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FINANCIAL STATEMENTS  
AND INDEPENDENT  
AUDITORS' REPORT

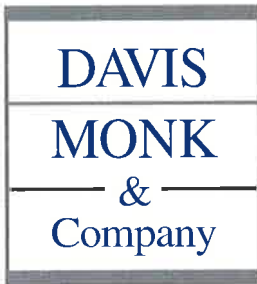
CONSOLIDATED POLICE  
OFFICERS AND FIREFIGHTERS  
RETIREMENT PLAN OF THE  
CITY OF GAINESVILLE,  
FLORIDA

SEPTEMBER 30, 1999

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## INDEPENDENT AUDITORS' REPORT



Certified Public Accountants  
& Business Consultants

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Honorable Mayor and City Commissioners  
City of Gainesville, Florida

We have audited the statement of plan net assets of the Consolidated Police Officers and Firefighters Retirement Plan of the City of Gainesville, Florida, as of September 30, 1999, and the related statement of changes in plan net assets for the year then ended. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets held in trust for pension benefits as of September 30, 1999, and the changes in net assets held in trust for pension benefits for the year then ended in conformity with generally accepted accounting principles.

The supplementary information referred to in the table of contents is not a required part of the basic financial statements but is information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information; however, we did not audit the information and express no opinion on it.

December 15, 1999  
Gainesville, Florida

*Members:*

Accounting Firms  
Associated, inc.

Florida Institute of  
Certified Public Accountants

American Institute of  
Certified Public Accountants

Horwath  
International

**CONSOLIDATED POLICE OFFICERS AND FIREFIGHTERS RETIREMENT PLAN  
OF THE CITY OF GAINESVILLE, FLORIDA  
STATEMENT OF PLAN NET ASSETS  
SEPTEMBER 30, 1999**

ASSETS

|                                       |                  |
|---------------------------------------|------------------|
| Cash and Cash Equivalents             | \$ 2,147,554     |
| Investments, at Fair Value            | 67,437,439       |
| Equity in Pooled Cash and Investments | <u>1,900,062</u> |

TOTAL ASSETS 71,485,055

LIABILITIES

|  |               |
|--|---------------|
| Accounts Payable and Accrued Liabilities | <u>25,049</u> |
|--|---------------|

NET ASSETS HELD IN TRUST FOR PENSION BENEFITS \$71,460,006  
(A Schedule of Funding Progress is Presented on Page 6)

The accompanying "Notes to Financial Statements"  
form an integral part of this statement.

**CONSOLIDATED POLICE OFFICERS AND FIREFIGHTERS RETIREMENT PLAN  
OF THE CITY OF GAINESVILLE, FLORIDA  
STATEMENT OF CHANGES IN PLAN NET ASSETS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 1999**

|  |                            |
|--|----------------------------|
| ADDITIONS  |                            |
| Contributions:   |                            |
| Employer   | \$1,015,628                |
| Employee   | 1,470,121                  |
| State  | <u>793,734</u>             |
| Total Contributions  | 3,279,483                  |
| Investment Income:   |                            |
| Net Appreciation in Fair Value of Investments                        | 9,068,177                  |
| Dividends and Interest   | 2,080,818                  |
| Broker Refunds   | <u>32,174</u>              |
| Total  | 11,181,169                 |
| Less Investment Expense  | <u>323,610</u>             |
| Net Investment Income  | <u>10,857,559</u>          |
| TOTAL ADDITIONS  | <u>14,137,042</u>          |
| DEDUCTIONS   |                            |
| Benefit Payments   | 3,711,396                  |
| Refunds of Contributions   | 59,092                     |
| Administrative Expenses  | <u>237,662</u>             |
| TOTAL DEDUCTIONS   | <u>4,008,150</u>           |
| NET INCREASE   | 10,128,892                 |
| NET ASSETS HELD IN TRUST FOR PENSION BENEFITS,<br>October 1, 1998    | <u>61,331,114</u>          |
| NET ASSETS HELD IN TRUST FOR PENSION BENEFITS,<br>September 30, 1999 | <u><u>\$71,460,006</u></u> |

The accompanying "Notes to Financial Statements"  
form an integral part of this statement.

**CONSOLIDATED POLICE OFFICERS AND FIREFIGHTERS RETIREMENT PLAN  
OF THE CITY OF GAINESVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 1999**

**NOTE 1 - PLAN DESCRIPTION**

The Plan is a single-employer, defined benefit pension plan that covers all full-time, permanent City employees designated as police officers or firefighters.

**Membership**

At October 1, 1997, the most-recent database, Plan membership consisted of the following:

|  |            |
|--|------------|
| Active Participants                        | 380        |
| Retirees – Non-Disabled & Beneficiaries    | 190        |
| Retirees – Disabled                        | 14         |
| Terminated Vested and Limited Participants | <u>21</u>  |
| Total                                      | <u>605</u> |

**Contribution Information**

The contribution requirements of plan members and the City are established and may be amended by City Ordinance approved by the City Commission in accordance with applicable State Statute.

The City'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, when combined with the contributions from the State of Florida, received under Chapters 175 and 185, Florida Statutes:

The required contribution rate for the City for the fiscal year was 8.41% of expected 1998-99 total annual payroll. The contribution rate for the State of Florida was 4.30%. In addition, members contribute 5.93% of gross pay to the plan. Administrative costs are financed through investment earnings.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**

The accompanying 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.

**CONSOLIDATED POLICE OFFICERS AND FIREFIGHTERS RETIREMENT PLAN  
OF THE CITY OF GAINESVILLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 1999  
(CONCLUDED)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

Investments

The Plan maintains separate investment managers for its equity and fixed income portfolios. Overall, the Plan's policy currently limits investments in equity funds to a maximum of 65% of the portfolio.

