

CITY OF SARASOTA, FLORIDA

Notes to Financial Statements

September 30, 2001

The City of Sarasota, Florida, was incorporated in 1902. The City is on the west coast of Florida, approximately half-way down the state and is comprised of 24 square miles with a population of 52,715. The City was created pursuant to the Laws of Florida, Chapter 73-618. The current charter was approved by a special act of the State of Florida legislature in 1973 and by the voters of the City at an election held September 6, 1996. The City operates under the Commission-Manager form of government and provides municipal services such as police protection, public works and all the necessary functions of general government. The City also has certain enterprise operations consisting of a water and sewer utility, a golf course, a mobile home park, a performing arts hall, a solid waste collection service, a municipal auditorium and a sports stadium.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies:

A. Reporting Entity

As required by generally accepted accounting principles, these financial statements present the City of Sarasota and a blended component unit, an entity for which the City is financially accountable. Although blended component units are legally separate entities, in substance, they are part of the government's operations. Therefore, financial information for a blended component unit is included with that of the primary government.

Blended Component Unit The Community Redevelopment Agency (CRA), was created by the City Commission, pursuant to Florida Statutes, Section 163.357, to provide for the rehabilitation, conservation and redevelopment of certain areas within the City. The CRA operates under the guidance of the City Commission which meets separately as the CRA's governing body to approve the adoption of the annual budget, the issuance of debt, the execution of contracts and the payment of unbudgeted expenditures. The financial statements of the CRA have been included within the City's reporting entity as the Community Redevelopment Special Revenue Fund. Separate financial statements of the CRA may be obtained from the City's Finance Department located in City Hall.

B. Basis of Presentation - Fund Accounting

The accounting of the operations of the City are organized on the basis of fund and account groups, each of which is considered a separate accounting entity.

The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The following funds and account groups are used in accounting for the financial operations of the City.

Governmental Funds

Governmental funds include the following types:

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

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts and major capital projects) that are legally restricted to expenditures for specified purposes.

CITY OF SARASOTA, FLORIDA

Notes to Financial Statements

September 30, 2001

Debt Service Funds are used to account for the accumulation of resources for the payment of general long-term debt principal, interest, and related costs.

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds and Trust Funds.)

Proprietary Funds

Proprietary funds include the following types:

Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis is financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governments on a cost-reimbursement basis.

The City has elected not to apply Financial Accounting Standards Board Statements, and Interpretations issued after November 20, 1989, as permitted by GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Fund and Other Governmental Entities That Use Proprietary Fund Accounting*.

Fiduciary Funds

Trust and Agency Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include Expendable Trust, Pension Trust, and Agency Funds. Pension Trust Funds are accounted for in essentially the same manner as Proprietary Funds since capital maintenance is critical. Expendable Trust Funds are accounted for in essentially the same manner as Governmental Funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

Account Groups

General Fixed Asset Account Group is used to account for all fixed assets of the City, other than those accounted for in the Enterprise, Internal Service and Pension Trust Funds.

General Long-Term Debt Account Group is used to account for all long-term debt of the City except that accounted for in the Enterprise and Internal Service Funds.

C. Basis of Accounting

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

All governmental, expendable trust and agency funds are accounted for using the modified accrual basis of accounting. Revenues are recognized in the accounting period in which they become measurable and available to finance expenditures of the fiscal period. Available means collectible in the current period or soon enough thereafter to be used to pay liabilities that are owed at the balance sheet date.

CITY OF SARASOTA, FLORIDA

Notes to Financial Statements

September 30, 2001

Measurable refers to the ability to quantify in monetary terms the amount of the revenue and receivable. The principal revenue sources in these funds which meet the measurable and available criteria are interest earnings and intergovernmental revenues (such as state share licenses, sales taxes and other taxes). Property taxes do not meet this criteria for accrual because of the property tax cycle which is summarized as follows:

July 1	Assessment roll validated
September 30	Millage resolution approved
October 1	Beginning of City's fiscal year for which tax is to be levied
November 1	Tax bills rendered and due
November 1 - March 31	Property taxes due with various discount rates
April 1	Taxes delinquent and property subject to lien
May 31	Tax certificates sold by County

The Sarasota County Tax Collector collects property taxes on behalf of each municipality within county boundaries. By May 31 of each year, either all taxes have been collected and remitted to the City or the delinquent taxes are raised by public auction of tax certificates. Due to this arrangement there are no material unremitted tax revenues at the end of the fiscal year.

Grant revenues are considered earned and are accrued simultaneously with the grant expenditure.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for principal and interest on general long-term debt which is recognized when due.

All proprietary and pension trust funds are accounted for using the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when incurred. Revenues received from the advance sale of tickets and rentals at the Van Wezel Performing Arts Hall, advance rent at the Mobile Home Park, and advance collections of water and sewer connection fees by the Water and Sewer Fund are deferred until earned.

D. Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. No later than the first regular City Commission meeting of September, the City Manager submits to the City Commission a proposed operating budget for the fiscal year commencing October 1. The operating budget includes proposed expenditures and the means of financing the expenditures.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to October 1, the budget is legally enacted through passage of an ordinance. The budget ordinance restricts total expenditures by fund. Expenditures for any year may not exceed current year fund appropriations plus accumulated fund equity.
4. Budgetary control is maintained at the line item or object of expenditure level. Any transfer of budgeted funds between line items within the same department can be accomplished with Department Head and Budget Director approval. If a transfer of budgeted funds is between two departments, the City Manager must also approve the transfer.
5. Unencumbered balances of each appropriation remaining at the end of the 1999-00 fiscal year are appropriated for those accounts where the actual expenditures are in excess of the original appropriation. Unencumbered appropriations in the operating budget lapse at fiscal year end. Encumbered appropriations also lapse, but may be honored by additional appropriations in the subsequent year's budget.

CITY OF SARASOTA, FLORIDA

Notes to Financial Statements

September 30, 2001

6. The City Commission has the power to revise its budget appropriations by ordinance from time to time during the fiscal year; however, no revision may be made by transferring any encumbered funds unless such funds are first released or discharged from any such encumbrance.
7. Formal budgetary integration is employed as a management control device during the year for the general, special revenue and capital projects funds.
8. Budgets for the general, special revenue, debt service and capital projects funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

Budgeted amounts are as originally adopted or amended by the City Commission. Supplemental budgetary appropriations were not considered material in relation to the original appropriations.

E. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the general, special revenue and capital projects funds. Encumbrances outstanding at year-end are reported as reservations of fund balances since they do not constitute expenditures or liabilities. Encumbrances which the City intends to honor are appropriated as part of the subsequent year's budget.

F. Cash and Cash Equivalents

Cash and cash equivalents are defined as highly liquid investments, including restricted assets, generally with a maturity of three months or less when purchased.

G. Investments

Investments are stated at fair value, which is the quoted market price or the best estimate available.

H. Notes Receivable

Long-term notes receivable due to governmental funds represent loans to property owners for rehabilitation of properties. Recognition of governmental fund type revenues is deferred until they become current, in accordance with the modified accrual basis of accounting.

I. Short-Term Interfund Receivables/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" on the balance sheet. Short-term interfund loans are classified as "interfund receivables/payables."

J. Inventories

Inventories are adjusted to annual and periodic counts and are valued at cost, which approximates market, using the average cost method. In the governmental funds, inventories are considered expenditures at the time of purchase.

K. Fixed Assets and Long-Term Liabilities

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. All governmental and expendable trust funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources". Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they present a summary of sources and uses of "available spendable resources" during a period.

CITY OF SARASOTA, FLORIDA

Notes to Financial Statements

September 30, 2001

Fixed assets used in governmental fund type operations (general fixed assets) are recorded as expenditures in the governmental funds and capitalized at cost in the general fixed assets account group. All fixed assets are valued at historical cost. Donated fixed assets are valued at their estimated market value on the date donated.

Public domain (“infrastructure”) fixed assets consisting of certain improvements other than buildings, including roads, bridges, curbs, gutters, streets, sidewalks and drainage and lighting systems are capitalized along with other general fixed assets.

No depreciation has been provided on general fixed assets.

All proprietary and pension trust funds are accounted for on a cost of services or “capital maintenance” measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

Depreciation is provided for financial statement purposes by the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings	30
Improvements	20 - 30
Equipment	3 - 10

Long-term liabilities expecting to be financed from governmental funds are accounted for in the general long-term debt account group.

L. Accrued Vacation Pay and Sick Leave

It is the City’s policy to allow employees to accumulate unused vacation benefits up to certain maximum hours. Unused sick leave benefits cannot be accumulated. Unused vacation is paid upon an employee’s termination. Accordingly, such unpaid vacation has been reflected in the accompanying financial statements as appropriate. The City is currently funding leave that will be taken in future years. Therefore, the entire liability is recognized in governmental funds. Proprietary funds recognize the entire liability in accordance with the accrual basis of accounting.

M. Unamortized Loan and Bond Expense

Underwriting and issuance costs, relating to proprietary fund’s revenue bonds and loans payable, are deferred and amortized over the term of the bonds and loans using the bonds outstanding method which approximates the interest method.

N. Fund Equity

Reserves represent that portion of fund balances or retained earnings committed by legislative action or legal responsibility which restricts the use of funds to a specific purpose. Fund balance designations are established to reflect management’s plans for financial resource allocation in a future period. Such plans are subject to change and may never result in expenditures.

