

**COMPREHENSIVE
ANNUAL FINANCIAL REPORT**
City of Gainesville, Florida
Year Ended September 30, 2005

**Prepared By
The Finance Department**

LISTING OF CITY OFFICIALS

ELECTED OFFICIALS

<i>Pegeen Hanrahan</i>	<i>Mayor-Commissioner</i>
<i>Charles Chestnut IV</i>	<i>Mayor-Commissioner Pro-Tem</i>
<i>Edward Braddy</i>	<i>Commissioner</i>
<i>Rick Bryant</i>	<i>Commissioner</i>
<i>Jack Donovan</i>	<i>Commissioner</i>
<i>Craig Lowe</i>	<i>Commissioner</i>
<i>Warren Nielsen</i>	<i>Commissioner</i>

APPOINTED OFFICIALS

<i>Russ Blackburn</i>	<i>City Manager</i>
<i>Michael L. Kurtz</i>	<i>General Manager for Utilities</i>
<i>Marion Radson</i>	<i>City Attorney</i>
<i>Kurt M. Lannon</i>	<i>Clerk of the Commission</i>
<i>Brent Godshalk</i>	<i>City Auditor</i>
<i>Jimmie Williams</i>	<i>Equal Opportunity Director</i>

FINANCE PROGRAM STAFF

<i>Mark S. Benton</i>	<i>Finance Director</i>
<i>April Shuping</i>	<i>Accounting Manager</i>
<i>Daniel Smierciak</i>	<i>Accounting Supervisor</i>
<i>Nancy Pollard</i>	<i>Grants Fiscal Coordinator</i>
<i>Lynn Thigpen</i>	<i>Property Control Specialist</i>
<i>Sandra Ogle</i>	<i>Accountant II</i>
<i>Anne Benton</i>	<i>Accountant II</i>
<i>Alisa Tolbert</i>	<i>Accountant II</i>
<i>Belinda Tenney</i>	<i>Account Clerk, Sr.</i>
<i>Ronda Carney</i>	<i>Account Clerk</i>
<i>Dorothy Delaney</i>	<i>Account Clerk</i>
<i>Karen Ward</i>	<i>Clerk</i>

TABLE OF CONTENTS

INTRODUCTORY SECTION

TABLE OF CONTENTS	i-v
LETTER OF TRANSMITTAL	
Formal Transmittal of the Comprehensive Annual Financial Report	vi
Profile of the City	vii
Factors Affecting the City's Financial Condition	viii-ix
Awards and Acknowledgements	x
Certificate of Achievement	xi
Organizational Chart	xii

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT	AUD-1
MANAGEMENT'S DISCUSSION AND ANALYSIS	MDA-1
BASIC FINANCIAL STATEMENTS:	
Government-wide Financial Statements	
Statement of Net Assets	1
Statement of Activities	2
Fund Financial Statements:	
Balance Sheet - Governmental Funds	3
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	4
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	5
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	6
Statement of Net Assets - Proprietary Funds	7
Reconciliation of the Statement of Net Assets of Proprietary Funds to the Statement of Net Assets	8
Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds	9

TABLE OF CONTENTS (continued)

Reconciliation of the Statement of Revenues, Expenses and Changes in Fund Net Assets of Proprietary Funds to the Statement of Activities	10
Statement of Cash Flows - Proprietary Funds	11-12
Statement of Fiduciary Net Assets - Fiduciary Funds	13
Statement of Changes in Fiduciary Net Assets - Fiduciary Funds	14
Notes to Financial Statements	15-52

REQUIRED SUPPLEMENTARY INFORMATION:

Schedules of Revenues and Expenditures - Budget and Actual - General Fund	53
Notes to Schedules of Revenues and Expenditures - Budget and Actual - General Fund	54
Schedule of Funding Progress - Employees' Pension Plan	55
Schedule of Funding Progress - Disability Pension Plan	56
Schedule of Employer Contributions - Disability Pension Plan	57
Schedule of Funding Progress - Police Officers' and Firefighters' Consolidated Pension Plan	58
Schedule of Funding Progress - Other Post-Employment Benefits (OPEB) Plan	59
Schedule of Employer Contributions - Other Post-Employment Benefits (OPEB) Plan	60
Notes to Schedules of Funding Progress and Employer Contributions	61

SUPPLEMENTAL INFORMATION:

Combining Balance Sheet - Nonmajor Governmental Funds	62-72
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	73-82
Schedule of Revenues and Expenditures - Budget and Actual -	
Community Development Block Grant Fund	83
Urban Development Action Grant Fund	84
Home Grant Fund	85
Cultural and Nature Projects Fund	86
State Law Enforcement Contraband Forfeiture Fund	87
Federal Law Enforcement Contraband Forfeiture Fund	88
Economic Development Fund	89
Small Business Loan Fund	90

TABLE OF CONTENTS (continued)

Recreation Fund	91
Evergreen Cemetery Trust Fund	92
Art in Public Places Trust Fund	93
School Crossing Guard Trust Fund	94
FFGFC Fund - Series 1996	95
FFGFC Fund - Series 1998	96
FFGFC Fund - Series 2001	97
FFGFC Fund - Series 2002	98
FFGFC Fund - Series 2005	99
Guaranteed Entitlement Revenue and Refunding Bonds Fund - 1994	100
Guaranteed Entitlement Revenue and Refunding Bonds Fund - 2004	101
Pension Obligation Bond Series 2003A	102
Pension Obligation Bond Series 2003B	103
Other Post-Employment (OPEB) Bonds 2005	104
Combining Statement of Net Assets - Nonmajor Enterprise Funds	105-106
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets - Nonmajor Enterprise Funds	107
Combining Statement of Cash Flows - Nonmajor Enterprise Funds	108-109
Combining Statement of Net Assets - Internal Service Funds	110
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets - Internal Service Funds	111
Combining Statement of Cash Flows - Internal Service Funds	112-113
Combining Statement of Fiduciary Net Assets - Pension and OPEB Trust Funds	114
Combining Statement of Changes in Fiduciary Net Assets - Pension and OPEB Trust Funds	115

TABLE OF CONTENTS (continued)

STATISTICAL SECTION

FINANCIAL TREND INFORMATION

Net Assets by Component	116
Changes in Net Assets	117
Fund Balances of Governmental Funds	118
Changes in Fund Balances of Governmental Funds	119

REVENUE CAPACITY INFORMATION

Assessed Value of Taxable Property	120
Property Tax Rates - Direct and Overlapping Governments	121
Principal Property Taxpayers	122
Property Tax Levies and Collections	123

DEBT CAPACITY INFORMATION

Ratios of Outstanding Debt by Type	124
Direct and Overlapping Governmental Activities Debt	125
Pledged Revenue Coverage	126

DEMOGRAPHIC AND ECONOMIC INFORMATION

Demographic and Economic Statistics	127
Principal Employers	128

OPERATING INFORMATION

Full-time Equivalent City Governmental Employees by Function/Program	129
Operating Indicators by Functional Department	130-131
Capital Asset Statistics by Functional Department	132-133

TABLE OF CONTENTS (concluded)

SINGLE AUDIT SECTION

Management Letter	134-135
Independent Auditors Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	136-137
Schedule of Expenditures of Federal Awards and State Financial Assistance	138-139
Notes to the Schedule of Expenditures of Federal Awards and State Financial Assistance	140
Independent Auditors' Report on Compliance and on Internal Control Over Compliance Applicable to Each Major Federal Awards Program and State Financial Assistance Project	141-142
Schedule of Findings and Questioned Costs	143-144
Schedule of Prior Year Findings and Schedule of Current Year Findings and Corrective Action Plan	145-147
Management Letter for Gainesville Regional Utilities	148-149





CITY OF GAINESVILLE

Finance Department

March 20, 2006

**Honorable Mayor, Members of the City Commission and
Citizens of the City of Gainesville, Florida**

Dear Mayor, Commissioners, and Citizens:

Formal Transmittal of the Comprehensive Annual Financial Report

It is our pleasure to submit this *Comprehensive Annual Financial Report* for the City of Gainesville, Florida for the fiscal year ended September 30, 2005. The report fulfills the requirements set forth in the *City Code of Ordinances*, Section 2-433; *Florida Statutes*, Chapter 166.241; and the *Rules of the Florida Auditor General*, Chapter 10.550. The organization, form and contents of this report plus the accompanying financial statements and statistical tables are formulated in accordance with the principles prescribed by the Governmental Accounting Standards Board, the American Institute of Certified Public Accountants, the State of Florida, the City Code of Ordinances, and the Government Finance Officers Association.

This report consists of management's representations concerning the finances of the City of Gainesville. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with generally accepted accounting principles (GAAP). Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Florida Statutes and the *City Code of Ordinances* require that an annual financial audit be performed by independent certified public accountants. This year the audit was performed jointly by Davis, Monk and Company and Ernst & Young. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended September 30, 2005, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year ended September 30, 2005, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards.

Accounting Division

Station 14 • P.O. Box 490 • Gainesville, FL 32602-0490
352.334.5034 • FAX 352.334.3163

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

Profile of the City

The **City of Gainesville** is the most populous city in and serves as the county seat of Alachua County. The City also serves as the cultural, educational and commercial center for the North Central Florida region. Gainesville is located midway between the Gulf of Mexico and the Atlantic Ocean and halfway between Miami and Pensacola. There are approximately 54 square miles of land included within the corporate boundaries of the City. As of April 1, 2005, the official population estimate was 119,889.

The City was established in 1854, incorporated in 1869 and has operated under a Commission-Manager form of government since 1927. The City Commission consists of seven elected officials (the Mayor and six Commissioners) who are responsible for enacting the ordinances and resolutions which govern the City. In March of 1998, City voters elected a Mayor for the first time in more than 70 years. The elected Mayor serves a three-year term and presides over public meetings and ceremonial events. The Commission appoints the City Manager, General Manager for Utilities, City Auditor, City Attorney, Clerk of the Commission and Equal Opportunity Director. As chief executive officers, the City Manager and General Manager for Utilities are charged with the enforcement of all ordinances and resolutions passed by the Commission. They accomplish this task through the selection and supervision of two Assistant City Managers, an Administrative Services Director, an Assistant General Managers for Utilities, and numerous department heads.

The City of Gainesville provides its constituents with a wide variety of public services as listed below:

- **building inspections**
- **codes enforcement**
- **community development**
- **cultural affairs**
- **economic development**
- **electrical power**
- **golf course**
- **mass transit**
- **natural gas distribution**
- **parks and recreation**
- **police and fire protection**
- **refuse collection**
- **small business development**
- **stormwater management**
- **street maintenance, traffic engineering and parking**
- **water and wastewater**
- **telecommunications and data transfer**

Internal support services include the following:

- **accounting**
- **accounts payable and payroll**
- **affirmative action**
- **billing & collections**
- **cash management**
- **City-wide management**
- **computer systems support**
- **debt management**
- **equal opportunity**
- **fleet maintenance**
- **facilities maintenance**
- **human resources**
- **information systems**
- **investment management**

- labor relations
- mail services
- property control
- purchasing
- risk management

All moneys required to support the above-stated services are reflected in this report. This report includes all funds that are controlled by or are dependent on the **City Commission**.

In addition to these activities, the City exercises oversight responsibility for the **Community Redevelopment Agency** and the **Gainesville Enterprise Zone Development Agency**. Accordingly, these activities are included in the reporting entity and reflected in this report. **Note 1(A)** in the *Notes to the Financial Statements* lists the specific criteria used for establishing oversight responsibility.

The City also maintains budgetary controls. The objective of these is to ensure compliance with legal provisions contained in the annual appropriated budget approved by the City Commission. Annual budgets are legally adopted for activities of the *general fund*, certain *special revenue funds* and *debt service funds*. *Capital projects funds* and certain *special revenue funds* (such as multi-year grant funds and tax increment funds) are appropriated on a project basis. Budgets are controlled at the departmental level and total expenditures may not legally exceed appropriations for each budgeted fund without Commission approval. Encumbrance accounting is utilized in governmental funds in order to reserve the encumbered portion of the appropriation. Encumbrances outstanding at year end are reported as reservations of fund balance and are reappropriated as part of the following year's budget.

Factors Affecting the City's Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City operates.

Local economy. The economic landscape in Gainesville continues to be dominated by the government sector. Statistics compiled by the Bureau of Economic and Business Research at the University of Florida indicate that one of every three jobs in Gainesville is provided by the federal, state or local government. This reliance on jobs from other than the private sector tends to modify Gainesville's reaction to external economic stimuli, such that the local economy grows less rapidly than others during boom periods but also suffers less during economic declines. The City's unemployment rate remains a low 2.9 and enrollment at the University of Florida, the engine for the area's economy, continues to grow, with a 2005 enrollment of more than 50,000 students.

Long-term financial planning. Both General Government and the City-owned Utility develop multi-year financial forecasts, including capital improvement plans. Some of the key projects in these capital improvement plans are:

- Construction of a Regional Transit System transfer center, rehabilitation of administrative offices, and construction of an employee parking lot.
- Expansion of the City's fleet management and garage complex.
- Construction of the Depot Park Downtown Stormwater Basin.
- Construction of a Headquarters Annex for the Gainesville Police Department (GPD).
- The utilities system's Deerhaven and JR Kelly generating stations are subject to the Clean Air Interstate Rule (CAIR) and Clean Air Mercury Rule (CAMR) which were promulgated in 2005. As a result, significant capital and operating and maintenance expenditures will be required prior to 2009 and 2010.
- The City Commission approved hiring a consultant to examine management's plan to increase electric supply. The plan includes construction of a 220 megawatt solid fuel unit capable of generating 30 megawatts from biomass and a blend of coal and up to 50% petroleum coke. The plan would also reduce carbon intensity of the system by 14% while maintaining cost effective and reliable electrical supplies. A consultant was selected in November 2005.

Cash management policies and practices. It is the City's intention to earn a competitive yield on its portfolio consistent with its primary function of safeguarding public assets by minimizing credit and

market risks. To that end, City investments are guided by an investment ordinance and a detailed administrative policy as explained in **Note 1(D)** of the *Notes to the Financial Statements*. Cash temporarily idle during the year is invested in certificates of deposit, instruments issued by agencies of the United States of America, corporate notes, and repurchase agreements. The annual yield on investments was 5.08% percent for the City's operating portfolio, 15.24% for the General Employees' Pension Plan, and 17.05% for the Consolidated Police Officers' and Firefighters' Pension Plan. The different rates of return for the pension funds as opposed to the City's operating portfolio are attributable to the fact that the pension funds asset mix allocation is 70% equities and 30% fixed income investments.

Risk management. The City, through its Risk Management Department, administers a City-wide insurance program. This function covers responsibility for a loss-control program which includes:

- Analyzing City exposure to any existing or potential risk;
- Examining available options of treating such risks and determining required courses of action;
- Implementing approved safety programs and,
- Participating in and interpreting legislation which deals with insurance issues impacting the City.

The City is self-insured for workers' compensation, auto, general and professional liability. Third-party coverage is maintained for workers' compensation claims in excess of **\$500,000** for police officers and fire fighters and **\$400,000** for general employees. These activities, among other things, are reported in the *General Insurance Fund* which is an *Internal Service Fund*.

In addition, the City administers its own Group Self-Insurance Health Care Program through its Risk Management Department. The City employs an external claims administrator for an annually contracted amount based upon the number of City employees. Stop-loss insurance is maintained for any individual claim exceeding **\$150,000**.

Pension and other post-employment benefits. The City provides several pension and other post-employment benefit (OPEB) plans for its employees:

- (1) Consolidated Police Officers' and Firefighters' Retirement Plan (Consolidated Plan)
- (2) Employees' Pension Plan (Employees' Plan)
- (3) Employees' Disability Pension Plan (Disability Plan)
- (4) Other Post-Employment Benefit Plan (OPEB Plan)
- (5) Defined Contribution Pension Plan

The *Employees' Plan*, *Disability Plan* and the *Consolidated Plan* are contributory defined benefit plans whose assets are maintained in separate investment pools. Each plan has a separate Board of Trustees. Plan administration and investment management responsibility rests with these Boards.

The **Consolidated Plan** Board employs nine investment managers, four of which invest in equity securities, one that invests in international equity securities, one that invests in fixed income securities, one which invests in real estate, and two which invest in alternative strategies. At September 30, 2005, the fair value of *Consolidated Plan* assets was **\$167,790,222**.

The **Employees' Plan** has eleven investment managers, four of which invest in domestic equity securities, two of which invest in international equity securities, one which invests in fixed income securities, two which invest in real estate, and two which invest in alternative strategies. At September 30, 2005, the fair value of the *Employees' Plan* assets was **\$267,130,040**.

Investment managers are selected and retained for both plans based upon proven investment performance superior to standard indices.

The **Disability Plan** is fully invested in the City's pooled operating portfolio as described above. At September 30, 2005, the fair value of the *Disability Plan* assets was **\$3,773,918**.

The **OPEB Plan** also provides certain health care insurance benefits for retired employees and provides for retired employees to participate in the life insurance program. As of the end of the fiscal year, 677 retirees participated in the retiree health insurance program, which is funded on an actuarial basis. The *OPEB Plan* is invested with six investment managers, four of which invest in domestic equity securities, one

international equity manager and one fixed income manager. At September 30, 2005, the fair value of the *OPEB Plan* assets was **\$49,254,449**.

The *Defined Contribution Pension Plan* is qualified under the provisions of Section 401(a) of the Internal Revenue Code. Under the provisions of this Plan, the City contributes an amount equal to 10% of the employees' gross pay, and the participating employee contributes 5%. These contributions are submitted to external retirement corporations that are responsible for management of the investments as directed by the employee. At September 30, 2005, the value of the assets was **\$6,959,597**.

Additional information on the City's pension and other postemployment benefits can be found in **Notes 2 and 3** to the financial statements.

Awards and Acknowledgements

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 Gainesville for its comprehensive annual financial report (CAFR) for the fiscal year ended September 30, 2004. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such a CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City of Gainesville has received a Certificate of Achievement since 1951. We believe our current report continues to conform to the Certificate of Achievement program requirements and are submitting it to GFOA. Additionally, the City received the Government Finance Officers Association's Award for Distinguished Budget Presentation for its annual appropriated budget dated October 1, 2004. The City of Gainesville has received this award consecutively since the fiscal year beginning October 1, 1984. 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 and organization.

The City was one of the first to receive recognition by the Government Finance Officers Association for its 1990 Popular (Citizen's) Report. In addition, the City has received the Award for Outstanding Achievement in Popular Annual Reporting from the Government Finance Officers Association since 1992.

This report represents countless hours of preparation. Many individuals are responsible for its completion. The utmost appreciation is extended to the many City employees throughout the organization who maintain the financial records upon which this report is based. Special recognition is given to the employees of the Finance Department who worked diligently to ensure the timeliness and accuracy of the report.

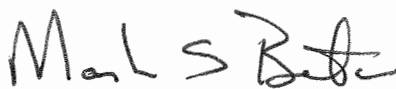
Respectfully submitted,



Russ Blackburn
City Manager



Becky Rountree, CPA
Administrative Services Director



Mark S. Benton
Finance Director



April Shuping, CPA
Accounting Manager

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Gainesville,
Florida

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2004

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



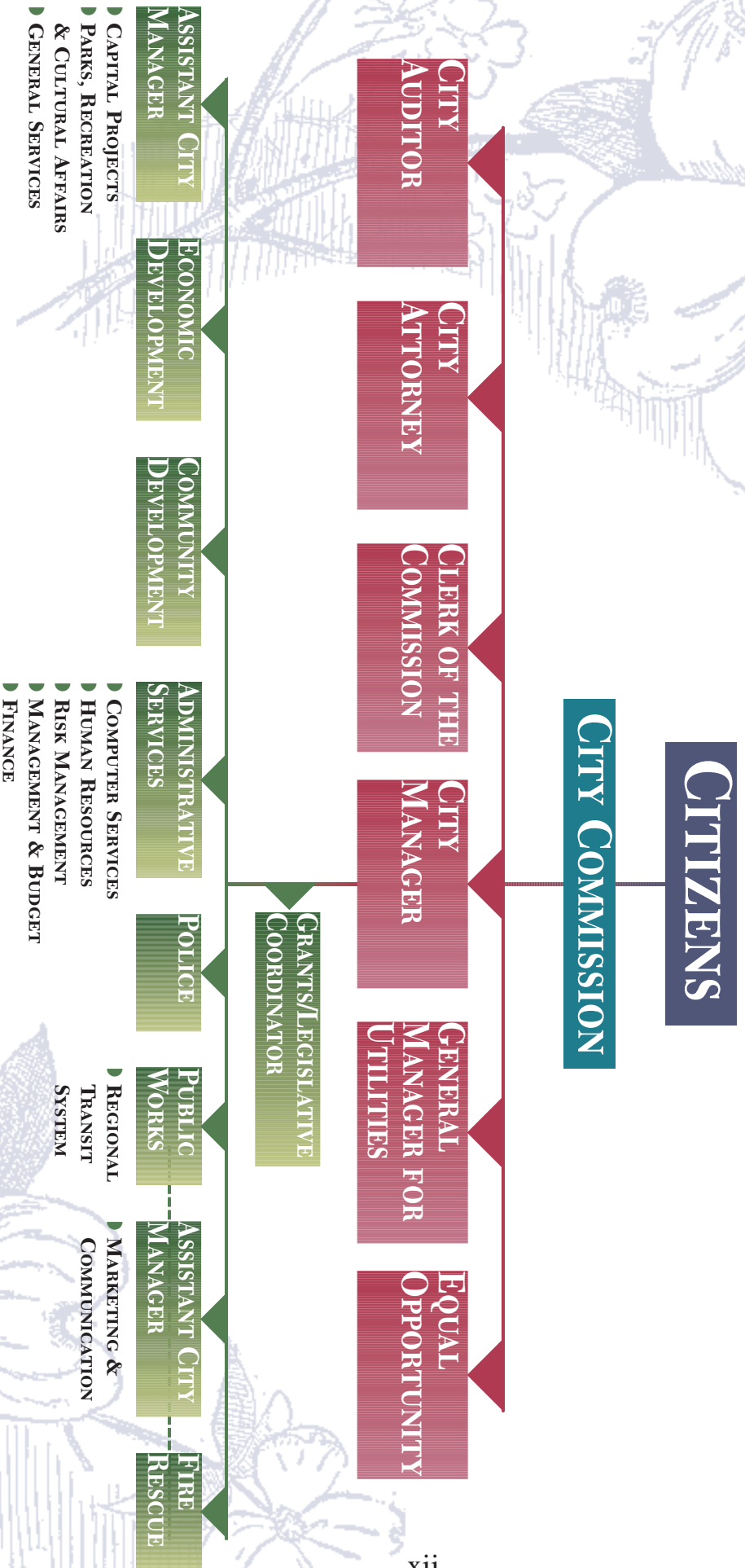
Nancy L. Ziehl

President

Jeffrey R. Enos

Executive Director

CITY OF GAINESVILLE ORGANIZATIONAL CHART







AUDITORS' REPORT



Certified Public Accountants & Business Consultants

A Partnership Consisting of Professional Associations

Gainesville

4010 N. W. 25 Place
P.O. Box 13494 (32604)
Gainesville, Florida 32606
Phone: (352) 372-6300
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

Members:

CPAmerica International

Florida Institute of
Certified Public Accountants

American Institute of
Certified Public Accountants

Horwath International

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, 2005, 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 87 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, 2005, and the respective changes in financial position and, where applicable, cash flows 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 27, 2006 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.

Management's discussion and analysis and the schedules listed in the table of contents as "required supplementary information", and the content of the statistical section, 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 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. The introductory section is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The introductory section has not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we express no opinion on it.

A handwritten signature in black ink that reads "Davis, Mark & Company". The signature is written in a cursive, flowing style.

February 27, 2006
Gainesville, Florida



**MANAGEMENT'S
DISCUSSION AND ANALYSIS**

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Gainesville (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2005. Management's Discussion and Analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the City's financial activity, (c) identify changes in the City's financial position, (d) identify any material deviations from the financial plan, and (e) identify individual fund issues or concerns. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages vi - xii of this report, and the City's financial statements which begin on page 1.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$489,365,754 (*net assets*). Of this amount, \$12,843,928 (*unrestricted net assets*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$2,198,084 as a result of fiscal year 2005 operations, but were reduced by \$11,331,392 due to the effect of a prior period adjustment, for a net reduction of \$9,133,308.
- As of the close of the fiscal year, the City's governmental funds reported combined ending fund balances of \$35,402,569, an increase of \$3,891,617 in comparison with the prior year. Of this total amount, \$25,608,496 is available for spending at the City's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, the undesignated fund balance in the General Fund was \$7,235,562.
- The City's total bonded debt increased by \$51,787,500, or 9.03% during the current fiscal year. In addition to the scheduled pay down of existing debt, the prominent components of this change were the issuance of \$31,000,000 in Utilities System Commercial Paper Notes, Series C, \$5,640,000 in First Florida Governmental Financing Commission (FFGFC) Bonds, Series 2005 and \$35,210,000 of Taxable Other Post Employment Benefit (OPEB) Obligation Bonds, Series 2005. The OPEB bonds were issued to fund the City's unfunded actuarial accrued liability associated with the City's retiree health insurance program. The Utilities Notes and FFGFC Bonds were issued to fund ongoing capital project needs.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net assets have changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (such as uncollected taxes and earned but unused sick leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, physical environment, transportation, economic environment, human services and culture and recreation. The business-type activities include electric generation, transmission and distribution, natural gas, water and wastewater, telecommunications, refuse collection, stormwater management, golf course, and mass transit.

The government-wide financial statements include not only the City itself, but also a legally separate enterprise zone development agency, and a legally separate redevelopment agency for which the City is financially accountable. Financial information for these *component units* is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 1-2 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains fifty-one individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund, which is considered to be a major fund. Data from the other fifty governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The basic governmental fund financial statements can be found on pages 3-6 of this report.

Proprietary funds. The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City maintains five enterprise funds to account for the following operations: electric power generation, transmission and distribution, natural gas distribution, water and wastewater treatment, telecommunications, refuse collection, golf course, stormwater management, and mass transit. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City maintains three internal service funds to account for fleet management operations, general insurance, and employee health insurance programs. Because these services benefit governmental more than business-type functions, they have been included within *governmental activities* in the government-wide financial statements, however in the government-wide financial statements, a certain portion of the net income of the internal service funds each year is reported in the business-type activities. This amount is allocated based on percentage of service charges.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the utility fund, which is considered to be a major fund of the City. Data from the other four proprietary funds are combined into a single, aggregated presentation. The three internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the nonmajor enterprise funds as well as for the internal service funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 7-12 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 13-14 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 15-52 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's compliance with its General Fund budget and the City's progress in funding its obligation to provide pension and other post employment benefits to its employees. Required supplementary information can be found on pages 53-61 of this report.

The combining statements referred to earlier in connection with nonmajor governmental and proprietary funds, and internal service funds are presented immediately following the required supplementary information. Combining and individual fund statements can be found on pages 62-115 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$489,365,754 at the close of the most recent fiscal year.

