

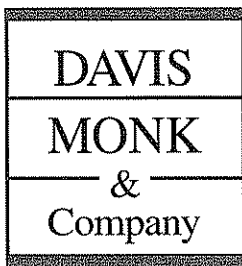
FINANCIAL STATEMENTS
AND INDEPENDENT
AUDITORS' REPORT

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

SEPTEMBER 30, 2008

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Independent Auditors' Report

Honorable Mayor and City Commissioners
City of Gainesville, Florida

Certified Public Accountants
& Business Consultants

*A Partnership Consisting of
Professional Associations*

Gainesville

4010 N.W. 25th Place
P.O. Box 13494 (32604)
Gainesville, Florida 32606
Phone: (352) 372-6300
(800) 344-5034
Fax: (352) 375-1583

Palatka

906 South State Road 19
Palatka, Florida 32177
Phone: (386) 325-4561
Fax: (386) 328-1014

St. Augustine

1301 Plantation Island Dr.
Suite 205A
St. Augustine, Florida 32080
Phone: (904) 471-3445
Fax: (904) 471-3825

Website:

www.davismonk.com

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, 2008, and the related statement of changes in plan net assets for the year then ended. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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, 2008, and the changes in net assets held in trust for pension benefits for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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.

March 13, 2009
Gainesville, Florida

Members:

CPAmerica International

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, 2008**

ASSETS	
Cash and Equivalents	\$ 5,477,313
Investments, at Fair Value	157,101,869
Receivables	<u>92,906</u>
 TOTAL ASSETS	 162,672,088
 LIABILITIES	
Accounts Payable and Accrued Liabilities	<u>2,428</u>
 NET ASSETS HELD IN TRUST FOR PENSION BENEFITS (A Schedule of Funding Progress is Presented on Page 9)	 <u>\$ 162,669,660</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
Statement of Changes in Plan Net Assets
For the Fiscal Year Ended September 30, 2008**

ADDITIONS

Contributions:

Employer Contributions	\$ 1,415,225
Employee Drop Contributions	934,195
Employee Contributions	2,253,180
State Contributions	<u>1,295,411</u>

Total Contributions 5,898,011

Investment Income (Loss):

Net Appreciation (Depreciation) in Fair Value of Investments	(30,288,534)
Dividends and Interest	<u>2,579,742</u>

Total (27,708,792)

Less Investment Expense 1,310,097

Net Investment Income (Loss) (29,018,889)

TOTAL ADDITIONS (23,120,878)

DEDUCTIONS

Benefit Payments	10,468,458
Refunds of Contributions	245,437
Administrative Expenses	<u>285,459</u>

TOTAL DEDUCTIONS 10,999,354

NET DECREASE (34,120,232)

NET ASSETS HELD IN TRUST FOR PENSION BENEFITS,

October 1, 2007 196,789,892

NET ASSETS HELD IN TRUST FOR PENSION BENEFITS,

September 30, 2008 \$162,669,660

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, 2008**

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, 2008, the most-recent database, Plan membership consisted of the following:

Active Participants	396
Deferred Vested Members	25
Retirees and Beneficiaries Receiving Benefits	<u>328</u>
Total	<u><u>749</u></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 5.85%. The contribution rate for the State of Florida was 4.82%. In addition, members contributed 7.50% 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. Benefits and refunds are recognized when due and payable.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make various estimates. Actual results could differ from those estimates.

**Consolidated Police Officers and Firefighters Retirement Plan
of the City of Gainesville, Florida
Notes to Financial Statements
September 30, 2008**

NOTE 3 – DEPOSITS AND INVESTMENTS

Investment Policies

These funds represent investments administered by the City's Defined Benefit Pension Fund Investment Managers. These investments are reported at fair value. The fair value of this plan is derived through valuation efforts done by our investment managers in conjunction with our plan custodian. The fair values for the vast majority of these assets are readily available. For those assets whose fair value is less verifiable, the best available information is used.