O. Comparative Data

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the City’s financial position and operations. However, comparative (i.e., presentation of prior year totals by fund type) data has not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

CITY OF SARASOTA, FLORIDA
Notes to Financial Statements
September 30, 2001

P. Total Columns on Combined Statements - Overview

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

Q. Line Item Reclassifications

Certain reclassifications have been made to the September 30, 2000, financial statements to be consistent with classifications as shown on the September 30, 2001, financial statements.

NOTE 2 - CASH AND INVESTMENTS

The City maintains a cash and investment pool that is available for use by all funds, except the Pension Trust Funds. Each fund's portion of this pool is displayed on the combined balance sheet as "Equity in pooled cash and investments". In addition, investments are separately held by several of the City's funds. The deposits and investments of the Pension Trust Funds are held separately from those of other City funds. Interest income earned as a result of pooling is distributed monthly to the appropriate funds based on average daily balances.

Deposits

At September 30, 2001, the carrying amount of the City's deposits was \$3,569,011 and the bank balance was \$2,346,423. All of the deposits are insured by either the Federal Depository Insurance Corporation or by the multiple financial institution collateral pool created by the Florida Security for Public Deposits Act (Chapter 280 of the Florida Statutes). Chapter 280.04 requires all financial institutions holding municipal deposits to pledge securities with the State or third party custodian equal to 25% - 125% of municipal deposits based on the financial institution's four quarter average ranking by the State of Florida's ranking agencies. The strongest financial institutions with a ranking of 70 or better are required to pledge at a level of 25%, rankings of 30 to 69 are required to pledge 50% and rankings of less than 30 are required to pledge 125% of municipal deposits with the State or third party custodian.

The following schedule discloses the carrying amount and the bank balance of the City's deposits, classified in three categories, to give an indication of the level of risk assumed by the City at September 30, 2001. Category 1 includes deposits that are insured or collateralized with securities held by the City or by its agent in the City's name. Category 2 includes deposits that are collateralized with securities held by the pledging financial institution's trust department or agent in the City's name. Category 3 includes deposits which are uncollateralized. This includes any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the City's name.

	Category			Bank Balance	Carrying Amount
	1	2	3		
Cash in banks	\$ 2,346,423	\$ --	\$ --	\$ 2,346,423	\$ 3,569,011
Cash with fiscal agents	151,500	--	5,129,487	5,280,987	5,280,987
	<u>\$ 2,497,923</u>	<u>\$ --</u>	<u>\$ 5,129,487</u>	<u>\$ 7,627,410</u>	<u>\$ 8,849,998</u>

Cash with fiscal agents relates to money transferred to fiscal agents for the payment of interest and principal on maturing bonds. Fiscal agents pay principal and interest at the due date of the bonds.

On September 30, 2001, the City electronically transferred to its paying agent principal and interest due October 1, 2001, to owners of bonds issued by the City. The deposits classified as category 3 above represent this transfer.

CITY OF SARASOTA, FLORIDA
Notes to Financial Statements
September 30, 2001

Investments

The City's investment guidelines have been defined in a written investment policy and approved by the City Commission. The guidelines specify limits by instrument, and establish a diversified investment strategy and a minimum credit quality. It applies to all funds except the Pension Trust Funds. The direction of investment strategies, within policy limits, are established by an internal investment committee that meets quarterly.

The City's investment manager is authorized to invest in obligations of the U.S. Government, U.S. Government agencies and instrumentalities, certificates of deposit, commercial paper, repurchase agreements, and investments in the Florida State Board of Administration's Local Government Investment Pool and Florida League of Cities Municipal Investment Trust. According to City policies, the pension trust funds are also authorized to invest in common and preferred stock, mutual funds, convertible debentures, commercial paper and corporate bonds.

The Florida State Board of Administration's Local Government Investment Pool and Florida League of Cities Municipal Investment Trust meet the criteria of 2a7-like pools and therefore the investments are valued using the pooled share price. The pooled share price is equivalent to the fair value of the position in each of these 2a7-like pools. The Local Government Investment Pool is administered by the State Board of Administration under the regulatory oversight of the State of Florida, Chapter 19-7 of the Florida Administrative Code.

The Florida League of Cities Municipal Investment Trust is an interlocal governmental entity created under the laws of the State of Florida to provide eligible units of local government with an investment vehicle to pool their surplus funds and to invest such funds into one or more investment portfolios under the direction and daily supervision of an investment advisor (Atlanta Capital Management Company). These portfolios are actively traded and have been structured to meet a variety of investment horizons using those investments permitted under the Trust's investment policy. Fitch IBCA (an international rating agency) monitors the Trust's fixed income funds for investment compliance. Investment performance is monitored by Dahab Associates. The independent auditing firm of Shorstein & Shorstein, P.A. conducts the Trust's annual audit in accordance with generally accepted auditing standards.

The operation and administration of the Trust is the responsibility of a Board of Trustees who are selected from elected officials of governmental entities participating in the Trust. In addition, an Investment Advisory Committee, comprised of six Finance Directors from throughout the state, assists the Administrator with developing and maintaining the investment guidelines and policies of the Trust. The Trust holds legal title to all funds, investments, and assets of the Trust on behalf of the Members of the Trust. The Florida League of Cities, Inc. serves as administrator of the Trust.

Equity in pooled cash and investments (restricted and unrestricted) at September 30, 2001, consist of the following:

	Equity in Pool	Advances
General Fund	\$13,308,645	\$ --
Special Revenue Funds	19,633,342	370,991
Debt Service Funds	1,178,565	5,795
Capital Projects Funds	1,523,457	622,096
Enterprise Funds	11,864,542	739,120
Internal Service Funds	8,622,885	15,582
Trust and Agency Funds	1,108,230	--
Total Equity	57,239,666	
Less: Advances	(1,753,584)	
Pooled cash and investments	<u>\$55,486,082</u>	

CITY OF SARASOTA, FLORIDA
Notes to Financial Statements
September 30, 2001

A reconciliation summary of the combined balance sheet accounts comprising equity in pooled cash and investments follows:

Equity in pooled cash and investments	\$ 55,486,082
Investments	313,644,437
Less: Equity in cash	<u>(5,131,969)</u>
Total investments	<u>\$363,998,550</u>

The City's investments are categorized below to give an indication of the level of risk assumed by the City. Category 1 includes investments that are insured or registered or for which the securities are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the City's name.

	Category			Total
	1	2	3	
U.S. Government Securities	\$ 29,500,794	\$ --	\$ --	\$ 29,500,794
U.S. Government Agency securities	49,591,657	--	--	49,591,657
Commercial paper	2,500,000	--	--	2,500,000
Common and preferred stocks	154,807,509	--	--	154,807,509
Corporate bonds and notes	38,747,463	--	--	38,747,463
Repurchase agreements	1,227,875	--	--	1,227,875
Foreign securities	10,400,619	--	--	10,400,619
	<u>\$286,775,917</u>	<u>\$ --</u>	<u>\$ --</u>	
Investment in Public Funds Deposit Account				9,373,603
Investment in money market funds				22,368,487
Investment in Florida State Board of Administration's Local Government Investment Pool				31,808,677
Investment in Florida League of Cities Municipal Investment Trust				2,849,974
Investment in common funds				5,645,586
Investment in mutual funds				<u>5,176,306</u>
Total investments				<u>\$363,998,550</u>

Investments in Public Funds Deposit Account, money market funds, Florida State Board of Administration's Local Government Investment Pool, Florida League of Cities Municipal Investment Trust, common funds and mutual funds are not required to be categorized as these investments are not evidenced by securities that exist in physical or book entry form.

The City has a repurchase agreement with a financial institution in which the City transferred cash in exchange for U.S. Government obligations that the institution promises to repurchase at various times in the future for cash plus interest. The U.S. Government obligations are held by a custodial agent in a manner that ensures the City has a perfected first security interest in the collateral. In accordance with the repurchase agreement the underlying market value of the U.S. Government obligations never fell below 102%.

