002A. The bonds are secured by a pledge of and lien upon the net revenues of the Stormwater Utility System. The bonds refunded all of the outstanding Stormwater Utility Revenue Bonds, Series 1992. Principal paid annually until May 2012, with interest paid semiannually at rates ranging from 3.25% to 5.50%.

4,200,000

\$4,475,000 Special Revenue Refunding and Improvements Bonds, Series 2002 issued to refund the Series 1993, Franchise Fee Revenue Bonds. Interest accrues at rates ranging from 2.00% and 3.75% collateralized by franchise fees and communication taxes. Bond principal is payable annually through December 2012 with interest paid semiannually. (combined with \$1,765,000 General long-term debt revenue bond)

4,475,000

\$14,075,000 Water and Sewer Refunding Revenue Bonds, Series 2003, the bonds are secured by a pledge of and lien upon the water and sewer system's net revenues as defined by the Bond Resolution. The bonds refunded all of the outstanding Series 1993 Water and Sewer Refunding Revenue Bonds. Principal paid annually until 2018, with interest paid semiannually at rates ranging from 2.00% to 5.25%. The Series 2003 Bonds are issued in parity with the City's Water and Sewer Revenue Bonds, Series 1991 and the Water and Sewer Refunding Revenue Bonds, Series 2000.

14,075,000

Less deferred loss on refunding
Plus unamortized premium

(1,929,479)

1,548,079

\$ 35,851,054

Notes Payable

\$13,880,310 State Revolving Fund revenue note #110 payable to the State with principal and interest payable semiannually at 2.59% until 2014. The note is collateralized by special assessment revenue and net revenues of the water and sewer system.	\$ 8,822,723
\$29,910,686 State Revolving Fund revenue note #140 payable to the State with principal and interest payable semiannually at rates ranging from 2.63% to 3.79% until 2016. The note is collateralized by special assessment revenue and net revenues of the water and sewer system.	21,683,628
\$24,308,325 State Revolving Fund revenue note #090 (plant) payable to the State with principal and interest payable annually at a rate of 3.68% and 3.75% until 2014. The note is collateralized by water and sewer non-ad valorem revenue and impact fees.	14,154,860
\$18,896,360 State Revolving Fund revenue note #100 (transmission) payable to the State with principal and interest payable semiannually at rates ranging from 2.89% to 3.57% until 2015. The note is collateralized by water and sewer non-ad valorem revenue and impact fees.	12,297,906
\$17,814,884 State Revolving Fund Loan Agreement #7516P payable to the State with principal and interest payable semiannually at 3.19% beginning October 2004. The security is a lien on the net revenues of the water and sewer system and impact fees.	13,625,334
\$18,712,500 State Revolving Fund Loan Agreement #7516L 01 payable to the State with principal and interest payable semiannually at 2.93% beginning December 2003. The security is a lien on the net revenues of the water and sewer system and impact fees.	5,828,281
\$40,644,100 State Revolving Fund Loan Agreement #7516L 02 payable to the State with principal and interest payable semiannually at 2.93% beginning June 2005. The security is a lien on the net revenues of the water and sewer system and impact fees.	20,842,378
	<u>\$ 97,255,110</u>

Capital Leases Payable

\$235,579 capital lease payable to Yamaha Motor Corp for golf carts. The lease is collateralized by the related equipment in the amount of the lease and included as part of the fixed assets of the City. The equipment has a guaranteed residual value of \$71,679. The lease requires monthly payments of \$4,202, including principal and interest accruing at 5.37% through December 2003.	<u>\$ 79,389</u>
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Special Assessment Debt with Government Commitment

In order to fund construction of the City's water and wastewater utility expansion in certain areas of the City, the City has issued Special Assessment Improvement Debt. The City is acting as agent in the collection of the special assessments levied and in the payment of the Special Assessment Bonds outstanding. Such bonds are collateralized by special assessments levied against the benefited property owners. The City will assume responsibility in the event of default on the outstanding Special Assessment Bonds. Current year special assessment collections were sufficient to meet fiscal year 2003 debt service requirements.

Information regarding Special Assessment Debt outstanding at September 30, 2003 is as follows:

	<u>Original Issue</u>	<u>Interest Rates</u>	<u>Final Maturity Date</u>	<u>Balance Outstanding</u>
Wastewater Assessment Refunding Bonds, Series 2001 (Green Area)	\$ 9,325,000	2.9 - 4.75%	2012	\$ 6,095,000
Water Assessment Refunding Bonds, Series 2001 (Orange Area)	7,030,000	2.8 - 4.37%	2009	5,270,000
Wastewater Assessment Refunding Bonds, Series 2002 (Green Area)	8,855,000	4.4 - 5.0%	2012	8,855,000
Water Improvement Assessment Bonds, Series 2002 (Southwest 1)	6,140,000	1.5 - 3.875%	2015	5,875,000
Water Improvement Assessment Note, Series 2003 (Pine Island)	2,750,000	3.71%	2018	2,750,000
Wastewater Improvement Assessment Note, Series 2003 (Pine Island)	5,250,000	3.71%	2018	5,250,000
Florida Local Government Finance Commission Pooled Commercial Paper Notes, Series A, Draw A-1-2 (Southwest 3)	21,500,000	variable	2008	21,500,000
	<u>\$ 60,850,000</u>			<u>55,595,000</u>
Less deferred loss on refunding				(1,578,264)
Less unamortized discount				(228,318)
Total Special Assessment Debt				<u>\$ 53,788,418</u>

Governmental Activities

Year ending September 30,	General Obligation Bonds		Revenue Bonds		Notes Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2004	\$ 1,355,000	\$ 222,143	\$ 550,000	\$ 783,043	\$ 43,333	\$ 7,307
2005	1,415,000	165,803	570,000	762,793	43,333	5,037
2006	1,435,000	137,303	600,000	740,508	43,333	2,783
2007	1,465,000	108,803	620,000	715,983	31,778	829
2008	1,500,000	77,837	650,000	689,953	-	-
2009 - 2013	1,535,000	42,212	3,690,000	2,994,162	-	-
2014 - 2018	-	-	3,515,000	2,123,644	-	-
2019 - 2023	-	-	4,590,000	1,054,263	-	-
2024 - 2028	-	-	1,070,000	57,513	-	-
Total	\$ 8,705,000	\$ 753,701	\$ 15,855,000	\$ 9,921,862	\$ 161,777	\$ 15,956

Business-type Activities

Year Ending September 30,	General Obligation Bonds		Revenue Bonds		Notes Payable		Special Assessment Debt	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
	2004	\$ 1,300,000	\$ 80,625	\$ 3,420,000	\$ 1,545,892	\$ 4,440,097	\$ 2,145,310	\$ 2,350,881
2005	775,000	23,250	2,725,000	1,310,759	5,189,440	2,545,406	2,431,567	1,583,029
2006	-	-	2,345,000	1,232,481	5,887,818	2,675,691	2,452,382	1,491,143
2007	-	-	1,170,000	1,160,814	6,074,275	2,489,232	3,243,794	1,396,301
2008	-	-	2,444,125	1,091,189	6,266,742	2,296,766	3,260,816	1,039,821
2009 - 2013	-	-	13,700,242	4,078,937	34,445,068	8,372,453	35,407,339	2,988,164
2014 - 2018	-	-	8,480,000	1,846,488	20,007,118	3,606,157	4,848,231	923,712
2019 - 2023	-	-	-	-	12,024,341	1,455,365	1,600,000	179,740
2024 - 2028	-	-	-	-	2,920,191	60,849	-	-
	<u>2,075,000</u>	<u>103,875</u>	<u>34,284,367</u>	<u>12,066,558</u>	<u>97,255,110</u>	<u>25,667,229</u>	<u>55,595,000</u>	<u>11,334,114</u>
Deferred loss on refunding	(85,529)	-	(1,929,479)	-	-	-	(1,578,264)	-
Unamortized bond (discount)/ premium	10,304	-	1,548,079	-	-	-	(228,318)	-
Accrued interest	-	-	1,948,087	-	-	-	-	-
Total	\$ 1,999,775	\$ 103,875	\$ 35,851,054	\$ 12,066,558	\$ 97,255,110	\$ 25,667,229	\$ 53,788,418	\$ 11,334,114

Capital Leases – The capital leases are recorded at the total present value of future minimum lease payments. The following schedule shows the present value of these payments at September 30, 2003. There are no capital leases extending beyond 2007.

Year Ending September 30,	Governmental Activities	Business- type Activities	Total
2004	\$ 996,421	\$ 8,403	\$ 1,004,824
2005	1,008,029	-	1,008,029
2006	683,470	-	683,470
2007	15,548	-	15,548
Total payments	2,703,468	8,403	2,711,871
Residual value	-	71,679	71,679
Less imputed interest	(145,318)	(693)	(146,011)
Total present value of net minimum lease	\$ 2,558,150	\$ 79,389	\$ 2,637,539

Changes in Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2003, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Long-term debt ⁽¹⁾	\$ 27,144,962	\$ 13,439,718	\$(13,304,753)	\$ 27,279,927	\$ 2,809,607
Compensated absences	4,180,037	240,415	-	4,420,452	741,478
Total Governmental	<u>\$ 31,324,999</u>	<u>\$ 13,680,133</u>	<u>\$(13,304,753)</u>	<u>\$ 31,700,379</u>	<u>\$ 3,551,085</u>
Business-type activities:					
Water and Sewer					
Long-term debt	\$ 125,564,194	\$ 80,389,688	\$(26,922,247)	\$ 179,031,635	\$ 10,480,978
Compensated absences	810,980	32,755	-	843,735	114,221
Settlement payable	1,000,000	-	(500,000)	500,000	500,000
Total Water and Sewer	<u>127,375,174</u>	<u>80,422,443</u>	<u>(27,422,247)</u>	<u>180,375,370</u>	<u>11,095,199</u>
Stormwater					
Long-term debt	4,441,427	-	(414,225)	4,027,202	390,000
Compensated absences	255,134	15,135	-	270,269	39,550
Total Stormwater	<u>4,696,561</u>	<u>15,135</u>	<u>(414,225)</u>	<u>4,297,471</u>	<u>429,550</u>
Other Enterprise					
Long-term debt	6,504,676	4,570,768	(5,160,535)	5,914,909	647,710
Compensated absences	325,913	82,977	(6,353)	402,537	50,015
Total Other Enterprise	<u>6,830,589</u>	<u>4,653,745</u>	<u>(5,166,888)</u>	<u>6,317,446</u>	<u>697,725</u>
Total Business-type					
Long-term debt	136,510,297	84,960,456	(32,497,007)	188,973,746	11,518,688
Compensated absences	1,392,027	130,867	(6,353)	1,516,541	203,786
Settlement payable	1,000,000	-	(500,000)	500,000	500,000
Total Business-type	<u>\$ 138,902,324</u>	<u>\$ 85,091,323</u>	<u>\$(33,003,360)</u>	<u>\$ 190,990,287</u>	<u>\$ 12,222,474</u>

⁽¹⁾ Government-wide statements include deferred loss and premium on debt.

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

Any holder of bonds has the right to compel the performance of all duties required by the bond resolution, including the appointment of a receiver.

Conduit Debt Obligation – To provide for the financing of the acquisition, construction, improvement and installation of a 24-bed intermediate care facility for the developmentally disabled in the City, the Cape Coral Development Center, Ltd. (Center) has issued two series of Industrial Development Refunding Revenue Bonds, Series 1994A. These bonds do not constitute a debt or pledge of the full faith and credit of the City and, accordingly, they have not been reported in the accompanying financial statements. At September 30, 2003, Industrial Development Refunding Revenue Bonds outstanding aggregated \$500,000.

To provide financing of the acquisition, construction and equipping of a six-story building consisting of 192 residential units, 39 personal care units, and a 48-bed nursing home within the City, the City of Cape Coral Health Facilities Authority has issued a series of First Mortgage Revenue Refunding Bonds, Series 1995A. These bonds do not constitute a debt or pledge of the full faith and credit of the City, and accordingly, they have not been reported in the accompanying financial statements. At September 30, 2003, Health Facility Revenue Bonds outstanding aggregated \$14,720,000.

To provide for the refinancing of a loan to finance the construction of a 25-bed expansion of the existing Health Center and a new entrance to the assisted living units, the City of Cape Coral Health Facilities Authority has issued a series of First Mortgage Revenue Bonds, Series 1997. These bonds do not constitute a debt or pledge of the full faith and credit of the City, and accordingly, they have not been reported in the accompanying financial statements. At September 30, 2003, First Mortgage Revenue Bonds outstanding aggregated \$6,905,000.

Advance and Current Refundings

The City issued General Obligation refunding bonds, Series 2003A in the amount of \$8,705,000 at an interest rate ranging from 2.00% to 2.75% and maturing in 2009. The Bonds are collateralized by the full faith and credit of the City. The Bonds are being issued for the purpose of refunding, together with other available monies, that portion of the outstanding principal amount of the City's General Obligation Refunding Bonds, Series 1993, maturing on and after July 1, 2004 currently outstanding in the aggregate principal amount of \$8,455,000 (the Refunded Bonds) and paying the costs of issuance of the Bonds. The City purchased direct obligations of the United States of America that were placed in an irrevocable trust with an escrow agent to provide all future debt service requirements of the defeased debt. As a result, the refunded bonds were considered to be defeased and the liability removed from the financial statements of the City. The refunding was undertaken to reduce total debt service payments over the next six years by \$618,466 and resulted in an economic gain of \$567,185.

The City issued Special Revenue Refunding and Improvement Bonds, Series 2002 in the amount of \$6,240,000 at an interest rate ranging from 2.00% to 3.75% and maturing in 2012. The Bonds are collateralized by a first lien on franchise fees and communication service tax revenues. Proceeds from the bonds, together with other available funds were used to refund all of the outstanding \$6,540,000 Franchise Fee Revenue Bonds, Series 1993. The City purchased U.S. Treasury Obligations that were placed in an irrevocable trust with an escrow agent to provide all future debt service requirements of the defeased debt. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the financial statements of the City. Available proceeds from the Series 2002 Bonds will be used for all or a portion of the following: (i) acquisition of certain land for recreational purposes; (ii) acquisition of certain land for the location of new fire stations; (iii) expansion of the irrigation system at the City's golf course; (iv) construction of improvements to the City's golf course entrance; and (v) construction of improvements to the City's golf course clubhouse and maintenance building. The bond issue is split between governmental funds and an enterprise fund (Golf Course). For the portion associated to the Golf Course, the reacquisition

price exceeded the net carrying amount of the old debt by \$261,801. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued. This refunding was undertaken to reduce total debt service payments over the next ten years by \$421,847 and resulted in an economic gain of \$467,184.

The City issued Water and Sewer Refunding Revenue Bonds, Series 2003 in the amount of \$14,075,000 at an interest rate ranging from 2.00% to 5.25% and maturing in 2018. Proceeds from the bonds, together with other available funds, were used to refund all of the outstanding \$14,900,969 (including accreted value) Water and Sewer Refunding Revenue Bonds, Series 1993. The City purchased U.S. Treasury Obligations that were placed in an irrevocable trust with an escrow agent to provide all future debt service requirements of the defeased debt. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the financial statements of the City. The reacquisition price exceeded the net carrying amount of the old debt by \$1,014,275. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued. This refunding was undertaken to reduce total debt service payments over the next 16 years by \$4,901,529 and resulted in an economic gain of \$2,385,805.

12. Defeased Debt Issues

Enterprise Fund Debt:

Water and Sewer Revenue Bonds, Series 1977	\$ 1,770,000
Junior Lien Water and Sewer Revenue Refunding Bonds, Series 1978	2,570,000
General Obligation Water and Sewer Refunding Bonds, Series 1978A and 1978B	9,860,000
Water and Sewer Revenue Bonds, Series 1978	65,000
Water and Sewer Revenue Refunding and Improvement Bonds, Series 1980	5,565,000
Water and Sewer Revenue Bonds, Series 1993	15,042,561
Total defeased bonds outstanding	<u>\$ 34,872,561</u>

13. Deficit Fund Balances or Net Assets of Individual Funds

The following individual funds had deficit fund balances as of September 30, 2003:

Governmental activities:

Seawall Phase VI	\$ (3,039)
Seawall Phase VII	(200,449)
Seawall Phase VIII	(12,108)

The deficit fund balances are anticipated to be recovered through future assessment collections for the seawall projects.

Business-type activities:

Golf Course	\$ (785,905)
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This deficit net asset balance is anticipated to be recovered by Council approved rate increases, population growth within the City, and an increase in the number of tourists playing golf.

14. Construction Project Interest Cost

Financial Accounting Standard Board Statement No. 62, *Capitalization of Interest Cost in Situations Involving Certain Tax-Exempt Borrowings and Certain Gifts and Grants* requires that the difference between interest expense on debt and interest earnings on reinvested debt proceeds be capitalized.

In addition, Financial Accounting Standard Board Statement No. 34, *Capitalization of Interest Cost*, requires that interest be capitalized even when no new debt is issued to finance a project. This amount is calculated by multiplying the weighted average construction expenditures by the weighted average interest rate of outstanding debt in the fund that used its existing resources to finance the expenses.

Actual interest cost	\$ 1,419,411
Imputed interest cost	562,922
Less interest income	<u>(132,820)</u>
Net interest capitalized	<u><u>\$ 1,849,513</u></u>

15. Segment Information

The City issued revenue bonds to finance its water and sewer department. The water and sewer department and the special assessment funds are accounted for in a single fund in the financial statements. However, investors in the revenue bonds rely solely on the revenue generated by the water and sewer activity for repayment. Summary financial information for the water and sewer department is presented below.

