



March 20, 2001

The Honorable Mayor and
Members of the City Commission and
Citizens of the City of Sarasota, Florida

Ladies and Gentlemen:

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the City of Sarasota, Florida, for the fiscal year ending September 30, 2000. In addition to meeting legal requirements, the report continues to present the City's strong tradition of full financial disclosure. This philosophy is reflected by the informative financial analysis provided by the Finance Department and the exhibits and statistical tables included herein.

The CAFR's role is to assist in making economic, social and political decisions and to assist in assessing accountability to the citizenry by:

- comparing actual financial results with the legally adopted budget, where appropriate;
- assessing financial condition and results of operations;
- assisting in determining compliance with finance related laws, rules and regulations; and
- assisting in evaluating the efficiency and effectiveness of City operations.

Although the financial statements have been audited by the City's independent certified public accountants, CPA Associates, P.A., the responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, is the responsibility of the City. We believe the data, as presented, is accurate in all material respects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included.

The CAFR is presented in four sections to facilitate understanding by the non-financially oriented user as well as to provide all necessary information for the most sophisticated financial observer. The introductory section is designed to introduce the reader to the City and summarize the financial story told in the financial statements, schedules, notes and statistical tables. The transmittal letter discusses significant aspects of financial operations for the year and capsulizes financial prospects for the future. The financial section includes the independent auditor's report, followed by the General Purpose Financial Statements (GPFS). The GPFS are the combined financial statements of the City. The related notes to the financial statements are an integral part of the GPFS. These basic combined financial statements and notes are designed to provide an overview of the City's financial position and results of operations. The remainder of this section presents the combining statements, individual fund statements and schedules focusing on each individual fund. The statistical section contains a number of tables and other data designed to depict historical, social, economic, and financial trends and gives an overall view of the financial capacity of the City. This information is presented on a multi-year basis. The single audit section is required under Government Auditing Standards, provisions of the Single Audit Act of 1996, the U.S. Office of Management and Budget Circular A-133, Audits of State and Local Governments and Chapter 10.550 Rules of the Auditor General of Florida.

THE CITY

The City of Sarasota, Florida was incorporated in 1902. The current Charter was revised and approved by the voters of the City on September 3, 1996, and became effective November 1, 1996. The City has operated under the Commission - City Manager form of government since 1945. The City Commission consists of five elected citizens who are qualified voters in the City. The Commission appoints the City Manager who is the chief administrative officer of the City and directs the business of the City and its various departments. The Commission determines policy, adopts legislation, approves the City's budget, sets taxes and fees, appoints the City Auditor and Clerk and the City Attorney, as well as the members of all boards and committees.

The City provides a range of municipal services. The public safety operation includes police protection, as well as building, code enforcement and zoning. Recreational services include tennis courts, golf courses, neighborhood parks and facilities including a sports stadium. Public Works provides essential street and highway maintenance, signalization, landscape maintenance, as well as solid waste management. Water and Sewer Utilities provide water and sewer service and reuse water for irrigation. In addition, the City operates a 35 - unit mobile home park, a municipal auditorium, and the Van Wezel Performing Arts Hall. Other services provided include planning, redevelopment, engineering, community development, as well as general administrative services.

THE REPORTING ENTITY

The financial statements of this report include the funds and account groups of all the activities under the jurisdiction of the City Commission. This includes the Community Redevelopment Agency (CRA). The CRA was created to provide for the rehabilitation, conservation and redevelopment of the downtown area. The CRA operates under the guidance of the City Commission that meets separately as the governing body to approve the budget, the issuance of debt and the execution of contracts.

ECONOMIC CONDITIONS AND OUTLOOK

The City is located by the Gulf of Mexico on the southwest coast of Florida and covers an area of 24 square miles with a population of 51,659. The City is 55 miles south of Tampa and boasts of the more than 200 sunny days a year and the average year round temperature of 71⁰ F. The City, once the winter home of the Ringling Bros. and Barnum & Bailey Circus, is a mecca for those seeking a high quality of life. The City is a major resort area with miles of pristine white sand beaches that beckons to the hundreds of thousands of tourists that visit year round. The City is the winter home of the Cincinnati Reds major league baseball team and in the summer it hosts the Sarasota Red Sox. The City owns and operates the Van Wezel Performing Arts Hall, a premier showcase for the performing arts on the Florida sun coast, for which the City has just completed a \$21 million major renovation.

Florida continues to be one of the fastest growing states in the nation with a population of over 15 million residents. With no personal income tax, it is recognized as one of the least taxed states in the country. The City's functional (seasonal plus tourist) population swells to almost 100,000 on a daily basis. The provision for tourist accommodations, restaurants, entertainment and financial institutions constitutes a major source of employment, and contributes significantly to the stability of the local economy. Employment figures for the area have been favorable. Sarasota County had an unemployment rate of 2.2% in October 2000 as compared to the statewide rate of 3.7% and a national rate of 3.6%. In December 2000, Money Magazine rated Sarasota as their "best small city", based on their focus on economically vibrant cities that are also successfully managing their growth and providing the highest quality of life around. Their emphasis included excellent schools, low crime, and job growth. They looked to areas that have avoided urban sprawl and overcrowding, where the city fathers have put a premium on green space, culture and having an accessible downtown.

Sarasota is committed to being a quality City, and to this end, the City Commission adopted the following five important goals to guide the City:

- *A Safe Place for People*
- *Healthy Neighborhoods*
- *Visual Appeal*
- *Responsible City Government*
- *Economic Vitality.*

No where is this more evident than in the downtown area which is evolving from the hodge-podge of rundown and abandoned structures into a vibrant area providing a variety of facilities, services, and pedestrian friendly walkways. Theaters, restaurants, a new state of the art library, old-fashioned street lighting, and landscaped areas abound in the downtown area. Another bright side of the City's growth lies in the development of properties such as the new *Ritz Carlton Hotel* and 80-condominium tower, the *Sarasota Bay Club*, the *Renaissance of Sarasota* and the *Marina Towers Condominiums*. All these upscale buildings are being built on the fringe of the downtown area and along the bay, adding significantly to the taxable value of the City.

Because of the unprecedented construction, revenues from building permits were 22% greater than last year and 97% greater than the 1998 revenues, reflecting the scale and multitude of construction projects. The current high level of building activity is anticipated to continue into the foreseeable future.