CITY OF SARASOTA, FLORIDA

Notes to Financial Statements

September 30, 2001

NOTE 3 - CHANGES IN GENERAL FIXED ASSETS

A summary of changes in general fixed assets follows:

	October 1, 2000	Additions	Deductions	September 30, 2001
Land	\$ 27,053,159	\$ 1,136,747	\$ 10,001	\$ 28,179,905
Buildings	13,422,641	1,334,874	48,567	14,708,948
Equipment	6,804,392	2,695,243	1,673,489	7,826,146
Improvements	94,024,769	7,360,998	138,831	101,246,936
Construction in progress	4,561,873	902,523	3,338,855	2,125,541
Total	<u>\$ 145,866,834</u>	<u>\$ 13,430,385</u>	<u>\$ 5,209,743</u>	<u>\$ 154,087,476</u>

A summary of proprietary fund type property, plant and equipment at September 30, 2001 follows:

	Enterprise Funds	Internal Service Funds
Land	\$ 14,133,462	\$ --
Buildings	61,585,968	--
Equipment	11,953,634	9,032,387
Improvements	165,190,012	251,925
Construction in progress	2,496,098	41,462
Total	<u>255,359,174</u>	<u>9,325,774</u>
Less: accumulated depreciation	<u>(97,449,642)</u>	<u>(5,949,579)</u>
Net property, plant and equipment	<u>\$157,909,532</u>	<u>\$ 3,376,195</u>

NOTE 4 - CAPITAL LEASES

The City has entered into lease agreements for financing the acquisition of a copier and telephones. These lease agreements qualify as capital leases for accounting purposes, and therefore have been recorded at the present value of the future minimum lease payments as of the date of their inception. The following is an analysis of equipment leased under capital leases as of September 30, 2001:

	Internal Service Funds
Equipment	\$ 103,366
Less: accumulated depreciation	(66,039)
Carrying value	<u>\$ 37,327</u>

The following is a schedule of the future minimum lease payments under these capital leases, and the present value of the net minimum lease payments at September 30, 2001:

<u>Year Ending September 30,</u>	Internal Service Funds
2002	\$ 16,730
2003	4,183
Total minimum lease payments	<u>20,913</u>
Less: amount representing interest	(1,009)
Present value of net minimum lease payments	<u>\$ 19,904</u>

CITY OF SARASOTA, FLORIDA
Notes to Financial Statements
September 30, 2001

NOTE 5 - LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended September 30, 2001 (in thousands of dollars):

	Balance October 1, 2000	Additions	Reductions	Balance September 30, 2001
General Long Term Debt Account Group				
General obligation bonds	\$14,785	\$ --	\$ 2,145	\$12,640
Special obligation bonds	24,038	608	1,885	22,761
Special assessment debt	170	--	30	140
Loans payable	<u>14,570</u>	<u>4,885</u>	<u>885</u>	<u>18,570</u>
Total	<u>\$53,563</u>	<u>\$ 5,493</u>	<u>\$ 4,945</u>	<u>\$54,111</u>
Proprietary Funds				
Revenue bond	\$58,883	\$ 137	\$ 3,560	\$55,460
Loans payable	2,487	--	162	2,325
Capital leases	<u>35</u>	<u>--</u>	<u>15</u>	<u>20</u>
Total	<u>\$61,405</u>	<u>\$ 137</u>	<u>\$ 3,737</u>	<u>\$57,805</u>

General long-term debt at September 30, 2001 is comprised of the following:

General obligation bonds

\$8,000,000 General Obligation Refunding Bonds, Series 1994 due in annual installments of \$5,000 to \$1,180,000 from September 1, 1994, through September 1, 2008, with average interest of 5.26%. \$ 5,050,000

\$9,595,000 General Obligation Refunding Bonds, Series 1998 due in annual installments of \$130,000 to \$2,015,000 from August 1, 1999, through August 1, 2005, with average interest of 4.05%. 7,590,000
\$12,640,000

Special obligation bonds

\$7,785,000 Special Obligation Revenue Refunding Bonds, Series 1992 Current Interest Serial Bonds, due in annual installments of \$25,000 to \$1,150,000 from November 1, 1992, through November 1, 2005, with average interest of 5.50%. \$ 4,750,000

\$19,555,000 Special Obligation Revenue Refunding Bonds, Series 1992 Capital Appreciation Bonds, principal and interest payable at maturity. Principal payments of \$466,158 to \$475,405 are due in annual installments from November 1, 2006, through November 1, 2016. These zero coupon bonds, issued for \$5,189,680, yield approximately 6.72%. \$608,321 of the original issue discount totaling \$14,365,320 was amortized for the year ended September 30, 2001. 9,530,843

\$10,025,000 Infrastructure Sales Surtax Revenue Bonds, Series 1999 due in annual installments of \$420,000 to \$1,205,000 from September 1, 2000, through September 1, 2009, with average interest of 3.96%. 8,480,000
\$22,760,843

CITY OF SARASOTA, FLORIDA
Notes to Financial Statements
September 30, 2001

Special assessment debt

\$310,000 debt payable in annual installments of \$20,954 to \$33,585 from April 1, 1997, through April 1, 2006, with interest of 7%.

Loan payable

\$1,795,000 Loan payable to the First Florida Governmental Financing Commission dated September 15, 1994, due in annual installments of \$50,000 to \$140,000 from July 1, 1997, to July 1, 2016, with average interest of 5.50% \$ 1,465,000

\$1,715,000 Loan payable to the First Florida Governmental Financing Commission dated April 1, 1998, due in annual installments of \$305,000 to \$375,000 from July 1, 1999, to July 1, 2003, with average interest of 4.02% 735,000

\$7,435,000 Loan payable to the First Florida Governmental Financing Commission dated April 1, 1999, due in annual installments of \$155,000 to \$5,580,000 from July 1, 2000, to July 1, 2009, with average interest of 3.50% 7,100,000

\$300,000 Loan payable to Montgomery Roberts Associates dated August 6, 1999, due in annual installments of \$100,000 from October 30, 2000, to October 30, 2002, with no interest. 200,000

\$4,385,000 Loan payable to the First Florida Governmental Financing Commission dated June 15, 2000, due in annual installments of \$200,000 to \$400,000 from July 1, 2001, to July 1, 2015, with average interest of 5.00% 4,185,000

\$4,885,000 Loan payable to the First Florida Governmental Financing Commission dated May 1, 2001, due in annual installments of \$405,000 to \$585,000 from July 1, 2002, to July 1, 2011, with average interest of 4.26% 4,885,000
\$18,570,000

Remaining debt service requirements for the general obligation bonds, special obligation bonds, capital leases, loan to other fund and loans payable will be paid by the debt service funds from future property taxes and other general governmental revenues.

Long-term debt of Proprietary Funds at September 30, 2001, is comprised of the following:

Revenue bonds

\$24,025,000 Water and Sewer System Revenue Bonds Series 1992, Serial and Term Bonds, due in annual installments of \$35,000 to \$2,620,000 from October 1, 1993, to October 1, 2011, with average interest of 6.07% \$19,580,000

\$3,730,000 Water and Sewer System Revenue Refunding Bonds Series 1992, Capital Appreciation Bonds, principal and interest payable at maturity. Principal payments of \$362,061 to \$819,997 are due in annual installments from October 1, 2009, to October 1, 2010. These zero coupon bonds, issued for \$1,182,058, yield approximately 6.65%. \$137,118 of the original issue discount totaling \$2,547,942 was amortized for the year ended September 30, 2001. 2,165,306

CITY OF SARASOTA, FLORIDA

Notes to Financial Statements

September 30, 2001

\$17,220,000 Water and Sewer System Revenue Refunding Bonds Series 1993-C, Serial and Term Bonds due in annual installments of \$465,000 to \$5,380,000 from October 1, 1994, to October 1, 2016, with average interest of 4.41%. 13,620,000

\$6,375,000 Water and Sewer System Revenue Bonds Series 1995, Serial Bonds due in annual installments of \$240,000 to \$495,000 from October 1, 1997, to October 1, 2015, with average interest of 4.84%. 5,190,000

\$15,345,000 Water and Sewer System Revenue Refunding Bonds Series 1996, Serial Bonds due in annual installments of \$1,035,000 to \$1,845,000 from October 1, 1998, to October 1, 2008, with average interest of 6.04%. 12,070,000

\$2,835,000 Water and Sewer System Revenue Refunding Bonds Series 1998, Serial Bonds due in annual installments of \$905,000 to \$980,000 from October 1, 2009, to October 1, 2011, with average interest of 4.20%. 2,835,000

Less: current portion 55,460,306
Revenue bonds - net of current portion (3,640,000)
\$51,820,306

Loans payable

\$3,744,303 Loan payable to the Florida Department of Environmental Protection Wastewater Treatment Revolving Loan Fund. Payments are due in forty semiannual installments of \$114,070.55 to \$131,222.30 from April 1, 1994, to October 1, 2013 (includes interest of 2.70%). \$2,325,184

Less: current portion (82,681)
Loans payable - net of current portion \$2,242,503

Deferred loss on defeasance of debt

Advance refundings of proprietary fund debt during prior years resulted in a difference between the reacquisition price and the net carrying amount of the old debt. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to interest expense through the year 2016 using the effective interest method. \$1,404,140

On July 13, 2000, the City borrowed \$4,385,000 from the First Florida Governmental Financing Commission for the acquisition and remodeling of the Federal Building and the remodeling of City Hall.

On May 18, 2001, the City borrowed \$4,885,000 from the First Florida Governmental Financing Commission for the acquisition, construction, and improvements to projects in the Downtown Master Plan, including streetscape improvements to Main Street and Lemon Avenue.