CONDENSED STATEMENT OF NET ASSETS

Assets:

Current assets	\$ 10,339,447
Loans from other funds	13,195,646
Restricted assets	20,351,623
Unamortized bond issue costs	432,026
Capital assets	<u>67,378,363</u>
Total assets	<u><u>111,697,105</u></u>

Liabilities:

Current liabilities	7,595,324
Noncurrent liabilities	<u>48,693,107</u>
Total liabilities	<u><u>56,288,431</u></u>

Net Assets:

Invested in capital assets, net of related debt	14,937,266
Restricted for debt service	3,369,182
Unrestricted	<u>37,102,226</u>
Total net assets	<u><u>\$ 55,408,674</u></u>

CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Charges for services	\$ 26,894,473
Depreciation expense	(5,471,113)
Other operating expenses	(18,043,818)
Operating income	<u>3,379,542</u>
Intergovernmental	121,812
Investment income	766,073
Interest expense and bond discount amortization	(2,107,880)
Loss on disposal of assets	(184,623)
Income before contributions and transfers	<u>1,974,924</u>
Capital contributions	9,266,607
Transfers	(6,131,208)
Change in net assets	<u>5,110,323</u>
Total net assets - beginning	<u>50,298,351</u>
Total net assets - ending	<u>\$ 55,408,674</u>

CONDENSED STATEMENT OF CASH FLOWS

New cash provided (used) by:	
Operating activities	\$ 9,562,741
Noncapital financing activities	(7,715,233)
Capital and related financing activities	(3,454,100)
Investing activities	<u>1,209,442</u>
Net decrease	(397,150)
Beginning cash and cash equivalents	<u>23,916,777</u>
Ending cash and cash equivalents	<u>\$ 23,519,627</u>

NOTE V. OTHER INFORMATION**1. Risk Management**

The City is a member of Public Risk Management of Florida (PRMF), a local government risk management pool, as defined by Florida Statutes 163.01(3)(h). The City has transferred its risk of loss to PRMF. According to their audited financial statements dated September 30, 2003, PRMF's loss fund has been funded up to the aggregate reinsurance attachment point. The premiums PRMF bills to the City are based upon a single rate and no additional amount will be assessed to the City. PRMF's actuarial report evaluates the pool's retained exposure to loss. According to their actuarial report as of September 30, 2003, PRMF makes adequate provisions to cover its claims obligations through the loss fund, established to pay retained losses, together with the excess reinsurance coverage and investment income. The City has not had any significant reductions in insurance coverage from the prior year, nor has it over the past three years, had any settlements in excess of insurance coverage. The City has obtained separate insurance coverage for risks that are not included in the pool.

2. Pension Plans

The City has three defined benefit single-employer pension plans:

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

The defined benefit plans do not issue stand-alone financial reports and are not included in any other retirement system's or entity's financial report.

The City also has one defined contribution single-employer pension plan for department heads and administrative management general employees.

The City accounts for all three plans as pension trust funds; therefore, they are accounted for in substantially the same manner as proprietary funds with a "capital maintenance" measurement focus and employment of the accrual basis of accounting. Plan member contributions, employer contributions, and contributions from other entities are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with terms of the plans. Plan assets are valued at fair value for financial statement purposes, as reported within the annual trustee statements.

(A) Municipal General Employees' Pension Plan

Current membership is comprised of the following:

Retirees and beneficiaries of deceased retirees currently receiving benefits	256
Employees no longer with the City entitled to benefits but not yet receiving them	28
Employees participating in Deferred Retirement Option Plan (DROP)	6
Active employees	<u>715</u>
Total	<u><u>1,005</u></u>

Plan Description

All full-time non-uniformed employees at least 18 years old are required to participate in the City's Municipal General Employees' Pension Plan if they are not eligible for the Defined Contribution Pension Plan. The Plan provides retirement, disability, and death benefits to plan members and beneficiaries. This plan and any amendments were adopted through a City Ordinance by the City Council of the City of Cape Coral. A Board of Trustees administers the Plan. All costs of administering the plan are paid from plan assets.

Funding Policy

Employees contribute 8.9% of their compensation. The City contributes the remaining amounts at actuarially determined rates that are designated to accumulate sufficient assets to pay benefits when due. The current rate is 14.6% of annual covered payroll.

Annual Pension Cost and Net Pension Asset

The City has no net pension obligation (calculated in accordance with GASB No. 27, *Accounting for Pensions by State and Local Governmental Employers*) as all actuarially determined amounts are contributed each year. The annual required contribution for the current year was determined as part of the October 1, 2002 actuarial valuation using the frozen entry age actuarial cost method. The actuarial assumptions included (a) 8% investment rate of return, and (b) 7.0% projected salary increase which includes an inflation component of 3.0%. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a four-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period as of October 1, 2003 was 21 years. The City’s annual pension cost for the fiscal year ended September 30, 2003 was \$1,783,828.

<u>Fiscal year ending</u>	<u>Annual pension cost (APC)</u>	<u>Percentage of APC contributed</u>	<u>Net pension asset</u>
September 30, 2003	\$ 1,783,828	100%	—
September 30, 2002	1,667,129	100%	—
September 30, 2001	1,396,003	100%	—

Concentration of Investments

This plan does not have a concentration of investments that are not direct governmental obligations or agency securities that exceed 5% or more of plan net assets.

(B) Municipal Police Officers’ Pension Plan

Current membership is comprised of the following:

Retirees and beneficiaries of deceased retirees currently receiving benefits	37
Employees no longer with the City entitled to benefits but not yet receiving them	3
Active employees	<u>158</u>
Total	<u><u>198</u></u>

Plan Description

All full-time police officers at least 18 years old are required to participate in the City’s Municipal Police Officers’ Pension Plan. The Plan provides retirement, disability, and death benefits to plan members and beneficiaries. This plan and any amendments were adopted through a City Ordinance by the City Council of the City of Cape Coral. A Board of Trustees administers the Plan. All costs of administering the plan are paid from plan assets.

Funding Policy

Employees contribute 7% of their compensation. The State of Florida makes contributions from taxes on casualty insurance premiums. The State of Florida’s Contribution to the Police Officers’ Pension Plan for fiscal year 2003 was \$544,440. The City recognized these on-behalf payments from the State as revenues and expenditures in the governmental funds financial statements. The City contributes the remaining amounts at actuarially determined rates that are designated to accumulate sufficient assets to pay benefits when due. The current rate is 15.4% of annual covered payroll.

Annual Pension Cost and Net Pension Asset

The City has no net pension obligation (calculated in accordance with GASB No. 27, *Accounting for Pensions by State and Local Governmental Employers*) as all actuarially determined amounts are contributed each year. The annual required contribution for the current year was determined as part of the October 1, 2002 actuarial valuation using the frozen entry age actuarial cost method. The actuarial assumptions included (a) 8% investment rate of return, and (b) 7.5% projected salary increase which includes an inflation component of 3.0%. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a four-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period as of October 1, 2003 was 26 years. The City’s annual pension cost for the fiscal year ended September 30, 2003 was \$773,188.

<u>Fiscal year ending</u>	<u>Annual pension cost (APC)</u>	<u>Percentage of APC contributed</u>	<u>Net pension asset</u>
September 30, 2003	\$ 773,188	109%	\$ 386,687
September 30, 2002	706,219	118%	389,736
September 30, 2001	605,911	120%	258,036

Development of Net Pension Asset (NPA)

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

The development of the Net Pension Asset to date is as follows:

	<u>9/30/03</u>
Actuarially determined contribution (A)	\$ 769,696
Interest on NPA	(25,438)
Adjustment to (A)	28,930
Annual pension cost	<u>773,188</u>
Contributions made	841,896
Annual pension cost	<u>(773,188)</u>
Increase in NPA	68,708
NPA beginning of year	<u>317,979</u>
NPA end of year	<u>\$ 386,687</u>

Concentration of Investments

This plan does not have a concentration of investments that are not direct governmental obligations or agency securities that exceed 5% or more of plan net assets.

(C) Municipal Firefighters' Pension Plan

Current membership is comprised of the following:

Retirees and beneficiaries of deceased retirees currently receiving benefits	32
Employees no longer with the City entitled to benefits but not yet receiving them	2
Active employees	<u>132</u>
Total	<u><u>166</u></u>

Plan Description

All full-time firefighters at least 18 years old are required to participate in the City's Municipal Firefighters' Pension Plan. The Plan provides retirement, disability, and death benefits to plan members and beneficiaries. This plan and any amendments were adopted through a City Ordinance by the City Council of the City of Cape Coral. A Board of Trustees administers the Plan. All costs of administering the plan are paid from plan assets.

Funding Policy

Employees contribute 7% of their compensation. The State of Florida makes contributions from taxes on casualty insurance premiums. The State of Florida's Contribution to the Firefighters' Pension Plan for fiscal year 2003 was \$483,358. The City recognized these on-

behalf payments from the State as revenues and expenditures in the governmental funds financial statements. The City contributes the remaining amounts at actuarially determined rates that are designated to accumulate sufficient assets to pay benefits when due. The current rate is 23.9% of annual covered payroll.

Annual Pension Cost and Net Pension Asset

The City has no net pension obligation (calculated in accordance with GASB No. 27, *Accounting for Pensions by State and Local Governmental Employers*) as all actuarially determined amounts are contributed each year. The annual required contribution for the current year was determined as part of the October 1, 2002 actuarial valuation using the frozen entry age actuarial cost method. The actuarial assumptions included (a) 8% investment rate of return, and (b) 7.5% projected salary increase which includes an inflation component of 3%. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a four-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period as of October 1, 2003 was 26 years. The City's annual pension cost for the fiscal year ended September 30, 2003 was \$1,063,609.

<u>Fiscal year ending</u>	<u>Annual pension cost (APC)</u>	<u>Percentage of APC contributed</u>	<u>Net pension asset</u>
September 30, 2003	\$ 1,063,609	101%	\$ 298,488
September 30, 2002	1,028,984	103%	344,300
September 30, 2001	1,014,391	105%	315,588

Development of Net Pension Asset (NPA)

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

The development of the Net Pension Asset to date is as follows:

	9/30/03
Actuarially determined contribution (A)	\$ 1,060,471
Interest on NPA	(22,863)
Adjustment to (A)	26,001
Annual pension cost	<u>1,063,609</u>
Contributions made	1,076,306
Annual pension cost	<u>(1,063,609)</u>
Increase in NPA	12,697
NPA beginning of year	285,791
NPA end of year	<u><u>\$ 298,488</u></u>

Concentration of Investments

This plan does not have a concentration of investments that are not direct governmental obligations or agency securities that exceed 5% or more of plan net assets.

(a) Defined Contribution Plan

General Employees Defined Contribution Pension Plan

The City established a single-employer defined contribution pension plan for department heads and administrative management general employees on April 23, 1997.

3. Other Postemployment Benefits

The City provides group health and life insurance benefits to its retired employees. All full-time regular employees are eligible for these benefits if actively employed by the City and meet the retirement requirements as set forth by the City. As of September 30, 2003 there were 281 retirees receiving medical benefits and 282 retirees receiving life insurance benefits. The cost of these benefits is paid by the City; retirees are responsible for dependent group health coverage, if selected by the retiree. The City finances the benefits on a pay-as-you-go basis and recognizes expenditures at the time premiums are due. The premiums for these benefits, not including the retirees' costs for dependent health coverage, totaled \$1,362,650 during fiscal year 2003.

4. Contingencies

The City is currently receiving, and has received in the past, grants which are subject to special compliance audits by the grantor agency and which may result in disallowed expense amounts. These amounts, if any, constitute a contingent liability of the City. Accordingly, such liabilities are not reflected within the financial statements. The City does not believe any contingent liabilities are material.

The City currently prepares rebate calculations on all debt subject to arbitrage per the United States Department of the Treasury Regulations, Section 1.148, and the Internal Revenue Service Code of 1986. Rebates, if any, are paid to the Internal Revenue Service every fifth year after the year of issuance. Within the five-year period, any positive arbitrage (liability) can be offset by any negative arbitrage (non-liability). These rebates constitute a contingent liability of the City. The City does not believe any contingent liabilities are material.

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

5. Other Revenue

Other revenue in Governmental Fund types at September 30, 2003 is as follows:

	General Fund	Gas Tax	Other Governmental Funds	Total
Insurance damage claims	\$ 88,863	\$ -	\$ 697	\$ 89,560
Dock litigation support	60,500	-	-	60,500
Donations	49,336	1,200	10,110	60,646
Electric co-op distribution	113,806	-	-	113,806
Federal police confiscation	-	-	9,877	9,877
Fines	784,989	-	15,616	800,605
Garage sales signs	8,697	-	-	8,697
Legal notice reimbursement	12,107	-	-	12,107
Recaptured state housing funds	-	-	282,664	282,664
Road improvement contributions	-	-	554,057	554,057
Sales of surplus material	154,944	1,706	-	156,650
Tower leases	101,272	-	-	101,272
Other	10,931	3,070	25,117	39,118
Total other revenue	<u>\$ 1,385,445</u>	<u>\$ 5,976</u>	<u>\$ 898,138</u>	<u>\$ 2,289,559</u>

6. Subsequent Events

In November 2003, the City issued \$8,295,000 of Water Improvement Assessment Bonds (Southwest 3 Area), Series 2003 for the purpose of paying for a portion of the costs of the project and paying costs and expenses incurred in connection with the issuance and sale of the Series 2003 Bonds.



REQUIRED SUPPLEMENTARY INFORMATION

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION – BUDGET COMPARISONS
September 30, 2003

Budgetary Basis

The City adopts an annual appropriated budget for the General Fund, the following Special Revenue Funds: gas tax, police confiscation-federal, police confiscation-state, fire impact fee, park impact fee, road impact fee, community redevelopment agency, community development block grant, local housing assistance, and greenscape donations, Debt Service, and all the Capital Projects Funds. The budget to actual comparison for the general fund and major special revenue fund are presented on pages 75-76 of the required supplementary information and other governmental funds are presented on pages 97-113 of the combining statements.

Budgetary Information

The following procedures are used in establishing the legally adopted budgetary data reflected in the financial statements.

1. During July, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following October. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. On or before September 30, the budget is legally enacted by City Council through passage of an ordinance as required by City Charter, and an ordinance for setting the millage is passed as required by the State of Florida.
4. The City Manager can authorize changes within a fund. However, any other revisions require approval of the City Council. Various supplemental appropriations were approved by the Council during the fiscal year ended September 30, 2003.
5. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general, certain special revenue, debt service, and capital projects funds. In addition, project-length financial plans are adopted for the capital projects funds.
6. Expenditures may not legally exceed appropriations at the fund level.

City of Cape Coral, Florida

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND**

For the Year Ended September 30, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes:				
Property	\$31,302,569	\$31,439,261	\$32,014,131	\$ 574,870
Franchise	2,812,000	2,812,000	3,379,802	567,802
Communication	3,199,300	3,199,300	3,791,547	592,247
Licenses and permits	3,602,278	3,602,278	595,301	(3,006,977)
Intergovernmental	13,767,956	13,809,899	14,862,263	1,052,364
Charges for services	7,122,280	7,159,280	10,078,573	2,919,293
Interest income	333,293	333,293	478,613	145,320
Other revenue	1,466,200	1,580,004	1,385,445	(194,559)
Total revenues	<u>63,605,876</u>	<u>63,935,315</u>	<u>66,585,675</u>	<u>2,650,360</u>
EXPENDITURES				
Current:				
General government	13,804,567	14,285,511	12,447,269	1,838,242
Public safety:				
Police	16,698,557	16,854,840	15,714,682	1,140,158
Fire	11,893,860	12,422,431	11,662,507	759,924
Public works	5,517,259	5,552,800	4,920,654	632,146
Community development	1,348,313	1,347,988	1,122,139	225,849
Parks and recreation	7,539,759	7,816,817	6,709,222	1,107,595
Transportation	5,316,537	5,868,191	4,962,919	905,272
Capital outlay	10,028,249	16,315,029	11,296,921	5,018,108
Debt service:				
Principal	255,821	754,137	783,570	(29,433)
Interest and fiscal charges	35,461	35,461	83,249	(47,788)
Total expenditures	<u>72,438,383</u>	<u>81,253,205</u>	<u>69,703,132</u>	<u>11,550,073</u>
Excess of revenues over (under) expenditures	<u>(8,832,507)</u>	<u>(17,317,890)</u>	<u>(3,117,457)</u>	<u>14,200,433</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	4,165,919	4,415,919	1,499,642	(2,916,277)
Transfers out	(1,217,881)	(1,382,881)	(1,379,129)	3,752
Total other financing sources (uses)	<u>2,948,038</u>	<u>3,033,038</u>	<u>120,513</u>	<u>(2,912,525)</u>
Net change in fund balance	<u>(5,884,469)</u>	<u>(14,284,852)</u>	<u>(2,996,944)</u>	<u>11,287,908</u>
Fund balance - beginning	16,540,262	16,540,262	16,540,262	-
Fund balance - ending	<u>\$10,655,793</u>	<u>\$ 2,255,410</u>	<u>\$13,543,318</u>	<u>\$ 11,287,908</u>

City of Cape Coral, Florida

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
MAJOR SPECIAL REVENUE FUND - GAS TAX FUND
 For the Year Ended September 30, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Gas taxes	\$ 5,760,000	\$ 5,760,000	\$ 6,407,369	\$ 647,369
Interest income	150,000	150,000	80,280	(69,720)
Other revenue	1,928,904	1,557,278	5,976	(1,551,302)
Total revenues	<u>7,838,904</u>	<u>7,467,278</u>	<u>6,493,625</u>	<u>(973,653)</u>
EXPENDITURES				
Current:				
Transportation	4,203,330	4,328,365	3,037,985	1,290,380
Capital outlay	532,218	535,557	241,296	294,261
Total expenditures	<u>4,735,548</u>	<u>4,863,922</u>	<u>3,279,281</u>	<u>1,584,641</u>
Excess of revenues over expenditures	3,103,356	2,603,356	3,214,344	610,988
OTHER FINANCING SOURCES (USES)				
Transfers in	-	500,000	500,000	-
Transfers out	(3,103,356)	(3,103,356)	(3,103,356)	-
Total other financing sources (uses)	<u>(3,103,356)</u>	<u>(2,603,356)</u>	<u>(2,603,356)</u>	<u>-</u>
Net change in fund balance	-	-	610,988	610,988
Fund balance - beginning	5,640,343	5,640,343	5,640,343	-
Fund balance - ending	<u>\$ 5,640,343</u>	<u>\$ 5,640,343</u>	<u>\$ 6,251,331</u>	<u>\$ 610,988</u>

