

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

Honorable Mayor
Members of the City Commission
City of Sarasota, Florida

We have audited the financial statements of the City of Sarasota, Florida, as of and for the year ended September 30, 2001, and have issued our report thereon dated December 21, 2001. 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 of Sarasota's general purpose 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 general purpose 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 of Sarasota's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving internal control over financial reporting that we have reported to management of the City of Sarasota in a separate letter dated December 21, 2001.

This report is intended solely for the information of the Mayor and Members of the City Commission, management, the Auditor General of the State of Florida and 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 users.

CPA Associates

Sarasota, Florida
December 21, 2001

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND INTERNAL CONTROL OVER COMPLIANCE
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND STATE PROJECT

Honorable Mayor
Members of the City Commission
City of Sarasota, Florida

Compliance

We have audited the compliance of the City of Sarasota, Florida, 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, 2001. The City of Sarasota's major federal programs and state projects are identified in the summary of auditor's 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 of Sarasota's management. Our responsibility is to express an opinion on the City of Sarasota's compliance based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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 of Sarasota'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 of Sarasota's compliance with those requirements.

In our opinion, the City of Sarasota 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, 2001.

Internal Control over Compliance

The management of the City of Sarasota 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 of Sarasota's internal control over compliance with requirements that could have a direct and material effect on a major federal program or state project in order to determine our auditing procedures for the purposes 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 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 general purpose financial statements of the City of Sarasota, Florida, as of and for the year ended September 30, 2001, and have issued our report thereon dated December 21, 2001. Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying schedules of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis as required by OMB Circular A-133 and Chapter 10.550, Rules of the Auditor General and are not a required part of the general purpose financial statements of City of Sarasota, Florida. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

This report is intended solely for the information of the Mayor and Members of the City Commission, management, the Auditor General of the State of Florida and 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 users.

CPA Associates

Sarasota, Florida
December 21, 2001

CITY OF SARASOTA, FLORIDA
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Year Ended September 30, 2001

Part I – Summary of Auditor’s Results

General Purpose Financial Statement Section

Type of auditor’s report issued:	<u>Unqualified Opinion</u>
Internal control over financial reporting:	
Material weakness (es) identified?	_____ yes <u> x </u> no
Reportable condition(s) identified not considered to be material weaknesses?	_____ yes <u> x </u> no
Noncompliance material to general purpose financial statements noted?	_____ yes <u> x </u> no

Federal Awards Section

Dollar threshold used to determine Type A programs:	<u>\$300,000</u>
Auditee qualified as low-risk auditee?	<u> x </u> yes no
Type of auditor’s report on compliance for major programs:	<u>Unqualified Opinion</u>
Internal Control over compliance:	
Material weakness(es) identified?	_____ yes <u> x </u> no
Were reportable condition(s) identified not considered to be material weakness(es)?	_____ yes <u> x </u> no
Any audit findings disclosed that are required to be reported in accordance with Circular A-133 (Section .510(a))?	_____ yes <u> x </u> no

Identification of major programs

CFDA Number(s)	Name of Federal Program or Cluster
14.239	Department of Housing and Urban Development – Home Program
66.456	Environmental Protection Agency – National Estuary Program

CITY OF SARASOTA, FLORIDA
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
 For the Year Ended September 30, 2001

Part I – Summary of Auditor’s Results (continued)

State Awards Section

Dollar threshold used to determine Type A projects: \$300,000

Type of auditor’s report on compliance for major projects: Unqualified Opinion

Internal Control over compliance:

Material weakness(es) identified? yes x no

Were reportable condition(s) identified not considered to be material weakness(es)? yes x no

Any audit findings disclosed that are required to be reported in accordance with Rule 10.557, rules of the Auditor General of the State of Florida? yes x no

Identification of major projects

CSFA Number(s)	Name of State Project
37.003	Department of Environmental Protection – Beach Erosion Control Program
52.901	Florida Housing Finance Corporation – State Housing Initiatives Partnership Program
45.014	Department of State – Cultural Facilities Grant Program

Part II – Schedule of General Purpose Financial Statement Findings

This section identifies the reportable conditions, material weaknesses, and instances of noncompliance related to the general purpose financial statements that are required to be reported in accordance with Chapter 5.18 through 5.20 of Government Auditing Standards.

No reportable conditions, material weaknesses and instances of noncompliance, including questioned costs, related to the general purpose financial statements were noted.

Part III – Schedule of Federal and State Award Findings and Questioned Costs

This section identifies reportable conditions, material weaknesses, and instances of noncompliance, including known fraud and questioned costs, related to the audit of federal and state programs, as required to be reported by Circular A-133 Section .510 (a) and Rule 10.554(1)(J)4, Rules of the Auditor General of the State of Florida.

No reportable conditions, material weaknesses, and instances of noncompliance, including known fraud and questioned costs, related to the audit of federal and state projects were identified.

Part IV – Summary Schedule of Prior Audit Findings

There were no prior audit findings for federal or state projects.