CITY OF SARASOTA, FLORIDA

Notes to Financial Statements

September 30, 2001

The annual requirements to amortize debt outstanding as of September 30, 2001, including interest payments of \$45,125,428 are as follows:

GENERAL LONG-TERM DEBT ACCOUNT GROUP				
Year-ending September 30,	General Obligation Bonds	Special Obligation Bonds	Loans Payable/ Special Assessment Debt	Total
2002	\$ 2,874,010	\$ 2,545,653	\$ 7,532,463	\$ 12,952,126
2003	2,697,415	2,689,354	1,955,796	7,342,565
2004	2,728,675	2,220,650	1,468,101	6,417,426
2005	2,712,680	2,311,419	1,468,621	6,492,720
2006	1,386,938	2,399,752	1,467,071	5,253,761
2007-2011	2,424,462	10,348,505	6,674,469	19,447,436
2012-2016	--	10,070,000	2,436,412	12,506,412
2017	--	2,425,000	--	2,425,000
Total	<u>\$14,824,180</u>	<u>\$35,010,333</u>	<u>\$23,002,933</u>	<u>\$72,837,446</u>

PROPRIETARY FUNDS				
Year-ending September 30,	Revenue Bonds	Loans Payable	Capital Leases	Total
2002	\$ 6,516,638	\$ 114,071	\$ 16,730	\$ 6,647,439
2003	6,509,910	228,141	4,183	6,742,234
2004	6,499,343	228,141	--	6,727,484
2005	6,493,533	228,141	--	6,721,674
2006	6,486,409	228,141	--	6,714,550
2007-2011	30,226,020	1,140,705	--	31,366,725
2012-2016	12,187,900	570,353	--	12,758,253
2017	1,201,437	--	--	1,201,437
Total	<u>\$76,121,190</u>	<u>\$2,737,693</u>	<u>\$ 20,913</u>	<u>\$78,879,796</u>

\$1,751,459 is available in the Debt Service Funds to service the general obligation bonds, \$4,493,417 to service the special obligation bonds, \$607,678 to service loans payable and \$8,210 to service the special assessment debt.

During the year ended September 30, 2001, the City incurred a total interest cost of \$5,347,055 and capitalized no interest in the proprietary funds.

At September 30, 2001, \$90,187,086 of water and sewer revenue bonds, \$19,915,000 of general obligation bonds and \$10,385,000 of special obligation bonds (including prior year's refundings) are considered defeased.

Conduit Debt Obligations

On August 3, 2000, the City issued \$12,195,000 of Educational Facilities Revenue Refunding Bonds to provide assistance to the Ringling School of Art and Design. The bonds were issued for the purpose of providing funds to refund the Educational Facilities Revenue Bonds-Series 1996 and to finance, refinance and reimburse the school for all or a portion of the cost of acquiring, constructing and/or equipping various educational facilities. The bonds are secured by the property financed and are payable from all the revenues of the school. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly the bonds are not reported as liabilities in the accompanying financial statements. As of September 30, 2001, the aggregate principal amount payable was \$11,955,000.

Water and Sewer System Revenue Bond Resolution

The following is a synopsis of the terms of the Water and Sewer System Revenue Bond Resolution which describes the various accounts required to be established; the extent to which use of cash therein is restricted for the benefit of the bondholders; the sequence in which specified amounts of cash from net income are to be transferred into such accounts; special reserve subaccounts to be established within given

CITY OF SARASOTA, FLORIDA

Notes to Financial Statements

September 30, 2001

accounts and the limitations on amounts required to be accumulated; and investment authorizations and related restrictions. The accounts established are listed as follows:

Revenue Account - All revenues of the system are collected by the City and deposited as received into a depository to the credit of the Revenue Account.

Interest and Sinking Account - All debt service requirements are recorded in this account. Three separate subaccounts designated the Bond Service Account, Redemption Account and Reserve Account are established to further delineate the exact purpose of said monies.

Renewal, Replacement and Improvement Account - For paying the cost of unusual or extraordinary maintenance or repairs, the cost of renewals and replacements, the cost of acquiring, installing or replacing equipment, the cost of improvements and providing for the local share of any Federal or State assistance program.

General Reserve Account - To pay the cost of improvements, to pay the cost of purchasing or redeeming bonds, to pay the principal and interest on any obligations subordinate to the bonds issued under the resolution, to make up any deficiencies in any of the Accounts and to pay the cost of any item qualifying as an expenditure of the Renewal, Replacement and Improvement Account.

Flow of Cash from Net Revenues - The Finance Director shall, on or before the 20th day of each month, withdraw the balance remaining in the Revenue Account, less an amount to be held for the payment of current expenses, and deposit the sum withdrawn to the credit of the following accounts in said order:

(a) to the Bond Service Account, one-sixth of the amount of interest payable on the bonds of each series on the next interest payment date and one-twelfth of the next maturing installment of principal on all serial bonds outstanding;

(b) to the Redemption Account, one-twelfth of the next maturing installment of principal on all term bonds outstanding;

(c) to the Reserve Account, such amount, if any, of any balance remaining, equal to the Reserve Account requirement which shall mean the maximum principal and interest coming due in the current or any subsequent fiscal year; provided, however, that the amount so deposited in respect of a deficiency in the Reserve Account upon any monthly withdrawal from the Revenue Account need not exceed one-sixtieth (1/60th) of the Reserve Account requirement;

(d) to the credit of Renewal, Replacement and Improvement Account, such amount, if any, of any balance remaining; provided that the amount deposited to the credit of said account in each month shall not be less than an amount equal to one-twelfth of eight per centum (1/12 of 8%) of the revenues for the preceding fiscal year if at the time of such deposit the unencumbered balance of said account is less than \$1,000,000; and provided further that the City Commission by resolution may establish maximum deposits to the credit of the Renewal, Replacement and Improvement Account for a period of time necessary to insure a regular flow of deposits to the General Reserve Account for the purpose of said Account;

(e) to the General Reserve Account, the balance, if any, remaining after making the deposits under clauses (a), (b), (c) and (d) above; provided, however, the amount of net impact fees will be deposited to an impact fee subaccount within the General Reserve Account.

If the amount deposited in any month to the credit of any of the accounts shall be less than the amount required to be deposited under the foregoing provision of this section, the requirement, therefore, shall nevertheless be cumulative and the amount of any deficiency in any month shall be added to the amount otherwise required to be deposited in each month thereafter until such time as all such deficiencies have been made up.

CITY OF SARASOTA, FLORIDA

Notes to Financial Statements

September 30, 2001

Security for Deposits - All monies deposited with a depository shall be held in trust and guaranteed by the Federal Deposit Insurance Corporation or other Federal Agencies and any monies in excess of said guarantee shall be secured by setting aside government obligations or other marketable securities, with the approval of the Finance Director, having a market value not less than the amount of such deposits, or in such other manner as permitted by applicable State of Florida or federal laws.

Investments - Monies held for the credit of the various accounts are invested and reinvested by the Finance Director as follows:

Construction, revenue, bond service, redemption, reserve, renewal, replacement and improvement and general reserve accounts, investment obligations or time deposits which mature or are subject to redemption not later than the dates that monies held for the credit of these accounts are required for the purposes intended. However, investments for the Reserve Account are subject to redemption not later than the date of maturity of the bonds issued.

NOTE 6 - COMPLIANCE WITH RATE COVENANT AND OTHER PROVISIONS

Water and Sewer Revenue Bonds

The Water and Sewer System Revenue Bond Resolution contains the provision that rates and charges for water and sewer service shall be adjusted as it shall appear necessary, so that the net revenues will be sufficient to provide an amount in each fiscal year at least equal to the greater of:

- (i) 100% of all amounts required to be deposited to the Bond Service, Redemption, Reserve, Renewal, Replacement and Improvement, and the General Reserve Accounts pursuant to clauses (a), (b), (c), (d) and (e) of Section 505 of the Bond Resolution for the then current fiscal year, or
- (ii) 125% of the maximum principal and interest requirements for any future fiscal year.

The net revenues generated by the Water and Sewer System are sufficient to satisfy the above rate coverage requirement.

The Administration of the City believes that it is in full compliance with Section 708 and all other covenants of the Water and Sewer System Revenue Bond Resolution.

NOTE 7 - OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

As part of the Combined Statements - Overview, certain information is required to be disclosed concerning individual funds including:

(A) Special Assessments Receivable:

In 1995, the City Commission approved funding the acquisition of land for a parking lot in the St. Armand's business district with a special assessment. The assessment was levied against the real property located within the St. Armand's Special Assessment District. To expedite the land purchase, the City borrowed \$1,795,000 from the First Florida Governmental Financing Commission (FFGFC). Although the special assessment is not specifically obligated by the loan agreement, these assessments will be used to repay the loan from the FFGFC. The special assessment receivables, which are recorded in a debt service fund, are to be collected over a twenty year period. Interest earnings are based upon an average interest rate of 5.50%.

In 1996, the City Commission approved the borrowing of \$310,000 from the Self-Insurance Internal Service Fund for the maintenance dredging of Hudson Bayou. Principal and interest of seven percent will be repaid by a special assessment. The assessment was levied against the real property that surrounds Hudson Bayou. The special assessment receivable, which is recorded in a debt service fund, is to be collected over a ten year period. Property owners in the Hudson Bayou Special Assessment District have the right to prepay the assessment in full without a penalty or future interest.

CITY OF SARASOTA, FLORIDA

Notes to Financial Statements

September 30, 2001

Current assessments receivable and the related revenues are recognized when billed and due. Assessments receivable not due during the current year are classified as "deferred". Revenue is not recognized on deferred receivables until they become current, in accordance with the modified accrual basis of accounting. Receivables are considered "delinquent" if an annual payment is not received. As of September 30, 2001, all special assessments receivable were deferred.