Municipal General Employees' Pension Plan

Schedule of Funding Progress

<u>Actuarial valuation date</u>	<u>Actuarial value of assets (a)</u>	<u>Actuarial accrued liability (AAL) -entry age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded ratio (a/b)</u>	<u>Covered payroll (c)</u>	<u>UAAL as a % of covered payroll ((b-a)/c)</u>
10/1/03	\$ 67,457,165	\$ 74,973,737	\$ 7,516,552	89.97%	\$ 23,086,449	32.56%
10/1/02	64,403,318	70,386,501	5,983,183	91.50%	20,129,881	29.72%
10/1/01	61,020,065	67,057,431	6,037,366	91.00%	20,003,002	30.18%
10/1/00	55,753,997	61,830,291	6,076,294	90.17%	18,353,122	33.11%
10/1/99	48,732,134	54,827,900	6,095,766	88.88%	16,561,449	36.81%
10/1/98	42,602,939	48,698,796	6,095,857	87.48%	16,028,467	38.03%

Schedule of Contributions from Employer and Other Contributing Entities

<u>Year ended September 30,</u>	<u>Annual required contribution</u>	<u>City contribution</u>	<u>Percentage contributed</u>
2003	\$ 1,783,828	\$ 1,783,828	100%
2002	1,667,129	1,667,129	100%
2001	1,396,003	1,396,003	100%
2000	1,393,259	1,393,259	100%
1999	1,704,775	1,704,775	100%
1998	1,987,058	1,987,058	100%

Municipal Police Officers' Pension Plan

Schedule of Funding Progress

<u>Actuarial valuation date</u>	<u>Actuarial value of assets (a)</u>	<u>Actuarial accrued liability (AAL) -entry age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded ratio (a/b)</u>	<u>Covered payroll (c)</u>	<u>UAAL as a % of covered payroll ((b-a)/c)</u>
10/1/03	\$ 40,711,716	\$ 42,310,154	\$ 1,598,438	96.22%	\$ 7,922,388	20.18%
10/1/02	38,577,451	40,358,240	1,780,789	95.59%	6,761,190	26.34%
10/1/01	36,776,883	38,655,389	1,878,506	95.14%	6,817,312	27.55%
10/1/00	33,669,857	35,661,001	1,991,144	94.42%	6,223,372	31.99%
10/1/99	29,048,797	31,051,243	2,002,446	93.55%	5,860,653	34.17%
10/1/98	24,693,247	26,549,027	1,855,780	93.01%	5,434,338	34.15%

Schedule of Contributions from Employer and Other Contributing Entities

<u>Year ended September 30,</u>	<u>Annual required contribution</u>	<u>City contribution</u>	<u>State contribution</u>	<u>Percentage contributed</u>
2003	\$ 1,312,328	\$ 841,896	\$ 542,632 *	106%
2002	1,220,770	837,919	470,433	107%
2001	1,013,061	727,714	383,857	110%
2000	1,017,659	803,742	348,252 *	113%
1999	1,060,689	739,095	322,615 *	100%
1998	1,041,087	718,472	322,615	100%

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

Municipal Firefighters' Pension Plan

Schedule of Funding Progress

Actuarial valuation date	Actuarial value of assets (a)	Actuarial accrued liability (AAL) -entry age (b)	Unfunded AAL (UAAL) (b-a)	Funded ratio (a/b)	Covered payroll (c)	UAAL as a % of covered payroll (b-a)/c)
10/1/03	\$ 46,680,169	\$ 49,509,636	\$ 2,829,467	94.29%	\$ 7,667,748	36.90%
10/1/02	44,078,199	47,055,340	2,977,141	93.67%	6,958,688	42.78%
10/1/01	41,872,673	44,618,549	2,745,876	93.85%	6,595,183	41.63%
10/1/00	38,003,317	40,732,255	2,728,938	93.30%	6,444,523	42.35%
10/1/99	32,395,878	35,286,677	2,890,799	91.81%	6,121,001	47.23%
10/1/98	26,953,166	29,230,516	2,277,350	92.21%	6,105,742	37.30%

Schedule of Contributions from Employer and Other Contributing Entities

Year ended September 30,	Annual required contribution	City contribution	State contribution	Percentage contributed
2003	\$ 1,543,829	\$ 1,076,306	\$ 483,358	101%
2002	1,402,497	1,057,696	344,801 *	100%
2001	1,382,949	1,068,855	344,801 *	102%
2000	1,300,826	1,217,149	344,801 *	120%
1999	1,681,770	1,336,969	344,801 *	100%
1998	1,282,158	936,963	345,195	100%

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

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

	<u>General employees</u>	<u>Police officers</u>	<u>Firefighters</u>
Valuation date	10/1/02	10/1/02	10/1/02
Actuarial cost method	Frozen entry age	Frozen entry age	Frozen entry age
Amortization method	Level percentage Closed	Level percentage Closed	Level percentage Closed
Remaining amortization period	21 years	26 years	26 years
Asset valuation method	4-year smoothing	4-year smoothing	4-year smoothing
Actuarial assumptions:			
Investment rate of return	8.00%	8.00%	8.00%
Projected salary increases*	7.00%	7.50%	7.50%
* Includes inflation at	3.00%	3.00%	3.00%
Post retirement COLA	3.00%	3.00%	3.00%

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

- § Court Training Fund – used to account for monies received from court fines, which are used for police education.
- § Police Confiscation-Federal Fund – used to account for monies received from federal confiscation cases and used to purchase equipment for the Police Department.
- § Police Confiscation-State Fund – used to account for monies received from the sale of confiscated items in non-federal cases and used to purchase equipment for the Police Department.
- § Fire Impact Fee Fund – used to account for impact fees that are used to provide additional fire public safety facilities.
- § Park Impact Fee Fund – used to account for impact fees that are used to provide recreational park facilities.
- § Road Impact Fee Fund – used to account for impact fees that are used for transportation capacity improvements.
- § Community Redevelopment Agency Fund – used to account for monies received from tax incremental revenue by all taxing authorities in the community redevelopment area.
- § Community Development Block Grant Fund – used to account for monies received from the U.S. Department of Housing and Urban Development for community development.
- § Revolving Loan Fund – used to account for monies received from the U.S. Department of Housing and Urban Development to fund loans to small businesses in the area.
- § Local Housing Assistance Fund – used to account for monies received from the State to provide assistance to very low, low, and moderate income families for the purpose of obtaining affordable housing in the City.
- § Seawall Phase IV, Phase V, Phase VI, Phase VII, and Phase VIII Funds – used to account for the collection of assessments after the construction of seawalls.
- § Greenscape Donations Fund – used to account for donations received for landscaping medians on City streets.

DEBT SERVICE FUND

The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

CAPITAL PROJECTS FUNDS

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

- § City Hall Complex Fund – used to account for the construction of a new City Hall Complex and for renovations and improvements of the old City Hall.
- § Ecopark Fund – used to account for improvements at Ecopark from grants and City monies.
- § Seawall Phase VII Fund – used to account for construction of seawalls.
- § Cape Coral Six-Laning Fund – used to account for expansion of Cape Coral Parkway to six lanes.
- § Santa Barbara Access Fund – used to account for construction of Santa Barbara Access.
- § Del Prado Widening Fund – used to account for the construction to widen the North end of Del Prado Boulevard.
- § Gleason Parkway Extension Fund – used to account for construction of Gleason Parkway Extension.



City of Cape Coral, Florida

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2003**

	<u>Special Revenue</u>		
	<u>Court Training</u>	<u>Police Confiscation Federal</u>	<u>Police Confiscation State</u>
ASSETS			
Cash and cash equivalents	\$ 1,489	\$ 110,820	\$ 80,868
Notes receivable	-	-	-
Intergovernmental receivable	-	-	-
Prepaid items	-	-	-
Restricted assessments receivable	-	-	-
Total assets	<u>1,489</u>	<u>110,820</u>	<u>80,868</u>
LIABILITIES			
Accounts payable and other accrued liabilities	-	-	289
Accrued payroll	-	-	-
Due to other funds	-	-	-
Deferred revenue	-	-	-
Advances from other funds	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>289</u>
FUND BALANCES			
Reserved for:			
Encumbrances	-	-	2,932
Prepays	-	-	-
Debt service	-	-	-
Unreserved, designated	-	-	-
Unreserved, undesignated	1,489	110,820	77,647
Total fund balances (deficit)	<u>1,489</u>	<u>110,820</u>	<u>80,579</u>
Total liabilities and fund balances	<u>\$ 1,489</u>	<u>\$ 110,820</u>	<u>\$ 80,868</u>

Special Revenue

Fire Impact Fee	Park Impact Fee	Road Impact Fee	Community Redevelopment Agency	Community Development Block Grant	Revolving Loan Fund
\$ 1,824,112	\$ 3,164,303	\$ 10,154,108	\$ 590,978	\$ -	\$ 277,209
-	-	-	-	-	562,081
-	-	-	-	137,279	-
-	-	-	1,000	-	-
-	-	-	-	-	-
<u>1,824,112</u>	<u>3,164,303</u>	<u>10,154,108</u>	<u>591,978</u>	<u>137,279</u>	<u>839,290</u>
19,495	12,312	169,287	6,869	58,259	-
-	-	-	6,336	6,546	-
-	-	-	-	72,474	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>19,495</u>	<u>12,312</u>	<u>169,287</u>	<u>13,205</u>	<u>137,279</u>	<u>-</u>
56,970	-	180,425	3,229	-	-
-	-	-	1,000	-	-
-	-	-	-	-	-
1,747,647	3,151,991	9,804,396	574,544	-	-
-	-	-	-	-	839,290
<u>1,804,617</u>	<u>3,151,991</u>	<u>9,984,821</u>	<u>578,773</u>	<u>-</u>	<u>839,290</u>
<u>\$ 1,824,112</u>	<u>\$ 3,164,303</u>	<u>\$ 10,154,108</u>	<u>\$ 591,978</u>	<u>\$ 137,279</u>	<u>\$ 839,290</u>

City of Cape Coral, Florida

COMBINING BALANCE SHEET (continued)
NONMAJOR GOVERNMENTAL FUNDS
 September 30, 2003

	Special Revenue		
	Local Housing Assistance	Seawall Phase IV	Seawall Phase V
ASSETS			
Cash and cash equivalents	\$ 1,221,687	\$ 78,955	\$ 61,886
Notes receivable	-	-	-
Intergovernmental receivable	158,443	-	-
Prepaid items	-	-	-
Restricted assessments receivable	-	500	8,632
Total assets	<u>1,380,130</u>	<u>79,455</u>	<u>70,518</u>
LIABILITIES			
Accounts payable and other accrued liabilities	153,681	-	-
Accrued payroll	531	-	-
Due to other funds	-	-	-
Deferred revenue	-	-	-
Advances from other funds	-	-	-
Total liabilities	<u>154,212</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Reserved for:			
Encumbrances	-	-	-
Prepays	-	-	-
Debt service	-	-	-
Unreserved, designated	-	-	-
Unreserved, undesignated	1,225,918	79,455	70,518
Total fund balances (deficit)	<u>1,225,918</u>	<u>79,455</u>	<u>70,518</u>
Total liabilities and fund balances	<u>\$ 1,380,130</u>	<u>\$ 79,455</u>	<u>\$ 70,518</u>

Special Revenue

Seawall Phase VI	Seawall Phase VII	Seawall Phase VIII	Greenscape Donations	Debt Service Fund
\$ 21,325	\$ 11,440	\$ 4,575	\$ 33,201	\$ 461,654
-	-	-	-	-
-	-	-	-	24
-	-	-	-	-
77,751	289,787	12,297	-	-
<u>99,076</u>	<u>301,227</u>	<u>16,872</u>	<u>33,201</u>	<u>461,678</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
34,042	259,512	9,949	-	-
68,073	242,164	19,031	-	-
<u>102,115</u>	<u>501,676</u>	<u>28,980</u>	<u>-</u>	<u>-</u>
-	-	-	-	12,217
-	-	-	-	-
-	-	-	-	449,461
-	-	-	-	-
(3,039)	(200,449)	(12,108)	33,201	-
(3,039)	(200,449)	(12,108)	33,201	461,678
<u>\$ 99,076</u>	<u>\$ 301,227</u>	<u>\$ 16,872</u>	<u>\$ 33,201</u>	<u>\$ 461,678</u>

City of Cape Coral, Florida

COMBINING BALANCE SHEET (continued)
NONMAJOR GOVERNMENTAL FUNDS
 September 30, 2003

	<u>Capital Projects</u>		
	<u>City Hall Complex</u>	<u>Ecopark</u>	<u>Seawall Phase VII</u>
ASSETS			
Cash and cash equivalents	\$ -	\$ 90,000	\$ -
Notes receivable	-	-	-
Intergovernmental receivable	-	548,915	-
Prepaid items	-	3,530	-
Restricted assessments receivable	-	-	-
Total assets	<u>-</u>	<u>642,445</u>	<u>-</u>
LIABILITIES			
Accounts payable and other accrued liabilities	-	17,829	-
Accrued payroll	-	-	-
Due to other funds	-	606,736	-
Deferred revenue	-	-	-
Advances from other funds	-	-	-
Total liabilities	<u>-</u>	<u>624,565</u>	<u>-</u>
FUND BALANCES			
Reserved for:			
Encumbrances	-	10,806	445,440
Prepays	-	3,530	-
Debt service	-	-	-
Unreserved, designated	-	-	-
Unreserved, undesignated	-	3,544	(445,440)
Total fund balances (deficit)	<u>-</u>	<u>17,880</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 642,445</u>	<u>\$ -</u>

Capital Projects				Total
Cape Coral Six-Laning	Santa Barbara Access	Del Prado Widening	Gleason Parkway Extension	Nonmajor Governmental Funds
\$ 1,410,693	\$ 798,449	\$ 1,294,021	\$ 1,683,260	\$ 23,375,033
-	-	-	-	562,081
-	-	-	-	844,661
-	-	-	-	4,530
-	-	-	-	388,967
<u>1,410,693</u>	<u>798,449</u>	<u>1,294,021</u>	<u>1,683,260</u>	<u>25,175,272</u>
102,745	45	58,359	5,268	604,438
-	-	-	-	13,413
-	-	-	-	679,210
-	-	-	-	303,503
-	-	-	-	329,268
<u>102,745</u>	<u>45</u>	<u>58,359</u>	<u>5,268</u>	<u>1,929,832</u>
54,722	11,081	133,296	61,175	972,293
-	-	-	-	4,530
-	-	-	-	449,461
1,253,226	787,323	1,102,366	1,616,817	20,038,310
-	-	-	-	1,780,846
<u>1,307,948</u>	<u>798,404</u>	<u>1,235,662</u>	<u>1,677,992</u>	<u>23,245,440</u>
<u>\$ 1,410,693</u>	<u>\$ 798,449</u>	<u>\$ 1,294,021</u>	<u>\$ 1,683,260</u>	<u>\$ 25,175,272</u>

City of Cape Coral, Florida

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
 For the Year Ended September 30, 2003

	Special Revenue		
	Court Training	Police Confiscation Federal	Police Confiscation State
REVENUES			
Taxes	\$ -	\$ -	\$ -
Special assessments	-	-	-
Intergovernmental	-	-	-
Impact fees	-	-	-
Interest income	20	3,026	624
Other revenue	76	9,877	37,199
Total revenues	<u>96</u>	<u>12,903</u>	<u>37,823</u>
EXPENDITURES			
Current:			
General government	-	-	-
Public Safety:			
Police	-	-	7,894
Fire	-	-	-
Parks and recreation	-	-	-
Transportation	-	-	-
Capital outlay	-	-	-
Debt service:			
Principal retirement	-	-	-
Interest charges	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>7,894</u>
Excess revenues over (under) expenditures	<u>96</u>	<u>12,903</u>	<u>29,929</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	4,884
Transfers out	-	(167,940)	(4,884)
Bond proceeds	-	-	-
Payment to escrow agent for refunding	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>(167,940)</u>	<u>-</u>
Net change in fund balances	96	(155,037)	29,929
Fund balances - beginning	1,393	265,857	50,650
Fund balances - ending	<u>\$ 1,489</u>	<u>\$ 110,820</u>	<u>\$ 80,579</u>

Special Revenue

Fire Impact Fee	Park Impact Fee	Road Impact Fee	Community Redevelopment Agency	Community Development Block Grant	Revolving Loan Fund
\$ -	\$ -	\$ -	\$ 427,622	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	538,125	-
1,190,923	3,465,016	5,426,170	-	-	-
20,178	56,515	99,744	8,808	-	22,924
-	-	551,175	-	-	200
<u>1,211,101</u>	<u>3,521,531</u>	<u>6,077,089</u>	<u>436,430</u>	<u>538,125</u>	<u>23,124</u>
-	-	-	234,544	538,125	1,552
-	-	-	-	-	-
32,052	-	-	-	-	-
-	36,942	-	-	-	-
-	-	125,724	-	-	-
246,234	3,287,513	270,173	1,771	-	-
-	416,250	-	-	-	-
-	-	-	-	-	-
<u>278,286</u>	<u>3,740,705</u>	<u>395,897</u>	<u>236,315</u>	<u>538,125</u>	<u>1,552</u>
<u>932,815</u>	<u>(219,174)</u>	<u>5,681,192</u>	<u>200,115</u>	<u>-</u>	<u>21,572</u>
136,264	231,935	-	-	-	-
(208,291)	(452,870)	(2,166,397)	(62,695)	-	-
645,000	1,120,000	-	-	-	-
(722,857)	(1,241,492)	-	-	-	-
<u>(149,884)</u>	<u>(342,427)</u>	<u>(2,166,397)</u>	<u>(62,695)</u>	<u>-</u>	<u>-</u>
782,931	(561,601)	3,514,795	137,420	-	21,572
1,021,686	3,713,592	6,470,026	441,353	-	817,718
<u>\$1,804,617</u>	<u>\$ 3,151,991</u>	<u>\$9,984,821</u>	<u>\$ 578,773</u>	<u>\$ -</u>	<u>\$ 839,290</u>