CITY OF SARASOTA, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2001

<u>Federal/State Agency Federal Program/State Project</u>	<u>CFDA Number</u>	<u>Contract/Grant Number</u>	<u>Expenditures</u>
<u>FEDERAL AWARDS</u>			
<u>Department of Housing and Urban Development</u>			
Direct Programs:			
HOME Program	14.239	M-93-DC-120219	\$ 2,406
HOME Program	14.239	M-94-DC-120219	5,491
HOME Program	14.239	M-97-DC-120219	54,678
HOME Program	14.239	M-98-DC-120219	142,139
HOME Program	14.239	M-00-DC-120219	691,220
Community Development Block Grant	14.218	B-98-MC-120018	104,877
Community Development Block Grant	14.218	B-99-MC-120018	376,655
Community Development Block Grant	14.218	B-00-MC-120018	135,189
Total Department of Housing and Urban Development			<u>1,512,655</u>
<u>Department of Justice</u>			
Direct Program:			
Federal Equitable Sharing Agreement	16.XXX	Not Applicable	173,017
Local Law Enforcement Block Grant	16.592	1999LBVX3441	667
Local Law Enforcement Block Grant	16.592	2000LBVX0706	46,105
Local Law Enforcement Block Grant	16.592	2000LBBX3200	210,995
Passed through Mayor's Drug Free Communities Committee, Inc.:			
Weed and Seed	16.725	Not Applicable	16,054
Total Department of Justice			<u>446,838</u>
<u>Department of Transportation</u>			
Passed through Florida Dept. of Transportation State and Community Highway Safety Program	20.600	FP-01-26-100-01	<u>134,587</u>
<u>Department of the Treasury</u>			
Direct Program:			
Federal Equitable Sharing Agreement	21.XXX	Not Applicable	<u>93,852</u>
<u>Environmental Protection Agency</u>			
Direct Program:			
National Estuary Program	66.456	CE-99482795-5	507,913
National Estuary Program	66.456	CE-99482795-5	45,170
Brownfield Pilots Cooperative Agreement	66.811	BP-984871-99-0	56,753
Total Environmental Protection Agency			<u>609,836</u>
<u>U.S. Fish and Wildlife Service</u>			
Passed through Florida Dept. of Environmental Protection Coastal Wetlands Conservation Grant Program	15.614	WM812	<u>90,000</u>
Total Expenditures of Federal Awards			<u>\$ 2,887,768</u>

The accompanying notes are an integral part of this statement.

(Continued)

CITY OF SARASOTA, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2001
(Continued)

<u>Federal/State Agency Federal Program/State Project</u>	<u>CFSA Number</u>	<u>Contract/Grant Number</u>	<u>Expenditures</u>
<u>STATE FINANCIAL ASSISTANCE</u>			
<u>Florida Department of Environmental Protection</u>			
Solid Waste Recycling and Education Grant	37.011	RE0157	\$ 15,287
Florida Beach Erosion Control Program (1)	37.003	98SA1	4,250,893
Total Florida Department of Environmental Protection			<u>4,266,180</u>
<u>Florida Department of Community Affairs</u>			
Urban Infill and Redevelopment Assistance Grant Program	52.021	01-II-07-09-68-02-002	472
Urban Infill and Redevelopment Assistance Grant Program	52.021	01-UI-07-09-68-02-009	21,025
Florida Housing Finance Agency State Housing Initiative Partnership (1)	52.901	Not Applicable	2,707,080
Total Florida Department of Community Affairs			<u>2,728,577</u>
<u>Florida Department of State</u>			
Historic Preservation Grant	45.031	S1082	43,750
Cultural Institutions Program	45.014	01-4002	122,302
Cultural Institutions Program	45.014	01-9004	1,500,000
Total Florida Department of State			<u>1,666,052</u>
Total Expenditures of State Financial Assistance			<u>\$ 8,660,809</u>

(1) Denotes state grants and aid appropriations

The accompanying notes are an integral part of this statement.

CITY OF SARASOTA, FLORIDA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL
AWARDS AND STATE FINANCIAL ASSISTANCE
SEPTEMBER 30, 2001

Summary of Significant Accounting Policies:

The accounting policies and presentation of the Single Audit Report of the City of Sarasota, Florida have been designed to conform to generally accepted accounting principles as applicable to governmental units, including the reporting and compliance requirements of the Audits of States, Local Governments, and Non-Profit Organizations and Office of Management and Budget Circular A-133, Compliance Supplement (A-133).

- A. **Reporting Entity** - The Audits of States, Local Governments, and Non-Profit Organizations and A-133 set forth the audit and reporting requirements for federal financial assistance. The City of Sarasota included schedules of both federal and state financial assistance in the Single Audit section. Financial assistance received directly from the State of Florida is included to satisfy the audit requirements of the State of Florida grantor agencies.

Schedules include all federal and state financial assistance received by the City of Sarasota. The Schedule of Expenditures of Federal Awards and State Financial Assistance includes matching contributions in the expenditure column.

- B. **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.

The modified accrual basis of accounting is followed in the Schedule of Expenditures of Federal Awards and State Financial Assistance. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related liability is incurred. In applying the susceptible-to-accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. In some financial assistance programs where monies must be expended on the specific purpose or project before any amounts will be paid to the City of Sarasota, revenues are recognized based upon the expenditures recorded.

2. Contingencies:

Grant monies received and disbursed by the City of Sarasota are for specific purposes and are subject to review by the grantor agencies. Such audits may result in requests for reimbursement due to disallowed expenditures. Based upon prior experience, the City of Sarasota does not believe that such disallowances, if any, would have a material effect on the financial position of the City. As of December 31, 2001, there were no material questioned or disallowed costs as a result of grant audits in process or completed.