(B) Due from/to other funds at September 30, 2001, were:

<u>Fund</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General	\$ --	\$ 134,450
Special Revenue		
Community Development Block Grant	--	2,430
Gas Tax	--	951
Sarasota Bay National Estuary	--	1,067
Miscellaneous Grants	--	716
Total	<u>--</u>	<u>5,164</u>
Enterprise		
Water and Sewer	--	38,215
Bobby Jones Golf Course	--	2,539
Mobile Home Park	--	789
Van Wezel Performing Arts Hall	--	4,000
Solid Waste Management	--	10,777
Municipal Auditorium	--	780
Sports Stadium	--	829
Parking Management	--	1,080
Total	<u>--</u>	<u>59,009</u>
Internal Service		
Central Stores and Duplicating	--	1,364
Equipment Maintenance	--	1,821
Information Systems	--	3,594
Self-insurance	134,677	--
Total	<u>134,677</u>	<u>6,779</u>
Trust and Agency		
General Employees' Pension	45,384	139
Police Officer's Pension	24,675	271
Firefighters' Pension	--	139
Payroll Deductions	1,215	--
Total	<u>71,274</u>	<u>549</u>
Total of all funds	<u>\$205,951</u>	<u>\$205,951</u>

(C) Operating transfers in and operating transfers out for the year ended September 30, 2001, were:

<u>Fund</u>	<u>Operating Transfers In</u>	<u>Operating Transfers Out</u>
General	\$ 860,168	\$4,029,307
Special Revenue	230,017	4,645,158
Debt Service	4,323,903	--
Capital projects	1,180,810	220,303
Enterprise	2,318,646	18,776
Total	<u>\$8,913,544</u>	<u>\$8,913,544</u>

CITY OF SARASOTA, FLORIDA

Notes to Financial Statements

September 30, 2001

(D) Interfund receivables and payables at September 30, 2001, were:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General	<u>\$1,753,584</u>	<u>\$ --</u>
Special Revenue		
Community Development Block Grant	--	325,660
Special Law Enforcement	--	10,075
Sarasota Bay National Estuary	--	35,256
Total	<u>--</u>	<u>370,991</u>
Debt Service		
Hudson Bayou	--	5,795
Capital Projects		
1989 Infrastructure Sales Surtax	--	497
1999 Infrastructure Sales Surtax	--	471,314
1998 First Florida Construction	--	149,789
2001 First Florida Construction	--	496
Total	<u>--</u>	<u>622,096</u>
Enterprise		
Water and Sewer	--	739,120
Internal Service		
Equipment Replacement	--	15,582
Total of all funds	<u>\$1,753,584</u>	<u>\$1,753,584</u>

(E) Advances to/from other funds at September 30, 2001, were:

<u>Fund</u>	<u>Advance to Other Fund</u>	<u>Advance from Other Fund</u>
General	<u>\$2,170,887</u>	<u>\$ --</u>
Special Revenue		
Gas Tax	187,420	--
Community Redevelopment	--	2,930,066
Penny Sales Tax	335,800	--
Total	<u>523,220</u>	<u>2,930,066</u>
Capital Projects		
1989 Infrastructure Sales Surtax Bond Construction	<u>193,349</u>	<u>--</u>
Enterprise		
Water and Sewer	<u>42,610</u>	<u>--</u>
Total of all funds	<u>\$2,930,066</u>	<u>\$2,930,066</u>

(F) Expenditures exceeded appropriations for the following funds at September 30, 2001:

<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>
Debt Service Funds		
1998 Refunding Bonds	\$2,100,955	\$2,104,033
1999 Infrastructure Sales Surtax Refunding Bonds	1,496,916	1,497,448
1994 First Florida	149,225	151,895
1998 First Florida	388,575	388,757
1999 First Florida	432,663	434,101
2001 First Florida	33,958	34,478
Hudson Bayou	33,878	42,417

The excess is covered by available fund balance and revenues in excess of budget as allowed by ordinance.

CITY OF SARASOTA, FLORIDA
Notes to Financial Statements
September 30, 2001

(G) Loan to other fund

In 1996, the Self-Insurance Internal Service Fund transferred \$310,000 to the Hudson Bayou Capital Projects Fund for the maintenance dredging of Hudson Bayou. This amount will be repaid to the Self-Insurance Internal Service Fund from a special assessment. The corresponding liability appears as special assessment debt in the General Long Term Debt Account Group. At September 30, 2001, the outstanding balance was \$139,990.

(H) Deficit fund balances/retained earnings:

The Community Redevelopment Special Revenue Fund had a deficit fund balance of \$2,621,742 as of September 30, 2001. This deficit was created by the fund incurring expenditures for specific projects within the boundaries of the redevelopment area with funds loaned by other funds. The loan will be repaid when funds become available.

The Van Wezel Performing Arts Hall and Sports Stadium Enterprise Funds had deficits of \$819,276 and \$2,579,861 respectively as of September 30, 2001. These operations are mainly supported by user fees, which have not been sufficient to offset operating expenses. Any shortfall of user charges compared to expenditures are usually absorbed by the General Fund. There is sufficient fund equity to absorb the deficits because of the initial contribution of the facilities by the general government.

(I) Contributed Capital

During the year, contributed capital increased (decreased) by the following amounts:

	Source				Contributed Capital 9/30/01
	Contributed Capital 10/1/00	From Citizens Equipment - Grants	Government- General Fixed Assets	Government- Disposal/Transfer of Contributed Equipment	
<u>Enterprise Funds</u>					
Water & Sewer	\$ 29,734,715	\$ --	\$ 1	\$ --	\$ 29,734,716
Bobby Jones Golf Course	1,811,482	--	--	--	1,811,482
Mobile Home Park	715,160	--	--	--	715,160
Van Wezel Performing Arts Hall	22,904,023	45,246	2,760,466	--	25,709,735
Solid Waste Management	664,834	--	--	(5,751)	659,083
Municipal Auditorium	938,652	--	12,072	--	950,724
Sports Stadium	10,778,378	--	5,701	--	10,784,079
Parking Management	2,604,725	--	--	--	2,604,725
<u>Internal Service Funds</u>					
Central Stores & Duplicating	103,582	--	--	--	103,582
Equipment Maintenance	94,887	--	--	--	94,887
Information Systems	20,174	--	32,878	--	53,052
Equipment Replacement	521,939	--	1,239	--	523,178

CITY OF SARASOTA, FLORIDA
Notes to Financial Statements
September 30, 2001

NOTE 8 - SEGMENT INFORMATION

Segment information for the eight enterprise funds for the year ended September 30, 2001 is as follows:

	Water and Sewer	Bobby Jones Golf Course	Mobile Home Park	Van Wezel Performing Arts Hall	Solid Waste Management	Municipal Auditorium	Sports Stadium	Parking Management	Total
Operating Revenues	\$ 24,392,293	\$ 2,439,937	\$ 137,837	\$ 5,959,952	\$ 9,180,174	\$ 229,134	\$ 569,729	\$ 473,820	\$ 43,382,876
Depreciation Expense	6,363,785	335,673	29,117	478,153	545,250	70,332	276,873	48,469	8,147,652
Operating Income(Loss)	4,055,744	(96,490)	(120,923)	(1,536,042)	325,667	(116,078)	(459,038)	72,755	2,125,595
Operating Grants	—	—	—	285,014	15,287	—	5,000	—	305,301
Operating Transfers In (Out)	(18,776)	—	120,000	1,893,196	—	63,347	242,103	—	2,299,870
Net Income (Loss)	2,576,399	(14,699)	11,299	710,475	531,855	(50,824)	(208,172)	126,585	3,682,918
Current Capital Contributions	1	—	—	2,805,712	(5,751)	12,072	5,701	—	2,817,735
Fixed Assets Additions	6,036,938	177,982	—	2,839,040	617,828	14,041	112,647	25,402	9,823,878
Fixed Assets Deletions	412,696	52,305	10,093	83,982	379,128	4,928	10,480	29,957	983,569
Net Working Capital	5,527,152	595,808	173,322	390,302	1,367,752	14,047	92,410	627,715	8,788,508
Total Assets	152,991,839	5,358,891	1,110,726	27,865,700	4,514,872	1,141,880	8,334,575	2,714,127	204,032,610
Long-Term Liabilities	52,913,931	—	—	—	—	—	—	—	52,913,931
Total Equity	\$ 90,900,895	\$ 5,251,779	\$ 1,069,085	\$ 24,890,459	\$ 2,901,757	\$ 1,096,287	\$ 8,204,218	\$ 2,689,606	\$ 137,004,086

NOTE 9 - WATER AND SEWER EXTENSION AGREEMENTS

Pursuant to a resolution dated February 1, 1965, the City is authorized to enter into agreements with subdividers for the purpose of extending water and sewer lines into areas where it is deemed in the best interest of the City. The City reimburses without interest the total sum of expenses advanced in connection with water and/or sewer extensions. The payments are based on half the net operating profits of the water

CITY OF SARASOTA, FLORIDA
Notes to Financial Statements
September 30, 2001

and/or sewer system of the designated area over a period of up to 15 years. The payment may not exceed the estimated cost of installation as calculated by the City and accepted by the subdivider.

The cumulative total of contributions from subdividers through September 30, 2001, was \$559,127. This total represents the difference between the estimated cost of installation and the total payments made under the agreements.

NOTE 10 - EMPLOYEE RETIREMENT SYSTEMS

The City maintains three single-employer, public employee retirement systems. Assets are held separately and may be used only for the payment of benefits to the members of the respective plans. Each Plan's financial statements are prepared using the accrual basis of accounting. Employee and employer contributions are recognized as revenues in the period in which employee services are performed. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan. The Firefighters' and Police Officers' Pension Plans issue financial reports that include financial statements and required supplementary information. The reports may be obtained from the City of Sarasota City Auditor and Clerk.