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (continued)
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended September 30, 2003

	Special Revenue			
	Local Housing Assistance	Seawall Phase IV	Seawall Phase V	Seawall Phase VI
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Special assessments	-	-	-	33,105
Intergovernmental	927,985	-	-	-
Impact fees	-	-	-	-
Interest income	19,730	1,189	1,620	7,305
Other revenue	282,664	-	920	1,381
Total revenues	<u>1,230,379</u>	<u>1,189</u>	<u>2,540</u>	<u>41,791</u>
EXPENDITURES				
Current:				
General government	1,190,366	-	-	3,748
Public Safety:				
Police	-	-	-	-
Fire	-	-	-	-
Parks and recreation	-	-	-	-
Transportation	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest charges	-	-	-	-
Total expenditures	<u>1,190,366</u>	<u>-</u>	<u>-</u>	<u>3,748</u>
Excess revenues over (under) expenditures	<u>40,013</u>	<u>1,189</u>	<u>2,540</u>	<u>38,043</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Bond proceeds	-	-	-	-
Payment to escrow agent for refunding	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>40,013</u>	<u>1,189</u>	<u>2,540</u>	<u>38,043</u>
Fund balances - beginning	1,185,905	78,266	67,978	(41,082)
Fund balances - ending	<u>\$ 1,225,918</u>	<u>\$ 79,455</u>	<u>\$ 70,518</u>	<u>\$ (3,039)</u>

Special Revenue

Seawall Phase VII	Seawall Phase VIII	Greenscape Donations	Debt Service Fund
\$ -	\$ -	\$ -	\$ 1,712,396
142,394	1,663	-	-
-	-	-	-
-	-	-	-
2,497	1,327	814	16,562
714	194	10,110	49
<u>145,605</u>	<u>3,184</u>	<u>10,924</u>	<u>1,729,007</u>
156,724	914	27,856	80,427
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	1,753,333
-	-	-	1,287,158
<u>156,724</u>	<u>914</u>	<u>27,856</u>	<u>3,120,918</u>
<u>(11,119)</u>	<u>2,270</u>	<u>(16,932)</u>	<u>(1,391,911)</u>
-	-	-	1,502,622
(676)	-	-	(368,199)
-	-	-	8,705,000
-	-	-	(8,613,614)
<u>(676)</u>	<u>-</u>	<u>-</u>	<u>1,225,809</u>
<u>(11,795)</u>	<u>2,270</u>	<u>(16,932)</u>	<u>(166,102)</u>
<u>(188,654)</u>	<u>(14,378)</u>	<u>50,133</u>	<u>627,780</u>
<u>\$ (200,449)</u>	<u>\$ (12,108)</u>	<u>\$ 33,201</u>	<u>\$ 461,678</u>

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (continued)
NONMAJOR GOVERNMENTAL FUNDS
 For the Year Ended September 30, 2003

	Capital Projects			
	<u>City Hall Complex</u>	<u>Ecopark</u>	<u>Seawall Phase VII</u>	<u>Cape Coral Six-Laning</u>
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Special assessments	-	-	-	-
Intergovernmental	-	554,817	-	-
Impact fees	-	-	-	-
Interest income	929	-	-	69,994
Other revenue	-	-	-	3,488
Total revenues	<u>929</u>	<u>554,817</u>	<u>-</u>	<u>73,482</u>
EXPENDITURES				
Current:				
General government	-	-	-	-
Public Safety:				
Police	-	-	-	-
Fire	-	-	-	-
Parks and recreation	-	-	-	-
Transportation	-	-	-	-
Capital outlay	156,179	662,006	-	7,383,266
Debt service:				
Principal retirement	-	-	-	-
Interest charges	-	-	-	-
Total expenditures	<u>156,179</u>	<u>662,006</u>	<u>-</u>	<u>7,383,266</u>
Excess revenues over (under) expenditures	<u>(155,250)</u>	<u>(107,189)</u>	<u>-</u>	<u>(7,309,784)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	90,000	676	3,800,000
Transfers out	-	-	-	-
Bond proceeds	-	-	-	-
Payment to escrow agent for refunding	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>90,000</u>	<u>676</u>	<u>3,800,000</u>
Net change in fund balances	<u>(155,250)</u>	<u>(17,189)</u>	<u>676</u>	<u>(3,509,784)</u>
Fund balances - beginning	155,250	35,069	(676)	4,817,732
Fund balances - ending	<u>\$ -</u>	<u>\$ 17,880</u>	<u>\$ -</u>	<u>\$ 1,307,948</u>

Capital Projects			Total
Santa Barbara Access	Del Prado Widening	Gleason Parkway Extension	Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 2,140,018
-	-	-	177,162
-	-	-	2,020,927
-	-	-	10,082,109
18,566	22,760	17,464	392,596
91	-	-	898,138
<u>18,657</u>	<u>22,760</u>	<u>17,464</u>	<u>15,710,950</u>
-	-	-	2,234,256
-	-	-	7,894
-	-	-	32,052
-	-	-	36,942
-	-	-	125,724
530,063	387,262	311,898	13,236,365
-	-	-	2,169,583
-	-	-	1,287,158
<u>530,063</u>	<u>387,262</u>	<u>311,898</u>	<u>19,129,974</u>
(511,406)	(364,502)	(294,434)	(3,419,024)
-	-	2,000,000	7,766,381
-	-	-	(3,431,952)
-	-	-	10,470,000
-	-	-	(10,577,963)
-	-	2,000,000	4,226,466
(511,406)	(364,502)	1,705,566	807,442
1,309,810	1,600,164	(27,574)	22,437,998
<u>\$ 798,404</u>	<u>\$ 1,235,662</u>	<u>\$ 1,677,992</u>	<u>\$ 23,245,440</u>

City of Cape Coral, Florida

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
POLICE CONFISCATION - FEDERAL SPECIAL REVENUE FUND
For the Year Ended September 30, 2003**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Interest income	\$ -	\$ -	\$ 3,026	\$ 3,026
Other revenue	240,000	240,000	9,877	(230,123)
Total revenues	<u>240,000</u>	<u>240,000</u>	<u>12,903</u>	<u>(227,097)</u>
EXPENDITURES				
Public Safety: Police	<u>72,060</u>	<u>72,060</u>	-	72,060
Excess of revenues over expenditures	167,940	167,940	12,903	(155,037)
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(167,940)</u>	<u>(167,940)</u>	<u>(167,940)</u>	-
Net change in fund balances	-	-	(155,037)	(155,037)
Fund balances - beginning	<u>265,857</u>	<u>265,857</u>	<u>265,857</u>	-
Fund balances - ending	<u>\$ 265,857</u>	<u>\$ 265,857</u>	<u>\$ 110,820</u>	<u>\$ (155,037)</u>

City of Cape Coral, Florida

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
POLICE CONFISCATION - STATE SPECIAL REVENUE FUND**
For the Year Ended September 30, 2003

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Interest income	\$ -	\$ -	\$ 624	\$ 624
Other revenue	40,000	40,000	37,199	(2,801)
Total revenues	<u>40,000</u>	<u>40,000</u>	<u>37,823</u>	<u>(2,177)</u>
EXPENDITURES				
Public safety: Police	<u>40,000</u>	<u>40,000</u>	<u>7,894</u>	<u>32,106</u>
Excess of revenues over expenditures	-	-	29,929	29,929
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	4,884	4,884
Transfers out	-	-	(4,884)	(4,884)
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	-	-	29,929	29,929
Fund balances - beginning	50,650	50,650	50,650	-
Fund balances - ending	<u>\$ 50,650</u>	<u>\$ 50,650</u>	<u>\$ 80,579</u>	<u>\$ 29,929</u>

City of Cape Coral, Florida

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FIRE IMPACT FEE SPECIAL REVENUE FUND
 For the Year Ended September 30, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Impact fees	\$ 400,000	\$ 585,160	\$ 1,190,923	\$ 605,763
Interest income	16,000	16,000	20,178	4,178
Total revenues	<u>416,000</u>	<u>601,160</u>	<u>1,211,101</u>	<u>609,941</u>
EXPENDITURES				
Public safety: Fire	243,525	328,289	32,052	296,237
Capital outlay	45,802	165,673	246,234	(80,561)
Total expenditures	<u>289,327</u>	<u>493,962</u>	<u>278,286</u>	<u>215,676</u>
Excess of revenues over expenditures	<u>126,673</u>	<u>107,198</u>	<u>932,815</u>	<u>825,617</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	136,264	136,264	-
Transfers out	(165,346)	(165,605)	(208,291)	(42,686)
Bond proceeds	38,673	645,000	645,000	-
Payment to escrow agent for refunding	-	(722,857)	(722,857)	-
Total other financing sources (uses)	<u>(126,673)</u>	<u>(107,198)</u>	<u>(149,884)</u>	<u>(42,686)</u>
Net change in fund balances	-	-	782,931	782,931
Fund balances - beginning	<u>1,021,686</u>	<u>1,021,686</u>	<u>1,021,686</u>	-
Fund balances - ending	<u>\$ 1,021,686</u>	<u>\$ 1,021,686</u>	<u>\$ 1,804,617</u>	<u>\$ 782,931</u>

City of Cape Coral, Florida

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
PARK IMPACT FEE SPECIAL REVENUE FUND
 For the Year Ended September 30, 2003

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Impact fees	\$ 3,306,837	\$ 5,829,330	\$3,465,016	\$(2,364,314)
Interest income	69,000	69,000	56,515	(12,485)
Total revenues	<u>3,375,837</u>	<u>5,898,330</u>	<u>3,521,531</u>	<u>(2,376,799)</u>
EXPENDITURES				
Parks and recreation	-	1,325,280	36,942	1,288,338
Capital outlay	3,087,847	3,888,938	3,287,513	601,425
Debt service:				
Principal	-	416,250	416,250	-
Total expenditures	<u>3,087,847</u>	<u>5,630,468</u>	<u>3,740,705</u>	<u>1,889,763</u>
Excess of revenues under expenditures	<u>287,990</u>	<u>267,862</u>	<u>(219,174)</u>	<u>(487,036)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	231,935	231,935	-
Transfers out	(379,303)	(378,305)	(452,870)	(74,565)
Bond proceeds	91,313	1,120,000	1,120,000	-
Payment to escrow agent for refunding	-	(1,241,492)	(1,241,492)	-
Total other financing sources (uses)	<u>(287,990)</u>	<u>(267,862)</u>	<u>(342,427)</u>	<u>(74,565)</u>
Net change in fund balances	-	-	(561,601)	(561,601)
Fund balances - beginning	<u>3,713,592</u>	<u>3,713,592</u>	<u>3,713,592</u>	-
Fund balances - ending	<u>\$ 3,713,592</u>	<u>\$ 3,713,592</u>	<u>\$3,151,991</u>	<u>\$ (561,601)</u>

City of Cape Coral, Florida

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
ROAD IMPACT FEE SPECIAL REVENUE FUND
For the Year Ended September 30, 2003**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Impact fees	\$ 2,543,320	\$ 2,543,320	\$ 5,426,170	\$ 2,882,850
Interest income	-	-	99,744	99,744
Other revenue	2,587,633	2,587,633	551,175	(2,036,458)
Total revenues	<u>5,130,953</u>	<u>5,130,953</u>	<u>6,077,089</u>	<u>946,136</u>
EXPENDITURES				
Transportation	2,191,282	2,321,006	125,724	2,195,282
Capital outlay	<u>867,633</u>	<u>737,909</u>	<u>270,173</u>	<u>467,736</u>
Total expenditures	<u>3,058,915</u>	<u>3,058,915</u>	<u>395,897</u>	<u>2,663,018</u>
Excess of revenues over expenditures	2,072,038	2,072,038	5,681,192	3,609,154
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(2,072,038)</u>	<u>(2,072,038)</u>	<u>(2,166,397)</u>	<u>(94,359)</u>
Net change in fund balances	-	-	3,514,795	3,514,795
Fund balances - beginning	<u>6,470,026</u>	<u>6,470,026</u>	<u>6,470,026</u>	<u>-</u>
Fund balances - ending	<u>\$ 6,470,026</u>	<u>\$ 6,470,026</u>	<u>\$ 9,984,821</u>	<u>\$ 3,514,795</u>

City of Cape Coral, Florida

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
COMMUNITY REDEVELOPMENT AGENCY SPECIAL REVENUE FUND
For the Year Ended September 30, 2003**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$ 976,060	\$ 824,313	\$ 427,622	\$ (396,691)
Interest income	7,000	7,000	8,808	1,808
Total revenues	<u>983,060</u>	<u>831,313</u>	<u>436,430</u>	<u>(394,883)</u>
EXPENDITURES				
General government	756,093	604,252	234,544	369,708
Capital outlay	<u>158,251</u>	<u>158,345</u>	<u>1,771</u>	<u>156,574</u>
Total expenditures	<u>914,344</u>	<u>762,597</u>	<u>236,315</u>	<u>526,282</u>
Excess of revenues over expenditures	68,716	68,716	200,115	131,399
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(68,716)</u>	<u>(68,716)</u>	<u>(62,695)</u>	<u>6,021</u>
Net change in fund balances	-	-	137,420	137,420
Fund balances - beginning	<u>441,353</u>	<u>441,353</u>	<u>441,353</u>	<u>-</u>
Fund balances - ending	<u>\$ 441,353</u>	<u>\$ 441,353</u>	<u>\$ 578,773</u>	<u>\$ 137,420</u>

City of Cape Coral, Florida

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
COMMUNITY DEVELOPMENT BLOCK GRANT SPECIAL REVENUE FUND
For the Year Ended September 30, 2003**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	<u>\$ 1,049,483</u>	<u>\$ 1,026,445</u>	<u>\$ 538,125</u>	<u>\$ (488,320)</u>
EXPENDITURES				
General government	<u>1,049,483</u>	<u>1,026,445</u>	<u>538,125</u>	<u>488,320</u>
Excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances - beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Cape Coral, Florida

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
LOCAL HOUSING ASSISTANCE SPECIAL REVENUE FUND
 For the Year Ended September 30, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 1,658,012	\$ 1,495,176	\$ 927,985	\$ (567,191)
Interest income	-	-	19,730	19,730
Other revenue	-	593,253	282,664	(310,589)
Total revenues	<u>1,658,012</u>	<u>2,088,429</u>	<u>1,230,379</u>	<u>(858,050)</u>
EXPENDITURES				
General government	1,658,012	2,088,429	1,190,366	898,063
Excess of revenues over expenditures	-	-	40,013	40,013
Fund balances - beginning	1,185,905	1,185,905	1,185,905	-
Fund balances - ending	<u>\$ 1,185,905</u>	<u>\$ 1,185,905</u>	<u>\$ 1,225,918</u>	<u>\$ 40,013</u>

City of Cape Coral, Florida

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GREENSCAPE DONATIONS SPECIAL REVENUE FUND
 For the Year Ended September 30, 2003

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Interest income	\$ -	\$ -	\$ 814	\$ 814
Other revenue	380,600	408,457	10,110	(398,347)
Total revenues	<u>380,600</u>	<u>408,457</u>	<u>10,924</u>	<u>(397,533)</u>
EXPENDITURES				
General government	<u>380,600</u>	<u>408,457</u>	<u>27,856</u>	<u>380,601</u>
Excess of revenues under expenditures	-	-	(16,932)	(16,932)
Fund balances - beginning	50,133	50,133	50,133	-
Fund balances - ending	<u>\$ 50,133</u>	<u>\$ 50,133</u>	<u>\$ 33,201</u>	<u>\$ (16,932)</u>

City of Cape Coral, Florida

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
DEBT SERVICE FUND**

For the Year Ended September 30, 2003

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$ 1,677,912	\$ 1,677,912	\$ 1,712,396	\$ 34,484
Interest income	-	-	16,562	16,562
Other revenue	-	-	49	49
Total revenues	<u>1,677,912</u>	<u>1,677,912</u>	<u>1,729,007</u>	<u>51,095</u>
EXPENDITURES				
General government	-	79,185	80,427	(1,242)
Debt service:				
Principal	1,781,433	1,763,242	1,753,333	9,909
Interest and fiscal charges	<u>1,292,636</u>	<u>1,310,088</u>	<u>1,287,158</u>	<u>22,930</u>
Total expenditures	<u>3,074,069</u>	<u>3,152,515</u>	<u>3,120,918</u>	<u>31,597</u>
Excess of revenues under expenditures	<u>(1,396,157)</u>	<u>(1,474,603)</u>	<u>(1,391,911)</u>	<u>82,692</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,396,157	1,395,418	1,502,622	107,204
Transfers out	-	(368,200)	(368,199)	1
Bond proceeds	-	9,280,455	8,705,000	(575,455)
Payment to escrow agent for refunding	-	(8,833,070)	(8,613,614)	219,456
Total other financing sources (uses)	<u>1,396,157</u>	<u>1,474,603</u>	<u>1,225,809</u>	<u>(248,794)</u>
Net change in fund balances	-	-	(166,102)	(166,102)
Fund balances - beginning	<u>627,780</u>	<u>627,780</u>	<u>627,780</u>	<u>-</u>
Fund balances - ending	<u>\$ 627,780</u>	<u>\$ 627,780</u>	<u>\$ 461,678</u>	<u>\$ (166,102)</u>

City of Cape Coral, Florida

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
CITY HALL COMPLEX CAPITAL PROJECTS FUND
 From Inception and for the Year Ended September 30, 2003