All investments of the Plan at September 30, 1999, are classified as Category 1, as defined by Statement No. 3 of the Governmental Accounting Standards Board. Category 1 investments include those which are insured or registered, or securities held by the Plan or its agents in the Plan's name.

Fair value was determined through reference to quoted market prices where available. Investments that do not have an established market are reported at estimated fair value. At September 30, 1999, the Plan's investments consisted of the following:

|                                      |                         |
|--------------------------------------|-------------------------|
| Treasury Obligations                 | \$ 6,702,248            |
| Bonds and Mortgage-Backed Securities | 18,396,659              |
| Equity Securities                    | <u>42,338,532</u>       |
| <br>TOTAL                            | <br><u>\$67,437,439</u> |

Equity in Pooled Cash and Investments

The Equity in Pooled Cash and Investments totaling \$1,900,062 is the Plan's share of a cash and investment pool maintained by the City of Gainesville. At September 30, 1999, the City of Gainesville's cash and investment pool was classified as Category 1.

**REQUIRED SUPPLEMENTARY INFORMATION**



**CONSOLIDATED POLICE OFFICERS AND FIREFIGHTERS RETIREMENT PLAN  
OF THE CITY OF GAINESVILLE, FLORIDA**

**SCHEDULE OF FUNDING PROGRESS**

| Actuarial<br>Valuation<br>Date | Actuarial<br>Value of<br>Assets<br>(a) | Actuarial<br>Accrued<br>Liability<br>(AAL) –<br>Entry Age<br>(b) | Unfunded<br>AAL<br>(UAAL)<br>(b-a) | Funded<br>Ratio<br>(a/b) | Covered<br>Payroll<br>(c) | UAAL as %<br>of Covered<br>Payroll<br>(b-a)/c |
|--------------------------------|--|--|------------------------------------|--------------------------|---------------------------|---|
| 10/1/97                        | \$59,716,347                           | \$69,789,068   | \$10,072,721                       | 85.57%                   | \$16,151,495              | 62.36%  |
| 10/1/96                        | \$46,403,969                           | \$66,624,928   | \$20,220,959                       | 69.65%                   | \$16,229,307              | 124.60%                                       |
| 10/1/95                        | \$46,403,969                           | \$62,116,917   | \$15,712,948                       | 74.70%                   | \$15,456,483              | 101.66%                                       |
| 10/1/94                        | \$42,978,621                           | \$57,658,906   | \$14,680,285                       | 74.54%                   | \$15,510,025              | 94.65%  |
| 10/1/93                        | \$39,864,396                           | \$52,582,297   | \$12,717,901                       | 75.81%                   | \$12,929,672              | 98.36%  |

Notes:

1. Information prior to October 1, 1993 is not available.
2. An actuarial valuation is now obtained biennially and, accordingly, a valuation was not received as of October 1, 1998. Therefore, the above data presented for October 1, 1997 reflects the most recent actuarial information.

**CONSOLIDATED POLICE OFFICERS AND FIREFIGHTERS RETIREMENT PLAN  
OF THE CITY OF GAINESVILLE, FLORIDA**

**SCHEDULE OF CONTRIBUTIONS FROM EMPLOYER  
AND STATE OF FLORIDA**

| <u>Year Ended</u> | <u>Employer Contributions</u>       |                                     |                               | <u>State Contributions</u>          |                                  |                               |
|-------------------|-------------------------------------|-------------------------------------|-------------------------------|-------------------------------------|----------------------------------|-------------------------------|
|                   | <u>Annual Required Contribution</u> | <u>Actual Employer Contribution</u> | <u>Percentage Contributed</u> | <u>Annual Required Contribution</u> | <u>Actual State Contribution</u> | <u>Percentage Contributed</u> |
| 9/30/99           | \$1,015,628                         | \$1,015,628                         | 100.00%                       | \$793,734                           | \$793,734                        | 100.00%                       |
| 9/30/98           | \$1,645,613                         | \$1,645,613                         | 100.00%                       | \$795,726                           | \$795,726                        | 100.00%                       |
| 9/30/97           | \$1,494,688                         | \$1,494,688                         | 100.00%                       | \$739,198                           | \$739,198                        | 100.00%                       |
| 9/30/96           | \$1,460,171                         | \$1,460,171                         | 100.00%                       | \$716,587                           | \$716,587                        | 100.00%                       |
| 9/30/95           | \$1,278,709                         | \$1,278,709                         | 100.00%                       | \$648,658                           | \$648,658                        | 100.00%                       |
| 9/30/94           | \$1,198,477                         | \$1,198,477                         | 100.00%                       | \$594,182                           | \$594,182                        | 100.00%                       |

**CONSOLIDATED POLICE OFFICERS AND FIREFIGHTERS RETIREMENT PLAN  
OF THE CITY OF GAINESVILLE, FLORIDA**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

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

|                                  |                  |                          |
|----------------------------------|------------------|--------------------------|
| Valuation Date                   |                  | 10/1/97                  |
| Actuarial Cost Method            |                  | Entry age normal         |
| Amortization Method              |                  | Level percent open       |
| Remaining Amortization Period    |                  | 40 years                 |
| Asset Valuation Method           |                  | 5-year blend book/market |
| Actuarial Assumptions:           |                  |                          |
| Investment Rate of Return *      |                  | 9.0%                     |
| Projected Salary Increases *     | <u>Age Range</u> | <u>Rate</u>              |
|                                  | Less than 30     | 7%                       |
|                                  | 30 - 35          | 6%                       |
|                                  | 35 - 40          | 5%                       |
|                                  | 40 and Older     | 4%                       |
| Cost-of-living Adjustments       |                  | None                     |
| Post-Retirement Benefit Increase |                  | None                     |

\* Includes inflation at 4.00%