Approximately 83% of the City's net assets reflect its investment in capital assets (e.g., land, utility plant and equipment, buildings, improvements, machinery and equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Gainesville's Net Assets						
	Governmental activities		Business-type activities		Total	
	FY05	FY04	FY05	FY04	FY05	FY04
Current and other assets	\$ 166,879,139	\$ 143,708,474	\$ 352,033,164	\$ 378,095,598	\$ 518,912,303	\$ 521,804,072
Capital assets	<u>110,709,097</u>	<u>107,952,914</u>	<u>757,747,351</u>	<u>731,041,444</u>	<u>868,456,448</u>	<u>838,994,358</u>
Total assets	277,588,236	251,661,388	1,109,780,515	1,109,137,042	1,387,368,751	1,360,798,430
Long-term liabilities						
outstanding	161,822,309	124,893,489	454,367,134	438,617,383	616,189,443	563,510,872
Other liabilities	<u>13,363,049</u>	<u>14,816,961</u>	<u>268,450,505</u>	<u>283,971,535</u>	<u>281,813,554</u>	<u>298,788,496</u>
Total liabilities	175,185,358	139,710,450	722,817,639	722,588,918	898,002,997	862,299,368
Net assets:						
Invested in capital assets,						
net of related debt	82,168,018	79,593,219	322,442,298	319,702,835	404,610,316	399,296,054
Restricted	23,255,620	12,928,276	48,655,890	49,479,733	71,911,510	62,408,009
Unrestricted	<u>(3,020,760)</u>	<u>19,429,443</u>	<u>15,864,688</u>	<u>17,365,556</u>	<u>12,843,928</u>	<u>36,794,999</u>
Total net assets	<u>\$ 102,402,878</u>	<u>\$ 111,950,938</u>	<u>\$ 386,962,876</u>	<u>\$ 386,548,124</u>	<u>\$ 489,365,754</u>	<u>\$ 498,499,062</u>

An additional portion of the City's net assets (\$71,911,510 or 15 %) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$12,843,928) may be used to meet the government's ongoing obligations to citizens and creditors.

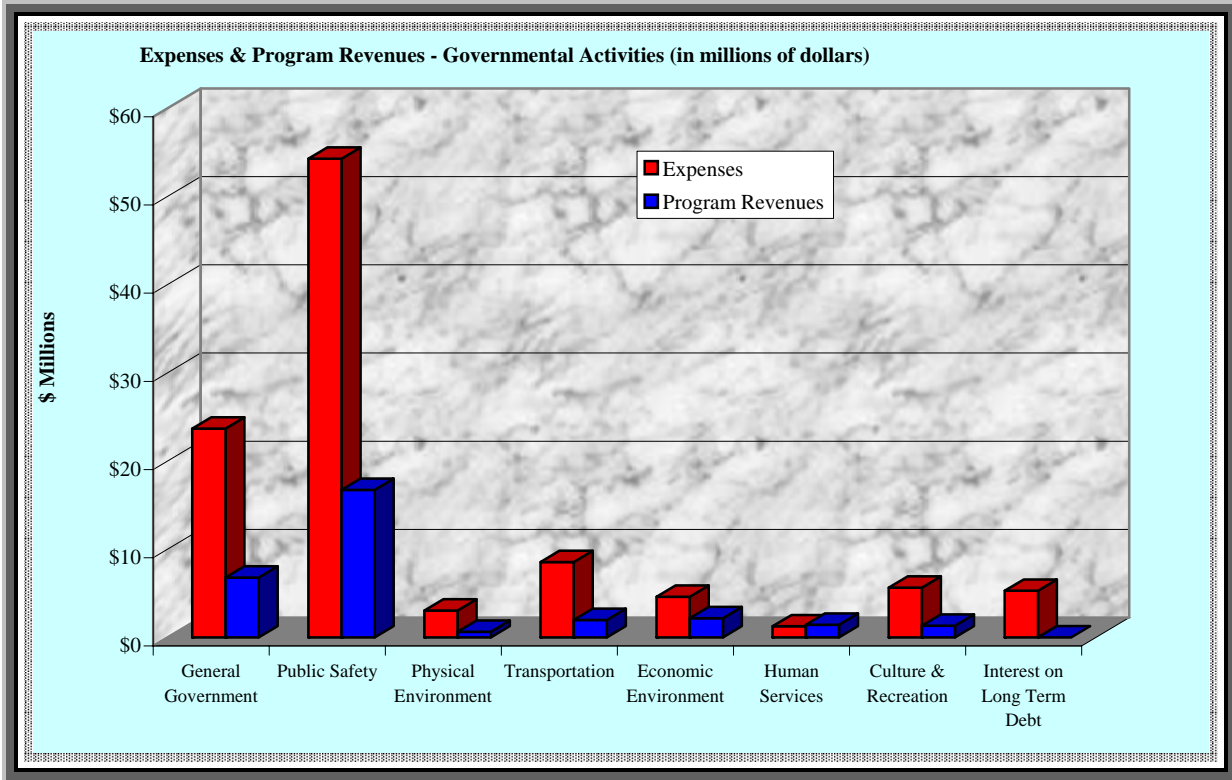
The City's net assets decreased by \$9,133,308 during the current fiscal year. This decrease is due to the reclassification of the Retiree Health Care Fund from an internal service fund, whose net assets are included in the Statement of Net Assets, to a fiduciary fund, whose net assets are excluded from the Statement of Net Assets. This reclassification was responsible for a reduction of \$11,331,392 in government wide net assets. In addition, the implementation of GASB Statements 43 and 45 required the City to reduce its negative net OPEB obligation asset by an annual amount based on significantly higher premium rates than the City actually pays for the retiree health care benefit. The effect of this was an additional reduction of \$4,147,005 in government wide net assets. Net of these two significant changes, the City's government wide net assets increased by over \$6 million.

City of Gainesville Changes in Net Assets

	Governmental activities		Business-type activities		Total	
	FY05	FY04	FY05	FY04	FY05	FY04
Revenues:						
Program revenues:						
Charges for services	\$ 17,839,624	\$ 11,802,297	\$ 261,274,941	\$ 245,134,371	\$ 279,114,565	\$ 256,936,668
Operating grants and contributions	13,058,351	5,951,582	3,400,623	5,059,409	16,458,974	11,010,991
Capital grants and contributions	191,600	1,406,477	9,632,321	7,572,300	9,823,921	8,978,777
General revenues:						
Property taxes	19,365,334	17,983,617	-	-	19,365,334	17,983,617
Other taxes	18,928,506	18,961,421	-	-	18,928,506	18,961,421
State revenue sharing	4,117,607	3,367,156	-	-	4,117,607	3,367,156
Interest	1,564,126	2,641,812	4,388,999	7,011,499	5,953,125	9,653,311
Other revenues	<u>1,894,572</u>	<u>3,564,261</u>	<u>14,624,051</u>	<u>16,155,309</u>	<u>16,518,623</u>	<u>19,719,570</u>
Total revenues	76,959,720	65,678,623	293,320,935	280,932,888	370,280,655	346,611,511
Expenses:						
General government	23,677,037	18,458,043	-	-	23,677,037	18,458,043
Public safety	54,281,144	45,714,000	-	-	54,281,144	45,714,000
Physical environment	3,055,388	2,827,492	-	-	3,055,388	2,827,492
Transportation	8,548,157	9,548,804	-	-	8,548,157	9,548,804
Economic environment	4,616,810	3,583,832	-	-	4,616,810	3,583,832
Human services	1,268,499	1,713,715	-	-	1,268,499	1,713,715
Culture & recreation	5,641,593	3,669,838	-	-	5,641,593	3,669,838
Interest on long-term debt	5,296,200	5,136,385	-	-	5,296,200	5,136,385
Electric	-	-	165,714,007	152,668,644	165,714,007	152,668,644
Gas	-	-	25,011,786	22,402,154	25,011,786	22,402,154
Water	-	-	16,373,985	15,662,347	16,373,985	15,662,347
Wastewater	-	-	20,179,076	17,978,035	20,179,076	17,978,035
GRUCom	-	-	7,763,554	6,626,562	7,763,554	6,626,562
Regional transit system	-	-	15,407,545	13,946,979	15,407,545	13,946,979
Stormwater	-	-	4,563,029	3,963,762	4,563,029	3,963,762
Ironwood	-	-	1,243,518	1,438,628	1,243,518	1,438,628
Solid waste	-	-	<u>5,441,243</u>	<u>5,595,169</u>	<u>5,441,243</u>	<u>5,595,169</u>
Total expenses	106,384,828	90,652,109	261,697,743	240,282,280	368,082,571	330,934,389
Increase(Decrease) in net assets						
before transfers	(29,425,108)	(24,973,486)	31,623,192	40,650,608	2,198,084	15,677,122
Transfers	<u>28,235,590</u>	<u>27,130,392</u>	<u>(28,235,590)</u>	<u>(27,130,392)</u>	-	-
Increase in net assets	(1,189,518)	2,156,906	3,387,602	13,520,216	2,198,084	15,677,122
Net assets - October 1	111,950,938	109,794,032	386,548,124	373,027,908	498,499,062	482,821,940
Prior period adjustment	<u>(8,358,542)</u>	-	<u>(2,972,850)</u>	-	<u>(11,331,392)</u>	-
Net assets - October 1, as restated	<u>103,592,396</u>	<u>109,794,032</u>	<u>383,575,274</u>	<u>373,027,908</u>	<u>487,167,670</u>	<u>482,821,940</u>
Net assets - September 30	<u>\$ 102,402,878</u>	<u>\$ 111,950,938</u>	<u>\$ 386,962,876</u>	<u>\$ 386,548,124</u>	<u>\$ 489,365,754</u>	<u>\$ 498,499,062</u>

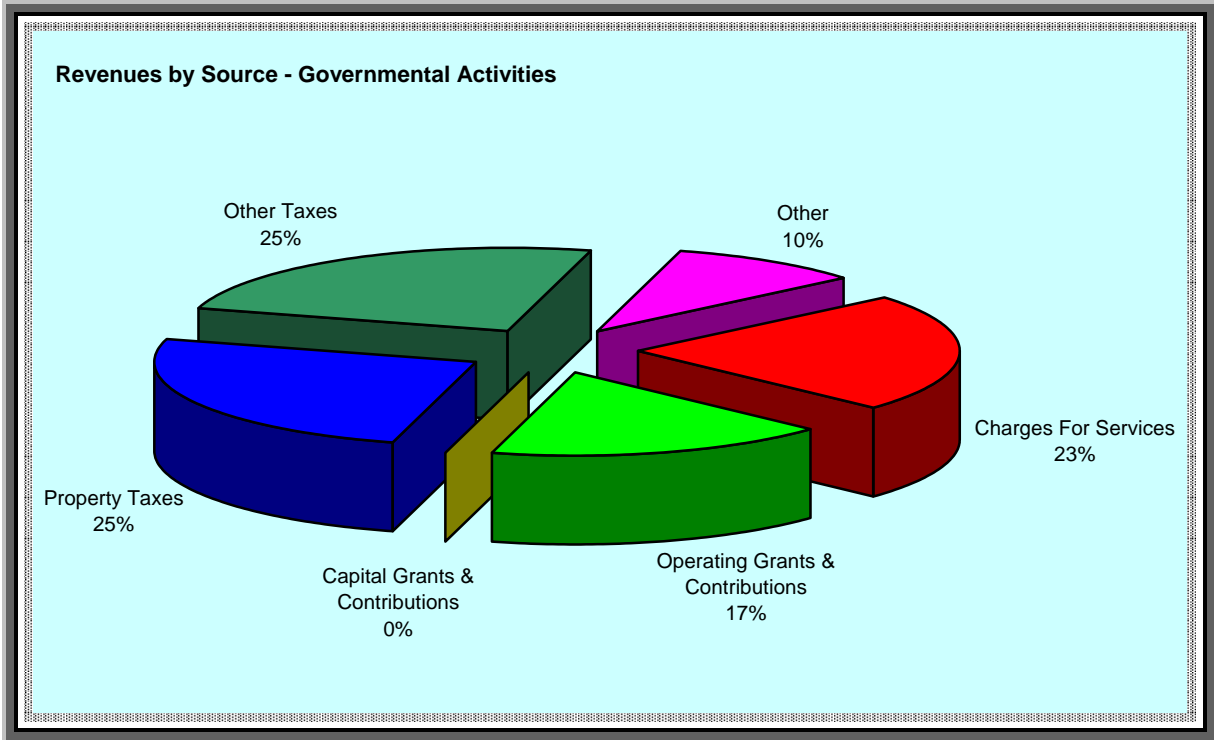
Governmental activities. Key elements of governmental activities revenues are as follows:

- Property taxes increased by more than \$1.35 million (7.7%) from last year.
- The City experienced an approximately \$1 million decrease in interest earnings in the current year.
- The City earned about \$750,000 more in state revenue sharing in the current year than in 2004.



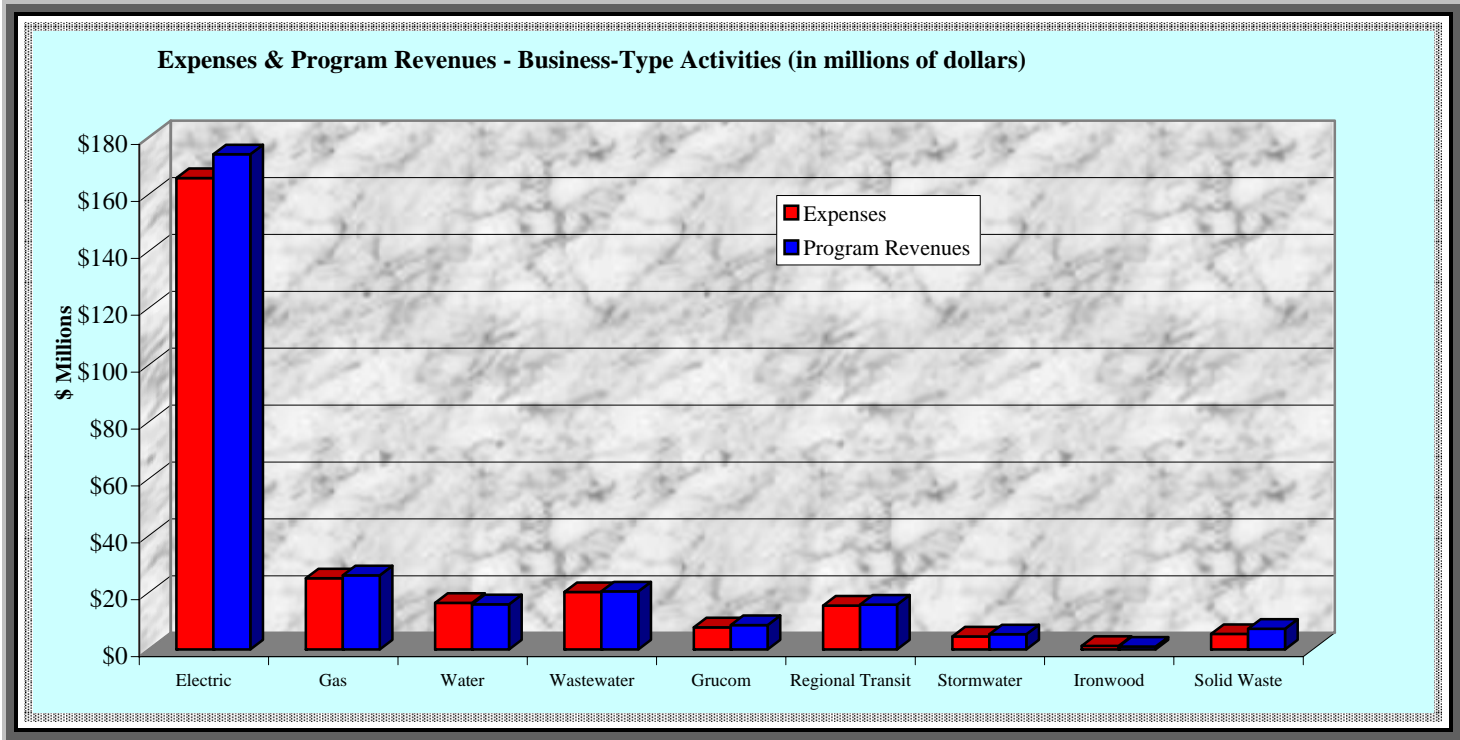
Overall expense increased by \$15,732,719 or approximately 17%. The principal components of this increase are shown below:

- Public safety expense increased by approximately \$8.5 million (19%) from the prior year. Approximately \$4.4 million of this increase was due to the impact of the 2004 hurricanes and was reimbursed by federal grants.
- General government expense increased by approximately \$5.2 million (28%) this year. More than \$4 million of this increase in expense was due to the new actuarial valuation method required by GASB 43 and 45 for retiree health benefits (other post employment benefits).



Business-type activities. Business-type activities' key elements for fiscal year 2005 are as follows:

- Utilities operating sales revenue increased \$17.5 million, or approximately 7.9%. The increase was offset in part by higher fuel costs in fiscal 2005 of approximately \$13.0 million which are passed directly through to customers as part of a fuel adjustment charge which is recorded as revenue.
- The number of customers for electric, water, wastewater and gas services increased 1.8%, 3.2%, 3.4% and 3.6% respectively in fiscal 2005.
- Gainesville Regional Utilities' service area incurred approximately \$7.4 million of damage to its facilities as a result of two hurricanes in September 2004. It is anticipated that a significant portion of the costs will be reimbursed through Federal Emergency Management Agency (FEMA) funding. No amounts have been accrued for FEMA recoveries for fiscal 2005, as such recoveries have yet to be confirmed by FEMA as being realizable. In order to pay the unanticipated costs associated with the hurricanes, the utility used rate stabilization funds. However, as FEMA reimbursements are received, those funds will be deposited back into the rate stabilization fund. It is anticipated that FEMA reimbursements will total approximately \$6.5 million.



Financial Analysis of the Government’s Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City’s *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City’s financing requirements. In particular, unreserved fund balance may serve as a useful measure of the City’s net resources available for spending at the end of a fiscal year.

As of the end of the current fiscal year, the City’s governmental funds reported combined ending fund balances of \$35,402,569, an increase of \$3,891,617 in comparison with the prior year. Approximately 72% (\$25,608,496) of this total amount constitutes *unreserved fund balance*, which is available for spending at the government’s discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed 1) to liquidate contracts and purchase orders of the prior period (\$4,045,374), 2) to pay debt service (\$963,701), 3) noncurrent receivables (\$1,789,006), and 4) for a variety of other restricted purposes (\$2,995,992).

The general fund is the chief operating fund of the City. At the end of the current fiscal year there was \$7,235,562 undesignated fund balance of the general fund, while total fund balance was \$12,146,949. As a measure of the general fund’s liquidity, it may be useful to compare both undesignated fund balance and total fund balance to total fund expenditures. Undesignated fund balance is 9.35% of total expenditures, while total fund balance represents 15.69% of that same amount.

The fund balance of the City’s general fund decreased by \$1,117,331 during the current fiscal year. This was an improvement from the prior year decline of \$1,314,532. Key factors in this improvement from the prior year are as follows:

- An increase in property tax revenues of \$1,381,717. The millage rate remained the same as the previous year, so this growth was generated through an increase in the property tax base.
- An increase of over \$750,000 in state revenue sharing revenue.

The special revenue funds have a total fund balance of \$11,460,555, which represents an increase of \$2,593,368 from last year's balance of \$8,867,187. The debt service funds have a total fund balance of \$855,496, \$499,000 of which is reserved for the payment of debt service. The net decrease in fund balance for the current year for these funds was \$345,807. Fund balance in the capital projects funds increased by \$2,761,387 from \$8,178,182 to \$10,939,569. This increase is due to the receipt of proceeds from the FFGFC 2005 bond issue for capital projects.

Proprietary funds. The City's proprietary fund financial statements provide the same type of information found in the government-wide financial statements, but in more detail. Factors concerning the finances of these funds have been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

The difference between the original and final revenue budget was \$1,732,710 or 3.3%. The primary component of this change was \$1,085,890 received in premium tax distributions as on behalf payments by the state to the Consolidated Police & Fire Pension Fund. The current fiscal year is the first time these revenues were recorded as intergovernmental revenues and corresponding public safety expenditures in the General Fund.

The difference between the original and final general fund budget for expenditures was \$6,515,607, or 9.05%. This increase is composed of many small adjustments throughout the fiscal year and the following larger adjustments:

- \$317,000 in recovered TANF funds earmarked for recreation projects.
- \$727,321 in increased recreation and parks expenditures related to increased revenues.
- \$1,085,890 in premium tax distributions being flowed through the General Fund as described above.
- \$1,184,609 in rollovers of prior year amounts.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business type activities as of September 30, 2005 totals \$868,456,448 (net of accumulated depreciation). The investment in capital assets includes land, buildings, improvements, machinery and equipment, utility infrastructure, roads, bikepaths and sidewalks. Major capital asset events during the fiscal year include:

- Approximately \$1 million to acquire land for the construction of the GPD Headquarters Annex.
- Acquisition of \$2.4 million in vehicles for the fleet.
- Approximately \$1.4 million to acquire and improve land for the Depot Avenue Stormwater Park
- Regional Transit System acquired approximately \$3.2 million of buses.
- The expansion of water treatment facilities totaled \$1.6 million in fiscal year 2005.
- Electric transmission and distribution net expansion was \$8.3 million and included \$2.4 million for the landfill renewable gas project.
- Electric production plant increased \$6.4 million.
- Completion of the \$8.5 million, 850 space, City-owned, parking garage.

City of Gainesville's Capital Assets
(net of depreciation)

	Governmental activities		Business-type activities		Total	
	FY05	FY04	FY05	FY04	FY05	FY04
Land	15,844,365	15,387,695	\$ 3,566,267	\$ 2,574,746	\$ 19,410,632	\$ 17,962,441
Utility p & e	-	-	627,754,013	637,048,549	627,754,013	637,048,549
Buildings	26,717,825	18,197,783	1,841,533	1,949,750	28,559,358	20,147,533
Improvements	1,291,332	1,273,227	748,608	446,367	2,039,940	1,719,594
Mach & equip	11,685,666	11,732,163	8,259,983	6,319,727	19,945,649	18,051,890
Infrastructure	51,245,867	50,059,887	7,709,655	7,794,112	58,955,522	57,853,999
Const in prog	3,924,042	11,302,159	107,867,292	74,908,193	111,791,334	86,210,352
Total	\$ 110,709,097	\$ 107,952,914	\$ 757,747,351	\$ 731,041,444	\$ 868,456,448	\$ 838,994,358

Additional information on the City's capital assets can be found in note 6 on pages 45-46 of this report.

Bonded debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$625,589,229. This entire amount represents bonds secured solely by specified revenue sources (i.e., revenue bonds and notes).

City of Gainesville's Outstanding Debt
General Obligation, Revenue Bonds & Utility Notes

	Governmental activities	Business-type activities	Total
Pension and OPEB obligation bonds	\$ 123,134,759	\$ -	\$ 123,134,759
Revenue bonds & utility notes	35,097,220	467,357,250	502,454,470
Total	\$ 158,231,979	\$ 467,357,250	\$ 625,589,229

The City's total debt increased by \$51,787,500, or 9.03% during the current fiscal year. In addition to the scheduled pay down of existing debt, the prominent components of this change were the issuance of the \$31,000,000 of Utilities System Commercial Paper Notes, Series C as well as the issuance of \$35,210,000 Taxable Other Post Employment Benefit (OPEB) Obligation Bonds, Series 2005 and \$5,640,000 FFGFC Bonds, Series 2005.

The City's utility system debt is rated Aa2 and AA by Moody's Investors Services and Standard & Poor's, respectively for its revenue bonds. The utility system has ratings of A-1 and P-1 for its commercial paper. The Moody's underlying rating on the General Government First Florida Governmental Financing Commission Loans are A2. The Fitch rating on the City's pension and OPEB bonds was increased in fiscal year 2005 from A to A+ and the City's implied underlying general obligation bond rating was also increased from A+ to AA-.

Additional information on the City's long-term debt can be found in Note 5 on pages 39-44 of this report.

Economic Factors and Next Year's Budgets and Rates

Some of the significant factors considered in preparing the City's fiscal year 2006 budgets were:

- Gainesville's unemployment rate is currently 2.9%. This is less than half of the state and national averages.
- Per capita income in Gainesville is \$25,706. This equates to 85% of state and 82% of national levels.
- Over half of Gainesville's jobs are supplied by the government, education and health services sectors. Such an economic structure tends to mitigate the impact of external economic stimuli. Gainesville's economy does not rise as much as the national average during economic expansions, nor fall as much during economic declines.

Utility highlights for the 2006 fiscal year budget are as follows:

- On October 1, 2005, the electric system rate was increased overall by 3%. Customer charges for all classes increased by 5%.
- Both water and wastewater rates were increased 15%.
- Water and wastewater connection fee charges were increased by 3.3% and 9.3%, respectively.
- Fire hydrant charges will be incorporated into base water rates across all classes, based on City Commission approval effective October 1, 2005.
- There were no changes in gas rates.
- The utility system's Deerhaven and JR Kelly generating stations are subject to the Clean Air Interstate Rule and Clean Air Mercury Rule which were promulgated in 2005. As a result, significant capital and operating and maintenance expenditures will be required prior to 2009 and 2010.
- In early 2005, utilities management proposed to the City Commission a plan that would include construction of a 220 megawatt solid fuel unit capable of generating 30 megawatts from biomass and a blend of coal and up to 50% petroleum coke. The plan would reduce the carbon intensity of the system by 14% while maintaining cost effective and reliable electrical supplies. In August 2005, the City Commission authorized management to issue a request for proposals to obtain an independent consultant to further examine the plan developed. A consultant was selected in November 2005.

Requests for Information

This financial report is designed to provide a general overview of the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, 200 East University Avenue, Gainesville, Florida, 32601.