Net assessed value in the City increased 8.24% for 2000 following a 5.5% increase in 1999. While the net assessed value has risen, the City has reduced its total millage 18% from 3.6110 mills in fiscal 1999 to 2.9601 mills in 2000. As a result, ad valorem tax revenues declined \$1.25 million for 2000.

MAJOR INITIATIVES

For the Year

The City began the new millennium with a New Year's Eve celebration reminiscent of the City's past. Citizens, visitors, bands, and food courts converged on downtown to celebrate this momentous occasion as fireworks lit up the sky. The City welcomed everyone by showing off its downtown area that has undergone years of careful renewal and renovation - from the Theater and Arts District with its variety of theaters, opera house and performing arts facilities, to the new state of the art County Library, to the public art strategically located in various parks and boulevards, to the historic Burns Court area, a mixture of antique shops, a cinema complex, restaurants and shops, to Gulf Stream Avenue lined with upscale condominiums which grace the picturesque Sarasota Bay, to the quaint antique shops and restaurants of Palm Avenue, and to the many pocket parks that dot the downtown area. The City of Sarasota gives you the feeling that you're in a city that has the quality of life you seek and a city that knows how to provide public facilities and amenities for everyone to use, enjoy and appreciate.

In February 2000 the City began a six phase participatory process to update the Downtown Master Plan. The City retained the services of Andres Duany to develop a new plan based on earlier plans for downtown, including those of the John Nolen's plan of 1925, the RUDAT Plan of 1983, and the 1986 Downtown Master Plan. The new plan provides the details for ideas that were presented in the April and May charrettes conducted by Andres Duany. The major theme in the new plan includes - connecting the Downtown to the Bayfront, a system of walkable streets, a balanced transportation system, walk-to-town neighborhoods, civic improvements, and providing for strategic and pragmatic implementation.

On Labor Day, the City dedicated Links Plaza. This is the newest downtown park and is located at the corner of Links Avenue and Main Street. Links Plaza sits on the historic site that was the first nine-hole golf course in Sarasota. John Hamilton Gillespie, Sarasota's first mayor and one of its founders, opened the golf course in 1904. Links plaza is unique in that it was a public-private partnership between the City and a developer in order to provide a pedestrian friendly plaza with landscaping, benches, brick paved

walkways, and features a bronze statute of a golfer teeing off an imaginary ball in a water arc to a circular center fountain.

Trees along our city's streets provide environmental, economic and social benefits. The City's Street Tree Program, initiated in 1998, gained momentum in 2000 when the City exceeded its ambitious millennium goal set by the Commission by planting 2,200 trees throughout the community. The City, recognizing the importance of developing and maintaining a healthy green infrastructure, has committed \$150,000 per year over the next ten years to this program.

The City, after months of negotiations, purchased the Sarasota Federal Building for \$1.4 million from the Federal Government on October 27, 2000. The Federal Government will use the proceeds to help fund the Florida Everglades Restoration Program. The Federal Building, built in 1934 as part of the Works Progress Administration program, is a Neoclassical Revival style building that became Sarasota's first Post Office. The Federal Building was listed in the National Register of Historic Places in March of 1984, and was designed and crafted using finely carved stone ornaments such as the carved Corinthian columns located at the west elevation colonnade. The City plans to renovate and restore the building to its original condition and use it as a City Hall annex.

The Van Wezel Performing Arts Hall re-opened on October 13, 2000 after being closed eighteen months for major renovations. The renovation included a modern expanded stage that can accommodate any of the large Broadway production shows, and the Grand Foyer facing the Bayfront was expanded. The addition of elevators now provides handicapped patrons with access to all levels of the hall, as well as new handicapped seating areas. New and additional bathrooms, changing rooms for performers, administrative offices and meeting rooms, as well as a new band shell for orchestra performances, are but a few of the renovations at the Hall.

The operating ad valorem property tax was reduced for the fourth year down to 2.1051 mills in 2000 from the 2.6624 mills in 1999. This decrease is attributed to the lower operating millage needed for the final phase of the consolidation of the Fire-Rescue Bureau with Sarasota County which started in January 1996. The interlocal agreement required a five-year phase in of the consolidation. In addition to the millage reduction for the fire consolidation, the debt service millage on the City's general obligation bonds was reduced for the seventh year. These reductions brought the total millage rate down to 2.9601 mills from the 3.6110 mills levied in fiscal year 1999.

On September 1, 2000, water and sewer rates increased 2 percent to fund capital improvements and operating expenditure increases. This is the first year of a two-year planned rate increase. The last increase was on September 1, 1999 when rates were also increased 2%.

As the first year of the new millennium closed, redevelopment and renewal continues to reshape the future of the City. This past year many significant projects were completed and include the 92,000 square foot Kanen Plaza office building that is home to the YMCA corporate offices, the Links Plaza, as well as many smaller projects downtown. Along the Bayfront, the exclusive Tessara Condominium tower and the first tower of the Sarasota Bay Club were completed.

For the Future

As the City begins to put its new master plan for growth and development into action, construction continues to abound, especially in the downtown and bayfront areas. The City's Planning Department estimates that there is \$782 million dollars of development value currently under construction, in the approval process, or in the design concept, most of this in the downtown area. Major projects under construction include the new WWSB Channel 40 ABC affiliate station on Tenth Street, the Sarasota Bay Club which is a premier assisted living facility located on the Bayfront has completed the first of its two towers, the Ritz Carlton Hotel and condominium with the main building almost topped out, the Renaissance Condominiums on North Tamiami Trail, the Marina Towers which is an upscale 17 story condominium complex that is nearing final completion and is being readied for its new tenants, and Golden Gate Point which will have two new luxury condominiums, the Phoenix and the Golden Bay Condominium. The City Commission recently approved two projects worth over \$140 million for

additional condominiums. The Ringling Towers will be a \$60 million condominium and retail project that will replace the downtown Holiday Inn at the corner of Gulf Stream Avenue and US 41. The other is the Ritz-Carlton Beach Club that will replace the Azure Tides Resort on Lido Key.