The Plans have adopted Governmental Accounting Standards Board (GASB) Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans*, and Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*. In addition to other disclosures, the GASB requires for the current year and each of the two preceding years, annual pension cost, percentage of annual pension cost contributed and the net pension obligation at the end of the year. This information is presented later in this note. A schedule of funding progress and a schedule of employer contributions that include historical trend information about the annual required contributions of the employer are included as required supplementary information to the financial statements.

(A) Plan Description:

General Employees' Pension Plan

The City of Sarasota General Employees' Pension Plan, a defined benefit single-employer public employee retirement plan, is administered in accordance with Chapter 24, Article II, of the Sarasota City Code. The City's total current year payroll for general employees was \$19,697,944 compared to \$17,826,253 for employees covered by the plan. At September 30, 2001 membership consisted of:

Retirees, disabled participants, and beneficiaries	
currently receiving benefits and terminated	
employees not yet receiving benefits	290
Current employees	
Vested	242
Nonvested	<u>265</u>
Total	<u>797</u>

The Plan covers permanent, probationary and full time City of Sarasota employees who are not members of the Police Officers' or Firefighters' Pension Plans. Members may retire as early as age 55 with 10 years of service. Such a retiree would receive a retirement benefit based upon a percentage of average annual earnings during the highest 3 years of the last 10 years of employment prior to the date of retirement multiplied by the years of service. The retirement benefit percentage increases based upon the retiree's age up to a maximum of 2.5% at age 65, or after 30 years of service regardless of age. The Plan provides disability benefits as if the participant retired at age 65, providing that 10 years of credited service has been attained.

Participants are required to contribute 6 percent of their annual salary to the Plan. If an employee separates service from the City before achieving 10 years of credited service, the employee will receive his contributions plus 4.5 percent interest compounded annually. Pension obligations are funded with the 6 percent employee contributions and from City contributions equal to current service costs, as actuarially determined, plus an amount sufficient to fund prior service liability over a period not to exceed 30 years. The annual City contribution must be at least 8 percent of qualified salaries. A normal contribution is received from Sarasota County in reference to certain employees.

CITY OF SARASOTA, FLORIDA

Notes to Financial Statements

September 30, 2001

Firefighters' Pension Plan

The City of Sarasota Firefighters' Pension Plan, a defined benefit single-employer public employee retirement plan, is administered in accordance with Chapter 24, Article II, of the Sarasota City Code, 1986, as restated on November 20, 1995. On January 1, 1996, the City's Fire/Rescue Department was consolidated with Sarasota County. The Plan remains intact with Sarasota County making the employer contributions. The County's total current year payroll for fire personnel and the payroll for employees covered by the Plan for the year ended September 30, 2001, was \$4,913,138. At September 30, 2001, membership consisted of:

Retirees, disabled participants, and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	116
Current employees	
Vested	76
Nonvested	<u>-</u>
Total	<u>192</u>

The Plan covers permanent City of Sarasota firefighters who are employed by Sarasota County as a result of the consolidation. Any participant who has creditable service of 10 years and has attained age 55 or has creditable service of 25 years and has attained age 50 is eligible for normal retirement. Such a retiree would receive a normal retirement benefit of 3.3 percent of average annual earnings during the highest 3 years of service during the last 10 years of service multiplied by the years of service. The pension benefit cannot exceed the average taxable earnings for the last 3 years of employment.

The Plan provides disability benefits for both duty related and not duty related disabilities. Disability caused by performance of duties is computed at 3.3 percent of average compensation multiplied by years of service (minimum 25 years). A not in line of duty disability is computed at 2.5 percent of average compensation multiplied by years of service plus 5 percent of the firefighter's last monthly salary for each eligible child.

The Plan provides death benefits for both duty related and not duty related deaths. Death caused by performance of duties is computed at two-thirds of 3.3 percent of average compensation multiplied by the years of service (minimum 25 years) plus 5 percent of the firefighters' last monthly salary for each child. A not in line of duty death is computed at two-thirds of 2.5 percent of average compensation multiplied by years of service plus 5 percent of the firefighters' last monthly salary for each eligible child.

Participants are required to contribute 8 percent of their annual salary to the Plan. If an employee separates service from the County before achieving 10 years of credited service, the employee will receive his contributions plus 5 percent regular interest compounded annually. Other contributions are received from the State of Florida and Sarasota County. The State of Florida contribution results from the City's share of insurance tax. The County of Sarasota contributes an amount to make the fund actuarially sound.

Police Officers' Pension Plan

The City of Sarasota Police Officers' Pension Plan, a defined benefit single-employer public employee retirement plan, is administered in accordance with Chapter 24, Article II of the Sarasota City Code, 1986, as restated on May 15, 2000. The City's total current year payroll for police personnel and the payroll for employees covered by the Plan for the year ended September 30, 2001, was \$9,612,133. At September 30, 2001, membership consisted of:

Retirees, disabled participants, and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	109
Current employees	
Vested	102
Nonvested	<u>78</u>
Total	<u>289</u>

CITY OF SARASOTA, FLORIDA
Notes to Financial Statements
September 30, 2001

The Plan covers permanent and probationary City of Sarasota employees who are classified as uniform police personnel. Any participant who has creditable service of 10 years and has attained age 50 or has creditable service of 25 years, regardless of age, is eligible for normal retirement. Such a retiree would receive a normal retirement benefit of 3 percent of average annual earnings during the highest 3 years of service during the last 10 years of service multiplied by the years of service. The pension benefit cannot exceed the average taxable earnings for the last 3 years of employment.

The Plan provides disability benefits for both duty related and not duty related disabilities. Disability caused by performance of duties is computed at 3 percent of average compensation multiplied by years of service (minimum 25 years). A not in line of duty disability is computed at 2.5 percent of average compensation multiplied by years of service plus 5 percent of the police officer's last monthly salary for each eligible child.

The Plan provides death benefits for both duty related and not duty related deaths. Death caused by performance of duties is computed at two-thirds of 3 percent of average compensation multiplied by the years of service (minimum 25 years) plus 5 percent of the police officer's last monthly salary for each child. A not in line of duty death is computed at two-thirds of 2.5 percent of average compensation multiplied by years of service plus 5 percent of the police officer's last monthly salary for each eligible child. If a police officer is eligible for normal retirement at the time of death, the benefit shall be calculated at a 3% accrual rate.

Participants are required to contribute 8 percent of their annual salary to the Plan. If an employee separates service from the City before achieving 10 years of credited service, the employee will receive his contributions plus 5 percent regular interest compounded annually. Other contributions are received from the State of Florida and the City. The State of Florida contribution results from the City's share of insurance tax. The City contributes an amount to make the fund actuarially sound, but not less than 8 percent of payroll.

Effective December 21, 1998, the City approved an ordinance creating a deferred retirement option plan (DROP). In lieu of terminating employment as a police officer, any member may elect to defer receipt of such service retirement pension and to participate in the DROP. A member's participation in the DROP may not exceed sixty months beginning at the time the election becomes effective. A member may participate only once. A separate account is established for each member participating in the DROP. The member's DROP account consists of the monthly retirement benefit the member would have received had they terminated their employment as a police officer and the earnings on those amounts. Upon electing participation in the DROP the member elects to receive either interest at an effective rate of six and one-half percent per annum, compounded quarterly, or the actual net rate of investment return realized by the system for that quarter. The accrued benefit liability at September 30, 2001, was \$1,196,246.

(B) Funding Status and Progress:

The amount shown below as the actuarial accrued liability is a measure intended to help users assess (i) a pension fund's funded status on a going concern basis, and (ii) progress being made toward accumulating the assets needed to pay benefits as due. Allocation of the actuarial present value of projected benefits between past and future service was based on service using the individual entry age actuarial cost method. Assumptions, including projected pay increases, were the same as used to determine the Fund's level percent of payroll annual required contribution between entry age and assumed exit age. Entry age was established by subtracting credited service from current age on the valuation date.

CITY OF SARASOTA, FLORIDA

Notes to Financial Statements

September 30, 2001

General Employees' Pension Plan

As of September 30, 2001, the assets in excess of the actuarial accrued liability were \$8,774,221 determined as follows:

Actuarial Accrued Liability	
Active participants	\$47,458,843
Retired participants and beneficiaries currently receiving benefits	37,259,221
Vested terminated participants not yet receiving benefits	<u>539,520</u>
Total Actuarial Accrued Liability	85,257,584
Actuarial Value of Assets (Book value was \$82,851,773)	<u>94,031,805</u>
Assets in Excess of the Actuarial Accrued Liability	<u>\$ 8,774,221</u>

During the year ended September 30, 2001, the Plan experienced a net change of \$4,802,378 in the actuarial accrued liability. There were no changes in benefit provisions or in actuarial assumptions.

Firefighters' Pension Plan

As of September 30, 2001, the unfunded actuarial accrued liability was \$11,539,782 determined as follows:

Actuarial Accrued Liability	
Active participants	\$38,953,991
Funding reserve	2,308,506
Retired participants and beneficiaries currently receiving benefits	60,809,982
Vested terminated participants not yet receiving benefits	<u>7,476</u>
Total Actuarial Accrued Liability	102,079,955
Actuarial Value of Assets (Book value was \$84,206,054)	<u>90,540,173</u>
Unfunded Actuarial Accrued Liability	<u>\$11,539,782</u>

During the year ended September 30, 2001, the Plan experienced a net change of \$5,931,286 in the actuarial accrued liability of which \$486,034 was attributable to changes in the total reserves. There were no changes in actuarial assumptions.