BASIC FINANCIAL STATEMENTS

CITY OF GAINESVILLE, FLORIDA
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2005

	Primary Government			Component Units	
	Governmental Activities	Business- Type Activities	Total	GEZDA	CRA
ASSETS					
Cash and cash equivalents	\$ 1,008,141	\$ -	\$ 1,008,141	\$ -	\$ -
Equity in pooled cash and investments	38,323,408	6,285,875	44,609,283	3,915	71,849
Investments	1,439,951	-	1,439,951	-	-
Receivables	13,209,893	43,632,173	56,842,066	-	-
Internal balances	1,637,244	(1,637,244)	-	-	-
Inventories	176,866	17,769,132	17,945,998	-	-
Prepays	-	10,686,909	10,686,909	-	-
Assets held for evidence	75,521	-	75,521	-	-
Deferred charges and other assets	2,537,087	150,332,652	152,869,739	-	-
Restricted assets:					
Temporarily restricted:					
Cash and cash equivalents	-	124,963,667	124,963,667	-	-
Negative net pension obligation asset	77,961,110	-	77,961,110	-	-
Negative net OPEB obligation asset	30,509,918	-	30,509,918	-	-
Capital assets (net of accumulated depreciation):					
Utility plant and equipment	-	627,754,013	627,754,013	-	-
Buildings	26,717,825	1,841,533	28,559,358	-	-
Improvements other than buildings	1,291,332	748,608	2,039,940	-	-
Machinery and equipment	11,685,666	8,259,983	19,945,649	-	-
Infrastructure	51,245,867	7,709,655	58,955,522	-	-
Capital Assets (not depreciated):					
Land	15,844,365	3,566,267	19,410,632	-	-
Construction in progress	3,924,042	107,867,292	111,791,334	-	-
Total assets	<u>\$ 277,588,236</u>	<u>\$ 1,109,780,515</u>	<u>\$ 1,387,368,751</u>	<u>\$ 3,915</u>	<u>\$ 71,849</u>
LIABILITIES					
Accounts payable	\$ 10,956,724	\$ 24,884,700	\$ 35,841,424	\$ -	\$ 117
Accounts payable - payroll	1,085,199	1,145,278	2,230,477	-	4,944
Accrued interest payable	342,297	-	342,297	-	-
Unearned revenue	978,829	176,106,399	177,085,228	-	-
Liabilities payable from restricted assets:					
Accrued interest payable	-	8,411,103	8,411,103	-	-
Other liabilities payable from restricted assets	-	57,903,025	57,903,025	-	-
Long-term debt due within one year	5,693,630	16,646,281	22,339,911	-	-
Long-term debt due in more than one year	156,128,679	437,720,853	593,849,532	-	-
Total liabilities	<u>\$ 175,185,358</u>	<u>\$ 722,817,639</u>	<u>\$ 898,002,997</u>	<u>\$ -</u>	<u>\$ 5,061</u>
NET ASSETS					
Invested in capital assets, net of related debt	\$ 82,168,018	\$ 322,442,298	\$ 404,610,316	\$ -	\$ -
Restricted for:					
Debt service	855,496	10,649,485	11,504,981	-	-
Capital Projects	10,939,569	-	10,939,569	-	-
Utility Plant Improvement	-	29,104,500	29,104,500	-	-
Other purposes	11,460,555	8,901,905	20,362,460	-	-
Unrestricted	(3,020,760)	15,864,688	12,843,928	3,915	66,788
Total net assets	<u>\$ 102,402,878</u>	<u>\$ 386,962,876</u>	<u>\$ 489,365,754</u>	<u>\$ 3,915</u>	<u>\$ 66,788</u>

The notes to the financial statements are an integral part of this statement.

CITY OF GAINESVILLE, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2005

	PROGRAM REVENUES				NET(EXPENSE)REVENUE AND CHANGES IN NET ASSETS				
	Expenses	Charges for Services	Operating		Governmental Activities	Primary Government Business-type Activities		Component Units	
			Grants and Contributions	Capital Grants and Contributions		Total	GEZDA	CRA	
FUNCTIONS/PROGRAMS									
PRIMARY GOVERNMENT									
Governmental activities:									
General government	\$ 23,677,037	\$ 6,656,239	\$ 10,000	\$ 127,400	\$ (16,883,398)	\$ -	\$ (16,883,398)	\$ -	\$ -
Public safety	54,281,144	8,000,564	8,727,889	-	(37,552,691)	-	(37,552,691)	-	-
Physical environment	3,055,388	64,630	575,253	-	(2,415,505)	-	(2,415,505)	-	-
Transportation	8,548,157	1,429,028	540,759	10,000	(6,568,370)	-	(6,568,370)	-	-
Economic environment	4,516,810	755,096	1,388,870	39,200	(2,433,644)	-	(2,433,644)	-	-
Human services	1,268,499	151,836	1,287,453	-	170,790	-	170,790	-	-
Culture & recreation	5,641,593	782,231	528,127	15,000	(4,316,235)	-	(4,316,235)	-	-
Interest on long-term debt	5,296,200	-	-	-	(5,296,200)	-	(5,296,200)	-	-
Total governmental activities	106,384,828	17,839,624	13,058,351	191,600	(75,295,253)	-	(75,295,253)	-	-
Business-type activities:									
Electric	165,714,007	174,046,207	-	-	-	8,332,200	8,332,200	-	-
Gas	25,011,786	26,044,659	-	-	-	1,032,873	1,032,873	-	-
Water	16,373,985	13,826,209	-	2,048,041	-	(499,735)	(499,735)	-	-
Wastewater	20,179,076	17,418,564	-	2,988,267	-	227,755	227,755	-	-
GRUCom	7,763,554	8,565,405	-	-	-	801,851	801,851	-	-
Regional Transit System	15,407,545	8,237,242	3,400,623	4,116,005	-	346,325	346,325	-	-
Stormwater Management	4,563,029	4,959,651	-	366,575	-	763,197	763,197	-	-
Ironwood Golf Course	1,243,518	886,314	-	113,433	-	(243,771)	(243,771)	-	-
Solid Waste	5,441,243	7,290,690	-	-	-	1,849,447	1,849,447	-	-
Total business-type activities	261,697,743	261,274,941	3,400,623	9,632,321	-	12,610,142	12,610,142	-	-
Total primary government	\$ 368,082,571	\$ 279,114,565	\$ 16,458,974	\$ 9,823,921	(75,295,253)	12,610,142	(62,685,111)	-	-
COMPONENT UNITS									
Gainesville Enterprise Zone Development Agency	\$ -	\$ -	\$ -	\$ -	-	-	-	-	(396,489)
Community Redevelopment Agency	\$ 396,489	\$ -	\$ -	\$ -	-	-	-	-	(396,489)
Total component units	\$ 396,489	\$ -	\$ -	\$ -	-	-	-	-	(396,489)
General revenues:									
Property taxes					19,365,334	-	19,365,334	-	-
Franchise & utility taxes					6,491,028	-	6,491,028	-	-
Communications services tax					5,685,186	-	5,685,186	-	-
Half cent sales tax					6,752,292	-	6,752,292	-	-
State revenue sharing (unrestricted)					4,117,607	-	4,117,607	-	-
Gain on sale of capital assets					756,279	46,317	802,596	-	-
Other unrestricted general revenues					1,136,293	14,577,734	15,716,027	-	414,162
Interest					1,564,126	4,388,999	5,953,125	145	7,649
Transfers					28,235,590	(28,235,590)	-	-	-
Total general revenues and transfers					74,105,735	(9,222,540)	64,883,195	145	421,811
Change in net assets					(1,189,518)	3,387,602	2,198,084	145	25,322
Net assets - beginning of year, as previously reported					111,950,938	386,548,124	498,499,062	3,770	41,466
Restatement					(8,358,542)	(2,972,850)	(11,331,392)	-	-
Net assets - beginning of year, as restated					103,592,396	383,575,274	487,167,670	3,770	41,466
Net assets - ending					\$ 102,402,878	\$ 386,962,876	\$ 489,365,754	\$ 3,915	\$ 66,788

The notes to the financial statements are an integral part of this statement.

CITY OF GAINESVILLE, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2005

	<u>GENERAL</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
ASSETS			
Cash and cash equivalents	\$ -	\$ 570,941	\$ 570,941
Equity in pooled cash and investments	915,452	23,699,101	24,614,553
Investments	-	1,439,951	1,439,951
Receivables	6,076,803	7,130,352	13,207,155
Due from other funds	7,072,233	234,955	7,307,188
Inventories	71,737	-	71,737
Assets held for evidence	-	75,521	75,521
Total assets	<u>\$ 14,136,225</u>	<u>\$ 33,150,821</u>	<u>\$ 47,287,046</u>
LIABILITIES AND FUND BALANCES			
Accounts payable and accrued liabilities	\$ 1,334,761	\$ 1,602,723	\$ 2,937,484
Due to other funds	-	3,769,552	3,769,552
Deferred revenue	654,515	4,522,926	5,177,441
Total liabilities	<u>1,989,276</u>	<u>9,895,201</u>	<u>11,884,477</u>
Fund balances:			
Reserved	4,911,387	4,882,686	9,794,073
Unreserved, reported in:			
General Fund			
Undesignated	7,235,562	-	7,235,562
Special Revenue Funds			
Designated for Future Use	-	11,374,215	11,374,215
Undesignated	-	(2,988,322)	(2,988,322)
Debt Service Funds			
Designated for Future Use	-	356,496	356,496
Capital Projects Funds			
Designated for Future Use	-	9,630,545	9,630,545
Total fund balances	<u>12,146,949</u>	<u>23,255,620</u>	<u>35,402,569</u>
Total liabilities and fund balances	<u>\$ 14,136,225</u>	<u>\$ 33,150,821</u>	<u>\$ 47,287,046</u>

The notes to the financial statements are an integral part of this statement.

CITY OF GAINESVILLE, FLORIDA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2005

Total fund balances: governmental funds balance sheet		\$ 35,402,569
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds. The cost of the assets is \$215,405,742 and the accumulated depreciation is \$112,831,852.		102,573,890
Long term liabilities, including bonds payable and compensated absences, are not due and payable in the current period and therefore are not reported in the funds. Long-term liabilities at year end consist of:		
Bonds and promissory notes payable	158,231,979	
Compensated absences	3,031,039	(161,263,018)
Governmental funds record debt issuance costs as expenditures when these costs are first incurred. Unamortized debt issuance costs must be included as a deferred charge in the government-wide financial statements.		2,453,626
Governmental funds do not report a liability for accrued interest until it is due and payable. Accrued interest must be reported as a liability in the government-wide financial statements.		(342,297)
In fund financial statements, governmental fund types recognize discounts and premiums during the current period as other financing sources and uses. In the government-wide statements, discounts and premiums are applied against bonds payable.		
Discounts	95,389	
Premiums	(654,680)	(559,291)
Liabilities for earned but unavailable revenues are reported in the funds, but not in the statement of net assets.		4,186,601
Negative net pension obligation and OPEB obligation assets created through treatment of Taxable Pension Obligation Bonds and Taxable OPEB Obligation Bonds as employer contribution to defined benefit pension plans are not recognized in the funds.		
Negative net pension obligation asset	77,961,110	
Negative net OPEB obligation asset	30,509,918	108,471,028
Internal service funds are used by management to charge the costs of fleet management, general insurance, employees health insurance, and retirees health insurance. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.		11,479,770
Net assets of governmental activities		\$ 102,402,878

The notes to the financial statements are an integral part of this statement.

CITY OF GAINESVILLE, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2005

	<u>GENERAL</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
REVENUES			
Taxes	\$ 31,497,437	\$ 1,182,404	\$ 32,679,841
Licenses and permits	2,896,874	-	2,896,874
Intergovernmental	12,130,525	10,843,493	22,974,018
Charges for services	6,388,085	2,468,368	8,856,453
Fines and forfeitures	1,189,560	4,073,377	5,262,937
Miscellaneous	1,480,502	1,811,381	3,291,883
Total revenues	<u>55,582,983</u>	<u>20,379,023</u>	<u>75,962,006</u>
EXPENDITURES			
Current:			
General government	16,316,438	34,923,022	51,239,460
Public safety	45,356,611	7,155,176	52,511,787
Physical environment	2,172,387	282,060	2,454,447
Transportation	8,726,188	45,033	8,771,221
Economic environment	299,790	4,114,272	4,414,062
Human services	-	1,188,621	1,188,621
Culture and recreation	4,544,214	939,749	5,483,963
Debt service:			
Principal	-	4,010,000	4,010,000
Interest	-	5,255,490	5,255,490
Bond issuance costs	-	628,399	628,399
Capital outlay	-	5,160,215	5,160,215
Total expenditures	<u>77,415,628</u>	<u>63,702,037</u>	<u>141,117,665</u>
Excess of revenues over(under) expenditures	<u>(21,832,645)</u>	<u>(43,323,014)</u>	<u>(65,155,659)</u>
OTHER FINANCING SOURCES(USES)			
Debt issuance	-	40,850,000	40,850,000
Bond discount	-	(38,314)	(38,314)
Transfers in	28,854,714	16,487,133	45,341,847
Transfers out	(8,139,400)	(8,966,857)	(17,106,257)
Total other financing sources(uses)	<u>20,715,314</u>	<u>48,331,962</u>	<u>69,047,276</u>
Net change in fund balances	<u>(1,117,331)</u>	<u>5,008,948</u>	<u>3,891,617</u>
Fund balances - beginning	13,264,280	18,246,672	31,510,952
Fund balances - ending	<u>\$ 12,146,949</u>	<u>\$ 23,255,620</u>	<u>\$ 35,402,569</u>

The notes to the financial statements are an integral part of this statement.

CITY OF GAINESVILLE, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2005

Net changes in fund balances - total governmental funds	\$	3,891,617
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of capital outlay recorded in the current period, excluding internal service fund activity.</p>		
		8,927,075
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of depreciation expense recorded in the current period, excluding internal service fund activity.</p>		
		(6,559,767)
<p>In the governmental funds, revenue cannot be recognized until it is available to liquidate liabilities of the current period. In the statement of activities, revenue is recognized as soon it is earned regardless of its availability.</p>		
		997,714
<p>The issuance of long-term debt provides current financial resources to governmental funds. These transactions, however, have no effect on net assets. This is the amount of long-term debt issued in the current period, including discount of \$38,314.</p>		
		(40,811,686)
<p>Proceeds of pension obligation bonds issued during FY2003 and other post-employment benefit obligation bonds issued during FY2005 were contributed to the pension plans and the OPEB plan to retire the unfunded obligations. Governmental funds report such outlays as expenditures. However, the outlay is reported as an asset on the Statement of Net Assets. The impact on the Statement of Activities is the amortization of the Net Negative NPO during the current fiscal year which is not reported in Governmental funds and the creation of a new Negative Net OPEB Obligation for the OPEB 2005 bond issue.</p>		
Amortization of Negative Net Pension Obligation	(3,553,102)	
Creation of Negative Net OPEB Obligation	30,509,918	
		26,956,816
<p>The repayment of the principal of long-term debt consumes the current financial resources of governmental funds. These transactions, however, have no effect on net assets. This is the amount of repayment of principal of long-term debt recorded in the current period.</p>		
		4,010,000
<p>Governmental funds report the effect of bond premiums and discounts when debt is issued, whereas these amounts are deferred and amortized in the statement of activities. This is the amount of the effect of the difference in treatment of bond premiums and discounts.</p>		
Amortization of bond premiums	52,032	
Amortization of bond discounts	(5,508)	
		46,524
<p>Governmental funds report the effect of issuance costs when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This is the amount of the effect of the difference in treatment of unamortized debt issuance costs.</p>		
Amortization of debt issuance costs	(67,906)	
Deferral of current year debt issuance costs	628,399	
		560,493
<p>Governmental funds do not recognize expenditures for the long-term accrued liability associated with compensated absences. This is the amount of the change in the liability account, excluding the amount attributable to internal service funds, which is included in the internal service fund adjustment below.</p>		
		(185,669)
<p>Governmental funds do not recognize expenditures for the liability associated with accrued interest payable on long-term debt. This is the amount of the change in the liability account.</p>		
		(19,328)
<p>Internal service funds are used by management to charge the costs of fleet maintenance and insurance to individual funds. A portion of the net revenue of certain activities of internal service funds is reported in governmental activities.</p>		
		996,693
Change in net assets of governmental activities	\$	(1,189,518)

The notes to the financial statement are an integral part of this statement.

CITY OF GAINESVILLE, FLORIDA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2005

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES - Internal Service Funds
	<u>Utility</u>	<u>Other Enterprise Funds</u>	<u>Totals</u>	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 437,200
Equity in pooled cash and investments	1,435,928	4,849,947	6,285,875	13,708,855
Receivables	41,281,209	2,350,964	43,632,173	2,738
Due from other funds	35,000	2,459,044	2,494,044	527,592
Inventories	17,236,849	532,283	17,769,132	105,129
Prepaid rent - lease/leaseback	10,686,909	-	10,686,909	-
Prepaid expenses	-	-	-	83,461
Deferred charges	4,784,233	-	4,784,233	-
Restricted assets - cash and investments	82,850,878	-	82,850,878	-
Total current assets	<u>158,311,006</u>	<u>10,192,238</u>	<u>168,503,244</u>	<u>14,864,975</u>
Noncurrent assets:				
Restricted assets - cash and investments	42,112,789	-	42,112,789	-
Prepaid rent - lease/leaseback	130,024,059	-	130,024,059	-
Other noncurrent assets	15,524,360	-	15,524,360	-
Capital assets (net of accumulated depreciation)				
Utility plant & equipment	627,754,013	-	627,754,013	-
Buildings	-	1,841,533	1,841,533	91,171
Improvements other than buildings	-	748,608	748,608	-
Machinery and equipment	-	8,259,983	8,259,983	7,893,713
Infrastructure	-	7,709,655	7,709,655	-
Capital assets (not depreciated)				
Land	-	3,566,267	3,566,267	146,033
Construction in progress	104,606,661	3,260,631	107,867,292	4,290
Total capital assets	<u>732,360,674</u>	<u>25,386,677</u>	<u>757,747,351</u>	<u>8,135,207</u>
Total noncurrent assets	<u>920,021,882</u>	<u>25,386,677</u>	<u>945,408,559</u>	<u>8,135,207</u>
Total assets	<u>1,078,332,888</u>	<u>35,578,915</u>	<u>1,113,911,803</u>	<u>23,000,182</u>
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	24,053,520	831,180	24,884,700	9,044,247
Accounts payable - payroll	915,904	229,374	1,145,278	48,181
Due to other funds	4,790,711	1,768,561	6,559,272	-
Current portion of long-term debt	95,301	14,230	109,531	-
Deferred credits	6,367,311	-	6,367,311	-
Current liabilities payable from restricted assets:				
Rate stabilization deferred credit	50,984,006	-	50,984,006	-
Accrued interest payable	8,411,103	-	8,411,103	-
Current portion of long-term debt	16,536,750	-	16,536,750	-
Other liabilities payable from restricted assets	6,919,019	-	6,919,019	-
Total current liabilities	<u>119,073,625</u>	<u>2,843,345</u>	<u>121,916,970</u>	<u>9,092,428</u>
Noncurrent liabilities:				
Long-term debt	437,365,084	355,769	437,720,853	-
Operating lease - lease/leaseback	151,608,509	-	151,608,509	-
Other noncurrent liabilities	18,130,579	-	18,130,579	-
Total noncurrent liabilities	<u>607,104,172</u>	<u>355,769</u>	<u>607,459,941</u>	<u>-</u>
Total liabilities	<u>726,177,797</u>	<u>3,199,114</u>	<u>729,376,911</u>	<u>9,092,428</u>
NET ASSETS				
Invested in capital assets, net of related debt	297,055,621	25,386,677	322,442,298	8,135,207
Restricted for:				
Debt service	10,649,485	-	10,649,485	-
Other purposes	37,537,805	468,600	38,006,405	-
Unrestricted	6,912,180	6,524,524	13,436,704	5,772,547
Total net assets	<u>\$ 352,155,091</u>	<u>\$ 32,379,801</u>	<u>\$ 384,534,892</u>	<u>\$ 13,907,754</u>

The notes to the financial statements are an integral part of this statement.

CITY OF GAINESVILLE, FLORIDA
RECONCILIATION OF THE STATEMENT OF NET ASSETS OF PROPRIETARY FUNDS
TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2005

Total net assets of Enterprise Funds on the statement of net assets of proprietary funds	\$ 384,534,892
--	-----------------------

Internal service funds are used by management to charge the costs of fleet management, general insurance, and employee health insurance. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.

Look-back adjustment for the consolidation of internal service fund activity involving enterprise fund participants.	<table border="0" style="width: 100%;"> <tr> <td style="border-top: 1px solid black; width: 80%;"></td> <td style="border-top: 1px solid black; text-align: right;">2,427,984</td> </tr> </table>		2,427,984
	2,427,984		

Net assets of business-type activities	<table border="0" style="width: 100%;"> <tr> <td style="border-bottom: 3px double black; width: 80%;"></td> <td style="border-bottom: 3px double black; text-align: right;">\$ 386,962,876</td> </tr> </table>		\$ 386,962,876
	\$ 386,962,876		

The notes to the financial statements are an integral part of this statement.

CITY OF GAINESVILLE, FLORIDA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2005

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			GOVERNMENTAL
	Utility	Other Enterprise Funds	Totals	ACTIVITIES - Internal Service Funds
Operating revenues:				
Sales and service charges	\$ 239,901,044	\$ 21,373,897	\$ 261,274,941	\$ 16,475,690
Employer contributions	-	-	-	7,277,261
Employee contributions	-	-	-	3,745,969
Other operating revenues	12,315,629	6,079	12,321,708	215,382
Total operating revenues	<u>252,216,673</u>	<u>21,379,976</u>	<u>273,596,649</u>	<u>27,714,302</u>
Operating expenses:				
Operations and maintenance	152,246,424	23,380,954	175,627,378	11,885,307
Administrative and general	25,372,471	1,623,168	26,995,639	1,851,139
Depreciation and amortization	38,554,797	1,793,403	40,348,200	2,057,633
Benefits paid and other expenses	-	-	-	10,709,093
Total operating expenses	<u>216,173,692</u>	<u>26,797,525</u>	<u>242,971,217</u>	<u>26,503,172</u>
Operating income (loss)	<u>36,042,981</u>	<u>(5,417,549)</u>	<u>30,625,432</u>	<u>1,211,130</u>
Nonoperating revenues (expenses):				
Investment income	4,389,747	167,008	4,556,755	247,482
Gain (loss) on sale of investments	(167,756)	-	(167,756)	-
Interest expense	(19,445,194)	-	(19,445,194)	-
Gain on disposal of capital assets	-	46,317	46,317	190,814
Local option gas tax	-	2,082,636	2,082,636	-
Other revenue	-	173,390	173,390	-
Operating grants	-	3,400,623	3,400,623	-
Total nonoperating revenue(expenses)	<u>(15,223,203)</u>	<u>5,869,974</u>	<u>(9,353,229)</u>	<u>438,296</u>
Income before capital contributions and transfers	20,819,778	452,425	21,272,203	1,649,426
Capital contributions	5,036,308	4,596,013	9,632,321	65,935
Transfers in	-	800,747	800,747	125,000
Transfers out	(27,279,644)	(1,829,880)	(29,109,524)	(51,813)
Change in net assets	<u>(1,423,558)</u>	<u>4,019,305</u>	<u>2,595,747</u>	<u>1,788,548</u>
Total net assets - beginning of year, as previously reported	353,578,649	28,360,496	381,939,145	23,450,598
Restatement	-	-	-	(11,331,392)
Total net assets - beginning of year, as restated	<u>353,578,649</u>	<u>28,360,496</u>	<u>381,939,145</u>	<u>12,119,206</u>
Total net assets - ending	<u>\$ 352,155,091</u>	<u>\$ 32,379,801</u>	<u>\$ 384,534,892</u>	<u>\$ 13,907,754</u>

The notes to the financial statements are an integral part of this statement.

CITY OF GAINESVILLE, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENSES, AND CHANGES IN FUND NET ASSETS OF PROPRIETARY FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2005

Change in net assets - Enterprise Funds	\$	2,595,747
---	----	------------------

Internal service funds are used by management to charge the costs of fleet maintenance and insurance to individual funds. A portion of the net revenue of certain activities of internal service funds is reported in business-type activities.

Look-back adjustment for the consolidation of internal service fund activity involving enterprise fund participants.		<u>791,855</u>
--	--	----------------

Change in net assets of business-type activities	\$	<u>3,387,602</u>
--	----	-------------------------

The notes to the financial statement are an integral part of this statement.

CITY OF GAINESVILLE, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2005

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES
	UTILITY FUND	OTHER ENTERPRISE FUNDS	TOTAL ENTERPRISE FUNDS	INTERNAL SERVICE FUNDS
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>				
Cash Received from Customers	\$ 235,852,561	\$ 21,884,484	\$ 257,737,045	\$ 27,331,508
Cash Paid to Suppliers	(134,267,782)	(13,629,128)	(147,896,910)	(21,100,757)
Cash Paid to Employees	(45,044,540)	(11,319,576)	(56,364,116)	(2,277,624)
Other Operating Receipts	1,936,827	308,431	2,245,258	211,596
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>58,477,066</u>	<u>(2,755,789)</u>	<u>55,721,277</u>	<u>4,164,723</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>				
Local Option Gas Tax	-	2,082,636	2,082,636	-
Operating Grants	-	3,968,502	3,968,502	-
Interest Paid	-	(75,882)	(75,882)	-
Transfers from Other Funds	-	800,747	800,747	125,000
Transfers to Other Funds	(27,279,644)	(1,829,880)	(29,109,524)	(51,813)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACITIVITES	<u>(27,279,644)</u>	<u>4,946,123</u>	<u>(22,333,521)</u>	<u>73,187</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>				
Principal Repayments on Long-Term Debt	(16,252,500)	(1,147,195)	(17,399,695)	-
Proceeds from Sale of Capital Assets	85,131	55,659	140,790	190,814
Interest Paid on Long-term Debt	(20,826,831)	-	(20,826,831)	-
Capital Contributions	-	763,643	763,643	65,935
Acquisition and Construction of Capital Assets	(47,009,854)	(2,520,372)	(49,530,226)	(2,426,519)
Interfund Borrowing	-	(1,608,897)	(1,608,897)	-
Proceeds from Debt Issued	31,000,000	-	31,000,000	-
Capitalized Connection Fees	3,385,879	-	3,385,879	-
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(49,618,175)</u>	<u>(4,457,162)</u>	<u>(54,075,337)</u>	<u>(2,169,770)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>				
Interest Received	3,305,496	242,890	3,548,386	247,482
Purchase of Investments	(245,158,401)	(3,159,628)	(248,318,029)	(9,222,292)
Investment in The Energy Authority	(1,161,361)	-	(1,161,361)	-
Distributions from The Energy Authority	896,881	-	896,881	-
Proceeds from Investment Maturities	262,172,155	4,481,317	266,653,472	7,712,659
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>20,054,770</u>	<u>1,564,579</u>	<u>21,619,349</u>	<u>(1,262,151)</u>
NET INCREASE (DECREASE) IN CASH	<u>1,634,017</u>	<u>(702,249)</u>	<u>931,768</u>	<u>805,989</u>
CASH - OCTOBER 1, 2004, as previously reported	30,552,034	2,392,568	32,944,602	8,174,692
Restatement	-	-	-	(4,056,918)
CASH - OCTOBER 1, 2004, as restated	<u>30,552,034</u>	<u>2,392,568</u>	<u>32,944,602</u>	<u>4,117,774</u>
CASH - SEPTEMBER 30, 2005	<u>\$ 32,186,051</u>	<u>\$ 1,690,319</u>	<u>\$ 33,876,370</u>	<u>\$ 4,923,763</u>

The notes to the financial statements are an integral part of this statement.