Department Focus

The office of the City Auditor and Clerk is headed by one of the three Charter Officials as provided under the City's Charter, with the other two Charter Officials being the City Manager and the City Attorney. There are five departments reporting to the City Auditor and Clerk that includes Internal Auditing, Central Records, Employee Pensions, and Television Services, as well as the Clerk's department.

The Office of the City Auditor and Clerk is the custodian for all official records and is responsible for the scheduling and preparation of City Commission agendas, the transcription of City Commission meetings minutes, the issuance of taxicab licenses, the processing of land development applications, and conducting City Commission elections. The City Auditor and Clerk maintains a substantial portion of the City's website which includes City Commission information, the City Calendar as well as the Clerk's data. The website offers a full-text searchable database that includes an on-line Zoning Code and City Code, and all agendas and minutes created during the past three years.

The Internal Auditing Department performs an independent review function for the City, providing information concerning activities reviewed. The scope of the internal audit function encompasses the examination and evaluation of adequacy and effectiveness of the City's system of internal control and the quality of performance.

The Central Records Department is responsible for the creation, maintenance and final disposition of the City's public records. Staff assists City departments in the accounting of active records, electronic records, copy control, management and disposition of the City's Administrative Regulations, codification of all City Ordinances into both the City Code and Zoning Code, as well as management of the Clerk's active filing system and administration of the City-wide automated records management application.

The Employee Pension Department administers the three City single employer defined benefit retirement systems: one for the Police Officers, one for the Firefighters, and one for the General Employees. The assets of the three funds are held and maintained separately and may be used only for the payment of benefits to the members of the respective plans.

The newest department within the Office of the City Auditor and Clerk is Television Services. Its responsibilities include the development, production and broadcasting of City of Sarasota government access programming on Comcast Cable's Channel 19. This programming consists of live meeting coverage, specialty programming, and three monthly shows including: *City Life*, a magazine-style show which features projects and current events around the City; *City Focus*, a talk-show with the City Manager and a Department Director discussing important City topics; and *On Patrol with SPD*, a show focusing on the City's Police Department.

FINANCIAL INFORMATION

Internal Control Structure

The City administration is responsible for maintaining, evaluating and improving the internal control structure, which has been designed to assure that the assets of the City are safeguarded against loss, theft or misuse; and to assure that an adequate accounting system compiles reliable financial records for the preparation of financial statements in conformity with generally accepted accounting principles. Internal accounting controls are designed to provide reasonable, but not absolute, assurances that these objectives will be met. The concept of reasonable assurance recognizes that:

1. The cost of a control should not exceed the benefits likely to be derived; and
2. The evaluation of costs and benefits requires estimates and judgments by management.

In addition to the examination of controls performed by members of the Finance Department, the Internal Audit staff continually reviews and assesses the soundness, adequacy and application of all accounting and administrative controls of the City's financial system. Financial transactions and related data are examined for accuracy, completeness and authorization. Furthermore, computer applications and systems are analyzed to assure that the necessary controls are in effect.

All internal control evaluations occur within the above framework. We believe the City's internal controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Single Audit

The City of Sarasota is a recipient of federal, state and local financial assistance, making the City responsible for ensuring that proper internal controls are in place and that it is in compliance with applicable laws and regulations related to all financial assistance. These internal controls are audited each year by independent auditors, and hence, the concept of a single audit. As a part of the City's single audit, tests are made to determine the adequacy of the internal control structure, including the portion specifically related to federal and state financial assistance programs, as well as the audit of the fiscal year ended September 30, 2000. The results of the City's single audit for the 2000 fiscal year showed no instances of material weakness in internal control or significant violation of applicable laws and regulations. The information related to the single audit is included in the single audit section of this report.

Budgetary Controls

In addition to the internal controls, the City maintains budgetary controls. The objective of these budgetary controls is to assure compliance with legal provisions of the annual budget appropriated and approved by the City Commission. The general, special revenue, and debt service funds have annual adopted budgets. Project length budgets are adopted for the capital projects funds, but are reappropriated and approved at the beginning of each fiscal year. The level of budgetary control (the point at which expenditures and encumbrances cannot legally exceed appropriations) is by department within an individual fund. In fact, budgetary control is maintained daily at the line item level by an automated requisition/encumbrance accounting system. This requires the requisition of estimated purchase amounts prior to the release of purchase orders to vendors. Requisitions for amounts greater than the budgeted funds available are denied until the appropriate action is taken. This action may be in the form of approval to exceed budget as authorized by the City Manager or City Commission. Encumbered amounts lapse at year-end, however, open encumbrances are generally reappropriated as a part of the following year's budget. These open encumbrances are reported as reservations of fund balance at September 30, 2000.

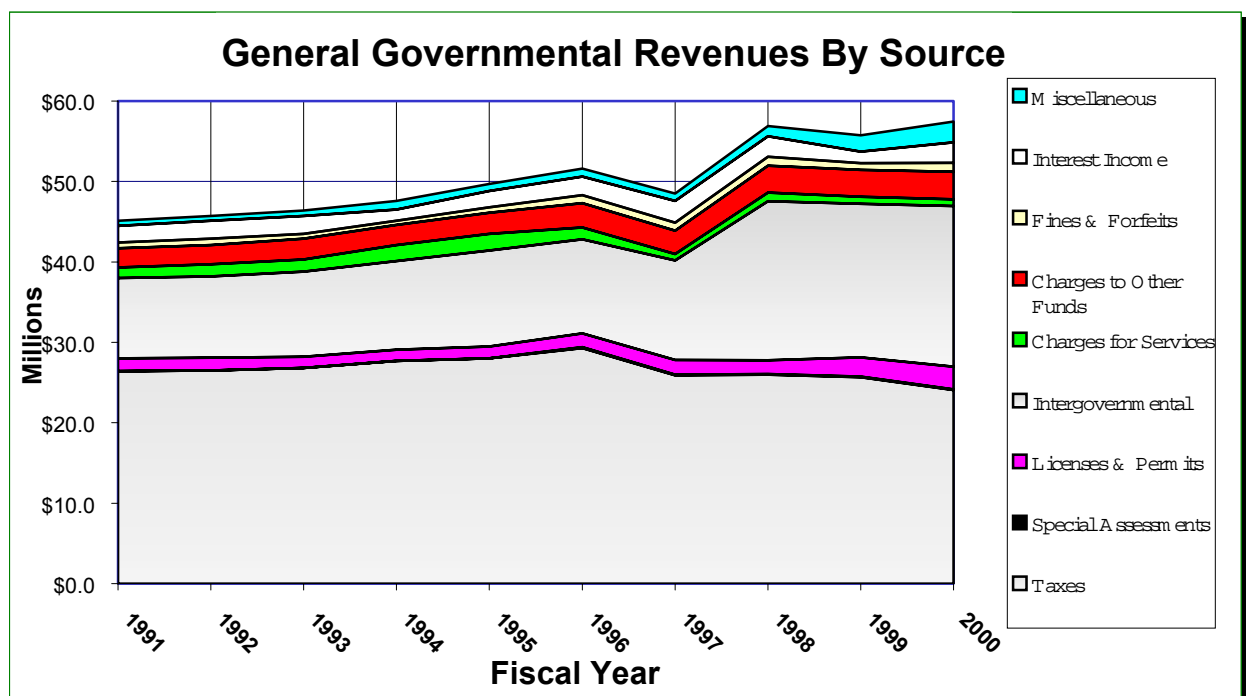
As demonstrated by the statements and schedules included in the financial section of this report, the City continues to meet its responsibility for sound financial management.