The Plan maintains separate investment managers for its equity and fixed income portfolios. The managers are required to comply with Florida statutes, City ordinances, other applicable laws and with the fiduciary standards set forth in the Employees Retirement Income Security Act of 1974 at 29 U.S.C. Section 1140(a)(1)(A)(C). The managers of these funds are permitted to invest in the following instruments:

Equity Funds (domestic)

- Common Stocks
- Stock Index Futures
- Convertible and Preferred Stocks
- American Depository Receipts
- REITS
- Limited Liability Companies (LLCs)

Equity Funds (international)

- Restricted to managers specifically hired to invest in international equities
- Common and Preferred Stocks of foreign issuers domiciled in developed and developing countries (emerging markets)
- Forward Foreign Currency Exchange Contracts for hedging purposes
- American and Global Depository Receipts and similar securities

Fixed Income Funds (domestic)

- Must have a rating of investment grade (BBB/Baa) or better
- United States Treasury and Agency Securities
- Commercial Paper with either a Standard & Poor's quality rating of A-1 or a Moody's quality rating of P-1 and a maturity of 270 days or less
- Certificates of Deposit up to FDIC or FSLIC insurance coverage or any amount fully collateralized by United States Government Securities or issued by an institution which is a qualified public depository within the State of Florida
- Corporate Bonds, Mortgage Backed Securities, or Asset Backed Securities
- Yankee Bonds
- Convertible Securities
- Money Market or Cash Equivalent Securities

**Consolidated Police Officers and Firefighters Retirement Plan
of the City of Gainesville, Florida
Notes to Financial Statements
September 30, 2008**

NOTE 3 – DEPOSITS AND INVESTMENTS

Fixed Income Funds (international)

- Investment Grade Sovereign Issued Debt
- Investment Grade Corporate Bonds and Commercial Paper

Cash Equivalents

- Certificates of Deposit, Commercial Paper, Direct Obligations of the U.S. Government, Repurchase Agreements, Bankers Acceptances, Custodian STIFs, and other appropriate liquid short-term investments

Real Estate and Alternative Assets

- Discretionary commingled vehicles such as insurance company separate accounts, open-end or closed-end funds and real estate investment trusts (REITS) holding either leveraged or unleveraged positions in real property and real property related assets
- All must be of institutional investment quality and must be diversified by property type and geographic location

Pooled or Commingled Funds

- The fund may invest in commingled vehicles such as mutual funds, LLCs or common trust funds that are invested in substantially the same manner and same investments as stated above

Derivatives

- No use of leverage
- No use of “linked” securities that have the principal value or interest rate tied to anything not specifically allowed as permissible investments in these guidelines
- Any structured note must maintain a constant spread relationship with its underlying acceptable index
- Collateralized mortgage obligations cannot be more sensitive to interest-rate changes than the underlying mortgage-backed security

Restricted Investments – Prohibited

- Short Sales or Margin Transactions
- Investments in Commodities or Commodity Contracts
- Direct loans or extension lines of credit to any interested party
- Letter Stock
- Unregistered securities and private placements (except those regulated by SEC Rule 144a or as specifically permitted by the Board)
- Investments and assets for which a generally recognized market is not available or for which there is no consistent or generally accepted pricing mechanism, unless specifically permitted by the Board

**Consolidated Police Officers and Firefighters Retirement Plan
of the City of Gainesville, Florida
Notes to Financial Statements
September 30, 2008**

NOTE 3 – DEPOSITS AND INVESTMENTS

Custodial Credit Risk - Deposits

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and they are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Plan's name. All deposits of the Plan are either covered by depository insurance or are collateralized by the pledging financial institution's trust department or agent in the Plan's name.

Custodial Credit Risk - Investments

Investment securities are exposed to custodial credit risk if they are uninsured and are not registered in the name of the government and are held by either the counterparty or by the counterparty's trust department or agent but not in the government's name. All identifiable investment securities of the Plan are either insured or are registered in the Custodian's Street name for the benefit of the Plan and held by the counterparty's trust department or agent.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investment policies described above provide guidelines for the credit ratings of specific types of investments. Presented below is the rating as of year end for each investment type.

Investment Type	Fair Value	Unrated/ Exempt	AAA	AA	A	BBB
Common Stock	\$ 52,680,565	\$ 52,680,565	\$ -	\$ -	\$ -	\$ -
Mutual Funds	91,975,973	91,975,973	-	-	-	-
Real Estate Inv Trust	597,937	597,937	-	-	-	-
US Government Bonds	606,344	-	606,344	-	-	-
Corporate Bonds	8,862,363	-	136,695	1,369,178	6,314,820	1,041,670
Mortgage & Asset Backed	<u>2,378,687</u>	<u>494,405</u>	<u>1,884,282</u>	<u>-</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 157,101,869</u>	<u>\$ 145,748,880</u>	<u>\$ 2,627,321</u>	<u>\$ 1,369,178</u>	<u>\$ 6,314,820</u>	<u>\$ 1,041,670</u>

Concentration of Credit Risk

The Plan's investment policies do not specifically restrict the concentration allowed to be held with any individual issuer, except that the equity portion of each portfolio manager shall not be more than 10% invested in the securities of any one company at fair value.