Police Officers' Pension Plan

As of September 30, 2001, the assets in excess of the actuarial accrued liability were \$8,284,244, determined as follows:

Actuarial Accrued Liability	
Active participants	\$44,523,637
Retired participants and beneficiaries currently receiving benefits	54,131,984
Vested terminated participants not yet receiving benefits	<u>1,177,428</u>
Total Actuarial Accrued Liability	99,833,049
Actuarial Value of Assets (Book value was \$103,221,580)	<u>108,117,293</u>
Assets in Excess of the Actuarial Accrued Liability	<u>\$ 8,284,244</u>

During the year ended September 30, 2001, the Plan experienced a net change of \$7,166,889 in the actuarial accrued liability. There were no changes in benefit provisions or in actuarial assumptions.

(C) Contributions:

General Employees' Pension Plan

The City's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and actuarial accrued liability are determined using an entry age actuarial cost method. Unfunded actuarial accrued liability is being amortized as a level percent of payroll over periods ranging from 1-24 years and the amortization period is closed. The weighted average remaining period is 2.8 years.

During the year ending September 30, 2001, contributions totaling \$2,553,043 were made in accordance with contribution requirements determined by an actuarial valuation of the Plan as of September 30, 2000. The contribution included (a) \$2,328,840 normal cost (13.06% of current covered

CITY OF SARASOTA, FLORIDA

Notes to Financial Statements

September 30, 2001

payroll), (b) a credit of \$3,805,024 in amortization of unfunded actuarial accrued liability [(21.35% of current covered payroll)], and (c) \$4,029,227 balance to cover expenses and the minimum contribution requirements (22.60% of current covered payroll). The City and County contributed \$1,426,185 (8.0% of current covered payroll); employees contributed \$1,126,858 (6.0% of current covered payroll).

Three-Year Trend Information

Fiscal Year	Annual Pension Cost(APC)	Percentage Of APC Contributed	Net Pension Obligation
9-30-99	\$1,287,212	100%	0
9-30-00	1,339,614	100%	0
9-30-01	1,426,185	100%	0

Firefighters' Pension Plan

The Plan's funding policy provides for periodic employer contributions at actuarially determined rates, that, expressed as percentages of annual covered payroll, are sufficient to accumulate sufficient assets to pay benefits when due. The normal cost and actuarial accrued liability are determined using the entry age actuarial cost method. The Plan also uses the level percentage of payroll method to amortize the unfunded actuarial accrued liability over a 2-22 year period and the amortization period is closed. The weighted average remaining period is 9 years.

During the year ending September 30, 2001, contributions totaling \$1,809,199 were made in accordance with contribution requirements determined by an actuarial valuation of the Plan as of September 30, 2000. The contribution included \$1,935,699 (39.40% of current covered payroll) for normal cost and administrative expenses less a credit of \$1,009,731 (20.55% of current covered payroll) for amortization of the unfunded actuarial accrued liability. Sarasota County contributed \$61,295 (1.25% of current covered payroll), the State of Florida contributed \$490,180 (9.98% of current covered payroll), employees contributed \$393,051 (8% of current covered payroll) and Plan Reserves contributed \$864,673 (17.60% of current covered payroll).

Three-Year Trend Information

Fiscal Year	Annual Pension Cost(APC)	Percentage Of APC Contributed	Net Pension Obligation
9-30-99	\$435,718	100%	0
9-30-00	419,734	100%	0
9-30-01	925,968	100%	0

Police Officers' Pension Plan

The Plan's funding policy provides for periodic employer contributions at actuarially determined rates, that, expressed as percentages of annual covered payroll, are sufficient to accumulate sufficient assets to pay benefits when due. The normal cost and actuarially accrued liability are determined using the entry age actuarial cost method. The Plan also uses the level percentage of payroll method to amortize the unfunded actuarial accrued liability over a 1-25 year period and the amortization period is closed. The weighted average remaining period is 5.4 years.

During the year ending September 30, 2001, contributions totaling \$2,169,762 were made in accordance with contribution requirements determined by an actuarial valuation of the Plan as of September 30, 2000. The contribution included (a) \$2,519,341 normal cost (26.21% of current covered payroll), (b) a credit of \$2,800,977 was applied from the adjustment to calculated contribution requirement [(29.14%) of current covered payroll], and (c) \$2,451,398 balance to cover expenses and the minimum contribution requirements (25.50% of current covered payroll). The City contributed \$768,971 (8.0% of current covered payroll); the State of Florida contributed \$631,820 (6.57% of current covered payroll); employees contributed \$768,971 (8.0% of current covered payroll).

CITY OF SARASOTA, FLORIDA

Notes to Financial Statements

September 30, 2001

Three-Year Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost(APC)</u>	<u>Percentage Of APC Contributed</u>	<u>Net Pension Obligation</u>
9-30-99	\$1,375,105	100%	\$0
9-30-00	1,369,666	100%	0
9-30-01	1,400,791	100%	0

(D) Investments:

Investments are reported at fair value in accordance with GASB Statement No. 25. Securities traded on a national exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. Investments that do not have an established market are reported at estimated fair market value.

The fair value of the investments of each of the pension plans at September 30, 2001, are as follows. Investments that represent five percent or more of the Plan's net assets are separately identified.

	<u>Fair Value</u>
General Employees' Pension Plan	
Money market funds	\$ 6,206,906
Local Government Investment Pool	197
U.S. Government securities	11,036,268
U.S. Government agency securities	2,471,335
Common stock	56,736,749
Corporate bonds	<u>6,009,451</u>
Total	<u>\$ 82,460,906</u>
Firefighters' Pension Plan	
Money market funds	\$ 1,441,449
U.S. Government securities	7,724,940
U.S. Government agency securities	7,158,852
Common stock	44,117,324
Corporate bonds and notes	12,896,490
International common funds	<u>5,645,586</u>
Total	<u>\$ 78,984,641</u>
Police Officers' Pension Plan	
Money market funds	\$ 4,696,307
U.S. Government securities	5,630,172
U.S. Government agency securities	3,981,470
Common and preferred stock	53,953,436
Corporate bonds and notes	19,841,522
Mutual funds - domestic equity	5,176,306
Foreign securities	<u>10,400,619</u>
Total	<u>\$103,679,832</u>

NOTE 11 - DEFERRED COMPENSATION PLAN

In prior years, deferred compensation plan assets managed by outside plan administrators were reported on the balance sheet of the City. The City has little administrative involvement and does not perform the investing function for the plan assets. The City's role in the management of plan assets is basically limited to transmitting amounts withheld from payroll to the outside plan administrators. Therefore, the deferred compensation plan assets are no longer reported on the City's balance sheet.

CITY OF SARASOTA, FLORIDA

Notes to Financial Statements

September 30, 2001

NOTE 12 - POSTEMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

In addition to providing pension benefits, the City provides health care and life insurance benefits, in accordance with state statutes, to all employees who retire from the City with at least 10 years of service and are currently receiving a monthly benefit from one of the City's pension plans. Currently 410 retirees meet these eligibility requirements. The retiree may also obtain health care coverage for qualified dependents by contributing \$169.00 per month for dependents less than age 65 and \$84.50 per month for dependents eligible for Medicare.

The City reimburses 90 percent of the amount of validated claims for medical, dental and hospitalization costs incurred by pre-medicare retirees and their dependents after a \$100 per person deductible is met. The City also reimburses, as secondary payor, claims of retirees and their dependents eligible for Medicare. In addition, each retiree receives life insurance with a face value of \$3,000.

These and similar benefits for active employees are provided through the self-insurance fund. The City recognizes the cost of providing these benefits by paying monthly payments that are based upon the estimated cost of the benefits to the City. Such payments are accounted for on a cash basis so that payments during the current year represent benefit coverage of currently retired employees or their beneficiaries. For the fiscal year ended September 30, 2001, the cost of retiree health care and life insurance totaled \$1,303,172 and \$6,450, respectively.

NOTE 13 - SELF-INSURANCE PROGRAMS

The City's self-insurance programs are accounted for as an Internal Service Fund, which was established to account for and finance its uninsured risks of loss. All funds of the City participate in the program and make payments to the Self-Insurance Fund. Fund revenues are primarily contributions from other funds for amounts needed to pay insurance premiums, anticipated self-insured losses, administrative expenses and to establish a reserve for catastrophic losses. That reserve was \$4,730,462 at September 30, 2001, and is reported as a designation of the Self-Insurance Fund retained earnings. The claims liability of \$2,487,319 reported in the Fund at September 30, 2001, is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The City is self insured for the following types of risk exposures which are limited by insurance coverage as noted:

General and Automotive Liability - The City is fully self-insured for general and automotive liability coverage and is relying on state statutes, which limit damage awards against state and local governments to \$100,000 per claim and \$200,000 per occurrence. However, there have been specific instances when the state legislature has overridden the statutes.

Group Health - The City provides employees/retirees medical and dental coverage through a self-funded health plan. The City is partially self-insured for health claims on a per individual basis up to \$100,000 annually, and for aggregate amounts up to 125% of anticipated claims per year. The City has insurance coverage for claims in excess of these two limits.