General Government Functions

The following schedule presents a summary of general fund, special revenue fund and debt service fund revenues (in thousands of dollars) for the fiscal year ended September 30, 2000, as compared to last year, and the amount and percentage of increases and decreases in relation to prior year revenues:

| Revenues | 2000 Amount | Percent of Total | 1999 Amount | Increase (Decrease) | |
|------------------------|------------------|---------------------|------------------|------------------------|--------------|
| | | | | Amount | Percent |
| Taxes | | | | | |
| Ad Valorem Tax | \$ 10,049 | 17.5 % | \$ 11,348 | \$ (1,299) | (11.4) % |
| Franchise Fees | 3,844 | 6.7 | 4,062 | (218) | (5.4) |
| Utility Service Taxes | 8,415 | 14.7 | 8,507 | (92) | (1.1) |
| Gas Tax | 1,769 | 3.1 | 1,739 | 30 | 1.7 |
| Special Assessments | 84 | 0.1 | 93 | (9) | (9.7) |
| Licenses and Permits | 2,815 | 4.9 | 2,373 | 442 | 18.6 |
| Intergovernmental | 19,964 | 34.8 | 19,094 | 870 | 4.6 |
| Charges for Services | 842 | 1.5 | 898 | (56) | (6.2) |
| Charges to Other Funds | 3,415 | 5.9 | 3,333 | 82 | 2.5 |
| Fines and Forfeits | 1,110 | 1.9 | 817 | 293 | 35.9 |
| Investment Income | 2,576 | 4.5 | 1,462 | 1,114 | 76.2 |
| Miscellaneous | 2,553 | 4.4 | 2,006 | 547 | 27.3 |
| Total | \$ 57,436 | 100.0 % | \$ 55,732 | \$ 1,704 | 3.1 % |

The following graph illustrates a ten-year history of the City's general governmental revenues:



The City's principal sources of local tax revenues consist of ad valorem taxes, utilities service excise taxes, and franchise fees. In the aggregate, these revenues represented 42.0% of the revenue collected that supports the annual costs of the governmental services provided during the year. For the 2000 fiscal year, the City's total property tax rate (including voted debt service) decreased to 2.9601 mills from 3.6110 mills the previous year. The decrease is the result of the completion of the final phase of the consolidation of the Fire-Rescue Bureau with Sarasota County. The interlocal agreement required the City to fund a certain level of these services through the end of the fiscal year that ended September 30, 1999.

Ad Valorem Tax revenue totaled \$10 million, a \$1.3 million decrease from the amount collected during 1999 due to the decrease in the ad valorem millage rate that was previously discussed.

Franchise Fees and Utility Service Taxes totaled \$12.3 million for 2000 and continue to be a large revenue source for the City. Franchise fees decreased \$218 thousand due mainly to a decrease in the Florida Power & Light electric rates during the first half of the year. Total Excise taxes decreased \$92 thousand, which is attributed to a \$193 thousand decrease in the amount of excise tax received from Florida Power & Light, which was partially offset by a \$43 thousand increase in the telecommunications excise tax, a \$38 thousand increase in the water excise taxes, and a \$22 thousand increase in natural and propane gas. Excise tax at \$8.4 million is the largest source of revenue in the General Fund versus the \$6.7 million for ad valorem taxes.

Licenses and Permits revenue at \$2.8 million increased \$442 thousand over the prior year. This increase is due to the \$380 thousand additional revenue collected from building department permits in fiscal 2000 as previously discussed in the section on *Economic Outlook and Conditions*, and a \$62 thousand increase in other licenses and permits revenue which comes from Occupational Licenses.

Intergovernmental revenues at \$20 million increased \$870 thousand from the prior year. During fiscal 2000 the City received \$1 million in Community Redevelopment funds (TIF), \$369 thousand more than the \$636 thousand received in 1999. The Community Development Block Grant Fund received \$1.8 million in 2000, \$631 thousand less than the \$2.4 million received in 1999. The Penny Sales Tax Fund received \$5.9 million in 2000, \$543 thousand more than the \$5.4 million received in 1999. Additionally, the Half-Cent Sales Tax received from the State increased \$222 thousand for the year, while miscellaneous grants were up \$296 thousand. The Penny Sales Tax and the Half-Cent increases are due to the strong retail and tourist activity experienced during the year.

Charges for Services revenue, totaling \$842 thousand, decreased \$56 thousand or 6.2% from the prior year. This decrease is due to the elimination of a Risk Manager position that was funded by a transfer from the Self - Insurance funds.

Fines and Forfeits revenue, at \$1.1 million, increased \$293 thousand or 35.9% in fiscal 2000. The City received \$84 thousand in traffic fines that were collected in fiscal 1999 but not remitted to the City until fiscal 2000. Additionally, increased traffic enforcement added \$162 thousand in fine revenue. Code Enforcement fines increased \$39 thousand for the year to a total of \$102 thousand.

Investment Income revenue, totaling \$2.6 million, increased \$1.1 million or 76.2% from 1999. This increase is the net result due to the change in the fair value of investments recorded at year-end as mandated by the Government Accounting Standards Board (GASB) Statement 31.

