

The Basic Financial Statements,  
Supplemental Information and Independent  
Auditors' Report of the City of Gainesville  
for the Fiscal Year Ended September 30, 2004

Full reports prepared by Davis Monk & Company and Ernst & Young are available for review in the Office of the Clerk of the Commission, First Floor, City Hall, 200 East University Avenue, 8AM – 5PM, Monday-Friday, excluding Holidays.

March 21, 2005



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To the Audit and Finance Committee  
City of Gainesville, Florida

We have audited the financial statements of the City of Gainesville, Florida (the City) for the year ended September 30, 2004, and have issued our report thereon dated February 4, 2005. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

Our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of the City. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the City are described in Note 1 to the financial statements. We noted no transactions entered into during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were estimates of the historical cost of infrastructure and the amount of self-insurance liabilities.

We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the City's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the City, either individually or in the aggregate, indicate matters that could have a significant effect on the City's financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

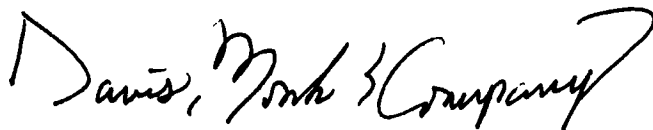
Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

This information is intended solely for the use of the Audit and Finance Committee of the City of Gainesville and management of the City and is not intended to be and should not be used by anyone other than these specified parties.



**DAVIS, MONK & COMPANY  
CERTIFIED PUBLIC ACCOUNTANTS  
& BUSINESS CONSULTANTS**



ASSURANCE AND ADVISORY  
BUSINESS SERVICES

 **ERNST & YOUNG**  
*Quality In Everything We Do*

# Gainesville Regional Utilities of the City of Gainesville, Florida

## 2004 Audit Results

Submitted @ 3/21/05  
A + F meeting

March 21, 2005

Audit and Finance Committee  
City of Gainesville, Florida

Dear Members of the Audit and Finance Committee:

We are pleased to present the results of our audit of the financial statements of Gainesville Regional Utilities ("GRU"), a department of the City of Gainesville (the "City"), for the year ended September 30, 2004.

This report to the Audit and Finance Committee summarizes our audit, the scope of our engagement, the reports issued, and various observations related to GRU's financial position and activities. The document also contains the communications required by our professional standards and by *Government Auditing Standards*, as well as significant current accounting developments and issues that could or will affect GRU in the near-term.

The audit was designed to express an opinion on the financial statements and address current statutory and regulatory requirements. We considered GRU's current and emerging business needs, along with an assessment of risks that could materially affect the financial statements, and aligned our audit procedures accordingly. We conducted the audit with the objectivity and independence that you and your stakeholders expect. We received the full support and assistance of GRU's personnel.

At Ernst & Young, we are continually evaluating the quality of our professionals' work in order to deliver audit services of the highest quality that will meet or exceed your expectations. We encourage you to evaluate our services using our Assessment of Service Quality survey to ensure that we do not overlook a single detail as it relates to the quality of our services.

We appreciate this opportunity to meet with you. If you have questions or comments, please call Mike Barrett at (813) 789-4271 or Mike Pattillo at (407) 872-6757.

Very truly yours,

*Ernst & Young LLP*

**EMPLOYEES' PENSION FUND OF THE CITY OF GAINESVILLE, FLORIDA  
STATEMENT OF PLAN NET ASSETS  
SEPTEMBER 30, 2004**

<b>ASSETS</b>	
Cash and Equivalents	\$ 654,684
Investments, at Fair Value	<u>238,696,187</u>
<b>TOTAL ASSETS</b>	<b>239,350,871</b>
<b>LIABILITIES</b>	
Accounts Payable and Accrued Liabilities	<u>3,214</u>
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS</b> (A Schedule of Funding Progress is Presented on Page 7)	<u><u>\$239,347,657</u></u>

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

FINANCIAL STATEMENTS  
AND INDEPENDENT  
AUDITORS' REPORT

EMPLOYEES' PENSION FUND  
OF THE  
CITY OF GAINESVILLE,  
FLORIDA

SEPTEMBER 30, 2004

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**CONSOLIDATED POLICE OFFICERS AND FIREFIGHTERS RETIREMENT PLAN  
OF THE CITY OF GAINESVILLE, FLORIDA  
STATEMENT OF PLAN NET ASSETS  
SEPTEMBER 30, 2004**

<b>ASSETS</b>	
Cash and Equivalents	\$ (218,081)
Investments, at Fair Value	<u>147,407,822</u>
<b>TOTAL ASSETS</b>	147,189,741
<b>LIABILITIES</b>	
Accounts Payable and Accrued Liabilities	<u>2,453</u>
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS</b>	
(A Schedule of Funding Progress is Presented on Page 6)	<u><u>\$147,187,288</u></u>

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



FINANCIAL STATEMENTS  
AND INDEPENDENT  
AUDITORS' REPORT

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

SEPTEMBER 30, 2004

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**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2004  
CITY OF GAINESVILLE, FLORIDA**