	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Project Authorization</u>
REVENUES				
Interest income	\$ 924,609	\$ 929	\$ 925,538	\$ -
Other revenue	7,439	-	7,439	340,000
Total revenues	<u>932,048</u>	<u>929</u>	<u>932,977</u>	<u>340,000</u>
EXPENDITURES				
General Government	664,458	-	664,458	-
Capital outlay	21,586,659	156,179	21,742,838	27,305,113
Total expenditures	<u>22,251,117</u>	<u>156,179</u>	<u>22,407,296</u>	<u>27,305,113</u>
Excess of revenues under expenditures	<u>(21,319,069)</u>	<u>(155,250)</u>	<u>(21,474,319)</u>	<u>(26,965,113)</u>
OTHER FINANCING SOURCES (USES)				
Debt proceeds	16,220,235	-	16,220,235	18,375,000
Transfers in	6,843,494	-	6,843,494	8,590,113
Transfer out	(1,589,410)	-	(1,589,410)	-
Total other financing sources (uses)	<u>21,474,319</u>	<u>-</u>	<u>21,474,319</u>	<u>26,965,113</u>
Net change in fund balances	<u>\$ 155,250</u>	<u>(155,250)</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balances - beginning		155,250		
Fund balances - ending		<u>\$ -</u>		

City of Cape Coral, Florida

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
ECOPARK CAPITAL PROJECTS FUND**

From Inception and for the Year Ended September 30, 2003

	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Project Authorization</u>
REVENUES				
Intergovernmental	\$ 754,788	\$ 554,817	\$ 1,309,605	\$ 1,344,374
EXPENDITURES				
Capital outlay	805,159	662,006	1,467,165	1,482,274
Excess of revenues under expenditures	<u>(50,371)</u>	<u>(107,189)</u>	<u>(157,560)</u>	<u>(137,900)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	215,339	90,000	305,339	137,900
Transfer out	<u>(129,899)</u>	-	<u>(129,899)</u>	-
Total other financing sources (uses)	<u>85,440</u>	<u>90,000</u>	<u>175,440</u>	<u>137,900</u>
Net change in fund balances	<u>\$ 35,069</u>	<u>(17,189)</u>	<u>\$ 17,880</u>	<u>\$ -</u>
Fund balances - beginning		<u>35,069</u>		
Fund balances - ending		<u>\$ 17,880</u>		

City of Cape Coral, Florida

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
SEAWALL PHASE VII CAPITAL PROJECTS FUND**
From Inception and for the Year Ended September 30, 2003

	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Project Authorization</u>
REVENUES	\$ -	\$ -	\$ -	\$ -
EXPENDITURES				
Capital outlay	<u>437,526</u>	<u>-</u>	<u>437,526</u>	<u>522,240</u>
Excess of revenues under expenditures	(437,526)	-	(437,526)	(522,240)
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>436,850</u>	<u>676</u>	<u>437,526</u>	<u>522,240</u>
Net change in fund balances	<u>\$ (676)</u>	<u>676</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balances - beginning		<u>(676)</u>		
Fund balances - ending		<u>\$ -</u>		

City of Cape Coral, Florida

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
CAPE CORAL SIX-LANING CAPITAL PROJECTS FUND
From Inception and for the Year Ended September 30, 2003**

	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Project Authorization</u>
REVENUES				
Interest income	\$ 209,001	\$ 69,994	\$ 278,995	\$ -
Other revenue	-	3,488	3,488	-
Total revenues	<u>209,001</u>	<u>73,482</u>	<u>282,483</u>	<u>-</u>
EXPENDITURES				
Capital outlay	<u>11,812,573</u>	<u>7,383,266</u>	<u>19,195,839</u>	<u>20,217,497</u>
Excess of revenues under expenditures	(11,603,572)	(7,309,784)	(18,913,356)	(20,217,497)
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>16,421,304</u>	<u>3,800,000</u>	<u>20,221,304</u>	<u>20,217,497</u>
Net change in fund balances	<u>\$ 4,817,732</u>	<u>(3,509,784)</u>	<u>\$ 1,307,948</u>	<u>\$ -</u>
Fund balances - beginning		<u>4,817,732</u>		
Fund balances - ending		<u>\$ 1,307,948</u>		

City of Cape Coral, Florida

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
SANTA BARBARA ACCESS CAPITAL PROJECTS FUND
 From Inception and for the Year Ended September 30, 2003

	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Project Authorization</u>
REVENUES				
Interest income	\$ 39,312	\$ 18,566	\$ 57,878	\$ -
Other revenue	50,000	91	50,091	-
Total revenues	<u>89,312</u>	<u>18,657</u>	<u>107,969</u>	<u>-</u>
EXPENDITURES				
Capital outlay	<u>1,979,502</u>	<u>530,063</u>	<u>2,509,565</u>	<u>4,850,772</u>
Excess of revenues under expenditures	(1,890,190)	(511,406)	(2,401,596)	(4,850,772)
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>3,200,000</u>	<u>-</u>	<u>3,200,000</u>	<u>4,850,772</u>
Net change in fund balances	<u>\$ 1,309,810</u>	<u>(511,406)</u>	<u>\$ 798,404</u>	<u>\$ -</u>
Fund balances - beginning		<u>1,309,810</u>		
Fund balances - ending		<u>\$ 798,404</u>		

City of Cape Coral, Florida

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
DEL PRADO WIDENING CAPITAL PROJECTS FUND
From Inception and for the Year Ended September 30, 2003**

	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Project Authorization</u>
REVENUES				
Interest income	\$ 164	\$ 22,760	\$ 22,924	\$ -
EXPENDITURES				
Capital outlay	-	387,262	387,262	1,600,000
Excess of revenues over (under) expenditures	164	(364,502)	(364,338)	(1,600,000)
OTHER FINANCING SOURCES (USES)				
Transfers in	1,600,000	-	1,600,000	1,600,000
Net change in fund balances	<u>\$ 1,600,164</u>	(364,502)	<u>\$ 1,235,662</u>	<u>\$ -</u>
Fund balances - beginning		1,600,164		
Fund balances - ending		<u>\$ 1,235,662</u>		

City of Cape Coral, Florida

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GLEASON PARKWAY EXTENSION CAPITAL PROJECT FUND**
From Inception and for the Year Ended September 30, 2003

	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Project Authorization</u>
REVENUES				
Interest income	\$ -	\$ 17,464	\$ 17,464	\$ -
EXPENDITURES				
Capital outlay	<u>147,653</u>	<u>311,898</u>	<u>459,551</u>	<u>2,200,000</u>
Excess of revenues under expenditures	(147,653)	(294,434)	(442,087)	(2,200,000)
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>120,079</u>	<u>2,000,000</u>	<u>2,120,079</u>	<u>2,200,000</u>
Net change in fund balances	<u>\$ (27,574)</u>	<u>1,705,566</u>	<u>\$ 1,677,992</u>	<u>\$ -</u>
Fund balances - beginning		<u>(27,574)</u>		
Fund balances - ending		<u>\$ 1,677,992</u>		

PROPRIETARY FUNDS

ENTERPRISE FUNDS

Enterprise Funds are used to account for activity for which a fee is charged to external users for goods or services

- Yacht Basin Fund – used to account for the operations of the City's public marina and docks.
- Building Division Fund – used to account for the City's construction permitting activities.
- Golf Course Fund – used to account for the operations of the City's public golf course.
- Water Park Fund – used to account for the operations of the City's public water park and aquatic facilities.

City of Cape Coral, Florida

STATEMENT OF NET ASSETS
NONMAJOR ENTERPRISE FUNDS
 September 30, 2003

	<u>Yacht Basin</u>	<u>Building Division</u>	<u>Golf Course</u>	<u>Water Park</u>	<u>Total</u>
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 290,802	\$ 3,052,645	\$ 377,580	\$ 9,089	\$ 3,730,116
Accounts receivable, net	3,026	-	-	1,602	4,628
Inventories	-	-	30,070	19,540	49,610
Prepaid items	1,492	-	6,124	-	7,616
Total current assets	295,320	3,052,645	413,774	30,231	3,791,970
Noncurrent assets:					
Restricted cash and cash equivalents	-	-	183,653	171,478	355,131
Unamortized bond issue costs	-	-	96,382	13,720	110,102
Capital assets:					
Land	20,555	-	1,599,304	29,492	1,649,351
Buildings	-	-	1,129,809	520,669	1,650,478
Building improvements	-	-	-	3,327	3,327
Improvements other than buildings	628,781	-	2,227,241	4,620,902	7,476,924
Equipment	3,583	422,226	697,446	669,921	1,793,176
Construction in progress	-	37,517	3,877	-	41,394
Less accumulated depreciation	(326,190)	(95,018)	(2,430,927)	(2,933,964)	(5,786,099)
Total capital assets, net	326,729	364,725	3,226,750	2,910,347	6,828,551
Total noncurrent assets	326,729	364,725	3,506,785	3,095,545	7,293,784
Total assets	622,049	3,417,370	3,920,559	3,125,776	11,085,754
LIABILITIES					
Current liabilities:					
Accounts payable and other accrued liabilities	11,071	103,146	37,460	40,537	192,214
Accrued payroll and compensated absences	4,458	194,437	46,101	49,629	294,625
Total current liabilities	15,529	297,583	83,561	90,166	486,839
Current liabilities payable from restricted assets:					
Deposits	4,873	292,171	239	-	297,283
Accrued interest payable	-	-	45,633	-	45,633
Debt:					
Revenue bonds	-	-	385,000	255,000	640,000
Capital leases	-	-	7,710	-	7,710
Total debt	-	-	392,710	255,000	647,710
Deferred revenue	-	-	131,977	-	131,977
Total current liabilities payable from restricted assets	4,873	292,171	570,559	255,000	1,122,603
Noncurrent liabilities:					
Advances from other funds	-	-	53,043	346,480	399,523
Compensated absences	7,659	256,095	48,742	40,026	352,522
Debt:					
Revenue bonds	-	-	3,878,880	1,316,640	5,195,520
Capital leases	-	-	71,679	-	71,679
Total debt	-	-	3,950,559	1,316,640	5,267,199
Total noncurrent liabilities	7,659	256,095	4,052,344	1,703,148	6,019,244
Total liabilities	28,061	845,849	4,706,464	2,048,312	7,628,686
NET ASSETS					
Invested in capital assets, net of related debt	326,729	364,725	(1,116,519)	1,338,707	913,642
Unrestricted	267,259	2,206,796	330,614	(261,243)	2,543,426
Total net assets	\$ 593,988	\$ 2,571,521	\$ (785,905)	\$ 1,077,464	\$ 3,457,068

City of Cape Coral, Florida

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
NONMAJOR ENTERPRISE FUNDS
 For the Year Ended September 30, 2003

	<u>Yacht Basin</u>	<u>Building Division</u>	<u>Golf Course</u>	<u>Water Park</u>	<u>Total</u>
OPERATING REVENUES					
Charges for services	\$ 247,277	\$ 4,789,861	\$1,407,644	\$ 1,965,244	\$ 8,410,026
Other revenue	-	227,650	5,108	13,179	245,937
Total operating revenues	<u>247,277</u>	<u>5,017,511</u>	<u>1,412,752</u>	<u>1,978,423</u>	<u>8,655,963</u>
OPERATING EXPENSES					
Salaries, wages and employee benefits	70,277	3,064,827	785,865	1,093,693	5,014,662
Contractual services, materials and supplies	58,117	415,446	545,116	844,080	1,862,759
Depreciation	36,387	95,019	196,164	201,507	529,076
Total operating expenses	<u>164,781</u>	<u>3,575,291</u>	<u>1,527,145</u>	<u>2,139,280</u>	<u>7,406,497</u>
Operating income (loss)	<u>82,496</u>	<u>1,442,220</u>	<u>(114,393)</u>	<u>(160,857)</u>	<u>1,249,466</u>
NONOPERATING REVENUES (EXPENSES)					
Interest income	2,350	36	633	641	3,660
Interest expense and bond discount amortization	-	-	(164,431)	(133,772)	(298,203)
Loss on disposal of assets	-	-	(9,568)	(1,960)	(11,528)
Total nonoperating revenues (expenses)	<u>2,350</u>	<u>36</u>	<u>(173,366)</u>	<u>(135,091)</u>	<u>(306,071)</u>
Income (loss) before contributions and transfers	<u>84,846</u>	<u>1,442,256</u>	<u>(287,759)</u>	<u>(295,948)</u>	<u>943,395</u>
Capital contributions	-	-	2,623	-	2,623
Transfers in	-	-	325,000	341,432	666,432
Total contributions and transfers	<u>-</u>	<u>-</u>	<u>327,623</u>	<u>341,432</u>	<u>669,055</u>
Change in net assets	<u>84,846</u>	<u>1,442,256</u>	<u>39,864</u>	<u>45,484</u>	<u>1,612,450</u>
Total net assets - beginning	<u>509,142</u>	<u>1,129,265</u>	<u>(825,769)</u>	<u>1,031,990</u>	<u>1,844,618</u>
Total net assets - ending	<u>\$ 593,988</u>	<u>\$ 2,571,521</u>	<u>\$ (785,905)</u>	<u>\$ 1,077,474</u>	<u>\$ 3,457,068</u>

City of Cape Coral, Florida

**ENTERPRISE FUNDS
STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
For the Year Ended September 30, 2003**

	<u>Yacht Basin</u>	<u>Building Division</u>	<u>Golf Course</u>	<u>Water Park</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash received from customers	\$ 247,329	\$ 5,322,876	\$ 1,531,419	\$ 1,983,165	\$ 9,084,789
Cash payments to suppliers	(36,187)	(325,494)	(477,661)	(700,924)	(1,540,266)
Cash payments to employees	(67,855)	(2,614,295)	(797,387)	(1,083,617)	(4,563,154)
Interfund service payments	(12,678)	-	(46,583)	(126,779)	(186,040)
Net cash provided by operating activities	<u>130,609</u>	<u>2,383,087</u>	<u>209,788</u>	<u>71,845</u>	<u>2,795,329</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Transfers in	-	-	325,000	341,432	666,432
Transfers out	-	-	-	-	-
Net cash provided by noncapital financing activities	<u>-</u>	<u>-</u>	<u>325,000</u>	<u>341,432</u>	<u>666,432</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Acquisition and construction of capital assets	-	(268,742)	(282,763)	(7,476)	(558,981)
Payment to refunding escrow agent	-	-	(908,218)	-	(908,218)
Proceeds from debt issuance	-	-	422,134	-	422,134
Principal payments on debt	-	-	(46,959)	(245,000)	(291,959)
Interest paid	-	-	(76,130)	(106,582)	(182,712)
Advances from other funds	-	-	53,043	-	53,043
Net cash used by capital and related financing activities	<u>-</u>	<u>(268,742)</u>	<u>(838,893)</u>	<u>(359,058)</u>	<u>(1,466,693)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:					
Investment income	2,350	36	633	641	3,660
Net cash provided by investing activities	<u>2,350</u>	<u>36</u>	<u>633</u>	<u>641</u>	<u>3,660</u>
Net increase (decrease) in cash and cash equivalents	132,959	2,114,381	(303,472)	54,860	1,998,728
Cash and cash equivalents - beginning	157,843	938,264	864,705	125,707	2,086,519
Cash and cash equivalents - ending	<u>\$ 290,802</u>	<u>\$ 3,052,645</u>	<u>\$ 561,233</u>	<u>\$ 180,567</u>	<u>\$ 4,085,247</u>
The following reconciles cash and cash equivalents to the Statement of Net Assets Nonmajor Enterprise Funds					
Cash and cash equivalents	\$ 290,802	\$ 3,052,645	\$ 377,580	\$ 9,089	\$ 3,730,116
Restricted cash and cash equivalents	-	-	183,653	171,478	355,131
Total cash and cash equivalents	<u>290,802</u>	<u>3,052,645</u>	<u>561,233</u>	<u>180,567</u>	<u>4,085,247</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:					
Operating income (loss)	\$ 82,496	\$ 1,442,220	\$ (114,393)	\$ (160,857)	\$ 1,249,466
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation expense	36,387	95,018	196,164	201,507	529,076
(Increase) decrease in assets:					
Accounts receivable	(3,026)	-	-	4,742	1,716
Intergovernmental receivable	-	-	-	(1,569)	(1,569)
Inventories	-	-	2,651	-	2,651
Prepaid items	(378)	-	(81)	-	(459)
Unamortized bond issue costs	-	-	9,164	2,283	11,447
Increase (decrease) in liabilities:					
Accounts payable and other accrued liabilities	9,630	103,146	9,138	15,663	137,577
Accrued payroll and compensated absences	2,422	450,532	(11,522)	10,076	451,508
Deposits	3,078	292,171	239	-	295,488
Restricted deferred revenue	-	-	118,428	-	118,428
Total adjustments	<u>48,113</u>	<u>940,867</u>	<u>324,181</u>	<u>232,702</u>	<u>1,545,863</u>
Net cash provided by operating activities	<u>130,609</u>	<u>2,383,087</u>	<u>209,788</u>	<u>71,845</u>	<u>2,795,329</u>

FIDUCIARY FUNDS

PENSION TRUST FUNDS

Pension Trust Funds are used to account for three defined benefit plans and one defined contribution plan, which accumulate resources for pension benefit payments to its employees/retirees.

- Municipal General Employees' Pension Plan – accounts for a defined benefit pension plan for non-uniformed employees if they are not eligible for the Defined Contribution Pension Plan.
- Municipal Police Officers' Pension Plan – accounts for a defined benefit pension plan for police officers.
- Municipal Firefighters' Pension Plan – accounts for a defined benefit pension plan for firefighters.

AGENCY FUNDS

Agency Funds are used to account for assets held in an agency capacity for others and therefore cannot be used to support the City's own programs.

- School Impact Fee Fund – used to account for the City's collection of school impact fees, at the time of building permit issuance, for the Lee County School Board.
- Teen Youth Center Fund – used to account for monies held for Youth Crime Intervention Program, Inc., a non-profit organization.
- Solid Waste Fund – used to account for the City's collection of solid waste fees for Waste Management Inc. who performs the solid waste collection and disposal services for the City.