Miscellaneous revenues, at \$2.6 million, increased \$547 thousand for a 27.3% increase in fiscal 2000. The City sold a piece of surplus downtown property for \$323 thousand that will be used for the new site of the WWSB television station. The Community Development Block Grant program received \$397 thousand in reimbursement for house payments and housing reimbursement compared to the \$190 thousand received in fiscal 1999.

The following schedule presents a summary of general fund, special revenue fund and debt service fund expenditures (in thousands of dollars) for the fiscal year ended September 30, 2000, as compared to 1999, and the amount and percentage of increases and decreases in relation to prior year expenditures:

| Expenditures | 2000 Amount | Percent of Total | 1999 Amount | Increase (Decrease) | |
|-----------------------------|------------------------|-----------------------------|------------------------|--------------------------------|----------------|
| | | | | Amount | Percent |
| Current | | | | | |
| General Government | \$ 9,159 | 16.8 % | \$ 8,251 | \$ 908 | 11.0 % |
| Public Safety | 21,606 | 39.6 | 20,919 | 687 | 3.3 |
| Physical Environment | 3,227 | 5.9 | 2,661 | 566 | 21.3 |
| Transportation | 3,457 | 6.3 | 3,402 | 55 | 1.6 |
| Cultural and Recreation | 9 | 0.0 | 3 | 6 | 200.0 |
| Economic Environment | 7,035 | 12.9 | 3,828 | 3,207 | 83.8 |
| Debt Service | | | | | |
| Principal | 3,534 | 6.5 | 5,973 | (2,439) | (40.8) |
| Interest and Fiscal Charges | 2,144 | 3.9 | 1,651 | 493 | 29.9 |
| Capital | 4,425 | 8.1 | 5,766 | (1,341) | (23.3) |
| Total | \$ 54,596 | 100.0 % | \$ 52,454 | \$ 2,142 | 4.1 % |

General Government expenditures increased \$908 thousand or 11.0% to \$9.2 million in fiscal 2000. The major increase in General Government expenditures is due to \$242 thousand increase in City Hall maintenance due to the re-roofing of City Hall, an increase of \$202 thousand in Neighborhood Development due to the addition of an Economic Development Specialist, a Neighborhood Communication Specialist and related operating expenses, plus a \$35 thousand neighborhood grant program. The Planning Department expenditures increased \$70 thousand due to legal expenses for the update of the Zoning Code. The City Auditor and Clerk expenditures increased \$77 thousand due mainly to the addition of an Audiovisual Manager position for the new Television Services Department. The largest rise in General Governmental expenditures is due to the \$254 thousand increase in Miscellaneous Administration expenses in order to fund increased retiree's medical costs (\$197 thousand), increased data processing costs that were formerly absorbed by the Mobile Home Park (\$23 thousand), a \$20 thousand one time contribution to the Hispanic American Alliance, a one time cost of \$43 thousand for the New Year's Eve Millennium celebration, and a \$12 thousand contribution to the Child Development Center.

Public Safety expenditures increased \$687 thousand to \$21.6 million in 2000. Public Safety includes the Police Department, the Building, Zoning and Code Enforcement Department, the Police Law Enforcement Trust funds, and Miscellaneous Grants. Police expenditures increased \$376 thousand due mainly to salary adjustments (\$343 thousand), an increase in claims, judgments and legal services (\$64 thousand), and an increase in supplies for the patrol division (\$102 thousand). The Building, Zoning and Code Enforcement Department expenses increased \$95 thousand due to the addition of a building inspector and a chief code enforcement inspector. Grant expenditures increased \$207 thousand based on Block Grant funds received during the year.

Physical Environment expenditures increased \$566 thousand to \$3.2 million in 2000. Physical Environment includes the Landscape Maintenance Department, the Sarasota Bay National Estuary Program and the Tourist Development Tax fund. Landscape Maintenance expenses account for most of this increase with costs up \$533 thousand. This is mainly due to the addition of 5 gardeners to enhance the level of service from 5 to 7 days a week at a cost of \$187 thousand. Also, equipment replacement charges increased \$62 thousand in order to provide equipment for the higher level of maintenance of the medians and rights of ways. In addition, salary adjustments (\$84 thousand) and operating costs (\$180 thousand) added an additional \$264 thousand to Landscape Maintenance expenses.

Transportation expenditures (non-capital) increased \$55 thousand to \$3.5 million in 2000. Transportation expenditures consist of Engineering (\$859 thousand), Streets and Highways (\$2.2 million), Community Redevelopment Agency (\$297 thousand), Miscellaneous Grants (\$11 thousand), and Multi-Purpose funds (\$118 thousand). The Streets and Highway Department expenses decreased \$260 thousand from