<u>Federal Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>	<u>Program Total</u>
<u>DEPARTMENT OF HOUSING &amp; URBAN DEVELOPMENT</u>			
Community Development Block Grant - Entitlement Program	14.218	\$ 1,570,567	
Supportive Housing Program	14.235	84,205	
Supportive Housing - VETSPACE	14.235	95,253	179,458
HOME Investment Partnership Grant	14.239	437,282	
Economic Development Initiative - Cone Park	14.246	249,107	
Economic Development Initiative - Depot Avenue Project	14.246	162,099	
Economic Development Initiative - Depot Avenue Economic Development	14.246	100,000	511,206
Cedar Grove Housing Project	14.XXX	124,843	
<u>DEPARTMENT OF TRANSPORTATION</u>			
Operating and Capital Assistance			
Federal Transit Administration - Formula Grants	20.507	1,906,256	
State and Community Highway Safety Traffic Records Enhancement	20.600	18,843	
<u>DEPARTMENT OF AGRICULTURE</u>			
Passed through Florida Department of Education:			
Summer Food Service Program for Children	10.559	63,660	
<u>DEPARTMENT OF JUSTICE</u>			
Domestic Violence Grant	16.590	89,416	
Byrne Formula Grant Youth Alcohol/Party Patrol Program	16.579	81,254	
Byrne Formula Grant/Victim Advocate	16.579	3,718	84,972
Misinsg Children's Assistance Internet Crimes Against Children	16.543	187,847	
Local Law Enforcement Block Grant (7)	16.592	2,158	
Local Law Enforcement Block Grant (8)	16.592	174,177	176,335
COPS Homeland Security Overtime	16.710	16,586	
COPS MORE 2003	16.710	39,949	
COPS Universal Hiring	16.710	7,328	63,863
Federal Equitable Sharing Proceeds	16.XXX	1,817,266	
<u>ENVIRONMENTAL PROTECTION AGENCY</u>			
Wetlands Program Development	66.461	100,272	
Water Quality Program Special Project	66.606	138,601	
<u>FEMA/DEPARTMENT OF HOMELAND SECURITY</u>			
Assistance to Firefighters	83.554/97.044	6,528	
Public Assistance Grants	83.544/97.036	2,505,287	
<u>DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Temporary Assistance for Needy Families	93.558	<u>538,222</u>	
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>		<b>\$ <u>10,520,724</u></b>	

(Continued)

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2004  
CITY OF GAINESVILLE, FLORIDA**

<u>State Grantor/ Program Title</u>	<u>State CSFA Number</u>	<u>Expenditures</u>	<u>Project Total</u>
<b><u>EXECUTIVE OFFICE OF THE GOVERNOR</u></b>			
Brownfield Redevelopment Grants	31.011	\$ 21,396	
<b><u>DEPARTMENT OF STATE</u></b>			
Local Arts Agency Grant - 2003	45.005	9,364	
Local Arts Agency Grant - 2004	45.005	2,901	12,265
<b><u>DEPARTMENT OF COMMUNITY AFFAIRS</u></b>			
State, Local and Private Projects Trust - Front Porch/Duval Stormwater Park	52.002	17,110	
State, Local and Private Projects Trust - Cofrin Nature Park	52.002	142,930	160,040
Hurricane Mitigation Program	52.XXX	50,000	
<b><u>FLORIDA HOUSING FINANCE CORPORATION</u></b>			
SHIP 2001/2002	52.901	153,767	
SHIP 2002/2003	52.901	688,573	
SHIP 2003/2004	52.901	103,654	945,994
<b><u>DEPARTMENT OF TRANSPORTATION</u></b>			
Regional Transit System Improvement Program:			
Commuter Assistance - Funding FY 03/04	55.007	70,000	
Public Transit Block Grant Operating Assistance FY 03/04	55.010	1,058,054	
Public Transit Service Development Agreement	55.012	50,851	
Transit Corridor Development Assistance - Tower Road	55.013	9,099	
Transit Corridor Development Assistance - 34th Street Corridor	55.013	61,315	70,414
Urban Capital	55.017	202,538	
<b><u>DEPARTMENT OF HEALTH</u></b>			
Passed Through Alachua County:			
EMS '03	64.005	11,648	
EMS '04	64.005	19,928	31,576
Health Walking Trail	XX.XXX	4,636	
Afterschool Snack	64.XXX	<u>6,670</u>	
<b>TOTAL EXPENDITURES OF STATE AWARDS</b>		<b>\$ <u>2,684,434</u></b>	

(Concluded)

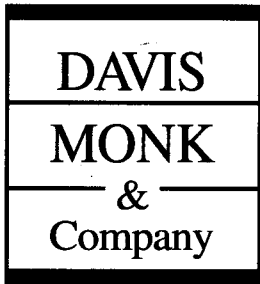
CITY OF GAINESVILLE, FLORIDA

MANAGEMENT LETTER  
AND  
SINGLE AUDIT REPORTS

SEPTEMBER 30, 2004

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## INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Commissioners  
City of Gainesville, Florida:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of the City of Gainesville, Florida (the "City"), as of and for the year ended September 30, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Utility Fund, a major fund, which represent 97 percent and 90 percent, respectively, of the assets and revenues of the business-type activities. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinions, insofar as they relate to the amounts included for the Utility Fund, are based on the report of the other auditors.

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. 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 and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of the City as of September 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 4, 2005 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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Management's discussion and analysis and the budgetary comparison schedule and schedules of funding progress listed in the table of contents as "required supplementary information" are not a required part of the basic financial statements, but are supplementary 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 required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund financial statements and schedules listed in the table of contents as "supplemental information" are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the report of other auditors, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Davis, Mork & Company*

February 4, 2005  
Gainesville, Florida

**CITY OF GAINESVILLE, FLORIDA  
AUDIT REPORT  
SEPTEMBER 30, 2004**

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AUDIT REPORT  
SEPTEMBER 30, 2004**

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