City of Cape Coral, Florida

COMBINING STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
 September 30, 2003

	<u>Pension Trust Funds</u>			<u>Total Pension Trust Funds</u>
	<u>Municipal General Employees'</u>	<u>Municipal Police Officers'</u>	<u>Municipal Firefighters'</u>	
ASSETS				
Cash and cash equivalents	\$ 2,303,608	\$ 1,263,016	\$ 1,736,821	\$ 5,303,445
Employee contributions receivable	1,504,587	802,594	975,095	3,282,276
Investments, at fair value:				
U.S. government obligations	3,766,120	2,431,562	2,641,766	8,839,448
Federal agency notes	3,014,316	1,782,378	2,163,118	6,959,812
Corporate bonds	7,710,430	4,212,288	5,278,936	17,201,654
Corporate stocks	29,843,834	16,776,635	20,141,100	66,761,569
Mortgage-backed securities	6,430,100	3,552,166	4,387,309	14,369,575
Mutual funds	8,193,985	7,132,193	6,139,845	21,466,023
Total investments	<u>58,958,785</u>	<u>35,887,222</u>	<u>40,752,074</u>	<u>135,598,081</u>
Total assets	<u>62,766,980</u>	<u>37,952,832</u>	<u>43,463,990</u>	<u>144,183,802</u>
LIABILITIES				
Refunds payable and other liabilities	<u>1,562,328</u>	<u>912,058</u>	<u>1,047,304</u>	<u>3,521,690</u>
NET ASSETS				
Held in trust for pension benefits	<u>\$ 61,204,652</u>	<u>\$ 37,040,774</u>	<u>\$ 42,416,686</u>	<u>\$ 140,662,112</u>

City of Cape Coral, Florida

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS**

For the Year Ended September 30, 2003

	Pension Trust Funds			Total Pension Trust Funds
	Municipal General Employees'	Municipal Police Officers'	Municipal Firefighters'	
ADDITIONS				
Contributions:				
Employer	\$ 1,783,828	\$ 841,896	\$ 1,076,306	\$ 3,702,030
Employee	2,129,651	613,710	538,771	3,282,132
State	-	544,440	483,358	1,027,798
Total contributions	<u>3,913,479</u>	<u>2,000,046</u>	<u>2,098,435</u>	<u>8,011,960</u>
Interest income:				
Net increase in fair value of investments	6,440,770	4,090,061	4,428,408	14,959,239
Interest	1,466,495	823,702	997,697	3,287,894
Total interest income	<u>7,907,265</u>	<u>4,913,763</u>	<u>5,426,105</u>	<u>18,247,133</u>
Less investment expenses	(173,871)	(97,971)	(134,683)	(406,525)
Net interest income	<u>7,733,394</u>	<u>4,815,792</u>	<u>5,291,422</u>	<u>17,840,808</u>
Total additions	<u>11,646,873</u>	<u>6,815,838</u>	<u>7,389,857</u>	<u>25,852,568</u>
Benefits and refunds	3,205,936	1,253,641	1,007,733	5,467,310
Administrative expenses	44,772	31,393	54,035	130,200
Total deductions	<u>3,250,708</u>	<u>1,285,034</u>	<u>1,061,768</u>	<u>5,597,510</u>
Change in net assets	<u>8,396,165</u>	<u>5,530,804</u>	<u>6,328,089</u>	<u>20,255,058</u>
Net assets - beginning	52,808,487	31,509,970	36,088,597	120,407,054
Net assets - ending	<u>\$ 61,204,652</u>	<u>\$ 37,040,774</u>	<u>\$ 42,416,686</u>	<u>\$ 140,662,112</u>

City of Cape Coral, Florida

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS**

For the Year Ended September 30, 2003

	<u>School Impact Fee Fund</u>	<u>Teen Youth Center Fund</u>	<u>Solid Waste Fund</u>	<u>Total Agency Funds</u>
ASSETS				
Cash and cash equivalents	\$ 761,741	\$ -	\$ 630,902	\$ 1,392,643
Accounts receivable	-	-	46,000	46,000
Total assets	<u>761,741</u>	<u>-</u>	<u>676,902</u>	<u>1,438,643</u>
DUE TO OTHERS (OCTOBER 1, 2002)	715,650	329,252	83,239	1,128,141
Additions:				
Collections	8,936,767	637,515	7,799,898	17,374,180
Investment income	-	1,704	31,543	33,247
Total additions	<u>8,936,767</u>	<u>639,219</u>	<u>7,831,441</u>	<u>17,407,427</u>
Deductions:				
Remittances to Lee County School Board	8,884,734	-	-	8,884,734
Remittances to Teen Youth Center	-	968,471	-	968,471
Remittances to Waste Management	-	-	7,237,778	7,237,778
Administrative expenses	5,942	-	-	5,942
Total deductions	<u>8,890,676</u>	<u>968,471</u>	<u>7,237,778</u>	<u>17,096,925</u>
Total due to others ending balance	<u>\$ 761,741</u>	<u>\$ -</u>	<u>\$ 676,902</u>	<u>\$ 1,438,643</u>

STATISTICAL SECTION (Unaudited)

The Statistical data relates to the physical, economic, social, and political characteristics of the City. The Statistical Schedules differ from other financial presentations because they generally disclose more than one fiscal year.

COMMENTS RELATIVE TO STATISTICAL SECTION

The following statistical table recommended by the Governmental Accounting Standards Board is not included for the reason stated below:

- § Table of Computation of Legal Debt Margin is omitted because the Constitution of the State of Florida (FS 200.181) and City of Cape Coral set no legal debt limit.

City of Cape Coral, Florida
GOVERNMENT-WIDE EXPENSES BY FUNCTION
LAST TEN FISCAL YEARS ⁽¹⁾
(Unaudited)

Table 1

<u>Function</u>	<u>Fiscal Year 2001</u>	<u>Fiscal Year 2002</u>	<u>Fiscal Year 2003</u>
General government	\$ 10,246,131	\$ 10,959,838	\$ 15,882,687
Public safety:			
Police	15,134,154	15,540,428	16,681,383
Fire	11,049,393	11,333,512	12,343,150
Public works	4,714,307	4,869,549	5,086,678
Community development	3,527,983	4,322,273	1,130,261
Parks and recreation	6,991,882	7,327,464	7,565,632
Transportation	8,817,123	9,629,953	9,645,598
Interest on long-term debt	1,839,904	1,646,963	1,518,503
Water and sewer	41,545,021	34,255,664	38,977,836
Stormwater utility	5,806,100	5,945,177	6,986,521
Yacht basin	131,370	143,507	164,781
Building division ⁽²⁾	-	-	3,575,291
Golf course	1,678,942	1,727,979	1,701,144
Water park	2,044,834	2,080,358	2,275,012
Total	<u>\$ 113,527,144</u>	<u>\$ 109,782,665</u>	<u>\$ 123,534,477</u>

Source: City of Cape Coral, Financial Services Department

⁽¹⁾ The last 3 fiscal years are reflected for compliance to Governmental Accounting Standards Board (GASB) Statement No. 34 implemented fiscal year ended, September 30, 2002.

⁽²⁾ The building division was reported in community development in prior years.

City of Cape Coral, Florida

**GOVERNMENT-WIDE REVENUES
LAST TEN FISCAL YEARS ⁽¹⁾**

(Unaudited)

Table 2

	<u>Fiscal Year 2001</u>	<u>Fiscal Year 2002</u>	<u>Fiscal Year 2003</u>
	Program Revenues		
Charges for services	\$ 47,756,028	\$ 51,498,859	\$ 58,197,072
Operating grants and contributions	12,616,074	12,702,429	13,894,413
Capital grants and contributions	5,898,415	22,068,602	39,363,352
Total	<u>\$ 66,270,517</u>	<u>\$ 86,269,890</u>	<u>\$ 111,454,837</u>
	General Revenues		
Taxes	\$ 37,801,805	\$ 43,595,087	\$ 49,133,919
Interest income	10,896,259	7,113,829	8,144,538
Gain on sale of capital assets	-	-	138,387
Total	<u>\$ 48,698,064</u>	<u>\$ 50,708,916</u>	<u>\$ 57,416,844</u>

Source: City of Cape Coral, Financial Services Department

⁽¹⁾ The last 3 fiscal years are reflected for compliance to Governmental Accounting Standards Board (GASB) Statement No. 34 implemented fiscal year ended, September 30, 2002.

City of Cape Coral, Florida
GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION ⁽¹⁾
LAST TEN FISCAL YEARS
(Unaudited)

Table 3

Fiscal year	General government ⁽²⁾	Public safety	Transportation	Parks and recreation	Capital outlay	Debt service		Total
						Principal retirement	Interest and fiscal charges	
1994	\$ 9,933,702	\$ 16,586,130	\$ 7,715,576	\$ 4,503,682	\$ 3,604,427	\$ 615,016	\$ 160,976	\$ 43,119,509
1995	9,196,829	18,428,308	10,353,841	4,907,408	1,326,021	1,134,774	251,711	45,598,890
1996	9,731,034	20,075,052	6,081,361	4,785,695	2,351,355	1,251,030	204,886	44,460,413
1997	10,747,517	21,036,589	7,774,271	4,941,745	7,112,462	1,411,753	185,292	53,209,629
1998	12,894,547	22,053,739	6,251,977	5,151,715	4,123,723	1,166,566	127,837	51,770,104
1999	12,363,633	23,585,125	7,172,588	4,774,875	4,684,090	307,964	87,406	53,175,681
2000	13,225,093	24,443,796	10,145,134	5,230,939	6,849,420	256,132	128,023	60,278,537
2001	14,171,154	27,018,038	7,202,568	5,968,165	5,077,058	487,915	148,217	60,093,115
2002	14,480,088	25,683,503	7,483,210	6,567,628	6,588,306	338,984	50,809	61,172,538
2003	15,723,237	27,417,135	8,126,628	6,746,164	15,343,908	1,199,620	83,249	74,840,141

Source: City of Cape Coral, Financial Services Department

⁽¹⁾ Includes General and Special Revenue Funds.

⁽²⁾ General government and community development.

City of Cape Coral, Florida
GENERAL GOVERNMENTAL REVENUE BY SOURCE ⁽¹⁾
LAST TEN FISCAL YEARS
(Unaudited)

Table 4

Fiscal year	Taxes	Franchise fees	Communication services tax ⁽²⁾	Licenses, permits, and fees	Charges for services and facilities	Inter-governmental revenue	Special assessments impact fees, interest, and other	Total
1994	\$ 19,981,351	\$ 2,670,291	\$ -	\$ 1,853,986	\$ 4,408,381	\$ 9,300,946	\$ 3,720,040	\$ 41,934,995
1995	22,898,198	2,882,897	-	1,589,514	4,420,012	9,745,543	6,585,401	48,121,565
1996	23,936,430	2,941,982	-	1,740,336	5,459,539	11,940,575	4,810,098	50,628,960
1997	24,323,696	3,023,026	-	1,846,917	5,686,828	10,342,277	3,894,900	49,117,644
1998	24,740,440	3,268,140	-	2,110,448	6,822,312	11,420,730	6,233,616	54,595,686
1999	27,651,887	3,105,326	-	2,418,234	6,046,375	12,969,452	8,217,906	60,409,180
2000	28,933,202	3,174,631	-	2,606,555	6,087,649	14,184,306	7,620,716	62,607,059
2001	31,018,482	3,526,943	-	3,223,905	6,785,958	14,446,132	8,758,065	67,759,485
2002	33,525,571	3,298,084	3,469,719	4,518,683	7,418,852	14,230,796	9,689,470	76,151,185
2003	38,849,122	3,379,802	3,791,547	595,301 ⁽³⁾	10,078,573	16,328,373	13,350,416	86,373,134

Source: City of Cape Coral, Financial Services Department

⁽¹⁾ Includes General and Special Revenue Funds.

⁽²⁾ Enactment of the telecommunications tax by the state legislature was effective October 1, 2001.

⁽³⁾ Building division activity is recorded in an enterprise fund effective October 1, 2002.

City of Cape Coral, Florida
TAXABLE SALES
LAST TEN FISCAL YEARS
(Unaudited)

Table 5

<u>Year⁽¹⁾</u>	<u>State of Florida</u>	<u>Change</u>	<u>Lee County</u>	<u>Change</u>	<u>City of Cape Coral</u>	<u>Change</u>
1994	\$ 165,911,751,650	6.05%	\$ 4,453,625,199	9.78%	\$ 367,171,886	8.92%
1995	171,402,746,212	3.31%	4,733,449,123	6.28%	399,428,003	8.79%
1996	183,963,984,331	7.33%	4,975,279,145	5.11%	418,716,737	4.83%
1997	194,632,886,687	5.80%	5,302,532,565	6.58%	450,172,143	7.51%
1998	209,236,468,909	7.50%	5,833,106,161	10.01%	499,006,903	10.85%
1999	225,111,792,926	7.59%	6,342,980,139	8.74%	553,147,723	10.85%
2000	244,564,825,136	8.64%	7,297,816,817	15.05%	612,754,340	10.78%
2001	255,612,635,752	4.52%	7,759,314,298	6.32%	652,964,206	6.56%
2002	259,850,692,769	1.58%	8,027,041,837	3.45%	698,314,732	6.95%
2003	265,729,597,226	2.34%	8,349,493,035	4.02%	747,196,763 ⁽²⁾	7.00%

Source: Florida Department of Revenue

⁽¹⁾ State's fiscal year ended June 30.

⁽²⁾ City of Cape Coral amount is estimated since data by city is no longer available from the Florida Department of Revenue.

**PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS**

(Unaudited)

Table 6

Fiscal year	Total taxes levied ⁽¹⁾	Total taxes collected ⁽²⁾	Percent of current taxes collected to total taxes levied
1994	\$ 20,011,554	\$ 20,019,907	100.0%
1995	22,676,376	22,043,356	97.2%
1996	22,863,971	22,679,900	99.2%
1997	22,763,261	22,538,010	99.0%
1998	22,805,674	22,547,070	98.9%
1999	25,794,715	25,494,110	98.8%
2000	26,927,903	26,621,859	98.9%
2001	28,726,625	28,464,930	99.1%
2002	30,728,274	30,789,121	100.2%
2003	35,751,603	35,555,201	99.5%

⁽¹⁾ Source: Lee County Property Appraiser

Property taxes become due and payable on November 1 of each year. A 4% discount is allowed if the taxes are paid in November, with the discount declining by 1% each month thereafter. Accordingly, taxes collected will not be 100% of tax levy. Taxes become delinquent on April 1 of each year, and tax certificates for the full amount of any unpaid taxes and assessments must be sold no later than June 1 of each year (the proceeds of which are included in this column).

⁽²⁾ Source: City of Cape Coral, Financial Services Department

City of Cape Coral, Florida
ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS
(Unaudited)

Table 7

Fiscal year	Real property		Personal property		Total		Percentage of total assessed to total estimated actual value
	Assessed value	Estimated actual value	Assessed value	Estimated actual value	Assessed value	Estimated actual value	
1994	\$ 3,379,553,390	\$ 4,176,059,700	\$ 182,331,840	\$ 183,273,440	\$ 3,561,885,230	\$ 4,359,333,140	81.71%
1995	3,407,265,480	4,233,644,530	193,860,950	196,350,470	3,601,126,430	4,429,995,000	81.29%
1996	3,453,454,700	4,365,065,210	194,624,390	196,298,980	3,648,079,090	4,561,364,190	79.98%
1997	3,435,275,200	4,378,139,670	196,735,030	198,190,150	3,632,010,230	4,576,329,820	79.37%
1998	3,439,759,740	4,400,195,440	199,017,830	200,228,560	3,638,777,570	4,600,424,000	79.10%
1999	3,560,494,870	4,568,871,040	181,720,350	181,984,860	3,742,215,220	4,750,855,900	78.77%
2000	3,747,721,280	4,837,998,090	184,622,360	184,884,510	3,932,343,640	5,022,882,600	78.29%
2001	4,033,739,420	5,232,437,720	204,038,480	211,217,140	4,237,777,910	5,443,654,860	77.85%
2002	4,494,206,210	5,883,793,170	219,882,450	228,196,520	4,714,588,660	6,112,989,690	77.12%
2003	5,332,117,930	7,202,959,160	276,416,610	286,116,930	5,608,534,540	7,489,076,090	74.89%

Source: Lee County Property Appraiser

City of Cape Coral, Florida

**PROPERTY TAX RATES – DIRECT AND OVERLAPPING GOVERNMENTS –
PER \$1,000 OF ASSESSED VALUE – LAST TEN FISCAL YEARS**

(Unaudited)

Table 8

Fiscal year	City of Cape Coral			General county	School board	Other ⁽¹⁾	Total all	Share of total tax rate levied by City
	General	Debt service	Total					
1994	4.9300	0.8700	5.8000	5.2170	9.235	1.720	21.9720	28.40%
1995	5.4298	0.8700	6.2998	4.8470	9.372	2.008	22.5268	27.97%
1996	5.4298	0.8376	6.2674	4.7470	9.348	1.851	22.2134	28.21%
1997	5.4298	0.8376	6.2674	4.4751	9.245	2.375	22.3625	28.03%
1998	5.4298	0.8376	6.2674	4.4751	9.306	2.927	22.9755	27.28%
1999	5.9873	0.9056	6.8929	4.4751	9.306	3.018	23.6920	29.09%
2000	5.9873	0.8605	6.8478	4.4751	8.941	3.550	23.8139	28.76%
2001	5.9873	0.7914	6.7787	4.3277	8.798	3.525	23.4294	28.93%
2002	5.8033	0.7144	6.5177	4.3277	8.478	3.525	22.8484	28.53%
2003	5.8033	0.5712	6.3745	4.3277	8.580	3.501	22.7832	27.98%

Source: Lee County Property Appraiser

⁽¹⁾ Other consists of Lee County Capital Improvement, Lee County Library, West Coast Inland Waterway, Lee County Hyacinth Control, Lee County Mosquito Control, South Florida Water Management District, South Florida Water Management Everglades, and City of Cape Coral Municipal Services Taxing Unit (Solid Waste Incinerator).