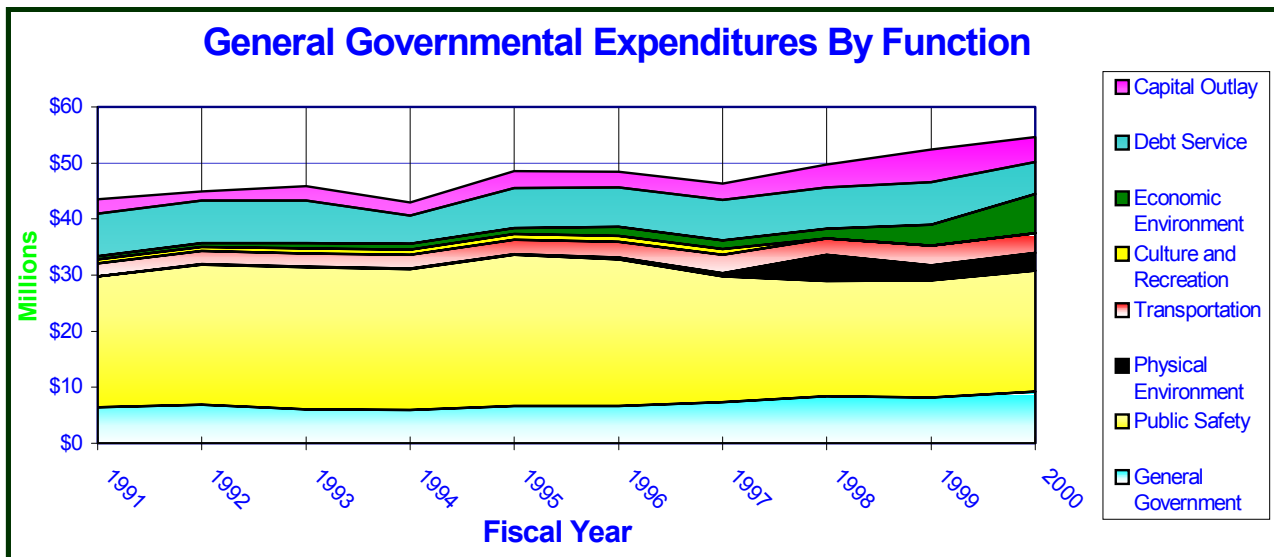
the prior year as the net result of a \$29 thousand increase for an electrician for traffic control/street lighting, a \$24 thousand increase for equipment replacement costs, and salary increases (\$24 thousand). However, these increases were offset by \$332 thousand decrease from the prior fiscal year as a result of the City's challenge to the Florida Department of Transportation proposed 65-foot high Ringling Causeway Bridge replacement. The Engineering Department expenditures increased \$61 thousand due to salary adjustments (\$27 thousand), and additional capital equipment (\$26 thousand). The operating expenses of the Community Redevelopment Agency increased \$282 thousand as a result of funding the park at Links Plaza and the Downtown Master Redevelopment Plan. There was a decrease in expenditures of \$28 thousand in the Miscellaneous Grants and Multi-Purpose funds.

Economic Environment expenditures increased \$3.2 million as a result of the Community Development Block Grant Program (CDBG). Economic Environment includes expenditures from the Community Development Block Grant program, Miscellaneous Grants, and County Occupational Licenses fees. CDBG Federal HOME program increased \$328 thousand, and the SHIP program increased \$2.8 million. These funds are used to provide safe and affordable housing for low-income individuals.

Debt Service expenditures decreased \$1.9 million to \$5.7 million due to the elimination of \$3.3 million in debt service because the 1994 Infrastructure Sales Surtax Bonds were paid off in 1999. However, this decrease was partially offset by the new 1999 Infrastructure Sales Surtax Bonds, in the amount of \$10 million to help finance the Van Wezel renovation, which increased debt service by \$953 thousand, coupled with the new 1999 First Florida Governmental Finance Commission Bonds, in the amount of \$7.4 million to partially finance the Van Wezel, which increased debt service by \$464 thousand.

Capital expenditures decreased \$1.3 million during the year. This decrease is due mainly to the one time expenditure last fiscal year of \$1.4 million paid by the Community Redevelopment Agency for the purchase of the 1½-acre Palm Avenue property in order to have a public/private partnership develop a parking, retail, and condominium facility on Palm Avenue.

The following graph illustrates a ten-year history of the City's general governmental fund expenditures:

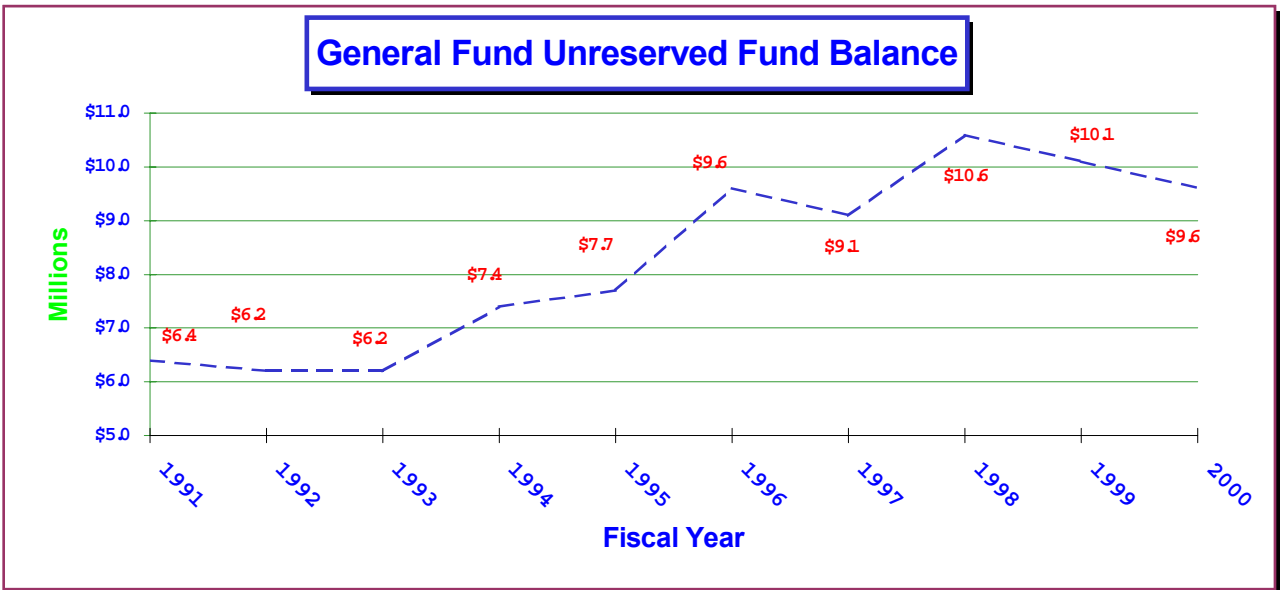


General Fund Balance

The unreserved General Fund balance represents a cushion of funds that can be appropriated in future years and used for emergencies such as a natural disaster, revenue shortfalls and unanticipated projects approved by the Commission. A portion of the fund balance, \$4.6 million, has been designated for funding projects and commitments that were ongoing in the 1999-2000 fiscal year, but specific vendors have not been identified, and therefore these funds are not reserved according to generally accepted

accounting principals. As a percentage of budgeted expenditures for the fiscal year 1999 - 2000, the \$9.6 million unreserved fund balance at September 30, 2000, is a healthy 23.6%.

The following graph illustrates the trend of the general fund unreserved fund balances for the last ten years:



Enterprise Funds

Enterprise funds are used to account for operations:

- that are financed and operated in a manner similar to private business enterprises-where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis is financed or recovered primarily through user charges; or
- 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.