(CONTINUED)

CITY OF GAINESVILLE, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2005

	<u>BUSINESS-TYPE ACTIVITIES</u> <u>ENTERPRISE FUNDS</u>			<u>GOVERNMENTAL</u> <u>ACTIVITIES</u>
	<u>UTILITY</u> <u>FUND</u>	<u>OTHER</u> <u>ENTERPRISE</u> <u>FUNDS</u>	<u>TOTAL</u> <u>ENTERPRISE</u> <u>FUNDS</u>	<u>INTERNAL</u> <u>SERVICE</u> <u>FUNDS</u>
OPERATING INCOME (LOSS)	\$ 36,042,981	\$ (5,417,549)	\$ 30,625,432	\$ 1,211,130
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Depreciation and Amortization	38,554,797	1,793,403	40,348,200	2,057,633
Operating Lease-Lease/leaseback Revenue	(1,774,203)	-	(1,774,203)	-
(Increase)/Decrease in Receivables	(4,239,744)	517,280	(3,722,464)	62,184
(Increase)/Decrease in Inventories	(2,500,805)	(48,917)	(2,549,722)	(14,126)
(Increase)/Decrease in Due from Other Funds	-	4,473	4,473	(233,382)
(Increase)/Decrease in Prepaid Expenses	(1,750,445)	-	(1,750,445)	(26,288)
Increase/(Decrease) in Accounts Payable and Accrued Liabilities	2,563,788	176,288	2,740,076	1,107,572
Increase/(Decrease) in Due to Other Funds	633,806	219,233	853,039	-
Increase/(Decrease) in Deferred Credits	(18,578,985)	-	(18,578,985)	-
(Increase)/Decrease in Deferred Debits	9,334,615	-	9,334,615	-
Increase/(Decrease) in Utility Deposits	191,261	-	191,261	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 58,477,066	\$ (2,755,789)	\$ 55,721,277	\$ 4,164,723
 RECONCILIATION OF CASH TO STATEMENT OF NET ASSETS				
Cash	\$ 32,186,051	\$ 1,690,319	\$ 33,876,370	\$ 4,923,763
Accrued Interest	460,162	-	460,162	-
CR3 Decommissioning Reserve	6,181,620	-	6,181,620	-
Investment in TEA	2,251,685	-	2,251,685	-
Investments	85,320,077	3,159,628	88,479,705	9,222,292
TOTAL CASH, EQUITY IN POOL AND INVESTMENTS PER STATEMENT OF NET ASSETS	\$ 126,399,595	\$ 4,849,947	\$ 131,249,542	\$ 14,146,055
 NONCASH CAPITAL, INVESTING AND FINANCING ACTIVITIES				
Contribution of Capital Assets	\$ 5,036,308	\$ -	\$ 5,036,308	\$ -
Change in Fair Value of Investments	(167,756)	(29,164)	(196,920)	(119,456)

The notes to the financial statements are an integral part of this statement.

(CONCLUDED)

CITY OF GAINESVILLE, FLORIDA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
SEPTEMBER 30, 2005

	PENSION AND OPEB TRUST FUNDS
<u>ASSETS</u>	
Cash and Cash Equivalents	6,317,061
Equity in Pooled Cash and Investments	1,681,412
Investments, at fair value:	
U. S. Treasury Obligations	5,267,047
Corporate Bonds	46,196,203
Government Bonds	17,705,587
Collateralized Mortgage Obligations	6,416,879
Collateralized Mortgage Backed Securities	2,204,686
Mortgage Pass Through	227,933
Asset Backed Obligations	2,330,367
Common and Preferred Stock	395,009,544
Due from Other Funds	<u>4,591,910</u>
TOTAL ASSETS	487,948,629
<u>LIABILITIES</u>	
Accounts Payable and Accrued Liabilities	251,948
Due to Other Funds	<u>4,591,910</u>
TOTAL LIABILITIES	<u>4,843,858</u>
NET ASSETS	
Held in trust for pension and OPEB benefits	<u>\$ 483,104,771</u>

The notes to the financial statements are an integral part of this statement.

CITY OF GAINESVILLE, FLORIDA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2005

	PENSION AND OPEB TRUST FUNDS
<u>ADDITIONS:</u>	
Contributions:	
Employer Contributions:	
Required	\$ 11,539,833
State on Behalf Payments, through General Fund	1,085,890
Amount Creating Negative Net OPEB Obligation	<u>30,509,918</u>
Total Employer Contributions	43,135,641
Employee Contributions	<u>7,725,985</u>
Total Contributions	<u>50,861,626</u>
Investment Income:	
Net Appreciation in Fair Value of Investments	53,510,779
Dividends & Interest	<u>8,341,755</u>
Total Investment Income	61,852,534
Less Investment Expense	<u>2,449,126</u>
Net Investment Income	<u>59,403,408</u>
TOTAL ADDITIONS	<u>110,265,034</u>
<u>DEDUCTIONS:</u>	
Benefit Payments	23,841,217
Refunds of Contributions	449,870
Administrative Expenses	<u>735,513</u>
TOTAL DEDUCTIONS	<u>25,026,600</u>
CHANGE IN NET ASSETS	<u>85,238,434</u>
NET ASSETS - beginning, as previously reported	386,534,945
Restatement	<u>11,331,392</u>
NET ASSETS - beginning, as restated	<u>397,866,337</u>
NET ASSETS - ending	<u>\$ 483,104,771</u>

The notes to the financial statements are an integral part of this statement.



—
**NOTES TO THE
FINANCIAL STATEMENTS**
—

CITY OF GAINESVILLE, FLORIDA
Index to Notes to Financial Statements
 September 30, 2005

1.	Summary of Significant Accounting Policies	
	A. Reporting Entity	15-16
	B. Government -wide and Fund Financial Statements	16
	C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation	17-18
	D. Deposits with Financial Institutions and Investments	18-26
	E. Receivables	26
	F. Inventories	26
	G. Capital Assets	26-27
	H. Long -term Obligations	27-28
	I. Amortization and Deferred Charges/Credits	28
	J. Compensated Absences	28
	K. Risk Management	28-29
	L. Interfund Activity	29
	M. Property Taxes	29
	N. Budgetary Information	30
	O. Statement of Cash Flows	30
	P. Enterprise Activities	30
2.	Retirement Plans	
	A. Defined Benefit Plans	30-34
	B. Defined Contribution Pension Plan	35
3.	Other Post-Employment Benefits Plan	35-39
4.	Deferred Compensation Plan	39
5.	Long-Term Debt	
	Governmental Activities - Revenue Bonds	39-40
	Business Activities - Revenue Bonds	40-41
	Business Activities - Utility Notes	41-42
	Business Activities - Derivatives	42-43
	Changes in Long -term Liabilities	44
6.	Capital Assets	45-46
7.	Individual Fund Deficits	46-47

CITY OF GAINESVILLE, FLORIDA

Index to Notes to Financial Statements

September 30, 2005

8.	Composition of Receivables and Payables	47
9.	Interfund Receivables, Payables and Transfers	48
10.	Equity Reserves	49
11.	Enterprise Fund (Utilities System) Operating Transfers to General Fund	49-50
12.	Commitment and Contingencies	50
13.	Lease/Leaseback Transaction	50
14.	Investment in The Energy Authority	50-51
15.	Restatements	51
16.	Subsequent Events	51-52

CITY OF GAINESVILLE, FLORIDA
Notes to Financial Statements
September 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This Summary of Significant Accounting Policies is presented to assist the reader in interpreting the financial statements. The policies are considered essential and should be read in conjunction with the accompanying financial statements.

The accounting policies of the City of Gainesville, Florida (City) conform to generally accepted accounting principles (GAAP) as applicable to governmental units. This report, the accounting systems and classification of accounts conform to standards of the Governmental Accounting Standards Board (GASB) or, where applicable, the Financial Accounting Standards Board (FASB). Gainesville Regional Utilities (GRU) has adopted the uniform system of accounts prescribed by the Federal Energy Regulatory Commission (FERC) and the National Association of Regulatory Utility Commissioners (NARUC).

(A) Reporting Entity

The City is a Florida municipality established by the Laws of Florida, Section 12760, pursuant to the authority provided in Chapter 165, Florida Statutes, and is governed by an elected seven member Commission. It provides most of the traditional municipal services to its citizens including police and fire protection, community development, code enforcement, streets, recreation, parks, cultural affairs, and other general government activities. It also operates transit, stormwater, golf course, solid waste, water, wastewater, natural gas distribution, telecommunications and electric utility enterprises. The City does not provide educational, health care, court or detention facilities.

As required by generally accepted accounting principles, the accompanying financial statements present the City as a primary government and its component units, entities for which the City is considered financially accountable. The component units are included in the reporting entity because of the significance of their operational relationship with the primary government. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of the organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. The primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

Blended component units, although legally separate entities, are in substance part of the primary government's operations and accordingly, data from these units would be combined with the data of the City. The City has no blended component units. Each discretely presented component unit, on the other hand, is presented in a separate column in the combined financial statements to emphasize it is legally separate from the City.

Discretely Presented Component Units - The Community Redevelopment Agency (CRA) and the Gainesville Enterprise Zone Development Agency (GEZDA) were created by ordinance of the City to carry out community redevelopment within the City of Gainesville under Chapter 163 of the Florida Statutes. The City Commission appoints the boards of these organizations and approves their budgets. These organizations have a September 30 year-end. Separate financial statements of the individual component units are available at the office of the Finance Director, 200 East University Avenue, Gainesville, Florida, 32601.

The following entities are not included in the accompanying financial statements:

Gainesville Housing Authority (GHA) GHA is a public housing authority (dependent special district) created under Section 421.04 of the Florida Statutes. The GHA is considered a related organization because the City is responsible for appointing a voting majority of GHA's board members. The City is not financially accountable for the GHA.

CITY OF GAINESVILLE, FLORIDA
Notes to Financial Statements
September 30, 2005

Gainesville-Alachua County Regional Airport Authority (GACRAA) GACRAA is an independent special district created for the purpose of providing airport services for citizens of Gainesville and Alachua County, Florida and surrounding areas. The GACRAA is considered a related organization because the City is responsible for appointing a voting majority of GACRAA's board members. The City is not financially accountable for the GACRAA.

The only joint venture in which the City participated in fiscal year 2005 was Gainesville Regional Utilities' investment in The Energy Authority, which is described in Note 14.

(B) Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes or other items not properly included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Governmental Funds are those through which most governmental functions of the City are financed. The acquisition, use and balances of the City's expendable financial resources and the related liabilities (except those accounted for in proprietary or fiduciary funds) are accounted for through governmental funds. The following are the City's governmental fund types:

- General Fund
- Special Revenue Funds
- Debt Service Funds
- Capital Projects Funds

Proprietary Funds are used to account for the City's ongoing activities which are similar to those often found in the private business sector. The following are the City's proprietary fund types:

- Enterprise Funds
- Internal Service Funds

Fiduciary Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The City's fiduciary fund type includes:

- Pension and Other Post-Employment Benefit (OPEB) Trust Funds

CITY OF GAINESVILLE, FLORIDA
Notes to Financial Statements
September 30, 2005

(C) Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds and pension and OPEB trust funds within the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period in which they become measurable and available to finance expenditures of the fiscal period. Measurable refers to the ability to quantify in monetary terms the amount of the revenue and receivable. Available means collectible in the current period or soon enough thereafter to be used to pay liabilities at the balance sheet date. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Transfers are recognized in the accounting period in which the interfund receivable and payable arise. Expenditures are recognized in the accounting period in which the related fund liability is incurred, if measurable, except for unmatured principal and interest on long-term debt.

Material revenues in the following categories are considered susceptible to accrual because they are both measurable and available to finance expenditures of the current period:

<i>Ad Valorem Taxes</i>	<i>Intergovernmental Revenue</i>
<i>Sales & Franchise Taxes</i>	<i>Interest Earned</i>

Interest and investment income earnings are recognized when earned and allocated monthly based on each fund's equity in the pool.

The following governmental funds' revenues are not considered susceptible to accrual because they are not both measurable and available to finance expenditures of the current period:

<i>Fees</i>	<i>Licenses and Permits</i>
<i>Miscellaneous Charges</i>	<i>Rents and Concessions</i>

The City reports one major governmental fund:

The General Fund is the City's primary operating fund. It accounts for all resources traditionally associated with governments except those required to be accounted for in another fund.

The City reports one major proprietary fund:

The Utility Fund accounts for the activities of the City's electric generation, transmission and distribution operations, as well as its water, wastewater, natural gas transmission, and telecommunications operations.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. The principal operating revenues

CITY OF GAINESVILLE, FLORIDA
Notes to Financial Statements
September 30, 2005

for the City's internal service funds related to general insurance and fleet management are charges to other funds for sales and services. For the internal service fund related to health insurance, the principal operating revenues are employer and employee contributions. Operating expenses for enterprise funds and internal service funds include the cost of sales and service, administrative expenses, depreciation on capital assets, and benefits paid. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed.

(D) Deposits with Financial Institutions and Investments

Deposits and Investments

Deposits and investments as of September 30, 2005 are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and cash equivalents	\$ 1,008,141
Equity in pooled cash and investments	44,609,283
Investments	1,439,951
Restricted cash and cash equivalents	124,963,667
Statement of fiduciary net assets:	
Cash and cash equivalents	6,317,061
Equity in pooled cash and investments	1,681,412
Investments	475,358,246
Total cash and investments	<u>\$ 655,377,761</u>

Deposits and investments as of September 30, 2005 consist of the following:

Defined benefit Pension	
Deposits with financial institutions	\$ 4,582,851
Investments	429,756,118
Other post employment benefit (OPEB)	
Deposits with financial institutions	1,734,210
Investments	45,602,128
Other than defined benefit pension and OPEB:	
Deposits with financial institutions	32,511,335
Investments	132,297,652
Utilities investment in The Energy Authority	2,251,685
Utilities CR3 decommissioning reserve	6,181,620
Utilities accrued interest receivable	460,162
Total cash and investments	<u>\$ 655,377,761</u>

Investment Policies

The City's total deposits and investments are comprised of three major components, each with its own set of legal and contractual provisions as described below.

CITY OF GAINESVILLE, FLORIDA
Notes to Financial Statements
September 30, 2005

Defined Benefit Pension Investments

These funds represent investments administered by the City's Defined Benefit Pension Fund Investment Managers. They comprise \$429,756,118 of the City's total fair value of investments, and are exclusive of the \$4,582,851 held in cash by the Trustees. These investments are reported at fair value. The fair market value of this plan is derived through valuation efforts done by our investment managers in conjunction with our plan custodian. The market values for the vast majority of these assets are readily available. For those assets whose fair market value is less verifiable, the best available information is used.

The City 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.

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.

CITY OF GAINESVILLE, FLORIDA
Notes to Financial Statements
September 30, 2005

- 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.

Other Post Employment Benefit (OPEB) Investments

These funds represent investments administered by the City’s OPEB Fund Investment Managers. They comprise \$ 45,602,128 of the City’s total fair value of investments, and are exclusive of the \$1,734,210 held in cash by the Trustees. These investments are reported at fair value. The fair market value of this plan is derived through valuation efforts done by the City’s investment managers in conjunction with the plan custodian. The market values for the vast majority of these assets are readily available. For those assets whose fair market value is less verifiable, the best available information is used.

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

Equity Funds (domestic and international)

- Equity securities (including convertible bonds) listed on the New York, American and principal regional exchanges.
- Over-the-counter securities for which there is an active market marker regulated by the NASD.

Fixed Income Funds

- Marketable debt securities issued or guaranteed by either the United States Government or its agencies, domestic corporations (including industrial and utilities), or domestic banks and other United States financial institutions.

The City also imposes the following limitations on its investment managers:

Equity Managers

- The equity portion of each portfolio manager shall not be more than 10% invested in the securities of any one company at market.
- The portfolio manager shall not make short sales or use margin or leverage.
- The portfolio manager shall not be invested in commodities, private real estate, or investment art objects.

CITY OF GAINESVILLE, FLORIDA
Notes to Financial Statements
September 30, 2005

- The portfolio manager shall not invest in options, including the purchase, sale or writing of options unless options are “covered” by the corresponding security.
- The portfolio manager shall not invest in warrants, although warrants issued in connection with stocks held by the fund may be sold, held, or converted by the investment manager at its discretion.

Fixed Income Managers

- Security ratings reduced beneath the three highest classifications after purchase should be sold by the portfolio manager within a reasonable period of time.
- Except for treasury and agency obligations, the debt portion of the OPEB fund shall contain no more than 10% of a given issuer irrespective of the number of differing issues.
- If commercial paper is used, it must be only of the highest quality (A-1 or P-1).
- Private placement debt is not permissible.

Other than Defined Benefit Pension and OPEB Investments

These funds comprise \$132,297,652 of the City’s total fair value of investments. This figure excludes \$32,511,335 of deposits with financial institutions.

Deposits The institutions in which the City’s monies were deposited were certified as Qualified Public Depositories under the Florida Public Deposits Act. Therefore, the City’s total bank balances on deposit are entirely insured or collateralized by the Federal Depository Insurance Corporation and the Bureau of Collateral Securities, Division of Treasury, State Department of Insurance. Additionally, under the terms of the Gainesville Regional Utilities bond resolution, the depository is restricted to be a bank, savings and loan association or trust company of the United States or a national banking association, having capital stock, surplus and undivided earnings aggregating at least \$10 million.

Investments The City’s other investments are reported at fair value in accordance with *GASB Statement No. 31*. Fair value is based on market values.

State statutes, City ordinances and Gainesville Regional Utilities bond resolutions authorize the City to invest in the following instruments:

- Any bonds or other obligations that, as to principal and interest, constitute direct obligations of, or are unconditionally guaranteed by, the United States of America;
- Certain bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any state;
- Bonds, debentures, or other evidences of indebtedness issued or guaranteed by an agency or corporation that is created pursuant to an Act of Congress as an agency or instrumentality of the United States of America;
- New Housing Authority Bonds issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States of America;
- Direct and general obligations of any state of the United States of America, to the payment of the principal of and interest on which the full faith and credit of such state is pledged, provided that at the time of their purchase under the resolution such obligations are rated by a nationally recognized bond rating agency in either of its two highest rating categories;
- Certain certificates of deposit, provided that the aggregate of principal amount of all certificates of deposit issued by any institution do not at any time exceed 10% of the total of the capital, surplus and undivided earnings of such institution unless such certificates of deposit are fully insured (for classification

CITY OF GAINESVILLE, FLORIDA
Notes to Financial Statements
September 30, 2005

purposes, only non-negotiable certificates of deposit are considered deposits, with negotiable certificates considered as investments);

- Bonds, notes, debentures or other evidences of indebtedness issued or guaranteed by any corporation which are, at the time of purchase, rated by a nationally recognized rating agency in its highest rating category, and by at least one other nationally recognized rating agency in either of its two highest rating categories, for comparable types of debt obligations;
- Any fully collateralized repurchase agreement with any bank or trust company organized under the laws of any state of the United States or any national banking association or government bond dealer reporting to, trading with and recognized as a primary dealer by the Federal Reserve Bank of New York, which agreement is secured; and
- Domestic equity mutual funds rated four (4) stars or higher by Morningstar, Inc. and investment trusts rated AAA.

The City has a contractual relationship with a Qualified Public Depository in the State of Florida. Under the terms of the contract, essentially all bank balances are transferred into a sweep account at the close of each business day. The financial institution sells securities to the City in the form of Repurchase Agreements in amounts equal to the bank balance. Each day the institution issues a confirmation to the City for the securities that are sold to the City. Simultaneously, the institution issues safekeeping receipts for the specific securities sold to the City under the terms of the Repurchase Agreement, evidencing clear ownership of the securities by the City. The securities are obligations of the United States Government. The maturities of such securities do not exceed 365 days from the date of the Repurchase Agreement, and the securities have a market value, exclusive of accrued interest, at least equal to 102% of the purchase price. The securities sold to the City in the form of Repurchase Agreements are held by the custodial bank in its trust department in the name of the City.

Money belonging to the Evergreen Cemetery Trust Fund (a non-major special revenue fund), is invested in accordance with guidelines established by the Evergreen Cemetery Advisory Committee and/or as approved by the City Commission. These guidelines authorize investments in mutual funds including domestic equities, international equities and natural resources funds as well as in certificates of deposit and in repurchase agreements at the City's contracted rate.

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 City's name.

All deposits of the City are either covered by depository insurance or are collateralized by the pledging financial institution's trust department or agent in the City'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 City are either insured or are registered in the City's name and held by the counterparty's trust department or agent in the City's name.

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

CITY OF GAINESVILLE, FLORIDA
Notes to Financial Statements
September 30, 2005

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.

Defined Benefit Pension Investments

Investment Type	Market Value	Exempt from				
		Disclosure	AAA	AA	A	BBB
Common Stock	\$ 179,587,627	\$ 179,587,627	\$ -	\$ -	\$ -	\$ -
Depository Receipts	3,856,943	3,856,943	-	-	-	-
Mutual Funds	176,656,862	176,656,862	-	-	-	-
Real Estate Inv Trust	2,990,022	2,990,022	-	-	-	-
US Treasury Bonds	2,279,188	2,279,188	-	-	-	-
US Treasury Notes	2,987,860	2,987,860	-	-	-	-
CMO	2,799,450	-	2,799,450	-	-	-
Corporate Bonds	46,196,203	-	2,038,518	4,832,118	35,452,213	3,873,354
Credit Card Recvble	2,330,367	-	2,330,367	-	-	-
FHLMC Pool	27,283	-	27,283	-	-	-
FNMA Pool	200,650	-	200,650	-	-	-
FHLMC	3,905,049	-	3,905,049	-	-	-
FHLB	935,636	-	935,636	-	-	-
FNMA	5,002,978	-	5,002,978	-	-	-
Totals	\$ 429,756,118	\$ 368,358,502	\$ 17,239,931	\$ 4,832,118	\$ 35,452,213	\$ 3,873,354

OPEB Investments

Investment Type	Market Value	Exempt from	
		Disclosure	AAA
Domestic Equities	\$ 22,701,842	\$ 22,701,842	\$ -
International Equities	9,216,248	9,216,248	-
US Treasury Notes	3,345,519	3,345,519	-
Federal Agencies:			
FHLMC	807,720	-	807,720
FNMA	7,098,178	-	7,098,178
Mortgage & Asset Backed Securities	2,432,621	-	2,432,621
Totals	\$ 45,602,128	\$ 35,263,609	\$ 10,338,519

Other than Defined Benefit Pension and OPEB Investments – Governmental Activities

Investment Type	Market Value	Exempt from			
		Disclosure	AAA	AA	A
Money Market	\$ 4,252,736	\$ -	\$ 4,252,736	\$ -	\$ -
Mutual Funds	3,757,210	3,757,210	-	-	-
Corporate Notes	500,000	-	-	500,000	-
Federal Agencies:					
FHLMC	9,626,753	-	9,626,753	-	-
FHLB	13,594,070	-	13,594,070	-	-
FNMA	3,905,000	-	3,905,000	-	-
FFCB	6,430,908	-	6,430,908	-	-
Mortgage Backed Securities	61,421	-	-	-	61,421
Totals	\$ 42,128,098	\$ 3,757,210	\$ 37,809,467	\$ 500,000	\$ 61,421

CITY OF GAINESVILLE, FLORIDA
Notes to Financial Statements
September 30, 2005

Other than Defined Benefit Pension and OPEB Investments – Business-Type Activities

Investment Type	Market Value	AAA	A-1
Commercial Paper	\$ 21,913,678	\$ -	\$ 21,913,678
Federal Agencies:			
FHLMC	4,849,947	4,849,947	-
FHLB	63,405,929	63,405,929	-
Totals	\$ 90,169,554	\$ 68,255,876	\$ 21,913,678

Concentration of Credit Risk

Investments in any one issuer that represent 5% or more of the City's investments are reported below. This is presented by the three major categories described above, and is additionally shown using governmental and business type categories. The City'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 market value. Investments that represent 5% or more by each category are shown below by issuer and percent of total investments.

Defined Benefit Pension Investments

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

OPEB Investments

Issuer	Investment Type	Market Value	%
Federal National Mortgage Assn.	Federal Agency Securities	7,098,178	15.0%

Other than Defined Benefit Pension and OPEB Investments – Governmental Activities

Issuer	Investment Type	Market Value	%
Federal Farm Credit Banks	Federal Agency Securities	\$ 6,430,908	14.9%
Federal Home Loan Banks	Federal Agency Securities	13,594,070	31.5%
Federal Home Loan Mortgage Corp.	Federal Agency Securities	9,626,753	22.3%
Federal National Mortgage Assn.	Federal Agency Securities	3,905,000	9.1%

Other than Defined Benefit Pension and OPEB Investments – Business-Type Activities

Issuer	Investment Type	Market Value	%
Cargill, Inc.	Commercial Paper	\$ 7,497,581	6.0%
Charta, LLC	Commercial Paper	6,864,780	5.5%
Federal Home Loan Banks	Federal Agency Securities	47,454,627	38.0%

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 City's investment policies do not provide specific restrictions as to maturity length of investments. Information about the sensitivity of the fair values of the City's investments to market interest rate fluctuations is provided below, using the segmented time distribution method:

CITY OF GAINESVILLE, FLORIDA
Notes to Financial Statements
September 30, 2005

Defined Benefit Pension Investments

Investment Type	n/a	< 1 year	1-2 years	2-5 years	5-10 yrs	> 10 yrs
Cash & Eqv	\$ 20,181	\$ -	\$ -	\$ -	\$ -	\$ 3,298,786
Common Stock	179,587,627	-	-	-	-	-
Depository Receipts	3,856,943	-	-	-	-	-
Mutual Funds	176,656,862	-	-	-	-	-
Real Estate Inv Trust	2,990,022	-	-	-	-	-
US Treasury Bonds	-	-	-	-	-	2,279,188
US Treasury Notes	-	74,197	2,477,847	191,953	243,863	-
CMO	-	-	-	-	-	2,799,450
Corporate Bonds	-	5,553,710	8,052,054	12,821,197	12,359,943	7,409,299
Credit Card Recvble	-	-	-	2,330,367	-	-
FHLMC Pool	-	-	-	-	15,852	11,431
FNMA Pool	-	-	-	-	-	200,650
FHLMC	-	-	477,438	2,865,853	561,758	-
FHLB	-	339,351	-	596,285	-	-
FNMA	-	1,267,078	-	1,239,383	2,496,517	-
Totals	\$ 363,111,635	\$ 7,234,336	\$ 11,007,339	\$ 20,045,038	\$ 15,677,933	\$ 15,998,804

OPEB Investments

Investment Type	Fair Value	n/a	< 5 years	5-10 years	10-20 years	> 20 yrs
Common Stock	\$ 31,918,090	\$ 31,918,090	\$ -	\$ -	\$ -	\$ -
US Treasury Notes	3,345,519	-	2,549,475	796,044	-	-
FHLMC	807,720	-	505,568	15,244	-	286,908
FNMA	7,098,179	-	3,336,164	659,429	805,759	2,296,827
Mortgage & Asset Backed Securities	2,432,620	-	60,221	1,947,495	63,562	361,342
Totals	\$ 45,602,128	\$ 31,918,090	\$ 6,451,428	\$ 3,418,212	\$ 869,321	\$ 2,945,077

Other than Defined Benefit Pension and OPEB Investments – Governmental Activities

Investment Type	Fair Value	n/a	< 1 year	1-5 years	> 5 years
Money Market	\$ 4,252,736	\$ 4,252,736	\$ -	\$ -	\$ -
Mutual Funds	3,757,210	3,757,210	-	-	-
Corporate Notes	500,000	-	500,000	-	-
Federal Agencies:					
FHLMC	9,626,753	-	-	-	9,626,753
FHLB	13,594,070	-	-	1,971,880	11,622,190
FNMA	3,905,000	-	-	-	3,905,000
FFCB	6,430,908	-	-	-	6,430,908
Mortgage Backed	61,421	-	-	-	61,421
Totals	\$ 42,128,098	\$ 8,009,946	\$ 500,000	\$ 1,971,880	\$ 31,646,272

CITY OF GAINESVILLE, FLORIDA
Notes to Financial Statements
September 30, 2005

Other than Defined Benefit Pension and OPEB Investments – Business-Type Activities

Investment Type	Fair Value	< 1 year	1-5 years	> 5 years
Commercial Paper	\$ 21,913,678	\$ 21,913,678	\$ -	\$ -
Federal Agencies:				
FHLMC	4,849,947	-	-	4,849,947
FHLB	63,405,929	12,005,000	51,400,929	-
Totals	\$ 90,169,554	\$ 33,918,678	\$ 51,400,929	\$ 4,849,947

(E) Receivables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of the interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

For the most part, receivables and the related revenues are recognized when determined and billed - either for services rendered, grant entitlements, or reimbursements due, or otherwise measurable and available.