Workers' Compensation - The City is partially self-insured for workers' compensation claims on a per occurrence basis up to \$200,000 and for amounts in excess of \$1,200,000. The City has insurance coverage for claims between these two limits.

Law Enforcement Death Benefit - This program provides a maximum benefit of \$75,000 for law enforcement that are intentionally killed as a consequence of performing their duties. The City is fully self-insured for this benefit.

Police Liability - This program provides indemnification to police officers while acting on behalf of the City. The City is partially self-insured on a per claim basis up to \$100,000 and for amounts in excess of \$1,000,000. The City has insurance coverage for claims between these two limits.

CITY OF SARASOTA, FLORIDA

Notes to Financial Statements

September 30, 2001

The City obtains an annual actuarial review on all of its major self-insurance programs. Although the level of funding for some of the City's self-insurance programs have not been based upon actuarial computations, the actuarial reviews verified that the programs are adequately funded.

Changes in the Self-Insurance Fund's claims liability amounts were as follows:

Fiscal Year	Beginning of Fiscal-Year Liability	Current-Year Claims and Changes in Estimates	Claim Payments	End of Fiscal-Year Liability
1999-2000	\$2,149,166	\$7,013,990	\$(6,778,319)	\$2,384,837
2000-2001	2,384,837	7,659,822	(7,557,340)	2,487,319

NOTE 14 - CHARGES TO OTHER FUNDS

Charges for indirect services provided by General Fund departments have been allocated to the following operations during the year based on a cost allocation plan:

<u>Special Revenue Funds</u>	<u>Amount</u>
Gas Tax	\$ 25,704
Sarasota Bay National Estuary	21,315
<u>Enterprise Funds</u>	
Water & Sewer	2,595,126
Bobby Jones Golf Course	86,847
Van Wezel Performing Arts Hall	197,290
Solid Waste Management	416,222
Municipal Auditorium	30,635
Sports Stadium	43,461
Parking Management	23,307
<u>Internal Service Funds</u>	
Self-Insurance	122,439
Equipment Replacement	44,377
	<u>\$ 3,606,723</u>

NOTE 15 - EQUITY RESERVES

The use of the term "reserved" is limited to indicating that a portion of reported equity is legally restricted to a specific future use, or not available for appropriation or expenditure.

The following schedule reflects the reserve account balances at September 30, 2001:

	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Trust and Agency
Encumbrances	\$ 496,353	\$2,246,489	\$ --	\$ 714,871	\$ --	\$ --
Inventory	32,034	--	--	--	--	--
Prepaid items	37,884	25,015	--	--	--	--
Employees' pension benefits	--	--	--	--	--	264,083,767
Debt service	--	--	6,860,764	--	16,392,249	--
Construction	--	--	--	12,801,515	6,836,628	--
Advance to other funds	2,170,887	523,220	--	193,349	--	--
Total reserves	<u>\$2,737,158</u>	<u>\$2,794,724</u>	<u>\$6,860,764</u>	<u>\$13,709,735</u>	<u>\$23,228,877</u>	<u>\$264,083,767</u>

CITY OF SARASOTA, FLORIDA
Notes to Financial Statements
September 30, 2001

NOTE 16 - COMMITMENTS

Operating Leases

Commitments under operating lease agreements for equipment and building provide for minimum annual rental payments of \$31,207 during the next fiscal year. Total rental expenditures for all operating leases for the year ended September 30, 2001, were \$29,789.

Interlocal Agreement with Sarasota County

On November 21, 1995, the City entered into an agreement with Sarasota County for the consolidation of fire, communications and emergency medical services. The City and Sarasota County are mutually interested in providing professional fire, emergency medical service (EMS) protection, emergency communications for the dispatch of law enforcement, fire emergency management personnel, and other services to the citizens and properties within their respective jurisdictions. The common objective is to improve efficiency and technical capability while reducing the overall cost of such services to the citizenry.

The County is responsible for operating and maintaining the Fire/EMS facilities. All facilities and improvements shall remain the property of the City and the City will continue to pay debt service on the facilities and properties with certain limitations.

The agreement is effective from January 1, 1996, through September 30, 2015, and shall renew automatically for successive additional periods of twenty years. Either the City or County has the right to terminate the agreement by notification of intent at least 365 days prior to the expiration of the initial term or any renewal term.

NOTE 17 - FUND CHANGES

Debt Service Funds

The 2000 First Florida and 2001 First Florida Debt Service Funds were established to account for the accumulation of resources for the payment of principal and interest on the bonds.

The Palm Avenue Property Debt Service Fund was established to account for the accumulation of resources for the repayment of the loan.

Capital Projects Funds

The 2001 First Florida Capital Projects Fund was established to account for funds borrowed for the acquisition, construction and improvements to projects in the Downtown Master Plan.

NOTE 18 - CONTINGENCIES

Grant Programs

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

Other

The City is engaged in numerous other legal actions alleging damages as a result of acts or omissions of the City, its officers, agents or employees with a potential liability of up to \$425,000. The administration of the City believes that the ultimate outcome will not have a material adverse effect on the City.

NOTE 19 - PRIOR PERIOD ADJUSTMENTS

Prior period adjustments to beginning fund equity as of October 1, 1999, were made to comply with Governmental Accounting Standards Board Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. The timing of recognition of nonexchange transactions involving financial or capital resources is the principal focus of this statement.

CITY OF SARASOTA, FLORIDA

Notes to Financial Statements

September 30, 2001

To facilitate this change, the financial statements for the fiscal year ended September 30, 2000, have been restated. A prior period adjustment has been made to increase beginning fund equity as of October 1, 1999, for the following funds:

General Fund	
Half-cent Sales Tax	\$285,543
Gas Tax Special Revenue Fund	
Local Option Gas Tax	105,235
Penny Sales Tax Special Revenue Fund	
Local Government Infrastructure Surtax	384,462

NOTE 20 - SUBSEQUENT EVENTS

2001B First Florida Governmental Financing Commission Loan

On November 8, 2001, the City borrowed \$1,270,000 from the First Florida Governmental Financing Commission with an average interest rate of 4.74 percent. The borrowing was for the purpose of advance refunding \$1,260,000 of the loan payable to the First Florida Governmental Financing Commission dated September 15, 1994. The City advance refunded the loan to reduce its total debt service payments over the next 16 years by \$180,129 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$58,858.

Water and Sewer System Revenue Refunding Bonds - Series 2002

On or about July 9, 2002, the City will issue \$18,970,000 of Water and Sewer Revenue Refunding Bonds with an average interest rate of 5.25 percent. The bonds will be issued for the purpose of providing funds to (i) currently refund on a forward basis the City's outstanding Water and Sewer System Revenue Refunding Bonds, Series 1992 which are scheduled to mature on and after October 1, 2003 (the "Refunded Bonds"); (ii) pay capitalized interest, if any; (iii) purchase a municipal bond insurance policy; and (iv) pay costs associated with issuing the Series 2002 Bonds. The Refunded Bonds, in the initial aggregate principal amount of \$17,512,057.55, will be refunded with the proceeds of the Series 2002 Bonds. Upon the issuance of the Series 2002 Bonds, all of the Series 1992 Bonds, except for the Series 1992 Serial Bonds maturing on October 1, 2002, in the principal amount of \$1,670,000 will have been refunded.

The City in effect will reduce its aggregate debt service payments by \$847,486 over the next 10 years and obtain an economic gain (difference between the present value of the old and new debt service payments) of \$648,245.

The annual requirements to amortize debt outstanding as of September 30, 2001, after the issuance of the 2001B FFGFC loan and 2002 Water and Sewer System Revenue Refunding bonds, including interest payments of \$42,380,617 are as follows:

Year-ending September 30,	GENERAL LONG-TERM DEBT ACCOUNT GROUP			Total
	General Obligation Bonds	Special Obligation Bonds	Loans Payable/ Special Assessment Debt	
2002	\$ 2,874,010	\$ 2,545,653	\$ 7,518,651	\$ 12,938,314
2003	2,697,415	2,689,354	1,942,436	7,329,205
2004	2,728,675	2,220,650	1,454,591	6,403,916
2005	2,712,680	2,311,419	1,459,961	6,484,060
2006	1,386,938	2,399,752	1,454,836	5,241,526
2007-2011	2,424,462	10,348,505	6,619,304	19,392,271
2012-2016	--	10,070,000	2,378,637	12,448,637
2017	--	2,425,000	--	2,425,000
Total	<u>\$14,824,180</u>	<u>\$35,010,333</u>	<u>\$22,828,416</u>	<u>\$72,662,929</u>

CITY OF SARASOTA, FLORIDA

Notes to Financial Statements

September 30, 2001

Year-ending September 30,	PROPRIETARY FUNDS			
	Revenue Bonds	Loans Payable	Capital Leases	Total
2002	\$ 6,516,638	\$ 114,071	\$ 16,730	\$ 6,647,439
2003	5,713,465	228,141	4,183	5,945,789
2004	6,462,080	228,141	--	6,690,221
2005	6,460,793	228,141	--	6,688,934
2006	6,456,784	228,141	--	6,684,925
2007-2011	30,033,005	1,140,705	--	31,173,710
2012-2016	12,174,636	570,353	--	12,744,989
2017	1,201,437	--	--	1,201,437
Total	<u>\$75,018,838</u>	<u>\$2,737,693</u>	<u>\$ 20,913</u>	<u>\$77,777,444</u>