The City has eight enterprise operations meeting the above criteria. Operating revenues and net income (in thousands) follows:

| | Operating Revenues | | Net Income (Loss) | |
|--------------------------------|--------------------|-----------------|-------------------|----------------|
| | 2000 | 1999 | 2000 | 1999 |
| Water and Sewer | \$24,146 | \$22,603 | \$3,214 | \$1,611 |
| Bobby Jones Golf Course | 2,444 | 2,498 | 74 | 264 |
| Mobile Home Park | 198 | 480 | 104 | (129) |
| Van Wezel Performing Arts Hall | 1,002 | 4,121 | (2,032) | 323 |
| Solid Waste Management | 8,822 | 8,569 | (49) | 73 |
| Municipal Auditorium | 204 | 201 | (14) | (15) |
| Sports Stadium | 592 | 337 | (184) | (249) |
| Parking Management | 458 | 402 | 110 | 43 |
| Totals | \$37,866 | \$39,211 | \$1,223 | \$1,921 |

Water and Sewer revenues were \$1.5 million higher due to the 2% rate increase that went into effect September 1, 1999, coupled with a dry winter season which raised consumption. The rate increase was put into effect in order to build sufficient funds to pay for future capital projects without the need to borrow the funds. Bobby Jones Golf Course revenues were level with the prior year due to the American Course being closed for six months for renovation during the off-season. Net income was down from the prior year due to the \$136 thousand increase in the fairways and greens maintenance contract for a higher level of service. The Van Wezel Performing Arts Hall revenues were \$3.1 million less than the prior year because the hall was closed for the year as it underwent a major renovation. A shortened season was provided in a temporary tent that was setup in the parking lot. Both the loss on the performances and the cost to maintain continuing operations for the year are the causes of the \$2 million negative income for the year. Solid Waste Management Department revenues were \$253 thousand higher compared to the prior year due to increased demand for service from commercial accounts. There was no rate increase for the year. The additional revenue was offset by an increase of \$282 thousand for county landfill disposal fees and an increase of \$135 thousand for recycling expenses. The result was a \$49 thousand loss for the year.

Internal Service Operations

Internal service funds are established to account for the financing of goods and services provided by one department to other departments of the City on a cost-reimbursement basis.

The City accounted for its Central Stores, Equipment Maintenance, Information Systems, Self-insurance and Equipment Replacement operations as internal service funds. Departmental users are charged for the services provided by these operations. Operating revenues and net income (in thousands) are as follows:

| | Operating Revenues | | Net Income (Loss) | |
|--------------------------------|--------------------|-----------------|-------------------|------------------|
| | 2000 | 1999 | 2000 | 1998 |
| Central Stores and Duplicating | \$1,477 | \$1,403 | \$24 | \$58 |
| Equipment Maintenance | 948 | 810 | 16 | 19 |
| Information Systems | 1,301 | 1,301 | 247 | (55) |
| Self-Insurance | 7,202 | 6,066 | (466) | (1,613) |
| Equipment Replacement | 904 | 1,056 | (68) | 293 |
| | <u>\$11,832</u> | <u>\$10,636</u> | <u>(\$247)</u> | <u>(\$1,298)</u> |

The City's Self-Insurance funds include Automotive Liability, Group Health, Worker's Compensation, Law Enforcement Death Benefit and Police Liability. For the year the Self-Insurance fund had a \$466 thousand loss due to a \$886 thousand loss in Group Health, which was partially offset by the net income from the other four programs.

Trust and Agency Funds

Pension Trust Funds: The City maintains three retirement plans for its current employees and for employees whose operations have been transferred to the County. Each plan has a separate Board of Trustees. Plan administration and investment management is the responsibility of these boards. Assets are held separately and may be used only for the payment of benefits to the members of the respective plans. Benefits vary depending on the particular membership in the plans.

Pension plan activity for the year is as follows:

| | General Employees' Pension | Police Officers' Pension | Firefighters' Pension |
|---------------|---|---|----------------------------------|
| Contributions | | | |
| Plan members | \$ 1,015,737 | \$ 756,010 | \$ 419,734 |
| City | 1,258,651 | 756,010 | -- |
| County | 80,963 | -- | 419,734 |
| State | -- | 613,656 | 451,132 |
| Total | <u>\$ 2,355,351</u> | <u>\$ 2,125,676</u> | <u>\$ 1,290,600</u> |

| | General Employees' Pension | Police Officers' Pension | Firefighters' Pension |
|-------------------|---|---|----------------------------------|
| Investment income | \$12,202,536 | \$ 5,580,880 | \$2,659,056 |
| Benefits paid | 2,606,524 | 3,161,999 | 3,838,286 |
| Other expenses | 918,741 | 689,344 | 458,085 |

The three pension plans experienced investment income totaling \$20.4 million for the year which is less than the \$37.8 million earned in the prior year. During the fiscal 2000, equity securities experienced a roller coaster ride and are the reason for the poorer performance. There are 274 retirees in the General Employees' Pension Fund, 102 retirees in Police Officers' Pension Fund, and 106 retirees in Firefighters Pension Fund. The net assets of the three pension funds total \$297.5 million.

Trust Funds: The City maintains an expendable trust fund to account for funds received as donations that have been restricted to expenditures for specified purposes.

Agency Funds: The City maintains three agency funds that include the Miscellaneous Purpose, Community Development, and the Van Wezel Non-City funds. Agency funds are used to account for assets held by the City as an agent for individuals, private organizations and other governmental units.