Utilities service receivables are recorded at year end for services rendered but unbilled. They are calculated by prorating cycle billings subsequent to September 30, 2005 according to the number of days applicable to the current fiscal year.

Receivables are reported net of an estimated allowance for uncollectible accounts. At September 30, 2005, the allowance was \$34,243 for the General Fund and \$1,361,852 for Enterprise Funds.

(F) Inventories

The City accounts for its General Fund inventory using the “consumption method”; that is, inventory is budgeted and recorded as items are consumed.

Except for inventories of the General Fund, inventories are stated at the lower of cost or market. Cost is determined using the weighted average method except for fuel in Enterprise Funds, which is determined using the last-in, first-out method. Obsolete and unusable items are reduced to estimated salvage values. Inventory in the General Fund is recorded at cost. Such inventory is written down to a lower market value if the inventory is affected by physical deterioration or obsolescence.

(G) Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, sidewalks, bikepaths, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets, other than those recorded in the Utility fund, are defined by the City as assets with an initial, individual cost of more than \$2,000 and an estimated useful life in excess of one year. Utility fund capital assets are defined as assets with an initial, individual cost of more than \$1,000 and a useful life in excess of more than one year.

CITY OF GAINESVILLE, FLORIDA
Notes to Financial Statements
September 30, 2005

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated market value on the date donated.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Property, plant, and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

Buildings -----	20 to 50 years
Improvements other than Buildings -----	20 to 30 years
Infrastructure – Roads, curb & gutter-----	50 years
Infrastructure – Roads, non curb & gutter-	25 years
Infrastructure - Sidewalks-----	50 years
Infrastructure – Bikepaths-----	25 years
Equipment -----	5 to 20 years
Stormwater system -----	50 years
Streetscape -----	25 years

Depreciation of utility plant is computed using the straight-line method over estimated service lives ranging from 6 to 50 years. These service lives were changed in fiscal year 2005, which adjusted the overall depreciation rate of average depreciable property from 3.50% in fiscal year 2004 to 3.27% in fiscal year 2005.

The City has elected to report infrastructure acquired prior to October 1, 1979, in addition to complying with the requirement to report infrastructure acquired subsequent to that date.

City-owned resources for supplying electric power and energy requirements include its 1.4079% undivided ownership interest in the Crystal River Unit 3 nuclear power plant operated by Progress Energy. Depreciation expense includes a provision for decommissioning costs related to the jointly-owned nuclear power plant. The cost of nuclear fuel, including estimated disposal cost, is amortized to fuel expense based on the quantity of heat produced for the generation of electric energy in relation to the quantity of heat expected to be produced over the life of the nuclear fuel core. These costs are charged to customers through the fuel adjustment clause.

The average cost and related accumulated depreciation of proprietary fund assets are removed from the accounts upon disposal or retirement, with any resulting gain or loss recognized as nonoperating income or expense. The average cost of appreciable utility plant retired is eliminated from the plant accounts and charged to accumulated depreciation. The associated cost of removal, net of salvage, is charged to depreciation expense as incurred.

Major outlays for capital assets and improvements are capitalized as projects are constructed. An allowance for interest on borrowed funds used during construction of \$306,000 is included in construction in progress for the Utilities Fund and as a corresponding reduction in interest expense. It is computed by applying the effective interest rate on the funds borrowed to finance the projects to the monthly balance of projects under construction. The effective interest rate was approximately 3.96%.

For assets constructed with governmental fund resources, interest during construction is not capitalized.

(H) Long-term Obligations

In the government-wide financial statements, and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statements of net assets. Bond premiums and discounts, as well as

CITY OF GAINESVILLE, FLORIDA
Notes to Financial Statements
September 30, 2005

issuance costs, are deferred and amortized over the life of the bonds. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs are reported as debt service expenditures.

(I) Amortization and Deferred Charges/Credits

Currently, GRU prepares its financial statements in accordance with Statement of Financial Accounting Standards (SFAS) No. 71, and records various regulatory assets and liabilities. For a company to report under SFAS No. 71, the company's rates must be designed to recover its costs of providing services, and the company must be able to collect those rates from customers. If it were determined, whether due to competition or regulatory action, that these standards no longer applied, GRU could be required to write off its regulatory assets and liabilities. Management believes that GRU currently meets the criteria for continued application of SFAS No. 71, but will continue to evaluate significant changes in the regulatory and competitive environment to assess continuing applicability of the criteria.

(J) Compensated Absences

The City's policy is to allow limited vesting of employee vacation and sick pay. The limitation of vacation time is governed by the period of employment and is determinable. Unused sick leave may be added to an employee's length of service at the time of retirement for the purpose of computing retirement benefits or, in some cases, received partially in cash upon election at retirement. The resulting liability is not determinable in advance, however.

All vacation pay and applicable sick leave pay is accrued when incurred in the government-wide and proprietary fund financial statements.

(K) Risk Management

The City is exposed to various risks of loss related to theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The City maintains a General Insurance Fund (an Internal Service Fund) to account for some of its uninsured risk of loss. Under the current program, the City is self-insured for workers' compensation, auto, and general liability. Third-party coverage is currently maintained for workers' compensation claims in excess of \$400,000 for general employees and \$500,000 for police and fire personnel. Settlements have not exceeded insurance coverage for each of the last three years.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs), and are shown at current dollar value.

All funds other than the Utility Fund participate in the general insurance program. Risk management/ insurance related activities of the Utility fund are accounted for within the Utility Fund. An actuarially computed liability of \$2,106,000 is recorded in the Utility Fund as a fully amortized deferred credit. Changes in the Utility Fund's claims liability for the last two years are as follows:

	BEGINNING OF FISCAL YEAR			END OF FISCAL YEAR
	<u>LIABILITY</u>	<u>INCURRED</u>	<u>PAYMENTS</u>	<u>LIABILITY</u>
2004-2005	\$2,106,300	\$903,200	\$903,200	\$2,106,300
2003-2004	\$2,422,309	\$657,000	\$973,009	\$2,106,300

CITY OF GAINESVILLE, FLORIDA
Notes to Financial Statements
September 30, 2005

There is a claims liability of \$6,714,000 included in the General Insurance Fund as the result of actuarial estimates. Changes in the General Insurance Fund's claims liability were:

	BEGINNING OF FISCAL YEAR			END OF FISCAL YEAR
	<u>LIABILITY</u>	<u>INCURRED</u>	<u>PAYMENTS</u>	<u>LIABILITY</u>
2004-2005	\$6,714,000	\$2,759,776	\$2,759,776	\$6,714,000
2003-2004	\$6,714,000	\$2,899,875	\$2,899,875	\$6,714,000

The City is also self-insured for its Employee Health and Accident Benefit Plan (the Plan). The Plan is accounted for in an Internal Service Fund and is externally administered, for an annually contracted amount that is based upon the volume of claims processed. Contributions for City employees and their dependents are shared by the city and the employee. Administrative fees are paid primarily out of this fund. Stop-loss insurance is maintained for this program at \$150,000 per individual. Three claims have exceeded insurance coverage in the last three years. Changes in claims liability for the last two years are as follows:

	BEGINNING OF FISCAL YEAR			END OF FISCAL YEAR
	<u>LIABILITY</u>	<u>INCURRED</u>	<u>PAYMENTS</u>	<u>LIABILITY</u>
2004-2005	\$1,281,296	\$11,458,684	\$11,502,529	\$1,237,451
2003-2004	\$ 985,064	\$10,691,532	\$10,395,300	\$1,281,296

(L) Interfund Activity

During the course of normal operations, the City has various nonreciprocal interfund activity. Following is a summary of the accounting treatment applied to such interfund transactions:

Reimbursement Transactions Reimbursements from one fund to another are recorded as expenditures or expenses in the reimbursing fund and as reductions of expenditures or expenses in the fund that is reimbursed.

Transfers Interfund transfers affect the results of operations in the affected funds. An example is the payment to the General Fund from the Utility Fund.

(M) Property Taxes

Ad valorem property tax revenue is recognized as revenue in the fiscal year for which taxes are levied, measurable and available. Only property taxes collected within 60 days after year end are recognized as revenue. The total millage levy is assessed at **4.9416 mills**. Taxes are levied and collected according to Florida State Statutes under the following calendar:

Lien Date	January 1
Levy Date	October 1
Due Date	November 1
Delinquency Date	April 1

The County Tax Collector bills and collects ad valorem taxes for the City. State Statutes provide for tax discounts for installment prepayments or full payments before certain dates. Installment prepayment dates and discounts of each installment (one-fourth of estimated taxes) are: June 30 - 6%, September 30 - 4.5%, December 31 - 3% and March 31 - 0%. Full payment dates and discounts are: November 30 - 4%, December 31 - 3%, January 31 - 2%, February 28 - 1% and March 31 - 0%. The Tax Collector remits current taxes collected to the City several times a month during the first two months of the collection period. Thereafter, remittances are made to the City on a monthly basis.

CITY OF GAINESVILLE, FLORIDA
Notes to Financial Statements
September 30, 2005

(N) Budgetary Information

The City has elected to report budgetary comparisons as required supplementary information (RSI). Please refer to the accompanying notes to the RSI for the City's budgetary information.

(O) Statement of Cash Flows

For purposes of the Statement of Cash Flows, cash equivalents are defined as all liquid investments with an original maturity of three months or less.

(P) Enterprise Activities

For its enterprise activities, the City applies all applicable GASB pronouncements. Additionally, the City applies pronouncements of the FASB and its predecessor bodies issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

NOTE 2 - RETIREMENT PLANS

The City sponsors and administers two single-employer retirement plans and a single-employer disability plan, which are accounted for in separate Pension Trust Funds in the fiduciary category herein.

- The Employees' Pension Plan (Employees Plan)
- The Employees' Disability Plan (Disability Plan)
- The Consolidated Police Officers' and Firefighters' Retirement Plan (Consolidated Plan)

(A) Defined Benefit Plans

Employees' Plan:

Plan Description. The Employees' Plan is a contributory defined benefit pension plan that covers all permanent employees of the City, except certain personnel who elected to participate in the Defined Contribution Plan and who were grandfathered into that plan, and police officers and firefighters who participate in the Consolidated Plan. The Employees' Plan provides retirement and death benefits to plan members and beneficiaries. The pension plan's basis of accounting is accrual; the policy is to recognize costs of the plan under accrual. Benefits and refunds of the defined benefit pension plan are recognized when due and payable in accordance with the terms of the plan. The costs of administering the plan, like other plan costs, are captured within the plan itself and financed through contribution and investment income, as appropriate. This plan and any amendments were adopted through a City Ordinance by the Commission of the City of Gainesville. In October 2002, the Board of Trustees approved allowing participants to buy back City years of service at its actuarial valuation. The City of Gainesville issues a publicly available financial report that includes financial statements and required supplementary information for the Employees' Plan. That report may be obtained by writing to City of Gainesville, Finance Department, P.O. Box 490, Gainesville, Florida 32602 or by calling (352)334-5054.

Funding Policy. The contribution requirements of plan members and the City are established and may be amended by City Ordinance approved by the City Commission. Plan members are required to contribute 5.0 % of their annual covered salary. The City is required to contribute at an actuarially determined rate; the rate for fiscal year 2005 for retirement and death benefits was 2.82% of covered payroll. This reduced rate was brought about through the issuance of the Taxable Pension Obligation Bonds, Series 2003A. The proceeds from this issue were utilized to retire the unfunded actuarial accrued liability in the Employees' Plan - the 2.82% represents the ongoing normal cost of the plan.

CITY OF GAINESVILLE, FLORIDA
Notes to Financial Statements
September 30, 2005

Annual Pension Cost and Net Pension Obligation. The City's annual pension cost and net pension obligation to the Employees' Plan for the current year were as follows:

Annual required contribution	\$	4,231,403
Interest on net pension obligation		(3,360,960)
Adjustment to annual required contribution		3,615,354
Annual Pension Cost	\$	4,485,797
Contributions Made		1,894,206
Change in net pension obligation	\$	2,591,591
Net Pension Obligation (Asset), beginning of year		(36,346,256)
Net Pension Obligation(Asset), end of year	\$	(33,754,665)

The annual required contribution for the current year was determined as part of the October 1, 2002 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 9.25% investment rate of return (net of administrative expenses) and (b) projected salary increases of 3.5%-7% per year, based on years of service. Both (a) and (b) included an inflation component of 3.75%. The assumptions include post-retirement benefit increases for those retirees who meet eligibility criteria. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. Any unfunded actuarial accrued liability is traditionally amortized as a level percentage of projected payroll on an open basis. The amortization period at September 30, 2005 was 30 years.

Three Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Contribution	Percentage of APC Contributed	Net Pension Obligation (Asset)
09/30/03	\$ 2,901,910	\$ 41,536,043	1431.4%	\$ (38,634,133)
09/30/04	5,007,465	2,719,588	54.3%	(36,346,256)
09/30/05	4,485,797	1,894,206	42.2%	(33,754,665)

The City's Fiscal Year 2003 contribution to the plan included \$38,634,133 from the proceeds of the Taxable Pension Obligation Bonds, Series 2003A.

Disability Plan:

Plan Description. The Disability Plan is a contributory defined benefit plan that covers all permanent employees of the City, except police officers and firefighters whose disability plan is incorporated in the Consolidated Plan. The Disability Plan provides disability benefits to plan members and beneficiaries. The Disability Plan's basis of accounting is accrual; the policy is to recognize costs of the plan under accrual. Benefits are recognized when due and payable in accordance with the terms of the plan. The costs of administering the plan, like other plan costs, are captured within the plan itself and financed through contribution and investment income, as appropriate. This plan and any amendments were adopted through a City Ordinance by the Commission of the City of Gainesville.

Funding Policy. 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 is required to contribute at an actuarially determined rate; the rate for fiscal year 2005 for disability benefits was 0.69% of covered payroll.

CITY OF GAINESVILLE, FLORIDA
Notes to Financial Statements
September 30, 2005

Annual Pension Cost and Net Pension Obligation. The City's annual pension cost and net pension obligation to the Disability Plan for the current year were as follows:

Annual required contribution	\$	487,779
Interest on net pension obligation		-
Adjustment to annual required contribution		-
<i>Annual Pension Cost</i>	\$	487,779
Contributions Made		487,779
Change in net pension obligation	\$	-
Net Pension Obligation (Asset), beginning of year		-
<i>Net Pension Obligation(Asset), end of year</i>	\$	-

Annual Contribution: The annual contribution for the current year was determined as part of the October 1, 2003 actuarial valuation using the individual entry age actuarial cost method. The actuarial assumptions included (a) 9.25% investment rate of return (net of administrative expenses) and (b) projected salary increase of between 3.5% and 7% per year, based on years of service. Both (a) and (b) included an inflation component of 3.75%. The actuarial value of assets was set at market value. Any unfunded actuarial accrued liability is traditionally amortized as a level percentage of projected payroll on an open basis. The amortization period at September 30, 2005 was 15 years.

Trend Information

Fiscal Year <u>Ending</u>	Annual Pension <u>Cost (APC)</u>	<u>Contribution</u>	Percentage of APC <u>Contributed</u>	Net Pension <u>Obligation (Asset)</u>
09/30/05	\$ 487,779	\$ 487,779	100.0%	-

Fiscal year 2005 was the first year the Disability Plan was valued and reported separately from the General Pension Plan. In future years, three year trend information will be presented.

Condensed Financial Statements. The financial statements and required supplementary information for the Disability Pension Plan are reported below because the Plan does not issue a separate report.

CITY OF GAINESVILLE, FLORIDA
Notes to Financial Statements
September 30, 2005

Disability Pension Fund
Statement of Plan Net Assets
September 30, 2005

Assets	
Due from Employee's Pension Fund	\$ 3,773,918
Liabilities	
Accounts Payable and Accrued Liabilities	444
Net Assets Held in Trust for Pension Benefits	<u>\$ 3,773,474</u>

Statement of Changes in Plan Net Assets
For the Fiscal Year ended September 30, 2005

Additions	
Contributions:	
Employer Contributions:	
Required	\$ 487,779
Investment Income:	
Net Appreciation in Fair Value of Investments	100,293
Total Additions	<u>588,072</u>
Deductions	
Benefit Payments	277,596
Administrative Expenses	30,839
Total Deductions	<u>308,435</u>
Net Increase	279,637
Net Assets Held in Trust for Pension Benefits, October 1, 2004	<u>3,493,837</u>
Net Assets Held in Trust for Pension Benefits, September 30, 2005	<u>\$ 3,773,474</u>

Notes to the Condensed Financial Statements.

Plan Provisions. The Plan is described in detail above, including plan provisions and the authority for plan changes.

Summary of Significant Accounting Policies.

Basis of Accounting. The financial statements shown above are prepared using the accrual basis of accounting. Employer contributions are recognized as revenues in the period in which the employee services are performed. Benefits are recognized when due and payable.

Investments. The City maintains separate investment managers for its equity and fixed income portfolios. The details of the investments and the investment policy are described in Note 1, *Summary of Significant Accounting Policies*, Section D, *Deposits with Financial Institutions and Investments*.

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 Plan:

Plan Description. The Consolidated Plan is a contributory defined benefit pension plan that covers City sworn police officers and firefighters. The Consolidated Plan provides retirement, disability, and death benefits to plan members and beneficiaries. The basis of accounting for the Consolidated Plan is accrual. Benefits and refunds of the defined benefit pension plan are recognized when due and payable in

CITY OF GAINESVILLE, FLORIDA
Notes to Financial Statements
September 30, 2005

accordance with the terms of the plan. The costs of administering the plan, like other plan costs, are captured within the plan itself and financed through contribution and investment income, as appropriate. This plan and any amendments were adopted through a City Ordinance by the Commission of the City of Gainesville in accordance with State Statute. The City of Gainesville issues a publicly available financial report that includes financial statements and required supplementary information for the Consolidated Plan. That report may be obtained by writing to City of Gainesville, Finance Department, P.O. Box 490, Gainesville, Florida 32602 or by calling (352)334-5054.

Funding Policy. 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. Plan members are required to contribute 7.50% of their annual covered salary. The City is required to contribute at an actuarially determined rate; the rate for fiscal year 2005 was 6.81% of covered payroll. This reduced rate was brought about through the issuance of the Taxable Pension Obligation Bonds, Series 2003B. In addition, State contributions, which totaled \$1,085,890, are also made to the plan on behalf of the City. These State contributions are recorded as revenue and personnel expenditures in the City's General Fund before they are recorded as contributions in the Consolidated Pension Fund.

Annual Pension Cost and Net Pension Obligation. The City's annual pension cost and net pension obligation to the Consolidated Plan for the current year were as follows:

Annual required contribution	\$	2,048,304
Interest on net pension obligation		(4,026,362)
Adjustment to annual required contribution		4,416,486
Annual Pension Cost	\$	2,438,428
Contributions Made		1,476,918
Change in net pension obligation	\$	961,510
Net Pension Obligation (Asset), beginning of year		(45,167,955)
Net Pension Obligation(Asset), end of year	\$	(44,206,445)

The annual required contribution for the current year was determined as part of the October 1, 2004 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 8.5% investment rate of return (net of administrative expenses) and (b) projected salary increases ranging from 4% to 7% per year, based on years of service. Both (a) and (b) included an inflation component of 3.75%. The assumptions include post-retirement benefit increases for those retirees meeting eligibility criteria. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. Any unfunded actuarial accrued liability is traditionally amortized as a level percentage of projected payroll on an open basis. The amortization period at September 30, 2005 was 30 years.

Three Year Trend Information

Fiscal Year	Annual Pension Cost (APC)	Contribution	Percentage of APC Contributed	Net Pension Obligation (Asset)
09/30/03	2,629,438	50,357,964	1915.2%	(47,728,526)
09/30/04	3,477,971	917,400	26.4%	(45,167,955)
09/30/05	2,438,428	1,476,918	60.6%	(44,206,445)

The City's contribution to the plan in fiscal year 2003 included \$47,728,526 from the proceeds of the Taxable Pension Obligation Bonds, Series 2003B.

Benefits and refunds of the defined benefit pension plans are recognized when due and payable in accordance with the terms of the plan. Costs of administering the pension plans are financed through contributions and/or investment income, as appropriate.

CITY OF GAINESVILLE, FLORIDA
Notes to Financial Statements
September 30, 2005

(B) Defined Contribution Pension Plan

Plan Description. As noted above, the Defined Contribution Pension Plan is open to certain City professional and managerial employees. It is no longer available to all newly hired professional and managerial employees. The Commission of the City of Gainesville adopted this plan and related amendments through a City Ordinance.

The plan is qualified under the provisions of Section 401A of the Internal Revenue Code. Assets of the Defined Contribution Plan are self-directed, and investment results are reported to employees quarterly. The City does not have fiduciary accountability for the Defined Contribution Pension Plan and, accordingly, the Plan is not reported in the accompanying financial statements.

Funding Policy. 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. Plan members are required to contribute 5.0% of their annual covered salary. The City is required to contribute 10.0% of covered payroll. During fiscal year 2005, plan members contributed \$351,712 and the City contributed \$318,723.

NOTE 3 – OTHER POST-EMPLOYMENT BENEFITS PLAN

Plan Description. By ordinance enacted by the City Commission, the City has established the Retiree Health Care Plan (RHCP), providing for the payment of a portion of the health care insurance premiums for eligible retired employees. The RHCP is a single-employer defined benefit healthcare plan administered by the City which provides medical insurance benefits to eligible retirees and their beneficiaries.

The RHCP has 677 retirees receiving benefits and has a total of 2,533 active participants and dependents. Of that total, 1,268 are not yet eligible to receive benefits. Ordinance 991457 of the City of Gainesville assigned the authority to establish and amend benefit provisions to the City Commission.

Annual OPEB Cost and Net OPEB Obligation. For fiscal year 2005, the City's annual OPEB cost for the RHCP was \$7,680,930. The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year ended September 30, 2005 were as follows:

Annual required contribution	\$	7,680,930
Interest on net OPEB obligation		-
Adjustment to annual required contribution		-
Annual OPEB cost	\$	7,680,930
Contributions made		38,190,848
Change in net OPEB obligation (asset)	\$	(30,509,918)
Net OPEB obligation (asset), beginning of year		-
Net OPEB obligation(asset), end of year	\$	(30,509,918)

Year Ended	Annual OPEB Cost	Actual Employer Contribution	Percentage Contributed	Net Ending OPEB Obligation (Asset)
09/30/05	\$ 7,680,930	\$ 38,190,848	497.22%	\$ (30,509,918)

In future years, three-year trend information will be presented. Fiscal year 2005 was the year of implementation of GASB 43 and 45 and the City has elected to implement prospectively, therefore, prior year comparative data is not available. The City's contributions in fiscal year 2005 included OPEB bond proceeds of \$34,656,923.

CITY OF GAINESVILLE, FLORIDA
Notes to Financial Statements
September 30, 2005

Funded Status and Funding Progress. The funded status of the plan based on an actuarial update using age-adjusted premiums as of September 30, 2005, was as follows:

Actuarial accrued liability (AAL)	\$ 75,573,136
Actuarial value of plan assets	<u>49,249,956</u>
Unfunded actuarial accrued liability (UAAL)	\$ 26,323,180
Funded ratio(actuarial value of plan assets/AAL)	65.17%
Covered payroll (active plan members)	<u>\$ 95,340,925</u>
UAAL as a percentage of covered payroll	<u><u>27.61%</u></u>

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Although the valuation results are based on values the actuarial consultant believes are reasonable assumptions, the valuation result is only an estimate of what future costs may actually be and reflect a long-term perspective. Deviations in any of several factors, such as future interest rate discounts, medical cost inflation, Medicare coverage risk and changes in marital status, could result in actual costs being greater or less than estimated.

The required schedule of funding progress, presented as required supplementary information following the notes to the financial statements, will present multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. As fiscal year 2005 was the year of implementation of GASB Statements 43 and 45, and the City has elected to apply the statement prospectively, only one year is shown. In future years, required trend data will be presented.

Funding Policy. In 1995, the City instituted a cost sharing agreement with retired employees for individual coverage only, based on a formula taking into account age at the time the benefit is first accessed and service at time of retirement. The contribution requirements of plan members and the City are established and may be amended by the City Commission. These contributions are neither mandated nor guaranteed. The City has retained the right to unilaterally modify its payment for retiree health care benefits.

RHCP members receiving benefits contribute a percentage of the monthly insurance premium. Based on this plan, the RHCP pays up to 50% of the individual premium for each insured according to the age/service formula factor of the retiree. Spouses and other dependents are eligible for coverage, but the employee is responsible for the entire cost, there is no direct RHCP subsidy. The employee contributes the premium cost each month, less the RHCP subsidy calculated as a percentage of the individual premium.

The State of Florida prohibits the City from separately rating retirees and active employees. The City therefore charges both groups an equal, blended rate premium. Although both groups are charged the same blended rate premium, GAAP require the actuarial figures presented above to be calculated using age adjusted premiums approximating claim costs for retirees separate from active employees. The use of age adjusted premiums results in the addition of an implicit rate subsidy into the actuarial accrued liability. However, the City has elected to contribute to the RHCP at a rate that is based on an actuarial valuation prepared using the blended rate premium that is actually charged to the RHCP.

The City's contribution rate in effect from October 1, 2004 to July 31, 2005 was 3.89% of covered payroll. In July 2005, the City issued \$35,210,000 Taxable Other Post Employment Benefit (OPEB) bonds to retire the unfunded actuarial accrued liability then existing in the RHCP Trust Fund. This allowed the City to reduce its contribution rate beginning August 1, 2005 to 0.50% of covered payroll. During fiscal year 2005, the City's actual regular contribution was \$3,533,926. This was less than the annual required contribution of \$7,680,930 calculated using the age-adjusted premiums instead of the blended rate premiums. An additional \$34,656,923 was contributed by the City to the RHCP Trust Fund through the OPEB bond issuance in fiscal year 2005, which resulted in total contributions of \$38,190,848.