**SPECIAL ASSESSMENT BILLINGS AND COLLECTIONS – ENTERPRISE FUNDS
LAST TEN FISCAL YEARS**

(Unaudited)

Table 9

<u>Fiscal year</u>	<u>New assessments during year</u>	<u>Billings</u>	<u>Collections during year</u>
1994	\$ (96,843)	\$ 14,002,008	\$ 10,353,299
1995	132,799,343	36,444,334	31,312,914
1996	-	26,075,610	19,197,505
1997	-	24,363,776	15,335,629
1998	853,082	23,005,131	15,805,974
1999	238,082	20,655,571	13,678,408
2000	-	14,737,787	9,862,618
2001	20,555,000	12,206,843	13,143,632
2002	39,255,000	12,861,700	14,348,718
2003	47,364,000	15,540,911	19,972,684

Source: City of Cape Coral, Financial Services Department

City of Cape Coral, Florida

**RATIO OF NET GENERAL BONDED DEBT TO
ASSESSED VALUE AND NET GENERAL BONDED DEBT
PER CAPITA
LAST TEN FISCAL YEARS**

(Unaudited)

Table 10

Fiscal year	Population ⁽¹⁾	Assessed taxable value ⁽²⁾	Net bonded debt ⁽³⁾	Net bonded debt as a percentage of assessed value	Net bonded debt per capita	Debt per capita percentage of per capita income ⁽⁴⁾
1994	83,768	\$ 3,561,885,230	\$ 34,170,569	0.96%	\$ 408	1.80%
1995	86,140	3,601,126,430	27,737,398	0.77%	322	1.30%
1996	88,119	3,648,079,090	25,619,710	0.70%	291	1.10%
1997	90,484	3,632,010,230	23,701,836	0.65%	262	1.00%
1998	93,017	3,638,777,570	21,708,961	0.60%	233	0.80%
1999	97,637	3,742,215,200	19,626,087	0.52%	201	0.74%
2000	102,067	3,932,343,640	17,438,398	0.44%	171	0.62%
2001	107,377	4,237,777,910	15,180,525	0.36%	141	0.51%
2002	114,919	4,714,588,660	12,797,650	0.27%	111	0.38%
2003	124,449	5,608,534,540	10,704,775	0.19%	86	0.29%

⁽¹⁾ Source: City of Cape Coral, Department of Community Development

⁽²⁾ Source: Lee County Property Appraiser (see table 7)

⁽³⁾ Source: City of Cape Coral, Financial Services Department

⁽⁴⁾ Source: U. S. Department of Commerce Bureau of Economic Analysis (see table 15)

City of Cape Coral, Florida

**RATIO OF DEBT SERVICE EXPENDITURES
FOR GENERAL BONDED DEBT ⁽¹⁾
TO TOTAL GENERAL GOVERNMENT EXPENDITURES
LAST TEN FISCAL YEARS**

(Unaudited)

Table 11

<u>Fiscal year</u>	<u>General government expenditures ⁽²⁾</u>	<u>Debt service</u>	<u>Percent of debt service to expenditures</u>
1994	\$ 43,119,509	\$ 1,783,561	4.14%
1995	45,598,890	1,682,480	3.69%
1996	44,460,413	1,679,265	3.78%
1997	53,209,629	1,681,705	3.16%
1998	51,770,104	1,676,249	3.24%
1999	53,175,681	1,677,268	3.15%
2000	60,278,537	1,679,174	2.79%
2001	60,093,115	1,681,536	2.80%
2002	61,172,538	1,681,586	2.75%
2003	74,640,141	1,677,911	2.25%

Source: City of Cape Coral, Financial Services Department

⁽¹⁾ General Obligation Bonds reported in the Enterprise Fund have been excluded.

⁽²⁾ General Government expenditures include General and Special Revenue Funds (see table 3).

COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT

(Unaudited)

Table 12

	<u>Net debt outstanding</u>	<u>Percentage applicable to City of Cape Coral</u>	<u>Amount applicable to City of Cape Coral</u>
City of Cape Coral	\$ 10,704,775 ⁽¹⁾	100.00%	\$ 10,704,775
Lee County	226,633,000 ⁽²⁾	15.19% ⁽³⁾	<u>34,425,553</u>
Total net direct and net overlapping debt			<u>\$ 45,130,328</u>

There is no County School District debt applicable to the City of Cape Coral.

⁽¹⁾ Source: City of Cape Coral, Financial Services Department (see table 10)

⁽²⁾ Source: Lee County Clerk of Court, Finance Division

⁽³⁾ Determined by dividing:
 taxable assessed valuation of the City of Cape Coral (see table 7) \$ 5,608,534,540
 by the total taxable valuation of Lee County. \$ 36,916,753,496

City of Cape Coral, Florida
SCHEDULE OF WATER AND SEWER REVENUE BOND COVERAGE
LAST TEN FISCAL YEARS
(Unaudited)

Table 13

Fiscal year	Operating revenues ⁽¹⁾	Operating expenses ⁽²⁾	Net revenue available for debt service	Debt service requirements ⁽³⁾			Times coverage
				Principal	Interest	Total	
1994	\$ 15,282,321	\$ 10,442,175	\$ 4,820,146	\$ 850,000	\$ 1,270,550	\$ 2,120,550	2.27
1995	17,033,339	12,702,306	4,331,033	900,000	1,215,350	2,115,350	2.05 ⁽⁴⁾
1996	19,846,650	12,374,498	7,472,152	970,000	1,154,950	2,124,950	3.52
1997	22,216,509	13,163,876	9,052,633	2,010,439	1,722,079	3,732,518	2.43
1998	23,006,905	13,126,601	9,880,304	2,101,584	1,621,729	3,723,313	2.65
1999	24,096,801	12,579,690	11,517,111	2,437,441	1,706,227	4,143,668	2.78
2000	25,689,115	12,341,507	13,347,608	2,610,137	1,533,413	4,143,550	3.22
2001	26,293,287	13,621,303	12,671,984	2,633,991	1,528,722	4,162,713	3.04
2002	26,563,432	14,828,630	11,734,802	2,699,450	1,464,245	4,163,695	2.82
2003	27,660,546	18,043,818	9,616,728	2,815,840	1,206,074	4,021,914	2.39

Source: City of Cape Coral, Financial Services Department

⁽¹⁾ Includes interest income; excludes special assessment income and ad valorem taxes as they are used to pay General Obligation bonds and are not available for revenue bond requirements.

⁽²⁾ Excludes depreciation expense, interest expense, bond discount/premium amortization, gain/loss on disposal of fixed assets, and special assessment expenses.

⁽³⁾ Includes only debt being funded by the net revenue of the system.

⁽⁴⁾ Debt service restated based on pledged revenue criteria as defined in bond covenants.

City of Cape Coral, Florida
SCHEDULE OF STORMWATER DEBT COVERAGE
LAST TEN FISCAL YEARS
(Unaudited)

Table 14

Fiscal year	Operating revenues	Operating expenses ⁽¹⁾	Net revenue available for debt service ⁽²⁾	Debt service requirements ⁽³⁾			Times coverage
				Principal	Interest	Total	
1994	\$ 5,499,826	\$ 4,269,650	\$ 1,230,176	\$ 220,000	\$ 447,801	\$ 667,801	1.84
1995	5,459,767	2,900,507	2,559,260	230,000	437,834	667,834	3.83
1996	5,405,424	3,584,744	1,820,680	240,000	426,546	666,546	2.73
1997	5,782,125	3,995,630	1,786,495	250,000	414,169	664,169	2.69
1998	5,652,374	3,123,945	2,528,429	265,000	400,643	665,643	3.80
1999	5,384,878	3,654,270	1,730,608	280,000	385,854	665,854	2.60
2000	5,894,667	3,145,386	2,749,281	295,000	369,894	664,894	4.13
2001	6,345,724	4,098,461	2,247,263	310,000	352,799	662,799	3.39
2002	6,958,848	4,244,836	2,714,012	330,000	334,394	664,394	4.08
2003	9,362,738	5,341,900	4,020,838	380,000	193,831	573,831	7.01

Source: City of Cape Coral, Financial Services Department

⁽¹⁾ Includes interest income (excludes construction interest).

⁽²⁾ Excludes depreciation expense, interest expense, bond discount/premium amortization, gain/loss on disposal of fixed assets, and special assessment expenses.

⁽³⁾ Includes only debt being funded by the net revenue of the system.

City of Cape Coral, Florida
DEMOGRAPHIC STATISTICS
LAST TEN FISCAL YEARS
(Unaudited)

Table 15

Fiscal year	Lee County population ⁽¹⁾		Cape Coral population ⁽²⁾		Median age in years ⁽³⁾	Education level school enrollment ⁽³⁾	Unemployment rate—annual means ⁽⁴⁾	Per capita income ⁽⁵⁾
	Total	Percentage change	Total	Percentage change				
1994	367,410	2.8%	83,768	2.8%	40	11,995	5.3%	22,450
1995	376,702	2.5%	86,140	2.8%	40	12,247	4.4%	23,664
1996	383,706	1.9%	88,119	2.3%	40	12,409	4.0%	25,144
1997	394,244	2.7%	90,484	2.7%	40	12,514	3.4%	26,150
1998	405,637	2.9%	93,017	2.8%	42	12,412	3.2%	27,196
1999	427,180	5.3%	97,637	5.0%	42	12,590	2.7%	27,196
2000	440,888	3.2%	102,067	4.5%	40	13,097	2.7%	27,640
2001	454,918	3.2%	107,377	5.2%	40	13,542	2.7%	27,861
2002	475,073	4.4%	114,919	7.0%	42	13,994	3.8%	28,947
2003	497,022	4.6%	124,449	8.3%	42	15,504	4.3%	29,540

⁽¹⁾ Source: Lee County Department of Community Development, Planning, and Developmental Services Divisions

⁽²⁾ Source: City of Cape Coral, Department of Community Development, Division of Growth and Land Management

⁽³⁾ Source: School District of Lee County

⁽⁴⁾ U.S. Department of Labor, Bureau of Labor Statistics

⁽⁵⁾ U. S. Department of Commerce Bureau of Economic Analysis

City of Cape Coral, Florida

TEN LARGEST PROPERTY TAXPAYERS

September 30, 2003

(Unaudited)

Table 16

	<u>Taxable valuation ⁽¹⁾</u>	<u>Percentage of total city assessment ⁽²⁾</u>
Cape Coral Holdings, Inc.	\$ 14,844,630	0.28%
Dewars Lake Development LLC	14,209,850	0.27%
Tarpon Point Association LLC	11,943,950	0.22%
Coral Cove LTD	11,361,310	0.21%
Thieman Enterprises LLC	11,056,910	0.21%
Eagle, Gregory W. Trust	10,241,860	0.19%
Realmark Cape Harbour LLC	9,852,600	0.18%
Fullenkamp, Dennis J. Trust	8,801,790	0.17%
Blaisco LLC	8,682,380	0.16%
Wal-Mart Stores Incorporated	8,533,770	0.16%
Total	<u>\$ 109,529,050</u>	<u>2.05%</u>

⁽¹⁾ Source: City of Cape Coral, Financial Services Department

⁽²⁾ The total real property taxable value of Cape Coral is \$5,332,117,930 (see table 7). Percentages for reference purposes only. Percentages are rounded.

**PROPERTY VALUE, CONSTRUCTION, AND BANK DEPOSITS
LAST TEN FISCAL YEARS**

(Unaudited)

Table 17

Fiscal year	Estimated actual value ⁽¹⁾	Total exemptions ⁽¹⁾	Total taxable	Residential construction ⁽²⁾		
				Number of units	Percent increase (decrease)	Building costs
1994	\$ 4,359,333,140	\$ 797,447,910	\$ 3,561,885,230	1,195	10.6 %	\$ 62,114,686
1995	4,429,995,000	828,868,570	3,601,126,430	1,040	(13.0) %	49,786,529
1996	4,561,364,190	913,285,100	3,648,079,090	1,141	9.7 %	55,884,083
1997	4,576,329,820	944,319,590	3,632,010,230	1,280	12.2 %	63,251,186
1998	4,600,424,000	961,646,430	3,638,777,570	1,664	30.0 %	82,241,306
1999	4,750,855,900	1,008,640,680	3,742,215,220	1,939	16.5 %	124,154,065
2000	5,022,882,600	1,090,549,960	3,932,332,640	2,419	24.8 %	202,297,548
2001	5,443,654,860	1,205,876,950	4,237,777,910	2,311	(4.5) %	214,015,963
2002	6,112,989,690	1,398,401,030	4,714,588,660	3,458	49.5 %	311,228,065
2003	7,489,076,090	1,880,541,550	5,608,534,540	4,558	31.9 %	424,593,450

⁽¹⁾ Source: Lee County Property Appraiser

⁽²⁾ Source: City of Cape Coral, Department of Community Development; includes new construction, remodels and additions.

⁽³⁾ Source: Federal Deposit Insurance Corporation (FDIC) Web site, as of June 30, 2003.

⁽⁴⁾ During fiscal year 1997, The Cape Coral Department of Community Development redefined the composition of docks and pools, resulting in lower statistics than in prior years.

⁽⁵⁾ During fiscal year 2003, there was one significant project consisting of 198 units.

Commercial industrial/ religious construction ⁽²⁾			Docks and pools ⁽²⁾			Bank deposits ⁽³⁾
Number of units	Percent increase (decrease)	Building costs	Number of permits	Percent increase (decrease)	Building costs	
37	2.8 %	\$ 14,541,151	14,085	(2.8) %	\$ 22,811,179	\$ 3,670,063,000
206	456.8 %	4,457,070	14,899	5.8 %	25,104,349	3,788,037,000
130	(36.9) %	17,872,145	15,288	2.6 %	25,093,016	4,935,455,000
129	(0.8) %	16,623,528	1,484	(90.3) %	10,843,912 ⁽⁴⁾	5,093,131,000
125	(3.1) %	15,057,214	1,773	19.5 %	13,414,651 ⁽⁴⁾	5,330,555,000
203	62.4 %	17,032,639	2,019	13.9 %	16,253,296	5,628,240,000
197	(3.0) %	22,311,532	2,459	21.8 %	20,833,195	5,703,502,000
161	(18.3) %	15,848,714	2,442	(0.7) %	23,024,126	6,321,701,000
239	48.4 %	27,846,691	3,409	39.6 %	35,573,256	6,706,129,000
494 ⁽⁵⁾	106.7 %	22,334,642	3,713	8.9 %	44,265,166	7,356,361,000

City of Cape Coral, Florida
MISCELLANEOUS STATISTICS
 September 30, 2003
 (Unaudited)

Table 18

Date of incorporation	August 18, 1970
Form of government	Council - Manager
Number of council seats	Seven
Chairman/mayor election	Mayor is elected at large
Length of term	Four years
Fiscal year begins	October 1st
City employees per 1,000 population (1,298 full time equivalents)	10.43
Location:	
County	Lee
Land area	114 square miles
Latitude	26° 38' North
Longitude	81° 57' West
Elevation	10 feet
Public safety:	
Fire protection:	
Number of stations	7
Number of firefighters and officers	134
Police protection (City of Cape Coral Police Department only):	
Number of stations	1
Number of sworn officers	156
Utility service:	
Municipal Water Department:	
Method of acquiring water	Pumping (wells)
Method of treating water	Reverse osmosis
Number of connections – water	40,792
Number of connections – sewer	36,330
Average daily consumption per consumer	89 gallons
Water design capacity	15.00 MGD
Wastewater design capacity	15.10 MGD
Miles of water distribution	628
Water meter information:	
Number of consumers	47,697
Number of water meters in operation	40,792
Number of unmetered water consumers (irrigation)	31,082
Number of gallons passing through master meter	3,269,625,000
Number of gallons of water metered	2,639,196,000
Number of gallons flushed	173,292,000
Number of gallons unaccounted for	408,092,000
Percent unaccounted for	12.62%

MISCELLANEOUS STATISTICS (continued)

September 30, 2003

(Unaudited)

Table 18

Public works/utilities:	
Sanitary sewers	Clay 180 miles PVC 330 miles Iron 60 miles
Paved streets (lane miles)	3110 miles
Paved alleys	12 miles
Sidewalks	69 miles
Stormwater drainage pipes	485 miles
Swales	2,897 miles
Fresh water canals	295 miles
Salt water canals	105 miles
Catch basins	45,781
Recreation and culture:	
Parks:	
Developed parks:	
Number of parks – city owned	25
Number of acres	348
Number of parks – county and state owned (including schools)	14
Number of acres	1,172
Undeveloped parks:	
Number of parks – city owned	25
Number of acres	839.65
Other recreation:	
Number of city-owned golf courses (18 hole)	1
Number of acres	180
Number of other golf courses (2-18 hole, 1-9 hole)	3
Number of acres	512
Number of city-owned water park facilities	1
Number of acres	16
Number of city-owned theaters	1
Number of city-owned senior citizen centers	2
Number of city-owned yacht basins	1
Number of city-owned art studios	1
Number of city-owned special populations facilities	1
Number of city-owned recreation centers	2
Number of city-owned tennis facilities	1
Number of city-owned racquetball facilities	1
Number of city-owned beaches	1
Number of city-owned boat launches, locks, and lifts	7
Number of libraries:	1
Number of volumes (videos, audios, and books):	
Catalogues	208,771
Periodical subscriptions	340

MISCELLANEOUS STATISTICS

September 30, 2003

(Unaudited)

Table 18

Education:

Public schools:

Elementary schools:

Attendance centers	8
Number of teachers	346
Number of students	6,064

Middle schools:

Attendance centers	4
Number of teachers	220
Number of students	4,275

High schools:

Attendance centers	2
Number of teachers	201
Number of students	4,492

Vocational school:

Attendance centers	1
Number of teachers	22
Number of high school students	75
Post secondary students	205

Ratio of total teachers:students (excludes vocational school) 19.3

Health care:

Cape Coral Hospital:

Number of beds	281
Number of physicians on staff	146
Number of employees	1,408
Private rooms	281
Operation status	Public nonprofit

Sources: City of Cape Coral, Finance Department, Budget Division

City of Cape Coral, Fire Department

City of Cape Coral, Police Department

City of Cape Coral, Public Works, Utilities Division, Administration

City of Cape Coral, Public Works, Utilities Division, Distribution/Collection Section

City of Cape Coral, Public Works, Utilities Division, Water Production Section

City of Cape Coral, Public Works, Services Division

City of Cape Coral, Parks and Recreation Department

Cape Coral – Lee County Public Library

School District of Lee County

Cape Coral Hospital

City of Cape Coral, Florida
EXISTING LAND USE STATISTICS
 September 30, 2003
 (Unaudited)

Table 19

	<u>Units</u>	<u>Percentage</u>
Total number of developed lots ⁽¹⁾	102,200	37.81%
Total number of undeveloped lots	168,117	62.19%
Total number of lots	<u>270,317</u>	<u>100.00%</u>
Land use breakdown:		
Single family homes	44,483	16.46%
Duplex/triplex	1,757	0.65%
Multifamily	959	0.35%
Mobile homes	80	0.03%
Total residential use	<u>47,279</u>	<u>17.49%</u>
Hotel/motel	18	0.01%
Local business	114	0.04%
General business	1,605	0.59%
Light industry	560	0.21%
Total business use	<u>2,297</u>	<u>0.85%</u>
Institutions	142	0.05%
Public utility	25	0.01%
Public parks (excluding state DNR lands) and golf courses	19	0.01%
Private parks and golf course	7	0.00%
Cemetery	1	0.00%
Other (tracts)	527	0.19%
Total other uses	<u>721</u>	<u>0.26%</u>
Total structures categorized by use	<u>50,297</u>	<u>18.60%</u>
Residential housing	<u>Number of structures</u>	<u>Number of units</u>
Number of single-family homes	44,483	44,483
Number of duplex	1,757	3,514
Number of multifamily	959	8,358
Number of mobile homes	80	80
Total residential housing	<u>47,279</u>	<u>56,435</u>

Source: City of Cape Coral, Department of Community Development, GLM Division

⁽¹⁾ Typical lot size is 40' x 125'; minimum of two lots required for a homesite.