Only mutual fund investments, which are exempt from disclosure requirements, exceed 5% of total Plan investments.

**Consolidated Police Officers and Firefighters Retirement Plan
of the City of Gainesville, Florida
Notes to Financial Statements
September 30, 2008**

NOTE 3 – DEPOSITS AND INVESTMENTS

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater is the sensitivity of its fair value to changes in market interest rates. The Plan's investment policies do not provide specific restrictions as to maturity length of investments. Information about the sensitivity of the fair values of the Plan's investments to market interest rate fluctuations is provided below, using the segmented time distribution method:

Investment Type	Fair Value	< 2 years	2-5 years	5-10 yrs	> 10 yrs
Common Stock *	\$ 52,680,565	\$ -	\$ -	\$ -	\$ -
Mutual Funds *	91,975,973	-	-	-	-
Real Estate Inv Trust *	597,937	-	-	-	-
US Government Bonds	606,344	-	-	210,680	395,664
Corporate Bonds	8,862,363	1,631,096	2,210,280	3,180,022	1,840,965
Mortgage & Asset Backed	2,378,687	-	94,230	29,093	2,255,364
Totals	\$ 157,101,869	\$ 1,631,096	\$ 2,304,510	\$ 3,419,795	\$ 4,491,993

* Included but not required to be presented by maturity date

NOTE 4 – FUNDED STATUS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as % Of Covered Payroll (b-a)/c
10/1/08	\$174,300,300	\$175,971,441	\$1,671,141	99.05%	\$24,045,292	6.95%

The required schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

NOTE 5 – SUBSEQUENT EVENT

Subsequent to the balance sheet date, the equity and bond markets experienced declines in value. Those declines in market value have subsequently impacted the carrying value of certain investments of the Plan.

REQUIRED SUPPLEMENTARY INFORMATION

**Consolidated Police Officers and Firefighters Retirement Plan
of the City of Gainesville, Florida**

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) – Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as % of Covered Payroll (b-a)/c
10/1/2008	\$ 174,300,300	\$ 175,971,441	\$ 1,671,141	99.05%	\$ 24,045,292	6.95%
10/1/2007	168,434,939	166,905,140	(1,529,799)	100.92%	22,739,418	6.73%
10/1/2006	155,509,178	157,048,198	1,539,020	99.02%	21,579,538	7.13%
10/1/2005	144,236,229	147,209,020	2,972,791	97.98%	21,307,037	13.95%
10/1/2004	133,518,595	136,712,754	3,194,159	97.66%	20,229,474	15.79%
10/1/2003	125,816,211	129,549,367	3,733,156	97.12%	17,703,178	21.09%

**Consolidated Police Officers and Firefighters Retirement Plan
of the City of Gainesville, Florida**

**Schedule of Contributions From Employer
And State of Florida**

Year Ended	Employer Contributions			State Contributions		
	Annual Required Contribution	Actual Employer Contribution	Percentage Contributed	Annual Required Contribution	Actual State Contribution	Percentage Contributed
9/30/2008	\$ 1,415,225	\$ 1,415,225	100.00%	\$ 1,295,411	\$ 1,295,411	100.00%
9/30/2007	1,401,953	1,401,953	100.00%	1,253,399	1,253,399	100.00%
9/30/2006	1,555,941	1,555,941	100.00%	1,172,293	1,172,293	100.00%
9/30/2005	1,476,918	1,476,918	100.00%	1,085,890	1,085,890	100.00%
9/30/2004	917,400	917,400	100.00%	1,020,022	1,020,022	100.00%
9/30/2003	2,629,438	50,357,964	1915.16%	1,018,653	1,018,653	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	10/1/08
Actuarial Cost Method	Entry age normal
Amortization Method	Level percent closed, 30-years
Asset Valuation Method	5-yr smoothed fair value
Actuarial Assumptions:	
Investment Rate of Return *	8.5%
Projected Salary Increases *	4% - 7%

* Includes inflation at 3.75%