CITY OF GAINESVILLE, FLORIDA
Notes to Financial Statements
September 30, 2005

The funded status of the Plan at September 30, 2005 under the **non-GAAP** actuarial valuation method using the blended rate premiums actually charged is shown below:

Actuarial accrued liability (AAL)	\$ 47,381,963
Actuarial value of plan assets	<u>49,249,956</u>
Unfunded actuarial accrued liability (UAAL)	\$ (1,867,993)
Funded ratio(actuarial value of plan assets/AAL)	103.94%
Covered payroll (active plan members)	<u>\$ 95,340,925</u>
UAAL as a percentage of covered payroll	<u><u>-1.96%</u></u>

Actuarial Methods and Assumptions. Calculations of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the October 1, 2003, actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions used included a 9% investment rate of return, compounded annually, net of investment expenses. The annual healthcare cost trend rate of 7% is the ultimate rate. The select rate was 12% but was decreased to the ultimate rate in 2002. Both the rate of return and the healthcare cost trend rate include an assumed inflation rate of 3.75%. The actuarial valuation of RHCP assets was set at market value of investments as of the measurement date.

The RCHP's initial unfunded actuarial accrued liability (UAAL) as of 1994 is being amortized as a level percentage of projected payroll over a closed period of twenty years from 1994 and changes in the UAAL from 1994 through 2003 are amortized over the remaining portion of the twenty-year period. Future changes in the UAAL will be amortized on an open period of ten years from inception.

CITY OF GAINESVILLE, FLORIDA
Notes to Financial Statements
September 30, 2005

Condensed Financial Statements. The financial statements for the RHCP are reported below because the RHCP does not issue a separate report.

Retiree Health Care Plan
Statement of Plan Net Assets
September 30, 2005

Assets	
Cash and Equivalents	\$ 1,734,210
Equity in Pooled Cash and Investments	1,100,119
Investments, at Fair Value	45,602,128
Due from Other Funds	817,992
Total Assets	<u>49,254,449</u>
Liabilities	
Accounts Payable and Accrued Liabilities	<u>63</u>
Net Assets Held in Trust for OPEB Benefits	<u>\$ 49,254,386</u>

Statement of Changes in Plan Net Assets
For the Fiscal Year ended September 30, 2005

Additions	
Contributions:	
Employer Contributions:	
Required	\$ 7,680,930
Amount Creating Negative Net OPEB Obligation	30,509,918
Employee Contributions	<u>1,469,475</u>
Total Contributions	39,660,323
Investment Income:	
Net Appreciation in Fair Value of Investments	489,775
Dividends and Interest	<u>835,491</u>
Total Investment Income	1,325,266
Less: Investment Expense	<u>92,155</u>
Net Investment Income	<u>1,233,111</u>
Total Additions	40,893,434
Deductions	
Benefit Payments	2,854,183
Administrative Expenses	<u>116,257</u>
Total Deductions	<u>2,970,440</u>
Net Increase	37,922,994
Net Assets Held in Trust for OPEB Benefits, October 1, 2004, as Restated	<u>11,331,392</u>
Net Assets Held in Trust for OPEB Benefits, September 30, 2005	<u>\$ 49,254,386</u>

Notes to the Condensed Financial Statements.

Plan Provisions. The Plan is described in detail above, including plan provisions and the authority for plan changes.

Summary of Significant Accounting Policies.

CITY OF GAINESVILLE, FLORIDA
Notes to Financial Statements
September 30, 2005

Basis of Accounting. The financial statements shown above are prepared using the accrual basis of accounting. Employee and employer contributions are recognized as revenues in the period in which the employee services are performed. Benefits are recognized when due and payable.

Investments. The City maintains separate investment managers for its equity and fixed income portfolios. The details of the investments and the investment policy are described in Note 1, *Summary of Significant Accounting Policies*, Section D, *Deposits with Financial Institutions and Investments*.

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.

NOTE 4 - DEFERRED COMPENSATION PLAN

The City of Gainesville offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The City has complied with the requirements of subsection (g) of IRC Section 457 and, accordingly, all assets and income of the plan are held in trust for the exclusive benefit of the participants and their beneficiaries.

NOTE 5 - LONG-TERM DEBT

Long-term debt is hereafter described:

GOVERNMENTAL ACTIVITIES:

\$15,892,220 Guaranteed Entitlement Revenue and Refunding Bonds, Series 1994 - 3.0-6.1%, final maturity 2024; payable solely from and secured by a lien upon and pledge of monies from the City's Guaranteed Entitlement Funds (Intergovernmental Revenues). Principal and interest are payable as follows:

Current Interest Paying Bonds - Principal and interest are payable February 1 and August 1 through August 1, 2006.

Capital Appreciation Bonds - Principal is payable August 1 and February 1 beginning August 1, 2018. Interest accrues to principal and is payable upon maturity or prior redemption.

\$4,990,000 First Florida Governmental Financing Commission Loan, Series 1996 - 3.75% - 6.0%, issued May 1, 1996, final maturity July, 2010; payable solely from non-ad valorem revenues. Principal payable annually on July 1, beginning 1997. Interest payable semi-annually.

\$10,955,000 First Florida Governmental Financing Commission Loan, Series 1998 - 3.60% - 4.30%, issued April 1, 1998, final maturity July, 2012, payable solely from non-ad valorem revenues. Principal payable annually on July 1, beginning 1999. Interest payable semi-annually.

\$2,775,000 First Florida Governmental Financing Commission Loan, Series 2001 - 4.0%, issued May 1, 2001, final maturity July, 2006; payable solely from non-ad valorem revenues. Principal payable annually on July 1, beginning 2002. Interest payable semi-annually.

\$9,870,000 First Florida Governmental Financing Commission Loan, Series 2002 - 3.75% - 5.0%, issued May 1, 2002, final maturity July 1, 2022; payable solely from non-ad valorem revenues. Principal payable annually on July 1, beginning 2003. Interest payable semi-annually beginning July 1, 2002.

\$40,042,953 Taxable Pension Obligation Bonds, Series 2003A - 1.71% - 6.19%, issued March 14, 2003, final maturity October 2032, payable solely from non-ad valorem revenues. Principal payable annually on October 1, beginning 2004. Interest payable semi-annually beginning October 1, 2003. The bonds are not subject to redemption prior to maturity.

CITY OF GAINESVILLE, FLORIDA
Notes to Financial Statements
September 30, 2005

\$49,851,806 Taxable Pension Obligation Bonds, Series 2003B – 3.07% - 5.42%, issued March 14, 2003, final maturity October, 2033, payable solely from non-ad valorem revenues. Principal payable annually on October 1, beginning 2006. Interest payable semi-annually beginning October 1, 2003. The bonds are not subject to redemption prior to maturity.

\$9,805,000 Guaranteed Entitlement Refunding Bonds Series 2004 3.5%-5.5%; issued May 4, 2004, final maturity August 1, 2017; payable solely from and secured by a lien upon and pledge of monies from the City’s Guaranteed Entitlement Funds. The proceeds were used to refund \$10,010,000 of the City’s Guaranteed Entitlement Revenue and Refunding Bonds, Series 1994. Principal is payable annually on August 1, beginning 2005. Interest is payable semi-annually beginning August 1, 2004. This current refunding resulted in a reduction of total debt service payments over 13 years of approximately \$735,000 and an economic gain of approximately \$572,000.

\$5,640,000 First Florida Governmental Financing Commission Loan, Series 2005 – 2.5% - 4.125%, issued March 10, 2005, final maturity July 1, 2025; payable solely from non-ad valorem revenues. Principal payable annually on July 1, beginning 2006. Interest payable semi-annually beginning July 1, 2005.

\$35,210,000 Taxable Other Post Employment Benefit (OPEB) Obligation Bonds, Series 2005 – 4.05% -4.71%, issued July 28, 2005, final maturity October 2014, payable solely from non-ad valorem revenues. Principal payable annually on October 1, beginning 2006. Interest payable semi-annually beginning October 1, 2005. The bonds are not subject to redemption prior to maturity.

BUSINESS-TYPE ACTIVITIES:

\$186,000,000 Utilities System Revenue Bonds, Series 1983 - 6.0%, dated August 1, 1983, final maturity 2014; payable solely from and secured by an irrevocable lien of Gainesville Regional Utilities (Utility) net revenues. Interest is payable on April 1 and October 1. Principal is payable on October 1. The bonds are subject to redemption at the option of the City at a redemption price of 100% plus accrued interest to the date of redemption.

\$134,920,000 Utilities System Revenue Bonds, Series 1992B - 6.0-7.5%, dated March 1, 1992, final maturity 2017. The 1992 B Bonds mature at various dates from October 1, 2001 to October 1, 2017. Those bonds maturing on or after October 1, 2004 to October 1, 2007, amounting to \$14.3 million were redeemed at the option of the City on October 1, 2002.

\$143,215,000 1996 Utilities System Revenue Bonds Series 1996A – 5.0%-5.75%, dated February 1, 1996, final maturity October, 2026. The 1996A Series A Bonds maturing on or after October 1, 2010 are subject to redemption at the option of the City on or after October 1, 2006 as a whole or in part at anytime, at the following redemption prices, plus accrued interest to the date of the redemption.

<u>Redemption Period(dated inclusive)</u>	<u>Redemption Price</u>
October 1, 2006 to September 30, 2007	102%
October 1, 2007 to September 30, 2008	101%
October 1, 2008 and thereafter	100%

A portion of the Bonds maturing from October 1, 2004 to October 1, 2008 (\$6.2 million) were advance-refunded to the maturity dates. The bonds were defeased, in substance, and will be paid from escrowed funds. There were defeased bonds totaling \$5,125,000 outstanding as of September 30, 2005.

\$37,300,000 2002 Utilities System Subordinated Utilities System Revenue Bonds Series 2002A – variable interest, dated July 20, 2002. The 2002A bonds were issued as multi-modal variable interest rate bonds, initially issued as variable-rate auction notes. Interest rates are reset by an auction process each 35 days based on market rates. While in the variable auction-rate mode, the Bonds may be redeemed at the

CITY OF GAINESVILLE, FLORIDA
Notes to Financial Statements
September 30, 2005

option of the City in whole or in part on any interest payment date immediately following the end of the auction period without premium.

\$40,000,000 2002 Utilities System Subordinated Utilities System Revenue Bonds Series 2002B – variable interest, dated July 20, 2002. The 2002B bonds were issued as multi-modal variable interest rate bonds, initially issued as variable-rate auction notes. Interest rates are reset by an auction process each 35 days based on market rates. While in the variable auction-rate mode, the Bonds may be redeemed at the option of the city in whole or in part on any interest payment date immediately following the end of the auction period without premium.

\$33,000,000 2003 Utilities System Revenue Bonds Series 2003A – 4.625% - 5.25%, dated January 30, 2003, final maturity October 1, 2024. The 2003A bonds are subject to redemption at the option of the City on or after October 1, 2013 at 100%.

\$7,625,000 2003 Utilities System Revenue Bonds Series 2003B – 4.4%, dated January 30, 2003, final maturity October 1, 2013. The 2003B bonds are taxable, and are not subject to redemption prior to maturity.

\$115,925,000 2003 Utilities System Revenue Bonds Series 2003C – 4.0% - 5.0%, dated August 20, 2003, final maturity October 1, 2013. The 2003C bonds are not subject to redemption prior to maturity.

Utility Notes

The following Utility System notes are outstanding as of September 30, 2005:

\$85,000,000 Commercial Paper Notes, Series C Notes (tax-exempt)- These may continue to be issued to refinance maturing Series C Notes or provide for other costs. Liquidity support for the Series C notes is provided under a long-term credit agreement dated as of March 1, 2000 with Bayerische Landesbank Gironzentrale. This agreement has been extended to November 30, 2015. The obligation of the bank may be substituted by another bank which meets certain credit standards and which is approved by GRU and the agent. Under terms of the agreement, GRU may borrow up to \$85,000,000 with same day availability ending on the termination date, as defined in the agreement. Series C Notes of \$3.2 million and \$2.3 million were redeemed during 2005 and 2004, respectively

\$25,000,000 Commercial Paper Notes, Series D (taxable) - In June 2000, a Utilities System Commercial Paper Note Program, Series D (taxable) was established in a principal amount not to exceed \$25,000,000. Liquidity support for the Series D Notes is provided under a long-term credit agreement dated June 1, 2000 with SunTrust Bank. This agreement has been extended to July 23, 2008. The obligation of the bank may be substituted by another bank which meets certain credit standards and is approved by GRU. Under the terms of the agreement, GRU may borrow up to \$25,000,000 with same day availability ending on the termination date, as defined in the agreement. Series D Notes of \$833,000 and \$800,000 were redeemed during 2005 and 2004, respectively

CITY OF GAINESVILLE, FLORIDA
Notes to Financial Statements
September 30, 2005

Annual debt service requirements to maturity for bonds and Utility notes are as follows:

Year ending September 30,	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2006	\$ 5,577,052	\$ 6,569,308	\$ 16,536,750	\$ 20,114,722
2007	5,585,104	6,400,993	17,317,250	19,513,303
2008	6,204,992	6,265,823	22,101,250	18,794,701
2009	6,848,734	6,128,586	25,246,750	17,838,173
2010	7,500,259	6,002,571	26,396,250	16,563,212
2011-2015	37,694,461	28,678,597	136,541,250	62,499,789
2016-2020	19,399,366	28,349,409	82,520,000	36,666,345
2021-2025	19,373,169	31,317,674	54,801,250	21,462,209
2026-2030	29,493,842	22,208,057	48,519,500	11,363,383
2031-2033	<u>20,555,000</u>	<u>1,788,329</u>	<u>37,377,000</u>	<u>2,941,467</u>
Total	<u>\$ 158,231,979</u>	<u>\$ 143,709,347</u>	<u>\$ 467,357,250</u>	<u>\$ 227,757,304</u>

Derivatives

GRU is a party to certain interest rate swap agreements, which are not recorded in the financial statements. Following is a disclosure of key aspects of the agreements.

Objective of the interest rate swap. To protect against the potential of rising interest rates, GRU has entered into three separate floating-to-fixed interest rate swap transactions.

Terms, fair values and credit risk. The terms, fair values and credit ratings of the outstanding swaps as of September 30, 2005 were as follows. The notational amounts of the swaps match the principal amounts of the outstanding debt.

Associated Bond Issue	2002A	2005C *	2006 *
Notational Amounts	\$ 31,600,000	\$ 55,135,000	\$ 535,305,000
Effective Date	07/03/2002	11/16/2005	07/06/2006
Fixed Payer Rate	4.100%	3.200%	3.224%
Variable Receiver Rate	BMA	68% of LIBOR	68% of LIBOR
Fair Value	\$ (1,188,333)	\$ (183,289)	n/a
Termination Date	10/01/2017	10/01/2026	10/01/2026
Counterparty Credit Rating	As3/A+/AA-	Aaa/AA	Aaa/AA+

* See "basis risk" in Note 5 "Long Term Debt" for details.

Fair Value. All the swap agreements currently have negative fair values as of September 30, 2005. Due to historically low interest rates, the fixed payer rates exceeded the variable receiver rates at that date.

CITY OF GAINESVILLE, FLORIDA
Notes to Financial Statements
September 30, 2005

Swap payments and associated debt. Assuming interest rates remain the same at September 30, 2005 debt service requirements on the auction rate notes and interest rate swap would be as follows:

Fiscal Year Ending Sept 30,	Auction-Rate Notes		Interest Rate Swaps, Net	Total
	Principal	Interest		
2006	\$ 3,100,000	\$ 789,250	\$ 387,450	\$ 4,276,700
2007	3,200,000	704,000	345,600	4,249,600
2008	3,300,000	616,000	302,400	4,218,400
2009	-	525,250	257,850	783,100
2010	-	525,250	257,850	783,100
2011-2015	5,100,000	2,626,250	1,289,250	9,015,500
2016-2017	<u>16,900,000</u>	<u>704,000</u>	<u>345,600</u>	<u>17,949,600</u>
Total	<u>\$ 31,600,000</u>	<u>\$ 6,490,000</u>	<u>\$ 3,186,000</u>	<u>\$ 41,276,000</u>

Credit Risk. As of September 30, 2005 the fair value of the swap was negative, therefore the City is not subject to credit risk. However, should interest rates change and the fair value of the swap become positive, the City would be exposed to credit risk in the amount of the derivative's fair value. To mitigate the potential for credit risk, GRU has negotiated additional termination event and collateralization requirements in the event of a ratings downgrade. Failure to deliver the Collateral Agreement to the City as negotiated and detailed in the Schedule to the International Swap and Derivative Agreement (ISDA) for each counterparty would constitute an Event of Default with respect to that counterparty.

Basis Risk. The swaps expose the City to basis risk. The swap effective on July 3, 2002, is exposed to the difference between the weekly BMA index and a 35-day rollover based on current market conditions. As a result, savings may not be realized. As of September 30, 2005, BMA was 2.75% for the week of September 28, 2005, while the last 35-day rollover rate was 2.75%. The swaps for the 2005C Series and the 2006 Series are exposed to basis risk through the potential mismatch of 68% of LIBOR and the BMA rate. As of September 29, 2005, the three-month LIBOR rate was 4.02% trading at approximately 68.40 of BMA.

Termination Risk. The swap agreement will be terminated at any time if certain events occur that result in one party not performing in accordance with the agreement. The swap can be terminated due to illegality, a credit event upon merger, or an event of default and illegality. The swap can also be terminated if credit ratings fall below established levels.

CITY OF GAINESVILLE, FLORIDA
Notes to Financial Statements
September 30, 2005

(A) Changes in long-term liabilities

Long-term liability activity for the year ended September 30, 2005 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within one year
Governmental activities:					
Bonds payable:					
Revenue bonds and loans	\$ 32,347,220	\$ 5,640,000	\$ 2,890,000	\$ 35,097,220	\$ 3,050,000
Bond premium	706,712	-	52,032	654,680	-
Pension obligation bonds	89,044,759	-	1,120,000	87,924,759	202,052
OPEB obligation bonds	-	35,210,000	-	35,210,000	2,325,000
Less deferred amounts:					
For issuance discounts	<u>62,583</u>	<u>38,314</u>	<u>5,508</u>	<u>95,389</u>	<u>-</u>
Total bonds payable	122,036,108	40,811,686	4,056,524	158,791,270	5,577,052
Compensated absences	<u>2,857,381</u>	<u>1,559,225</u>	<u>1,385,567</u>	<u>3,031,039</u>	<u>116,578</u>
Total	<u>\$ 124,893,489</u>	<u>\$ 42,370,911</u>	<u>\$ 5,442,091</u>	<u>\$ 161,822,309</u>	<u>\$ 5,693,630</u>

Typically, the General Fund has been used in prior years to liquidate the liability for compensated absences.

Business-type activities:

Bonds payable:					
Utility revenue bonds	\$ 383,535,000	\$ -	\$ 13,000,000	\$ 370,535,000	\$ 12,485,000
Add: Issuance premiums	9,849,194	-	1,039,365	8,809,829	-
Less deferred amounts:					
For issuance discounts	<u>27,509,929</u>	<u>-</u>	<u>2,862,151</u>	<u>24,647,778</u>	<u>-</u>
Total bonds payable	365,874,265	-	11,177,214	354,697,051	12,485,000
Utility notes payable	68,874,750	31,000,000	3,052,500	96,822,250	4,051,750
Clean water state revolving loan fund	110,952	-	110,952	-	-
SIB loan Agreement	1,000,000	-	1,000,000	-	-
Compensated absences	<u>2,757,416</u>	<u>1,933,593</u>	<u>1,843,176</u>	<u>2,847,833</u>	<u>109,531</u>
Total	<u>\$ 438,617,383</u>	<u>\$ 32,933,593</u>	<u>\$ 17,183,842</u>	<u>\$ 454,367,134</u>	<u>\$ 16,646,281</u>

CITY OF GAINESVILLE, FLORIDA
Notes to Financial Statements
September 30, 2005

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2005 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 15,387,695	\$ 1,195,718	\$ 739,048	\$ 15,844,365
Construction in progress	<u>11,302,159</u>	<u>768,236</u>	<u>8,146,353</u>	<u>3,924,042</u>
Total capital assets, not being depreciated	26,689,854	1,963,954	8,885,401	19,768,407
Capital assets, being depreciated:				
Buildings	31,246,302	9,703,724	50,696	40,899,330
Improvements other than buildings	6,057,437	169,452	2,502	6,224,387
Machinery and equipment	31,773,039	4,112,651	1,928,729	33,956,961
Infrastructure	<u>128,485,842</u>	<u>4,339,845</u>	<u>-</u>	<u>132,825,687</u>
Total capital assets being depreciated	197,562,620	18,325,672	1,981,927	213,906,365
Less accumulated depreciation for:				
Buildings	(13,048,519)	(1,158,353)	(25,367)	(14,181,505)
Improvements other than buildings	(4,784,210)	(151,348)	(2,503)	(4,933,055)
Machinery and equipment	(20,040,876)	(4,153,834)	(1,923,415)	(22,271,295)
Infrastructure	<u>(78,425,955)</u>	<u>(3,153,865)</u>	<u>-</u>	<u>(81,579,820)</u>
Total accumulated depreciation	<u>(116,299,560)</u>	<u>(8,617,400)</u>	<u>(1,951,285)</u>	<u>(122,965,675)</u>
Total capital assets, being depreciated, net	<u>81,263,060</u>	<u>9,708,272</u>	<u>30,642</u>	<u>90,940,690</u>
Governmental activities capital assets, net	<u>\$ 107,952,914</u>	<u>\$ 11,672,226</u>	<u>\$ 8,916,043</u>	<u>\$ 110,709,097</u>

Depreciation expense was charged to governmental activities functions/programs of the primary government as follows:

General Government	\$ 1,366,246
Public Safety	1,149,500
Transportation	3,481,909
Economic Environment	69,266
Culture & Recreation	492,846
Depreciation on capital assets held by the City's internal service funds is charged to the various functions based on their usage of the assets	<u>2,057,633</u>
Total depreciation expense - governmental activities	<u>\$ 8,617,400</u>

CITY OF GAINESVILLE, FLORIDA
Notes to Financial Statements
September 30, 2005

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 2,574,746	\$ 991,521	\$ -	\$ 3,566,267
Construction in progress	<u>74,908,193</u>	<u>65,501,803</u>	<u>32,542,704</u>	<u>107,867,292</u>
Total capital assets, not being depreciated	77,482,939	66,493,325	32,542,704	111,433,559
Capital assets, being depreciated:				
Utility plant and equipment	1,042,376,329	52,744,314	32,343,766	1,062,776,877
Buildings	3,522,458	-	-	3,522,458
Improvements other than buildings	1,891,169	366,688	-	2,257,857
Machinery and equipment	16,776,168	3,392,906	329,415	19,839,659
Infrastructure	<u>24,852,048</u>	<u>85,638</u>	<u>-</u>	<u>24,937,686</u>
Total capital assets, being depreciated	1,089,418,172	56,589,546	32,673,181	1,113,334,537
Less accumulated depreciation for:				
Utility plant and equipment	(405,327,780)	(34,328,558)	(4,633,474)	(435,022,864)
Buildings	(1,572,708)	(108,217)	-	(1,680,925)
Improvements other than buildings	(1,444,802)	(64,447)	-	(1,509,249)
Machinery and equipment	(10,456,441)	(1,450,645)	(327,410)	(11,579,676)
Infrastructure	<u>(17,057,936)</u>	<u>(170,095)</u>	<u>-</u>	<u>(17,228,031)</u>
Total accumulated depreciation	<u>(435,859,667)</u>	<u>(36,121,962)</u>	<u>(4,960,884)</u>	<u>(467,020,745)</u>
Total capital assets, being depreciated, net	<u>653,558,505</u>	<u>20,467,584</u>	<u>27,712,297</u>	<u>646,313,792</u>
Business-type activities capital assets, net	<u>\$ 731,041,444</u>	<u>\$ 86,960,909</u>	<u>\$ 60,255,001</u>	<u>\$ 757,747,351</u>

Depreciation expense was charged to business-type activities functions/programs of the primary government as follows:

Utility	\$ 34,328,559
Regional Transit System	1,442,018
Stormwater	196,550
Ironwood	129,664
Solid Waste	<u>25,171</u>
Total depreciation expense - business type activities	<u>\$ 36,121,962</u>

NOTE 7 - INDIVIDUAL FUND DEFICITS

The following funds had deficit fund balances/net assets at September 30, 2005:

Special Revenue Funds

<i>Thomas Center Fund</i>	<5,586>
<i>Federal Emergency Management Agency Grant Fund</i>	<2,586,600>

Enterprise Funds

<i>Ironwood Golf Course</i>	<153,848>
-----------------------------	-----------

CITY OF GAINESVILLE, FLORIDA
Notes to Financial Statements
September 30, 2005

Internal Service Funds

General Insurance

<1,610,793>

The Thomas Center Fund deficit is anticipated to be eliminated in FY 2006. The Federal Emergency Management Agency Grant Fund deficit is related to costs incurred from the hurricanes of 2004. This remaining deficit represents deferred revenues for an existing grant claim which is expected to be received during fiscal year 2006.

The Ironwood Golf Course Fund has reported expenses in excess of revenues for several years, which has depleted the fund's net assets. Management has implemented a variety of cost saving plans, including significantly reducing expenses for the clubhouse and pro shop. In 2006, a capital improvement surcharge was added to each round of play, which is expected to generate restricted revenues for long-term capital maintenance and additions.

In the General Insurance Fund, claim expense outpaced estimates in prior years. Premium structures have been revised in FY 2005 to address these issues and the fund realized a positive change in net assets. This trend is anticipated to continue.

NOTE 8 – COMPOSITION OF RECEIVABLES AND PAYABLES

Governmental activities

Receivables:

General Fund – Net accounts receivable as of September 30, 2005 are comprised of approximately 32% taxes (communications services tax, half cent sales tax, and local option gas tax), 15% due from other governments, 31% notes receivable, 13% receivables from employees, and 9% other receivables.

Nonmajor governmental funds – Net accounts receivable as of September 30, 2005 consist of approximately 23% loans receivable, 73% intergovernmental receivables, and 4% other receivables.

Payables:

General Fund – As of September 30, 2005, the payables balance in the General Fund consists of 77% wages payable and 23% other payables.

Nonmajor governmental funds – Payables balances as of September 30, 2005 are comprised of 46% construction related obligations, 5% wages payable and 49% other payables.

Business-type activities

Receivables:

Utility Fund – As of September 30, 2005 the net accounts receivable balance in the Utility Fund consists of 93% customer receivables for billed and unbilled utility services and 7% other receivables.

Nonmajor Enterprise Funds – Net accounts receivable as of September 30, 2005 are comprised of approximately 17% unbilled revenue, 80% intergovernmental receivables and 3% other receivables.

Payables:

Utility Fund – As of September 30, 2005 the payables balance in the Utility Fund consists of 54% fuels payable, 21% intergovernmental payables, 11% wages payable and 14% other payables.