TEN LARGEST EMPLOYERS IN THE CITY ⁽¹⁾

September 30, 2003

(Unaudited)

Table 20

<u>Employer</u>	<u>Type of business</u>	<u>Number of employees</u>
Lee County School Board	Education	1,844
City of Cape Coral	Government	1,574
Cape Coral Hospital	Health care	1,408
Publix Supermarkets	Grocer	973
Wal-Mart Corporation	Retail	600
Gulf Coast Village	Assisted living	270
Whitney Education Group	Education - Real Estate	248
Lowe's Home Improvement Center	Retail - Home Improvement	240
The Breeze Corporation	Publisher-Newspaper	211
Walgreen's	Retail - Pharmacy	210

Source: City of Cape Coral, Economic Development Office, as of December 30, 2003

⁽¹⁾ The data shows only employees working in the City of Cape Coral and does not include other jobs with the same employer located throughout Lee County.

City of Cape Coral, Florida
IMPACT FEE COLLECTIONS ⁽¹⁾
LAST TEN FISCAL YEARS
(Unaudited)

Table 21

Fiscal year	Road Impact Fees	Fire Impact Fees	Park Impact Fees	Utility fees	
				Water Impact Fees	Sewer Impact Fees
1994	\$ 1,618,328	\$ 193,777	\$ 490,294	\$ 333,879	\$ 545,957
1995	929,456	129,518	376,888	562,530	6,214,358 ⁽²⁾
1996	1,348,832	159,388	418,123	416,872	2,250,743
1997	1,781,776	192,987	493,171	491,685	2,101,251
1998	2,062,256	247,893	619,187	751,461	2,715,527
1999	1,763,859	284,312	736,974	733,860	2,643,553
2000	2,077,305	344,384	957,139	976,393	2,959,295
2001	2,401,273	330,439	971,366	992,669	2,390,929
2002	4,072,716	706,446	1,562,335	1,589,244	2,685,375
2003	5,426,170	1,190,923	3,465,016	2,734,427	4,721,612

Source: City of Cape Coral, Department of Financial Services

⁽¹⁾ These are fees charged to new construction for anticipated improvement costs resulting from the impact that new construction has on various City facilities such as water production, sewer services, availability of park and fire facilities, and street improvements.

⁽²⁾ Orange and green area sewer projects were completed in fiscal year 1995.



SINGLE AUDIT



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**Independent Auditors' Report on Compliance and on
Internal Control Over Financial Reporting Based on an
Audit of Financial Statements Performed in Accordance
With Government Auditing Standards**

To the Honorable Mayor and Members of the
City Council
City of Cape Coral, Florida:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Cape Coral, Florida (the City), as of and for the year ended September 30, 2003, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 23, 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 basic financial statements 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 internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the basic financial statements, and not to provide assurance on internal control over financial reporting. Our consideration of internal control over financial reporting would not necessarily disclose all matters in 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 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 basic 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 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 the Mayor, City Council and management of the City of Cape Coral, Florida and federal and state awarding agencies and pass-through awarding entities, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

December 23, 2003



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**Independent Auditors' Report on Compliance
and Internal Control Over Compliance Applicable to Each Major
Federal Program and State Project**

Honorable Mayor and City Council
City of Cape Coral, Florida:

COMPLIANCE

We have audited the compliance of the City of Cape Coral, Florida (the City) with the types of compliance requirements described in the *U.S. Office of Management and Budget ("OMB") Circular A-133 Compliance Supplement* and the requirements described in the *Executive Office of the Governor's State Projects Compliance Supplement*, that are applicable to each of its major federal programs and state projects for the year ended September 30, 2003. The City's major federal programs and state projects are identified in the summary of auditors' results 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 and state projects is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance, based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.550 *Rules of the Auditor General*. Those standards, OMB Circular A-133 and Chapter 10.550 *Rules of the Auditor General*, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or state project occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. 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 and state projects for the year ended September 30, 2003.

INTERNAL CONTROL OVER COMPLIANCE

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the 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 or a major state project being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

We have audited the basic financial statements of the City, as of and for the year ended September 30, 2003, and have issued our report thereon dated December 23, 2003. Our audit was performed for the purpose of forming opinions on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards and state financial assistance 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 Chapter 10.550 *Rules of the Auditor General* and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Mayor, City Council and management of the City and the federal and state awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

December 23, 2003

City of Cape Coral, Florida

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE**
For the Year Ended September 30, 2003

Federal agency/program title	Federal CFDA number	Federal or pass through grant number	Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:			
Community Planning and Development:			
Community Development Block Grants/Entitlements	14.218	B03MC120027	\$ 253,577
		B02MC120027	278,139
		B01MC120027	4,254
		B99MC120027	480
		B98MC120027	675
			<u>536,125</u>
U.S. DEPARTMENT OF JUSTICE:			
Office of Justice Programs (OJP):			
<i>Passed-Through State of Florida, Department of Legal Affairs and Lee County, Florida:</i>			
Crime Victim Assistance:			
Victims of Crime Act (V.O.C.A.)	16.575	V1290	<u>26,996</u>
Office of Justice Programs (OJP):			
<i>Passed-Through State of Florida, Department of Community Affairs and Lee County, Florida:</i>			
Byrne Formula Grant:			
Combined Law Enforcement Against Narcotics (C.L.E.A.N.)	16.579	01-CJ-J1-09-46-01-150	12,025
Drug Enforcement Administration (DEA)		N/A	<u>9,801</u>
			<u>21,826</u>
Office of Justice Programs (OJP):			
Local Law Enforcement Block Grants:			
Bureau of Justice Assistance VI	16.592	2001-LB-BX-1844	39,252
Bureau of Justice Assistance VII		2002-LB-BX-0373	49,254
			<u>88,506</u>
Office of Community Oriented Policing Services:			
Public Safety Partnership and Community Policing Grants:			
Cops Universal III Grants	16.710	95-CC-WX-0298	14,350
Cops In Schools II Program		2000-SH-WX-0862	226,833
			<u>241,183</u>
Office of Juvenile Justice and Delinquency Prevention (OJJDP):			
Juvenile Mentoring Program:			
Cops More 2002 Grant	16.726	2002-CM-WX-0188	<u>350,391</u>

City of Cape Coral, Florida

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE (continued)**
For the Year Ended September 30, 2003

<u>Federal agency/program title</u>	<u>Federal CFDA number</u>	<u>Federal or pass through grant number</u>	<u>Expenditures</u>
U.S. ENVIRONMENTAL PROTECTION AGENCY:			
Office of Wastewater Management:			
<i>Passed-Through State of Florida, Department of Environmental Protection</i>			
Capitalization Grants for State Revolving Funds	66.458		
Pine Island		CS12067516P	\$ 227,093
Southwest Area I		WWG12067516L 01	5,757,687
		CS12067516P	437,444
Southwest Area II		WWG12067516L 02	20,453,699
Southwest Area III		CS12067516P	490,321
		CS12067516P	502,753
			<u>27,868,997</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
Administration for Children and Families:			
<i>Passed-Through State of Florida, Department of Children and Families:</i>			
Social Services Block Grant:	93.667		
Special Populations		N/A	87,214
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 29,223,238</u>

City of Cape Coral, Florida

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE (continued)**
For the Year Ended September 30, 2003

State agency/program title	State CSFA number	State contract/ grant number	Expenditures	Transfers to Subrecipients
STATE OF FLORIDA, DEPARTMENT OF ENVIRONMENTAL PROTECTION:				
Florida Recreation Development Assistance Program (FRDAP):	37.017			
Jaycee Park Sport Complex		FO 1328 FO 2163	\$ 3,580 43,064	
			<u>46,644</u>	
Water Resource Management:	37.039			
Gator Slough Project-Phase IV		WAP 037	185,063	
STATE OF FLORIDA, DEPARTMENT OF EDUCATION:				
Passed-Through Lee County School Board, School and Instructional Enhancement Programs: Drug Abuse Resistance Education (D.A.R.E.)	48.040	N/A	156,090	
STATE OF FLORIDA, DEPARTMENT OF COMMUNITY AFFAIRS:				
Emergency Management Programs: Decontamination Equipment	52.008	03CG-04-09-46-02-098	50,000	
STATE OF FLORIDA, FLORIDA HOUSING FINANCE CORPORATION:				
State Housing Initiatives Partnership Program (S.H.I.P.)	52.901	N/A	1,190,366	\$ 1,169,798
STATE OF FLORIDA, DEPARTMENT OF CHILDREN AND FAMILIES:				
Community Development Services: Special Populations	60.004	N/A	72,823	
STATE OF FLORIDA, DEPARTMENT OF JUVENILE JUSTICE:				
Contracted Services--Juvenile Programs: Youth Crime Intervention Program	60.002	U1005	26,864	
			<u>1,727,850</u>	<u>1,169,798</u>
TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE				
TOTAL EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE			<u>\$ 30,951,088</u>	<u>\$ 1,169,798</u>

See accompanying notes to the schedule of expenditures of federal awards and state financial assistance.

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE**

September 30, 2003

NOTE 1. PURPOSE OF THE SCHEDULE

The Schedule of Expenditures of Federal Awards and State Financial Assistance (the Schedule) is a supplementary schedule to the City's basic financial statements and is presented for purposes of additional analysis. The Schedule is required by Office of Management and Budget (OMB) Circular A-133, *Audits of State and Local Governments, and Non-Profit Organizations* and by Chapter 3A-5, Rules of the Florida Department of Banking and Finance, Florida Administrative Code, *Schedule of Expenditures of State Financial Assistance*.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

Federal Financial Assistance – Pursuant to the Single Audit Act of 1984 (Public Law 98-502), the Single Audit Act Amendments of 1996 (Public Law 104-156), and OMB Circular A-133, federal financial assistance is defined as assistance provided by a federal agency, either directly or indirectly, that nonfederal entities receive or administer, in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property interest subsidies, insurance, or direct appropriations.

State Financial Assistance – Pursuant to Florida Single Audit Act (Section 215.97, Florida Statutes) and Chapter 27D-1, Rules of the Executive Office of the Governor, Florida Administrative Code, state financial assistance is defined as assistance from state resources, not including federal financial assistance and state matching, provided to nonstate entities to carry out a state project. State Financial Assistance includes all types of state assistance as stated in the rules of the Executive Office of the Governor, established in consultation with the Comptroller and appropriate state agencies that provide state financial assistance. It includes state financial assistance provided directly by state awarding agencies or indirectly by recipients of state awards or subrecipients. It does not include procurement contracts used to buy goods or services from vendors.

Catalog of Federal Domestic Assistance – OMB Circular A-133 requires the Schedule to present the total expenditures for each of the City's federal financial assistance programs as identified in the Catalog of Federal Domestic Assistance (CFDA). The CFDA is a government-wide compendium of individual federal programs. Federal financial assistance programs that have not been assigned a CFDA number are indicated with an "N/A."

Catalog of State Financial Assistance – Chapter 3A-5, Rules of the Florida Department of Banking and Finance, Florida Administrative Code requires the Schedule to present the total state financial assistance expended for each individual state project as identified in the Catalog of State Financial Assistance (CSFA). The CSFA is a comprehensive listing of state projects. State financial assistance projects that have not been assigned a CSFA number are indicated with an "N/A."

B. Type A and Type B Programs

The Single Audit Act Amendments of 1996 and OMB Circular A-133 establish the levels of expenditures to be used in defining Type A and Type B federal financial assistance programs. Type A assistance programs for the City of Cape Coral are those programs that exceeded \$300,000 for the year ended September 30, 2003.

Each nonstate entity that expends a total amount of state financial assistance equal to or in excess of \$300,000 in any fiscal year is required to have a state single audit for such fiscal year in accordance with the requirements of the Florida Single Audit Act (Section 215.97, Florida Statutes).

C. Reporting Entity

The Schedule includes all federal financial assistance programs and state projects administered by the City of Cape Coral and included in the City’s Comprehensive Annual Financial Report.

D. Basis of Accounting

Expenditures included in the Schedule are reported using the modified accrual basis of accounting for governmental funds and the accrual basis of accounting for enterprise funds as defined in Note I to the basic financial statements.

NOTE 3. SUBRECIPIENTS

Of the federal expenditures presented in the Schedule, the City of Cape Coral provided federal awards to subrecipients as follows:

<u>Program title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Community Development Block Grant – Entitlement Grants	14.218	\$423,987

Of the state expenditures presented in the Schedule, the City of Cape Coral provided state financial assistance to subrecipients as follows:

<u>Program title</u>	<u>State CSFA Number</u>	<u>Amount Provided to Subrecipients</u>
State Housing Initiatives Partnership Program (S.H.I.P)	52.901	\$1,169,798

NOTE 4. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

	<u>Expenditures</u>
General Fund	\$ 816,116
Special Revenue Fund:	
Community Development Block Grant	538,125
Enterprise Fund:	
Water and Sewer	27,868,997
	<u>\$ 29,223,238</u>

EPA grant funding is included as a liability in the proprietary funds.

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

	<u>Expenditures</u>
General Fund	\$ 537,484
Special Revenue Fund:	
Local Housing Assistance Fund - State Housing Initiatives Partnership Program (S.H.I.P)	1,190,366
	<u>\$ 1,727,850</u>

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)

September 30, 2003

(1) Summary of Auditors' Results:

- | | | |
|-----|---------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------|
| (a) | An unqualified opinion was issued on the basic financial statements: | Yes |
| (b) | Reportable conditions in internal control were disclosed by the audit of the basic financial statements: | No |
| | Material Weaknesses: | No |
| (c) | Noncompliance which is material to the basic financial statements: | No |
| (d) | Reportable conditions in internal control over major programs: | No |
| | Material weaknesses: | No |
| (e) | The type of report issued on compliance for major programs: | Unqualified opinion |
| (f) | Any audit findings which are required to be reported under Section 510(a) of OMB Circular A-133 and Chapter 10.550, Rules of the Auditor General: | No |
| (g) | The programs/projects tested as major included the following: | |
| | <u>Name of Federal Program</u> | <u>CFDA #</u> |
| | U.S. Department of Environmental Protection:
Capitalization Grants for State Revolving Funds | 66.458 |
| | U.S. Department of Housing and Urban Development:
Community Development Block Grants/Entitlements | 14.218 |
| | U.S. Department of Justice:
Cops More 2002 Grants | 16.726 |
| | <u>Name of State Project</u> | <u>CSFA #</u> |
| | State Housing Initiatives Partnership Program | 52.901 |
| | Gator Slough Project-Phase IV | 37.039 |
| (h) | Dollar threshold used to distinguish between Type A and Type B programs: | \$300,000
Federal & State |
| (i) | Auditee qualified as a low-risk auditee under Section 530 of OMB Circular A-133: | Yes |

(2) Findings Relating to the Basic Financial Statements Reported in Accordance with *Government Auditing Standards*: None

(3) Findings and Questioned Costs Relating to Federal Awards and State Financial Assistance: Yes

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)

September 30, 2003

State Project Finding and Questioned Costs

Item 03-2001

52.901

State Housing
Initiatives
Partnership
Program

Criteria

The Florida Local Housing Finance Corporation requires that the maximum assistance for homeownership assistance strategy be limited to \$30,000 per unit.

Condition

For one (1) of the thirty (30) files tested, we noted that an award of \$42,029 was made for an individual unit.

Perspective

This condition is considered to be isolated in nature.

Effect

Failure to comply with the requirements applicable to assistance provided under the residential housing rehabilitation program could result in future funding under the SHIP program being denied.

Questioned Costs

\$12,029

Recommendation

We recommend that the City develop policies and procedures to prevent awards exceeding the maximum requirement for the homeownership assistance program.