

FINANCIAL STATEMENTS
AND INDEPENDENT
AUDITORS' REPORT

EMPLOYEES' PENSION FUND
OF THE
CITY OF GAINESVILLE,
FLORIDA

SEPTEMBER 30, 2000

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Employees' Pension Fund of the
City of Gainesville, Florida

We have audited the statement of plan net assets of the Employees' Pension Fund of the City of Gainesville, Florida, as of September 30, 2000, and the related statement of changes in plan net assets for the year then ended. These financial statements are the responsibility of the Board of Trustees' 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, 2000, 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, 2000
Gainesville, Florida

Members:

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Certified Public Accountants

American Institute of
Certified Public Accountants

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International

EMPLOYEES' PENSION FUND OF THE CITY OF GAINESVILLE, FLORIDA
STATEMENT OF PLAN NET ASSETS
SEPTEMBER 30, 2000

ASSETS	
Cash and Cash Equivalents	\$ 3,194,818
Investments, at Fair Value	164,720,590
— Equity in Pooled Cash and Investments	<u>1,725,156</u>
TOTAL ASSETS	169,640,564
LIABILITIES	
Accounts Payable and Accrued Liabilities	<u>207,527</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS (A Schedule of Funding Progress is Presented on Page 7)	<u><u>\$169,433,037</u></u>

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

**EMPLOYEES' PENSION FUND OF THE CITY OF GAINESVILLE, FLORIDA
STATEMENT OF CHANGES IN PLAN NET ASSETS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2000**

ADDITIONS	
Contributions:	
Employer Contributions	\$ 2,341,981
Employee Contributions	<u>2,304,466</u>
Total Contributions	4,646,447
Investment Income:	
Net Appreciation in Fair Value of Investments	26,142,149
Dividends and Interest	3,841,717
Broker Refunds	<u>11,132</u>
Total	29,994,998
Less Investment Expense	<u>981,183</u>
Net Investment Income	<u>29,013,815</u>
TOTAL ADDITIONS	33,660,262
DEDUCTIONS	
Benefit Payments	7,118,605
Refunds of Contributions	126,890
Administrative Expenses	<u>254,399</u>
TOTAL DEDUCTIONS	<u>7,499,894</u>
NET INCREASE	26,160,368
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS, October 1, 1999	<u>143,272,669</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS, September 30, 2000	<u>\$169,433,037</u>

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

**EMPLOYEES' PENSION FUND OF THE CITY OF GAINESVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2000**

NOTE 1 - PLAN DESCRIPTION

The Plan is a single-employer, defined benefit pension plan, covering all permanent employees of the City, except certain managerial and professional personnel who elect to participate in either the Defined Contribution Plan or the Deferred Compensation Plan, and police officers and firefighters who participate in the Consolidated Police Officers' and Firefighters' Retirement Plan.

Membership

At September 30, 1998, the most-recent database, Plan membership consisted of the following:

Active Participants, Vested	841
Active Participants, Nonvested	420
Retirees & Beneficiaries	458
Terminated Vested and Limited Members	<u>190</u>
Total	<u>1,909</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.

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.

The required contribution rate for the City for the current fiscal year was 3.50%. In addition to this amount, members contributed 4.62% 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.

Investments

The City maintains separate investment managers for its equity and fixed income portfolios. The managers of these funds are permitted by City Commission policy to invest in the following instruments:

EMPLOYEES' PENSION FUND OF THE CITY OF GAINESVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2000
(CONTINUED)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments (continued)

Domestic Equity Funds --

- (1) Common Stocks
- (2) Convertible Preferred Stocks
- (3) Convertible Debentures

International Equity Funds

Fixed Income Funds --

- (1) United States Treasury Bonds, Notes, and Bills
- (2) United States Government Agency Securities and Instrumentalities of Government sponsored Corporations
- (3) Corporate Bonds with an average portfolio weight of A3 as rated by Moody's or A- as rated by Standard & Poor's
- (4) 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
- (5) Commercial Paper with either a Standard & Poor's quality rating of A-1 or a Moody's quality rating of P-1
- (6) Repurchase Agreements which are fully collateralized with United States Treasury or Agency securities with maturities of less than 365 days
- (7) Debentures
- (8) Zero Coupon Bonds
- (9) Pass through securities such as FHLMC, GNMA, and FNMA provided they are agency rated
- (10) Floating rate notes with a quality rating of A or better
- (11) Bankers Acceptances

All investments of the Plan at September 30, 2000, 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, 2000, the Plan's investments, at fair value, consisted of the following:

Treasury Obligations	\$ 15,891,230
Bonds and Mortgage-Backed Securities	37,097,548
Equity Securities	<u>111,731,812</u>
TOTAL	<u>\$164,720,590</u>

EMPLOYEES' PENSION FUND OF THE CITY OF GAINESVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2000
(CONCLUDED)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

Equity in Pooled Cash and Investments

The Equity in Pooled Cash and Investments totaling \$1,725,156 is the Plan's share of a cash and investment pool maintained by the City of Gainesville. At September 30, 2000, the City of Gainesville's cash and investment pool was classified as Category 1.

REQUIRED SUPPLEMENTARY INFORMATION

**EMPLOYEE'S PENSION FUND 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
9/30/00	\$160,783,878	\$164,265,942	\$ 3,482,064	98%	\$48,268,257	7.21%
9/30/99	\$138,755,649	\$131,380,332	\$(7,375,317)	106%	\$48,075,476	(15.34)%
9/30/98	\$123,414,860	\$123,174,407	\$ (240,453)	100%	\$41,214,524	(.58)%
9/30/97	\$116,490,424	\$116,251,026	\$ (239,398)	100%	\$39,264,337	(.61)%
9/30/96	\$104,951,068	\$107,158,815	\$ 2,207,747	98%	\$37,226,476	5.93 %
9/30/95	\$ 96,527,606	\$106,780,896	\$10,253,290	90%	\$32,981,017	31.09 %

**EMPLOYEE'S PENSION FUND OF THE CITY OF GAINESVILLE, FLORIDA
SCHEDULE OF EMPLOYER CONTRIBUTIONS**

<u>Year Ended</u>	<u>Annual Required Contribution</u>	<u>Actual Employer Contribution</u>	<u>Percentage Contributed</u>
9/30/00	\$2,341,981	\$2,341,981	100.00%
9/30/99	\$2,185,643	\$2,185,643	100.00%
9/30/98	\$1,878,877	\$1,878,877	100.00%
9/30/97	\$1,959,569	\$1,959,569	100.00%
9/30/96	\$1,883,598	\$1,883,598	100.00%
9/30/95	\$1,835,494	\$1,835,494	100.00%

**EMPLOYEES' PENSION FUND 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 (Update)	9/30/00	
Actuarial Cost Method	Entry age	
Amortization Method	Level percent-15 years-open	
Remaining Amortization Period	15 years	
Asset Valuation Method	5-year smoothed market	
Actuarial Assumptions:		
Investment Rate of Return	9.5% per annum	
Salary Increase Rate	<u>Years of Service</u>	<u>Rate</u>
	6 and under	7%
	7 - 11	6%
	12 - 16	5%
	Over 16	4%