Nonmajor Enterprise Funds – As of September 30, 2005 payables balances consist of 9% construction related obligations, 22% wages payable and 69% other payables.

CITY OF GAINESVILLE, FLORIDA
Notes to Financial Statements
September 30, 2005

NOTE 9 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Due to/from other funds:

Due to	Due from					Total
	General	Utility	Nonmajor governmental	Internal Service	Nonmajor Enterprise	
General	\$ -	\$ 3,178,017	\$ 3,734,552	\$ -	\$ 159,664	\$ 7,072,233
Utility	-	-	35,000	-	-	35,000
Nonmajor						
Governmental	-	234,955	-	-	-	234,955
Internal Service	-	527,592	-	-	-	527,592
Nonmajor						
Enterprise	-	850,147	-	-	1,608,897	2,459,044
Total	<u>\$ -</u>	<u>\$ 4,790,711</u>	<u>\$ 3,769,552</u>	<u>\$ -</u>	<u>\$ 1,768,561</u>	<u>\$ 10,328,824</u>

There is an interfund balance between the fiduciary funds of \$4,591,910 which is due to the establishment of an interfund payable resulting from the General Pension Fund overdrawn its share of the pooled cash account. There were no interfund balances between the fiduciary funds and other non-fiduciary funds.

The \$1,608,897 interfund payable from enterprise funds resulted from Ironwood overdrawn its share of the pooled cash account.

Of the \$7,072,233 due to the General Fund, \$3,734,552 is the result of the establishment of an interfund payable resulting from funds overdrawn their share of the pooled cash account. All remaining balances resulted from the time lag between the dates that (1) interfund good and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund transfers:

Transfer in	Transfer out					Total
	General	Utility	Nonmajor governmental	Internal Service	Nonmajor Enterprise	
General	\$ -	\$ 27,279,644	\$ 1,275,070	\$ -	\$ 300,000	\$ 28,854,714
Nonmajor						
Governmental	7,472,997	-	7,432,443	51,813	1,529,880	16,487,133
Internal Service	-	-	125,000	-	-	125,000
Nonmajor						
Enterprise	666,403	-	134,344	-	-	800,747
Total	<u>\$ 8,139,400</u>	<u>\$ 27,279,644</u>	<u>\$ 8,966,857</u>	<u>\$ 51,813</u>	<u>\$ 1,829,880</u>	<u>\$ 46,267,594</u>

The Utility transfer to the General Fund is based on a formula adopted by the City Commission. Please refer to Note 11 for more detail. The other interfund transfers were made in the normal course of operations and are consistent with the activities of the fund making the transfer.

CITY OF GAINESVILLE, FLORIDA
Notes to Financial Statements
September 30, 2005

NOTE 10 -EQUITY RESERVES

Fund Balance Reserves.

In the accompanying fund financial statements, use of the term “reserved” is limited to indicating that a portion of reported equity is legally restricted to a specific future use, or not available for appropriation or expenditure. Such reserves are clearly distinguished from designations, since designations represent management’s tentative future spending plans and such plans are subject to change and may never be legally authorized or result in actual expenditures.

A brief description and balances of reported reserved equity balances at September 30, 2005 follows:

<u>Fund Type</u>	<u>Encumbrances</u>	<u>Inventories</u>	<u>Noncurrent Receivable</u>	<u>Debt Service</u>	<u>Legal Restrictions for a Specific Future Use</u>	<u>TOTAL</u>
<i>General Fund</i>	\$ 220,133	\$ 71,737	\$ 1,789,006	\$ 464,701	\$ 2,365,810	\$ 4,911,387
<i>Special Revenue Funds</i>	2,588,106	-	-	-	486,556	3,074,662
<i>Debt Service Funds</i>	-	-	-	499,000	-	499,000
<i>Capital Projects Funds</i>	1,237,135	-	-	-	71,889	1,309,024
Total Reserves	\$ 4,045,374	\$ 71,737	\$ 1,789,006	\$ 963,701	\$ 2,924,255	\$ 9,794,073

Restricted Net Assets.

In the accompanying government-wide and proprietary funds’ statements of net assets, *restricted net assets* are subject to restrictions beyond the City’s control. The restriction is either externally imposed (for instance, by creditors, grantors, contributors, or laws and regulations of other governments) or is imposed by law through constitutional provisions or enabling legislation.

The composition of net assets “restricted for other purposes”, based on third party external restrictions, at September 30, 2005 is:

Governmental activities

Federal Grants	\$ 2,876,771
State Grants	2,310,874
Cemetery Care	1,372,278
Tax Increment Zones	3,184,419
Other	1,716,213
Total	<u>\$ 11,460,555</u>

Business-type activities

Investment in The Energy Authority	\$ 2,251,685
Nuclear Decommissioning Reserve	6,181,620
Regional Transit Capital Acquisition Reserve	468,600
Total	<u>\$ 8,901,905</u>

**NOTE 11- ENTERPRISE FUND (UTILITIES SYSTEM) OPERATING TRANSFERS TO
GENERAL FUND**

In 1986, the City Commission established a formula to determine the amount of Utility System revenues to be transferred to the General Fund of the City from the Enterprise (Utilities System) Funds. The transfer to the General Fund may be made only to the extent such monies are not necessary to pay debt service on

CITY OF GAINESVILLE, FLORIDA
Notes to Financial Statements
September 30, 2005

the outstanding bonds and subordinated debt or to make other necessary transfers under the Resolution. The transfer to the General Fund for the year ended September 30, 2005 was \$27,279,644.

NOTE 12 - COMMITMENTS AND CONTINGENCIES

Under the Comprehensive Environmental Response Compensation and Liability Act, commonly known as "Superfund", the Utilities System Enterprise Funds (operating as Gainesville Regional Utilities, or GRU) has been named as a potentially responsible party at one hazardous waste site. In addition, in January 1990, GRU purchased the natural gas distribution assets of a company and pursuant to the related purchase agreement, assumed responsibility for the investigation and remediation of environmental impact related to the operation of the former manufactured gas plant. Based upon GRU's analysis of the cost to clean up these sites, GRU has accrued a liability of which \$6,931,000 remains as of September 30, 2005. GRU is recovering the costs of this clean-up through customer charges. A regulatory asset of equal amount has been established as a deferred charge in the accompanying balance sheets to represent the balance of customer charges. Although some uncertainties associated with environmental assessment and remediation activities remain, GRU believes that the current provision for such costs is adequate and additional costs, if any, will not have a material adverse effect on the City's financial position, results of operations or liquidity.

The City is involved in several pending lawsuits in the normal course of operations. There are also certain pending unasserted claims and assessments relating to environmental cleanup issues. It is the opinion of management and the City Attorney (in-house counsel) that any uninsured claims resulting from such litigation would not be material in relation to the City's financial condition or results of operations.

NOTE 13 - LEASE/LEASEBACK TRANSACTION

On December 10, 1998, GRU entered into a lease/leaseback transaction for all of the Deerhaven Unit 1 and a substantial portion of the Deerhaven Unit 2 generating facilities. Under the terms of the transaction, GRU entered into a 38-year lease and simultaneously a 20-year leaseback. At the end of the leaseback period term, GRU has the option to buy out the remainder of the lease for a fixed purchase option amount. Under the terms of the transaction, GRU continues to own, operate, maintain and staff the facilities.

The proceeds received by GRU from this transaction were approximately \$249 million. From these proceeds, GRU deposited \$142 million as a payment undertaking agreement and a second deposit of \$72 million in the form of a collateralized Guaranteed Investment Contract (GIC) both with an AAA rated insurance company. The deposit instruments will mature in amounts sufficient to meet the annual payment obligations under the leaseback including the end of term fixed purchase option if elected by GRU.

The net benefit of this transaction, after payment of transaction expenses, was approximately \$35 million and resulted in a deferred gain, which is being amortized as income on a straight-line basis over the leaseback period of 20 years. Of the \$35 million, \$5.1 million was transferred in a prior year to the City of Gainesville's General Fund with the remainder being used, along with other funds on hand, to pay off approximately \$43 million of tax-exempt commercial paper.

Amortization of the net benefit was \$1,775,000 in fiscal year 2005 and was reported as a component of other operating revenue.

NOTE 14 - INVESTMENT IN THE ENERGY AUTHORITY

In May 2000, GRU became an equity member of The Energy Authority (TEA), a power marketing joint venture. In May, 2002, TEA began trading natural gas on behalf of GRU. As of September 30, 2005 this joint venture was comprised of six municipal utilities across the nation, all of which are participating in the electric marketing and five of which participate in the gas program. GRU's ownership interest was 7.1% in the electric venture and 7.7% in the gas venture, and it accounted for this investment using equity accounting. To become a member, GRU paid an initial capital contribution of \$1,000,000 and a

CITY OF GAINESVILLE, FLORIDA
Notes to Financial Statements
September 30, 2005

membership fee of \$867,360. The membership fee was amortized over 24 months and, consequently, eliminated at September 30, 2002. GRU has reflected the capital contribution as an investment in TEA. The investment balance has been adjusted for GRU's subsequent share of TEA's net income or loss. In calculating GRU's share of net income or loss, profit on transactions between GRU and TEA have been eliminated. Such transactions primarily relate to purchases and sales of electricity between GRU and TEA.

GRU had purchase transactions with TEA of \$11,747,684 and sales transactions of \$2,507,996 in fiscal year 2005. TEA's profit on these transactions has been reflected as a reduction to GRU's reported revenue or expense. As of September 30, 2005, GRU's investment in TEA was \$2,251,685.

GRU provides guarantees to TEA and to TEA's bank to secure letters of credit issued by the bank to cover purchase and sale contracts for electric energy, natural gas and related transmission. In accordance with the membership agreement between GRU and its joint venture members and with the executed guaranties delivered to TEA and to TEA's bank, GRU's aggregate obligation for electric energy marketing transactions entered into by TEA on behalf of its members is \$9,600,000 as of September 30, 2005. GRU's aggregate obligation for TEA's natural gas marketing transactions, under similar agreements and executed guaranties, is \$18,800,000 as of September 30, 2005.

TEA issues stand-alone financial statements which may be obtained by writing to 76 South Laura Street; Suite 1500; Jacksonville, Florida 32202.

NOTE 15 – RESTATEMENTS

The City implemented GASB Statements 43 and 45 effective October 1, 2004. The City reclassified the Retired Employees Health and Accident Benefits Fund from an internal service fund. The fund was renamed the Other Post Employment Benefits (OPEB) Fund and was reclassified as a trust fund in order to comply with the requirements of GASB Statements No. 43 and 45. The beginning net assets of the internal service funds were accordingly reduced by \$11,331,392 and the beginning net assets of the fiduciary funds were increased by the same amount. This adjustment was reported in the government-wide statement of activities as a decrease of \$8,358,542 in governmental activities' beginning net assets and a decrease of \$2,972,850 in business-type activities' beginning net assets. This prior period adjustment is also reflected in the adjusted beginning cash balance in the internal service funds' cash flow statement.

In addition, in prior years, the Employees' Disability Pension Fund was reported as a part of the Employees' Pension Fund. In fiscal year 2005, the Employees' Disability Pension Fund is reported as a separate fund. This change had no effect on the total net assets of the Pension and Other Post Employment Benefits Trust Funds.

NOTE 16 – SUBSEQUENT EVENTS

In November 2005, the City issued three series of 2005 Utilities System Revenue Bonds. The 2005 Series A Bonds in the amount of \$196,950,000 were issued to provide funds for the payment of the cost of acquisition and construction of certain improvements to the system and to refund the Series C Commercial Paper Notes. Those bonds mature at various dates from October 1, 2021 to October 1, 2036. The bonds are subject to redemption at the option of the City on or after October 1, 2015, in whole or part, at a redemption price of 100%.

The 2005 Series B Taxable Bonds in the amount of \$61,590,000 were issued to provide funds for the payment of the cost of acquisition and construction of certain improvements to the system and to refund the Series D Commercial Paper Notes. The bonds mature at various dates from October 1, 2007 to October 1, 2021. The bonds are subject to redemption prior to maturity at the option of the City, in whole or in part, at a redemption price so specified.

The 2005 Series C Bonds in the amount of \$55,135,000 were issued to provide funds to refund \$53,190,000 in aggregate principal of the 1996 Series A Bonds. The bonds were issued as variable rate

CITY OF GAINESVILLE, FLORIDA
Notes to Financial Statements
September 30, 2005

revenue bonds which initially bear interest at daily rates. The bonds mature at various dates through October 1, 2026. The bonds are subject to mandatory and optional redemption prior to maturity and to option and mandatory tender for purchase. Liquidity support is provided by SunTrust Bank.

In connection with the 2005 Series C Bonds, the City entered into an interest rate swap agreement with a November effective date with Goldman Sachs Mitsui Marine Derivative Products, L.P. (GSMMDP) for an initial notational amount of \$45,000,000 amortizing down to zero on October 1, 2021. Under the terms of this swap, the City would pay GSMMDP the BMA Municipal Sway Index Rate on certain payment dates and, in return, GSMMDP would pay the City 77.14% of one month's LIBOR.

In November 2005, the City also issued the Capital Improvement Revenue Bonds (CIRB) Series 2005 in the amount of \$22,695,000 for the funding of certain capital improvement projects.



**REQUIRED
SUPPLEMENTARY INFORMATION**

CITY OF GAINESVILLE, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2005

	BUDGETED AMOUNTS		ACTUAL	ENCUMBRANCES	BUDGETARY BASIS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
	ORIGINAL	FINAL				
REVENUES						
Taxes	31,814,274	31,814,274	31,497,437	\$ -	\$ 31,497,437	\$ (316,837)
Licenses and Permits	2,443,830	2,474,864	2,896,874	-	2,896,874	422,010
Intergovernmental	9,742,763	10,822,128	12,130,525	-	12,130,525	1,308,397
Charges for Services	6,632,552	6,876,064	6,388,085	-	6,388,085	(487,979)
Fines and Forfeitures	1,474,715	1,497,215	1,189,560	-	1,189,560	(307,655)
Miscellaneous	1,213,020	1,569,319	1,480,502	-	1,480,502	(88,817)
TOTAL REVENUES	53,321,154	55,053,864	55,582,983	-	55,582,983	529,119
EXPENDITURES						
Current:						
General Government	17,223,181	17,277,052	16,316,438	42,414	16,358,852	918,200
Public Safety	39,833,683	44,729,317	45,356,611	37,270	45,393,881	(664,564)
Physical Environment	2,133,084	2,287,251	2,172,387	-	2,172,387	114,864
Transportation	8,121,982	8,696,647	8,726,188	43,684	8,769,872	(73,225)
Economic Environment	228,539	398,600	299,790	35,016	334,806	63,794
Culture and Recreation	4,416,584	5,083,793	4,544,214	61,749	4,605,963	477,830
TOTAL EXPENDITURES	71,957,053	78,472,660	77,415,628	220,133	77,635,761	836,899
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(18,635,899)	(23,418,796)	(21,832,645)	(220,133)	(22,052,778)	1,366,018
OTHER FINANCING SOURCES (USES)						
Transfers In	27,817,583	28,580,662	28,854,714	-	28,854,714	274,052
Transfers Out	(7,415,351)	(7,966,844)	(8,139,400)	-	(8,139,400)	(172,556)
TOTAL OTHER FINANCING SOURCES (USES)	20,402,232	20,613,818	20,715,314	-	20,715,314	101,496
NET CHANGE IN FUND BALANCES	1,766,333	(2,804,978)	(1,117,331)	\$ (220,133)	\$ (1,337,464)	\$ 1,467,514

CITY OF GAINESVILLE, FLORIDA
NOTES TO SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
GENERAL FUND
SEPTEMBER 30, 2005

Annual budgets are legally adopted for all governmental funds other than Capital Projects Funds and certain Special Revenue Funds (such as grant funds and tax increment funds), which are appropriated on a project-length basis. Budgets are controlled at the department level throughout the year and total expenditures plus encumbrances may not legally exceed appropriations for each budgeted fund.

Budget amounts reflected in the accompanying schedule incorporate all budgetary amendments (including supplemental appropriations) to the original budget. Budget amendments are approved by the City Commission during the year, with a final amendatory ordinance approved after the end of the fiscal year.

The City Manager can approve budget transfers within and between operating departments and divisions of the same fund. All interfund budget transfers require prior approval of the City Commission, as do transfers from contingency funds exceeding \$25,000. Transfers concerning personnel can be made as long as the total number of permanent positions approved in the budget is not exceeded.

Budget appropriations lapse at year-end. Encumbrances at year-end do not represent GAAP expenditures or liabilities but represent budgetary accounting controls. All governmental fund budgets are maintained on the modified accrual basis of accounting except that budgetary basis expenditures include purchase orders and contracts (encumbrances) issued for goods or services not received at year-end.

The actual results of operations are presented in accordance with GAAP, and the City does not recognize encumbrances as expenditures until the period in which the goods or services are actually received and a liability is incurred. Encumbrances are presented as reservations of fund balance. It is necessary to include the budgetary encumbrances to reflect actual revenues and expenditures on a budgetary basis consistent with the City's legally adopted budget. The following fiscal year's budget is amended to reappropriate the fund balance reserved for encumbrances.

As illustrated on the previous page, on the budgetary basis, total expenditures were \$836,899 less than the final budget. Revenues were recognized in an amount \$529,119 in excess of the final budget. Including other financing sources and uses, which exceeded the budget in total by \$101,496, General Fund fund balances increased by \$1,467,514 more than was budgeted.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF GAINESVILLE, FLORIDA
SCHEDULE OF FUNDING PROGRESS
EMPLOYEES' PENSION PLAN
FOR THE YEAR ENDED SEPTEMBER 30, 2005

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
9/30/05	\$ 246,611,495	\$ 249,529,300	\$ 2,917,805	98.83%	\$ 63,792,144	4.57%
9/30/04	222,092,000	236,067,000	13,975,000	94.08%	67,135,000	20.82%
9/30/03	202,748,044	212,162,122	9,414,078	95.56%	52,321,455	17.99%

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF GAINESVILLE, FLORIDA
SCHEDULE OF FUNDING PROGRESS
DISABILITY PENSION PLAN
FOR THE YEAR ENDED SEPTEMBER 30, 2005

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) Entry Age (b)	Unfunded (UAAL) (b) - (a)	Funded ratio (a/b)	Covered Payroll (c)	UAAL as % of covered payroll (b-a)/c
09/30/05	\$ 3,773,474	\$ 3,052,206	\$ (721,268)	123.63%	\$ 63,792,144	-1.13%

Note: Fiscal year 2005 was the first year the Disability Pension Plan was separately valued and reported.
In future years, three year trend data will be presented.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF GAINESVILLE, FLORIDA
SCHEDULE OF EMPLOYER CONTRIBUTIONS
DISABILITY PENSION PLAN
FOR THE YEAR ENDED SEPTEMBER 30, 2005

<u>Year</u> <u>Ended</u>	<u>Annual</u> <u>Required</u> <u>Contribution</u>	<u>Actual</u> <u>Employer</u> <u>Contribution</u>	<u>Percentage</u> <u>Contributed</u>
09/30/05	\$ 487,779	\$ 487,779	100.00%

Note: Fiscal year 2005 was the first year the Disability Pension Plan was separately valued and reported. In future years, multi-year trend data will be presented.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF GAINESVILLE, FLORIDA
SCHEDULE OF FUNDING PROGRESS
POLICE OFFICERS' AND FIREFIGHTERS' CONSOLIDATED PENSION PLAN
FOR THE YEAR ENDED SEPTEMBER 30, 2005

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
10/1/05	\$ 144,236,229	\$ 147,209,020	\$ 2,972,791	97.98%	\$ 21,307,037	13.95%
10/1/04	133,518,595	136,712,754	3,194,159	97.66%	20,229,474	15.79%
10/1/03	125,816,211	129,549,367	3,733,156	97.12%	17,703,178	21.09%

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF GAINESVILLE, FLORIDA
SCHEDULE OF FUNDING PROGRESS
OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN
FOR THE YEAR ENDED SEPTEMBER 30, 2005

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
9/30/05	\$ 49,249,956	\$ 75,573,136	\$ 26,323,180	65.17%	\$ 95,340,925	27.61%

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF GAINESVILLE, FLORIDA
SCHEDULE OF EMPLOYER CONTRIBUTIONS
OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN
FOR THE YEAR ENDED SEPTEMBER 30, 2005

<u>Year</u> <u>Ended</u>	<u>Annual</u> <u>Required</u> <u>Contribution</u>	<u>Actual</u> <u>Employer</u> <u>Contribution</u>	<u>Percentage</u> <u>Contributed</u>
09/30/05	\$ 7,680,930	\$ 38,190,848	497.22%

CITY OF GAINESVILLE, FLORIDA
NOTES TO SCHEDULES OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2005

	EMPLOYEES' PLAN		DISABILITY PLAN		CONSOLIDATED PLAN		OPEB PLAN
Valuation Date	10/01/04		10/01/03		10/01/04		10/01/03
Actuarial Cost Method	Entry Age Normal		Entry Age Normal		Entry Age Normal		Entry Age Normal
Amortization Method	Level percent		Level percent		Level percent		Level percent
Asset Valuation Method	5-year smoothed market		Market value		5-year smoothed market		Market value
Actuarial Assumptions: Investment Rate of Return*	9.25% per annum		9.25% per annum		8.50% per annum		9.00% per annum
Salary Increase Rate*	<u>Years of svc.</u>	<u>Rate</u>	<u>Years of svc.</u>	<u>Rate</u>	<u>Age range</u>	<u>Rate</u>	not applicable
	6 & under	7%	6 & under	7%	Less than 30	7%	
	7 - 11	6	7 - 11	6	30 - 35	6	
	12 - 16	4	12 - 16	4	35 - 40	5	
	Over 16	3.5	Over 16	3.5	40 & older	4	
Health Care Cost Trend Rate	not applicable		not applicable		not applicable		7%

* Includes inflation of 3.75%.

In the Consolidated Plan, prior year actuarial data is updated using the most recent version provided by the actuary, which may vary from the amounts presented in previous financial reports.





SUPPLEMENTAL INFORMATION

NONMAJOR GOVERNMENT FUNDS

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or for major capital projects) that are restricted to expenditures for specific purposes.

The City maintains the following Special Revenue Funds:

Community Development Block Grant Fund - to maintain unique accounting requirements for Federal funds being used to refurbish and rehabilitate deteriorated neighborhoods.

Urban Development Action Grant Fund - to account for Urban Development Action Grant Funds loaned to a local developer for construction of a downtown-parking garage. The loan is to be repaid based on provisions of an agreement.

Home Grant Fund - to maintain unique accounting requirements for HOME Investment Partnerships Program Grant funds. This program was created under Title II of the Cranston-Gonzalez National Affordable Housing Act of 1990.

Supportive Housing Investment Partnership Fund – to account for documentary stamp proceeds from real estate transactions to be used as funding for the entitlement program for expenditures made by the City improve housing options for lower income and less advantaged citizens.

Miscellaneous Gifts and Grants Fund - to account for several miscellaneous gifts and grants, most of which are of small dollar value in nature, or which are single purpose in nature and require minimal special accounting features.

Cultural and Nature Projects Fund - to account for revenues and expenditures associated with various cultural activities provided for the benefit of the citizens of the City. Financing is provided by various charges for services and miscellaneous revenue sources.

State Law Enforcement Contraband Forfeiture Fund - to account for law enforcement related projects funded by the proceeds from state confiscated property forfeited under the provisions of Sections 932.701 through 932.704, Florida Statutes.

Federal Law Enforcement Contraband Forfeiture Fund - to account for law enforcement related projects funded by the proceeds from federal confiscated property forfeited under the provisions of Sections 932.701 through 932.704, Florida Statutes

Street, Sidewalk and Ditch Improvement Fund - to account for the provision and financing of paving and ditch improvement projects. Financing is provided by assessments levied against property owners in a limited geographical area as improvement projects are approved.

Economic Development Fund - to account for revenue and expenditures made to promote economic development.

Transportation Concurrency Exception Area Fund – to account for revenue and expenditures generated in connection with transportation improvements made in conjunction with new developments.

Water and Wastewater Surcharge Infrastructure Fund – to account for surcharge collections and interest earnings which are to be expended on related infrastructure improvements for water and wastewater.

Temporary Assistance to Needy Families Fund – to account for grant proceeds and expenditures to third party entity providing educational, recreational, shelter, safety and care services to needy families and assisting the with the cost incurred by the City for administering the funding program.

Federal Emergency Management Agency Grant Fund – to account for expenditures and federal reimbursement of costs incurred by the City from the three hurricanes passing through the area during the last few weeks of the fiscal year 2004.

Small Business Loan Fund – to account for revenue and expenditures associated with revolving loan funds to local small businesses.

Recreation Fund – to account for revenue and expenditures associated with various recreation programs and centers. Activities are supported by charges for services, contributions and miscellaneous revenues.

Miscellaneous Special Revenue Fund – to account for several miscellaneous programs that are of small dollar value or single purpose in nature and require minimal special accounting features.

Tourist Destination Enhancement Fund – to account for Tourist Development tax dollars awarded as grants to artistic, eco-tourism and new program projects that will promote tourism in the area.

Evergreen Cemetery Trust Fund - to account for revenues, which will be used to finance perpetual care for certain, City cemetery gravesites. Interest income and income from lot sales and perpetual care contracts provide the financing sources.

Thomas Center Fund - to account for donated funds, and interest earned on such funds, which are to be used for certain specific projects involving the Thomas Center.

Fifth Avenue Tax Increment Fund - to account for certain property tax increments, and interest earned on such funds, which are to be used for specific projects involving downtown redevelopment.

Downtown Redevelopment Tax Increment Fund - to account for certain property tax increments, and interest earned on such funds, which are to be used for specific projects involving downtown redevelopment.

College Park Tax Increment Fund - to account for certain property tax increments and interest earned on such funds, which are to be used for specific projects involving redevelopment of the College Park neighborhood.

East Side Tax Increment Fund - to account for certain property tax increments and interest earned on such funds, which are to be used for specific projects involving redevelopment of the East Side district.

Art in Public Places Trust Fund - to account for the use of funds to purchase art for the newly renovated City building, and to accumulate funds to provide art that is accessible to the public.

School Crossing Guard Trust Fund - to account for the surcharge imposed on parking fines to fund the School Crossing Guard Program.

DEBT SERVICE FUNDS

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

The City maintains the following Debt Service Funds:

First Florida Governmental Financing Commission (FFGFC) Fund - Series 1996 - to account for funds to maintain a reserve and accumulate the debt service requirements of the 1996 borrowing from the First Florida Governmental Financing Commission.

First Florida Governmental Financing Commission (FFGFC) Fund - Series 1998 - to account for funds to maintain a reserve and accumulate the debt service requirements of the 1998 borrowing from the First Florida Governmental Financing Commission.

First Florida Governmental Financing Commission (FFGFC) Fund – Series 2001 – to account for funds to maintain a reserve and accumulate the debt service requirements of the 2001 borrowing from the First Florida Governmental Financing Commission.