Debt Administration

The outstanding debt of the City as of September 30, 2000 and 1999 is as follows:

| | <u>2000</u> | <u>1999</u> |
|---|----------------------|----------------------|
| Water & Sewer Utility Revenue Bonds | \$58,783,188 | \$61,944,754 |
| Special Obligation Bonds | 24,037,522 | 24,473,023 |
| General Obligation Bonds | 14,785,000 | 16,745,000 |
| Loans Payable | 17,057,256 | 13,375,039 |
| Bobby Jones Golf Course Special Obligation Bonds | 100,000 | 200,000 |
| Special Assessment Debt | 170,161 | 193,668 |
| Capital Lease Obligations | 34,540 | 48,122 |
| Total | <u>\$114,967,667</u> | <u>\$116,979,606</u> |

The ratio of net general obligation bonded debt to assessed valuation and the bonded debt per capita indicates the City's long-term debt position is excellent.

| | <u>2000</u> | <u>1999</u> |
|--|--------------|--------------|
| Net General Bonded Debt | \$13,172,278 | \$15,393,825 |
| Bonded Debt to Assessed Valuation | 0.37 % | 0.47% |
| Ratio of Net Bonded Debt Per Capita | \$254.99 | \$298.04 |

On July 13, 2000, the City borrowed \$4,385,000 from First Florida Governmental Financing Commission for the acquisition and remodeling of the Federal Building and City Hall. 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 conduit 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 bond ratings continue to reflect that the City's bonds have the characteristics of strong investment quality as shown below:

| | <u>Standard & Poor's</u> | <u>Moody's Investors Service</u> |
|--------------------|----------------------------------|--|
| General Obligation | AA- | AA3 |
| Special Obligation | A | ** |
| Water and Sewer | A+ | ** |

**Not rated because debt is Aaa insured.

The City's General Obligation Bonds were upgraded from A1 to AA3 by Moody's Investor Services in September 1999. Standard and Poor's upgraded the City General Obligation Bonds from A+ to AA- in July 1998. The rating upgrade reflects:

- Affluent residential base combined with is successful revitalization efforts
- Strong financial position
- Moderate debt burden

The bond resolutions of both the Water and Sewer Revenue Bonds and the Special Obligation Bobby Jones Golf Course Revenue Bonds contain provisions that revenues will be sufficient to cover a pre-defined level of expenditures. The revenues of the Water and Sewer System and the Bobby Jones Golf Course were sufficient to satisfy the applicable revenue rate provisions. All required principal, interest and reserves for outstanding debt were provided for during the year.

Cash Management

The primary objective of the City's investment program is the preservation of capital. Investment transactions are conducted in such a manner as to avoid loss, whether by security default or by erosion of market value. The City has the authority to invest surplus funds in securities of the U.S. government and its agencies, certificates of deposit, commercial paper, the pooled investment account with the State Board of Administration, A rated corporate bonds and notes, Florida Municipal Investment Trust, and Jumbo Public Fund Tiered Money Market Accounts.

The City conducts investment transactions only through financial institutions that comply with Chapter 280 of the Florida Statutes, entitled "Security for Public Deposits". All securities are purchased on a delivery-versus-pay basis, which enables the City to take possession of securities concurrent with the release of funds.

The Governmental Accounting Standards Board has defined three categories for levels of risk with category 1, the lowest level of risk. All of the City's investments were classified in category 1. Quarterly, the City's Investment Committee meets to review the investments of the prior quarter and make recommendations.

Account balances are verified daily to ensure that sufficient funds are available to meet current commitments, and all surplus funds are invested at market rates of return. To ensure this, the cash resources of the individual funds (excluding debt service funds, water and sewer funds and trust funds) are combined to form a pool of cash and investments. The 2000 general depository average daily investment portfolio was \$42.4 million versus \$43.3 million in 1999. The City earned interest income of \$2.1 million compared to \$2.3 million in 1999 for an annual rate of return of 4.95% in 2000 compared to 5.39% in 1999. Although investable funds remained approximately the same, the average weighted maturity of the portfolio exceeded one year effectively locking in the portfolio security mix and prohibited the City from taking advantage of higher market rates that developed during the second half of the year. The average annualized rate of return earned in 2000 versus 1999 was 6.05% compared to 5.01% for funds invested in the State Board of Administration pooled investment account.

Risk Management

The Risk Management Department, under the administration of the Finance Director, oversees the citywide self-insurance programs that include the areas of workers' compensation, general liability, and automotive liability. Third party administrators handle workers' compensation claims for the City. Premiums are charged to various operating departments based on formulas that are updated each fiscal year, as well as monitored during the year. Excess premiums are retained in the fund to provide reserve adequacy. Risk Management is instrumental in the purchase and administration of police professional and public officials liability insurance, as well as property, petroleum, boiler and machinery, crime and stop loss insurance. Risk Management also is responsible for the safety program and other loss control programs. The department has adopted a policy of aggressively pursuing liability claims in order to reduce long-term liability. Additionally, the department has increased the number of site inspections for locations that represent the greatest potential of work related incidents.

OTHER INFORMATION

Independent Audit

As required by Article IV, Section 9 of the City Charter, the financial statements of the City have been audited by a firm of independent certified public accountants selected by the City Commission. This requirement has been met by the certified public accounting firm of CPA Associates, P.A. and their opinion is found on Page 1 of this report. The opinion covers the general purpose financial statements, as well as selected individual fund financial statements. Section 9 also requires the auditors to deliver a copy of their management letter to the City Commission. The audit was also designed to meet the requirements of Government Auditing Standards, the Federal Single Audit Act of 1996, related OMB Circular A133 and Chapter 10.550 Rules of the Auditor General. The auditor's reports related to Government Auditing Standards and the single audit are included in the Single Audit/Grants Compliance Section.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Sarasota, Florida, for its Comprehensive Annual Financial Report for the fiscal year ending September 30, 1999. This was the nineteenth consecutive year that the City has received this prestigious award. We are pleased to continue to achieve this distinction. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, which conforms to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

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

In addition, the City also received the GFOA's Award for Distinguished Budget Presentation for its annual financial plan for the fiscal year beginning October 1, 1999, the same period covered by this Comprehensive Annual Financial Report. This was the tenth consecutive year that the City has received this prestigious award. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged to be proficient in several categories including policy documentation, financial planning, organization and as a communications medium. We are pleased that we continue to achieve this distinction also.

ACKNOWLEDGEMENTS

This report represents countless hours of preparation and could not have been accomplished without the dedicated efforts of the employees of the Accounting and Finance Department. A very special note of appreciation is extended to David C. Flatt, Accounting and Payroll Manager, Dolores Gamble, Accounting Supervisor, and Michelle Valentich, Financial Management Analyst who had major roles in the preparation of this report.

In closing, the continued interest and support by the members of the City Commission in the planning and guidance of the financial operations of the City is appreciated.

Sincerely,

Gibson E. Mitchell, CGFO
Finance Director

David R. Sollenberger
City Manager