First Florida Governmental Financing Commission (FFGFC) Fund – Series 2002 – to account for funds to accumulate the debt service requirements of the 2002 borrowing from the First Florida Governmental Financing Commission.

First Florida Governmental Financing Commission (FFGFC) Fund – Series 2005 – to account for funds to accumulate the debt service requirements of the 2005 borrowing from the First Florida Governmental Financing Commission.

Guaranteed Entitlement Revenue and Refunding Bonds 1994 Fund - to receive and account for funds (Guaranteed Entitlement Funds) to maintain a reserve and accumulate the debt service requirements of the Guaranteed Entitlement Refunding and Revenue Bonds of 1994.

Guaranteed Entitlement Revenue and Refunding Bonds 2004 Fund – to receive and account for funds (Guaranteed Entitlement funds) to accumulate the debt service requirements of the Guaranteed Entitlement Refunding Bonds of 2004.

Pension Obligation Bonds Series 2003 A – to account for funds to accumulate the debt service requirements of the pension obligation bonds.

Pension Obligation Bonds Series 2003 B – to account for funds to accumulate the debt service requirements of the pension obligation bonds.

Other Post-Employment Benefit (OPEB) Bonds Series 2005 – to account for funds to accumulate the debt service requirements of the other post-employment benefit obligation bonds.

CAPITAL PROJECTS FUNDS

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds and Trust Funds).

The City maintains the following Capital Projects Funds:

General Capital Projects Fund - to account for costs of various projects, which are of relatively small dollar value in nature. Financing is generally provided by operating transfers from other funds of the City and interest earnings.

Greenspace Acquisition Fund - to account for the costs of acquiring undeveloped land. Financing is provided by operating transfers from other funds of the City and interest earnings.

Public Improvement Construction Fund - to account for the costs of various capital projects to be funded with the nonrefunding portion of the Guaranteed Entitlement Revenue and Refunding Bonds - 1994 and interest earnings.

Information Systems Capital Projects Fund - to account for the costs of information systems capital projects to be financed with First Florida Governmental Financing Commission borrowings (1994), operating transfers from other funds of the City and interest earnings.

Roadway Construction Fund 96 - to account for the costs of roadway improvements financed through First Florida Governmental Financing Commission borrowings (1996) and interest earnings.

Communications Equipment Project Fund 98 - to account for the costs of purchasing communications equipment financed through First Florida Governmental Financing Commission 1998 and interest earnings.

Capital Acquisitions from Debt Refunding 98 - to account for the costs of various capital projects financed through the release of reserves as a result of debt refunding in 1998.

Courthouse Parking Garage - to account for the costs of the construction of the parking facilities for the new Alachua County Criminal Courthouse financed by the General Fund.

Fleet Acquisition Fund 01 - to account for the costs of fleet acquisition financed through First Florida Governmental Financing Commission 2001 and interest earnings.

Capital Projects Fund 02 - to account for the costs of various capital projects financed by the First Florida Governmental Financing Commission 2002 and interest earnings.

Downtown Parking Garage Fund 02 - to account for construction costs of the Alachua County Criminal Courthouse parking facilities financed by the First Florida Governmental Financing Commission 2002 and interest earnings.

Fifth Avenue/Pleasant Street Rehabilitation Project Fund 02 - to account for the acquisition and rehabilitation of properties in the Fifth Avenue/Pleasant Street district financed through the First Florida Governmental Financing Commission 2002 and interest earnings.

Downtown Parking Garage Sales Tax Fund - to account for construction costs of the Alachua County Criminal Courthouse parking facilities financed by the local option sales tax.

Capital Projects Fund 05 - to account for the costs of various capital projects financed by the First Florida Governmental Financing Commission 2005 and interest earnings.

CITY OF GAINESVILLE, FLORIDA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2005

SPECIAL REVENUE FUNDS

	COMMUNITY DEVELOP- MENT BLOCK GRANT FUND	URBAN DEVELOP- MENT ACTION GRANT FUND	HOME GRANT FUND	SHIP FUND	MISCEL- LANEOUS GIFTS AND GRANTS FUND	CULTURAL AND NATURE PROJECTS FUND
<u>ASSETS</u>						
Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Equity in Pooled Cash and Investments	-	87,657	-	2,271,118	-	101,563
Investments	-	-	-	-	-	-
Receivables	607,611	1,134,125	534,516	-	765,922	66
Due from Other Funds	-	-	-	-	-	-
Assets Held for Evidence	-	-	-	-	-	-
TOTAL ASSETS	\$ 607,611	\$ 1,221,782	\$ 534,516	\$ 2,271,118	\$ 765,922	\$ 101,629
<u>LIABILITIES AND FUND BALANCES</u>						
<u>LIABILITIES</u>						
Accounts Payable and Accrued Liabilities	\$ 56,476	\$ -	\$ 12,693	\$ 31,357	\$ 77,885	\$ 4,446
Due to Other Funds	332,295	-	165,963	-	411,586	-
Deferred Revenue	46,378	1,134,125	257,265	-	248,039	-
TOTAL LIABILITIES	435,149	1,134,125	435,921	31,357	737,510	4,446
<u>FUND BALANCES</u>						
Reserved for Encumbrances	135,568	-	289,704	160,460	1,057,535	8,991
Reserved for Legal Restrictions	-	-	486,556	-	-	-
Reserved for Debt Service	-	-	-	-	-	-
Unreserved:						
Designated for Future Use	-	-	-	2,079,301	(1,029,123)	88,192
Undesignated	36,894	87,657	(677,665)	-	-	-
TOTAL FUND BALANCES	172,462	87,657	98,595	2,239,761	28,412	97,183
TOTAL LIABILITIES AND FUND BALANCES	\$ 607,611	\$ 1,221,782	\$ 534,516	\$ 2,271,118	\$ 765,922	\$ 101,629

(CONTINUED)

CITY OF GAINESVILLE, FLORIDA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2005

SPECIAL REVENUE FUNDS (continued)

	STATE LAW ENFORCE- MENT CONTRABAND FORFEITURE FUND	FEDERAL LAW ENFORCE- MENT CONTRABAND FORFEITURE FUND	STREET, SIDEWALK AND DITCH IMPROVEMENT FUND	ECONOMIC DEVELOPMENT FUND	TRANSPORTATION CONCURRENCY EXCEPTION AREA FUND
<u>ASSETS</u>					
Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -	\$ -
Equity in Pooled Cash and Investments	71,113	5,200,902	117,232	168,202	393,170
Investments	-	-	-	-	-
Receivables	-	-	16,140	104,016	-
Due from Other Funds	-	-	-	4,153	-
Assets Held for Evidence	75,521	-	-	-	-
TOTAL ASSETS	\$ 146,634	\$ 5,200,902	\$ 133,372	\$ 276,371	\$ 393,170
<u>LIABILITIES AND FUND BALANCES</u>					
<u>LIABILITIES</u>					
Accounts Payable and Accrued Liabilities	\$ -	\$ 96,245	\$ -	\$ 5,670	\$ -
Due to Other Funds	-	-	-	-	-
Deferred Revenue	75,521	-	16,140	-	-
TOTAL LIABILITIES	75,521	96,245	16,140	5,670	-
<u>FUND BALANCES</u>					
Reserved for Encumbrances	-	194,329	-	-	43,389
Reserved for Legal Restrictions	-	-	-	-	-
Reserved for Debt Service	-	-	-	-	-
Unreserved:					
Designated for Future Use	71,113	4,910,328	-	-	349,781
Undesignated	-	-	117,232	270,701	-
TOTAL FUND BALANCES	71,113	5,104,657	117,232	270,701	393,170
TOTAL LIABILITIES AND FUND BALANCES	\$ 146,634	\$ 5,200,902	\$ 133,372	\$ 276,371	\$ 393,170

(CONTINUED)

CITY OF GAINESVILLE, FLORIDA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2005

SPECIAL REVENUE FUNDS (continued)

	WATER AND WASTEWATER SURCHARGE INFRASTRUCTURE FUND	TANF GRANT FUND	FEDERAL EMERGENCY MANAGEMENT AGENCY GRANT FUND	SMALL BUSINESS LOAN FUND	RECREATION FUND
<u>ASSETS</u>					
Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -	\$ -
Equity in Pooled Cash and Investments	380,603	-	-	70,058	-
Investments	-	-	-	-	-
Receivables	-	-	3,909,261	-	-
Due from Other Funds	-	-	-	-	-
Assets Held for Evidence	-	-	-	-	-
TOTAL ASSETS	\$ 380,603	\$ -	\$ 3,909,261	\$ 70,058	\$ -
<u>LIABILITIES AND FUND BALANCES</u>					
<u>LIABILITIES</u>					
Accounts Payable and Accrued Liabilities	\$ -	\$ -	\$ 1,218,319	\$ -	\$ -
Due to Other Funds	-	-	2,534,228	-	-
Deferred Revenue	-	-	2,743,314	-	-
TOTAL LIABILITIES	-	-	6,495,861	-	-
<u>FUND BALANCES</u>					
Reserved for Encumbrances	-	-	283,148	-	-
Reserved for Legal Restrictions	-	-	-	-	-
Reserved for Debt Service	-	-	-	-	-
Unreserved:					
Designated for Future Use	380,603	-	-	70,058	-
Undesignated	-	-	(2,869,748)	-	-
TOTAL FUND BALANCES	380,603	-	(2,586,600)	70,058	-
TOTAL LIABILITIES AND FUND BALANCES	\$ 380,603	\$ -	\$ 3,909,261	\$ 70,058	\$ -

(CONTINUED)

CITY OF GAINESVILLE, FLORIDA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2005

SPECIAL REVENUE FUNDS (continued)

	MISCELLANEOUS SPECIAL REVENUE FUND	TOURIST DESTINATION ENHANCEMENT FUND	EVERGREEN CEMETERY TRUST FUND	THOMAS CENTER FUND	FIFTH AVENUE TAX INCREMENT FUND
ASSETS					
Cash and Cash Equivalents	\$ -	\$ -	\$ 54,006	\$ -	\$ -
Equity in Pooled Cash and Investments	122,097	161,493	-	-	561,013
Investments	-	-	1,439,951	-	-
Receivables	17,157	14,343	754	-	1,390
Due from Other Funds	-	-	-	-	-
Assets Held for Evidence	-	-	-	-	-
TOTAL ASSETS	\$ 139,254	\$ 175,836	\$ 1,494,711	\$ -	\$ 562,403
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts Payable and Accrued Liabilities	\$ 11,236	\$ 35,048	\$ -	\$ -	\$ 300
Due to Other Funds	-	-	121,679	5,586	-
Deferred Revenue	-	-	754	-	1,390
TOTAL LIABILITIES	11,236	35,048	122,433	5,586	1,690
FUND BALANCES					
Reserved for Encumbrances	57,521	92,181	-	-	46,748
Reserved for Legal Restrictions	-	-	-	-	-
Reserved for Debt Service	-	-	-	-	-
Unreserved:					
Designated for Future Use	70,497	48,607	1,372,278	(5,586)	513,965
Undesignated	-	-	-	-	-
TOTAL FUND BALANCES	128,018	140,788	1,372,278	(5,586)	560,713
TOTAL LIABILITIES AND FUND BALANCES	\$ 139,254	\$ 175,836	\$ 1,494,711	\$ -	\$ 562,403

(CONTINUED)

CITY OF GAINESVILLE, FLORIDA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2005

SPECIAL REVENUE FUNDS (concluded)

	DOWNTOWN REDEVELOP- MENT TAX INCREMENT FUND	COLLEGE PARK TAX INCREMENT FUND	EASTSIDE TAX INCREMENT FUND	ART IN PUBLIC PLACES TRUST FUND	SCHOOL CROSSING GUARD TRUST FUND
ASSETS					
Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -	\$ -
Equity in Pooled Cash and Investments	566,828	1,843,467	234,889	49,027	46,607
Investments	-	-	-	-	-
Receivables	-	-	-	-	-
Due from Other Funds	-	-	-	-	-
Assets Held for Evidence	-	-	-	-	-
TOTAL ASSETS	\$ 566,828	\$ 1,843,467	\$ 234,889	\$ 49,027	\$ 46,607
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts Payable and Accrued Liabilities	\$ 3,500	\$ 17,978	\$ -	\$ -	\$ -
Due to Other Funds	-	-	-	-	-
Deferred Revenue	-	-	-	-	-
TOTAL LIABILITIES	3,500	17,978	-	-	-
FUND BALANCES					
Reserved for Encumbrances	24,117	170,790	23,625	-	-
Reserved for Legal Restrictions	-	-	-	-	-
Reserved for Debt Service	-	-	-	-	-
Unreserved:					
Designated for Future Use	539,211	1,654,699	211,264	49,027	-
Undesignated	-	-	-	-	46,607
TOTAL FUND BALANCES	563,328	1,825,489	234,889	49,027	46,607
TOTAL LIABILITIES AND FUND BALANCES	\$ 566,828	\$ 1,843,467	\$ 234,889	\$ 49,027	\$ 46,607

(CONTINUED)

CITY OF GAINESVILLE, FLORIDA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2005

DEBT SERVICE FUNDS

	FFGFC SERIES <u>1996</u>	FFGFC SERIES <u>1998</u>	FFGFC SERIES <u>2001</u>	FFGFC SERIES <u>2002</u>	FFGFC SERIES <u>2005</u>
<u>ASSETS</u>					
Cash and Cash Equivalents	516,935	\$ -	\$ -	\$ -	\$ -
Equity in Pooled Cash and Investments	65,423	-	-	-	200,000
Investments	-	-	-	-	-
Receivables	-	-	-	-	-
Due from Other Funds	-	-	-	-	-
Assets Held for Evidence	-	-	-	-	-
TOTAL ASSETS	\$ 582,358	\$ -	\$ -	\$ -	\$ 200,000
<u>LIABILITIES AND FUND BALANCES</u>					
<u>LIABILITIES</u>					
Accounts Payable and Accrued Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -
Due to Other Funds	-	-	-	-	-
Deferred Revenue	-	-	-	-	-
TOTAL LIABILITIES	-	-	-	-	-
<u>FUND BALANCES</u>					
Reserved for Encumbrances	-	-	-	-	-
Reserved for Legal Restrictions	-	-	-	-	-
Reserved for Debt Service	499,000	-	-	-	-
Unreserved:					
Designated for Future Use	83,358	-	-	-	200,000
Undesignated	-	-	-	-	-
TOTAL FUND BALANCES	582,358	-	-	-	200,000
TOTAL LIABILITIES AND FUND BALANCES	\$ 582,358	\$ -	\$ -	\$ -	\$ 200,000

(CONTINUED)

CITY OF GAINESVILLE, FLORIDA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2005

DEBT SERVICE FUNDS (concluded)

	GUARANTEED ENTITLEMENT REVENUE AND REFUNDING BONDS 1994	GUARANTEED ENTITLEMENT REFUNDING BONDS 2004	PENSION OBLIGATION BOND SERIES 2003A	PENSION OBLIGATION BOND SERIES 2003B	OTHER POST- EMPLOYMENT (OPEB) BONDS 2005
ASSETS					
Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -	\$ -
Equity in Pooled Cash and Investments	-	-	-	-	-
Investments	-	-	-	-	-
Receivables	-	-	5,551	-	-
Due from Other Funds	-	-	108,856	-	121,946
Assets Held for Evidence	-	-	-	-	-
TOTAL ASSETS	\$ -	\$ -	\$ 114,407	\$ -	\$ 121,946
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts Payable and Accrued Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -
Due to Other Funds	-	-	67,770	-	95,445
Deferred Revenue	-	-	-	-	-
TOTAL LIABILITIES	-	-	67,770	-	95,445
FUND BALANCES					
Reserved for Encumbrances	-	-	-	-	-
Reserved for Legal Restrictions	-	-	-	-	-
Reserved for Debt Service	-	-	-	-	-
Unreserved:					
Designated for Future Use	-	-	46,637	-	26,501
Undesignated	-	-	-	-	-
TOTAL FUND BALANCES	-	-	46,637	-	26,501
TOTAL LIABILITIES AND FUND BALANCES	\$ -	\$ -	\$ 114,407	\$ -	\$ 121,946

(CONTINUED)

CITY OF GAINESVILLE, FLORIDA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2005

CAPITAL PROJECTS FUNDS

	GENERAL CAPITAL PROJECTS FUND	GREENSPACE ACQUISITION FUND	PUBLIC IMPROVEMENT CONSTRUCTION FUND	INFORMATION SYSTEMS CAPITAL PROJECTS FUND
ASSETS				
Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -
Equity in Pooled Cash and Investments	705,502	27,127	203,882	2,747
Investments	-	-	-	-
Receivables	19,500	-	-	-
Due from Other Funds	-	-	-	-
Assets Held for Evidence	-	-	-	-
TOTAL ASSETS	\$ 725,002	\$ 27,127	\$ 203,882	\$ 2,747
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable and Accrued Liabilities	\$ -	\$ -	\$ -	\$ -
Due to Other Funds	-	-	-	-
Deferred Revenue	-	-	-	-
TOTAL LIABILITIES	-	-	-	-
FUND BALANCES				
Reserved for Encumbrances	408,419	-	-	-
Reserved for Legal Restrictions	-	-	-	-
Reserved for Debt Service	-	-	-	-
Unreserved:				
Designated for Future Use	316,583	27,127	203,882	2,747
Undesignated	-	-	-	-
TOTAL FUND BALANCES	725,002	27,127	203,882	2,747
TOTAL LIABILITIES AND FUND BALANCES	\$ 725,002	\$ 27,127	\$ 203,882	\$ 2,747

(CONTINUED)

CITY OF GAINESVILLE, FLORIDA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2005

CAPITAL PROJECTS FUNDS (continued)

	ROADWAY CONSTRUCTION FUND 96	COMMUNICATION EQUIPMENT PROJECT FUND 98	CAPITAL ACQUISITIONS FROM DEBT REFUNDING 98	COURTHOUSE PARKING GARAGE
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -
Equity in Pooled Cash and Investments	715,429	31,864	56,892	17,206
Investments	-	-	-	-
Receivables	-	-	-	-
Due from Other Funds	-	-	-	-
Assets Held for Evidence	-	-	-	-
TOTAL ASSETS	\$ 715,429	\$ 31,864	\$ 56,892	\$ 17,206
<u>LIABILITIES AND FUND BALANCES</u>				
<u>LIABILITIES</u>				
Accounts Payable and Accrued Liabilities	\$ -	\$ -	\$ -	\$ -
Due to Other Funds	-	-	-	-
Deferred Revenue	-	-	-	-
TOTAL LIABILITIES	-	-	-	-
<u>FUND BALANCES</u>				
Reserved for Encumbrances	-	8,595	24,625	15,750
Reserved for Legal Restrictions	71,889	-	-	-
Reserved for Debt Service	-	-	-	-
Unreserved:				
Designated for Future Use	643,540	23,269	32,267	1,456
Undesignated	-	-	-	-
TOTAL FUND BALANCES	715,429	31,864	56,892	17,206
TOTAL LIABILITIES AND FUND BALANCES	\$ 715,429	\$ 31,864	\$ 56,892	\$ 17,206

(CONTINUED)

CITY OF GAINESVILLE, FLORIDA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2005

CAPITAL PROJECTS FUNDS (continued)

	FLEET ACQUISITION FUND 01	CAPITAL PROJECTS FUND 02	DOWNTOWN PARKING GARAGE FUND 02	FIFTH AVENUE/ PLEASANT ST REHAB PROJ FUND 02
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -
Equity in Pooled Cash and Investments	3,244	3,734,241	31,334	420,567
Investments	-	-	-	-
Receivables	-	-	-	-
Due from Other Funds	-	-	-	-
Assets Held for Evidence	-	-	-	-
TOTAL ASSETS	\$ 3,244	\$ 3,734,241	\$ 31,334	\$ 420,567
<u>LIABILITIES AND FUND BALANCES</u>				
<u>LIABILITIES</u>				
Accounts Payable and Accrued Liabilities	\$ -	\$ 29,570	\$ -	\$ -
Due to Other Funds	-	-	-	-
Deferred Revenue	-	-	-	-
TOTAL LIABILITIES	-	29,570	-	-
<u>FUND BALANCES</u>				
Reserved for Encumbrances	-	647,988	9,305	56,266
Reserved for Legal Restrictions	-	-	-	-
Reserved for Debt Service	-	-	-	-
Unreserved:				
Designated for Future Use	3,244	3,056,683	22,029	364,301
Undesignated	-	-	-	-
TOTAL FUND BALANCES	3,244	3,704,671	31,334	420,567
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,244	\$ 3,734,241	\$ 31,334	\$ 420,567

(CONTINUED)

CITY OF GAINESVILLE, FLORIDA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2005

CAPITAL PROJECTS FUNDS (concluded)

	DOWNTOWN PARKING GARAGE SALES TAX FUND	CAPITAL PROJECTS FUND 05	TOTAL NONMAJOR GOVERNMENTAL FUNDS
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ -	\$ -	\$ 570,941
Equity in Pooled Cash and Investments	38,568	4,998,036	23,699,101
Investments	-	-	1,439,951
Receivables	-	-	7,130,352
Due from Other Funds	-	-	234,955
Assets Held for Evidence	-	-	75,521
	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	\$ 38,568	\$ 4,998,036	\$ 33,150,821
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>LIABILITIES</u>			
Accounts Payable and Accrued Liabilities	\$ -	\$ 2,000	\$ 1,602,723
Due to Other Funds	-	35,000	3,769,552
Deferred Revenue	-	-	4,522,926
	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES	-	37,000	9,895,201
	<hr/>	<hr/>	<hr/>
<u>FUND BALANCES</u>			
Reserved for Encumbrances	-	66,187	3,825,241
Reserved for Legal Restrictions	-	-	558,445
Reserved for Debt Service	-	-	499,000
Unreserved:			
Designated for Future Use	38,568	4,894,849	21,361,256
Undesignated	-	-	(2,988,322)
	<hr/>	<hr/>	<hr/>
TOTAL FUND BALANCES	38,568	4,961,036	23,255,620
	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES AND FUND BALANCES	\$ 38,568	\$ 4,998,036	\$ 33,150,821
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

(CONCLUDED)

CITY OF GAINESVILLE, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2005

SPECIAL REVENUE FUNDS

	COMMUNITY DEVELOP- MENT BLOCK GRANT FUND	URBAN DEVELOP- MENT ACTION GRANT FUND	HOME GRANT FUND	SHIP FUND	MISCEL- LANEOUS GIFTS AND GRANTS FUND	CULTURAL AND NATURE PROJECTS FUND
REVENUES						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	1,389,072	-	1,155,922	1,232,762	1,658,147	-
Charges for Services	22,960	-	52,771	-	-	406,975
Fines and Forfeitures	-	-	-	-	-	-
Miscellaneous	14,047	156,751	156	230,162	3,407	2,085
TOTAL REVENUES	1,426,079	156,751	1,208,849	1,462,924	1,661,554	409,060
EXPENDITURES						
Current:						
General Government	-	-	-	-	-	-
Public Safety	-	-	-	-	1,498,106	-
Physical Environment	-	-	-	-	282,060	-
Transportation	-	-	-	-	1,908	-
Economic Environment	1,409,869	-	1,206,554	-	-	-
Human Services	-	-	-	909,709	201,855	-
Culture and Recreation	-	-	-	-	18,567	404,522
Debt Service:						
Principal	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-
Bond Issuance Costs	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-
TOTAL EXPENDITURES	1,409,869	-	1,206,554	909,709	2,002,496	404,522
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	16,210	156,751	2,295	553,215	(340,942)	4,538
OTHER FINANCING SOURCES (USES)						
Debt Issuance	-	-	-	-	-	-
Bond Discount	-	-	-	-	-	-
Transfers In	-	-	-	-	247,224	-
Transfers Out	(16,210)	(433,380)	(2,295)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(16,210)	(433,380)	(2,295)	-	247,224	-
NET CHANGE IN FUND BALANCES	-	(276,629)	-	553,215	(93,718)	4,538
FUND BALANCES, October 1	172,462	364,286	98,595	1,686,546	122,130	92,645
FUND BALANCES, September 30	\$ 172,462	\$ 87,657	\$ 98,595	\$ 2,239,761	\$ 28,412	\$ 97,183

(CONTINUED)

CITY OF GAINESVILLE, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2005

SPECIAL REVENUE FUNDS (continued)

	STATE LAW ENFORCE- MENT CONTRABAND FORFEITURE FUND	FEDERAL LAW ENFORCE- MENT CONTRABAND FORFEITURE FUND	STREET, SIDEWALK AND DITCH IMPROVEMENT FUND	ECONOMIC DEVELOPMENT FUND	TRANSPORTATION CONCURRENCY EXCEPTION AREA FUND
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-
Charges for Services	-	-	-	143,688	142,977
Fines and Forfeitures	27,084	4,012,598	-	-	-
Miscellaneous	21,948	78,350	7,235	8,328	13,480
TOTAL REVENUES	49,032	4,090,948	7,235	152,016	156,457
EXPENDITURES					
Current:					
General Government	-	-	-	-	-
Public Safety	14,057	1,022,369	-	-	-
Physical Environment	-	-	-	-	-
Transportation	-	-	-	-	43,125
Economic Environment	-	-	-	210,762	-
Human Services	-	-	-	-	-
Culture and Recreation	-	-	-	-	-
Debt Service:					
Principal	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-
Bond Issuance Costs	-	-	-	-	-
Capital Outlay	-	-	-	-	-
TOTAL EXPENDITURES	14,057	1,022,369	-	210,762	43,125
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	34,975	3,068,579	7,235	(58,746)	113,332
OTHER FINANCING SOURCES (USES)					
Debt Issuance	-	-	-	-	-
Bond Discount	-	-	-	-	-
Transfers In	-	-	-	-	-
Transfers Out	-	(1,160,582)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	(1,160,582)	-	-	-
NET CHANGE IN FUND BALANCES	34,975	1,907,997	7,235	(58,746)	113,332
FUND BALANCES, October 1	36,138	3,196,660	109,997	329,447	279,838
FUND BALANCES, September 30	\$ 71,113	\$ 5,104,657	\$ 117,232	\$ 270,701	\$ 393,170

(CONTINUED)

CITY OF GAINESVILLE, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2005

SPECIAL REVENUE FUNDS (continued)

	WATER AND WASTEWATER SURCHARGE INFRASTRUCTURE FUND	TANF GRANT FUND	FEDERAL EMERGENCY MANAGEMENT AGENCY GRANT FUND	SMALL BUSINESS LOAN FUND	RECREATION FUND
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	54,691	4,082,131	-	-
Charges for Services	-	-	-	-	-
Fines and Forfeitures	-	-	-	-	-
Miscellaneous	5,138	-	-	72,297	-
TOTAL REVENUES	5,138	54,691	4,082,131	72,297	-
EXPENDITURES					
Current:					
General Government	-	-	-	-	-
Public Safety	-	-	4,400,212	-	-
Physical Environment	-	-	-	-	-
Transportation	-	-	-	-	-
Economic Environment	-	-	-	2,239	-
Human Services	-	77,057	-	-	-
Culture and Recreation	-	-	-	-	-
Debt Service:					
Principal	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-
Bond Issuance Costs	-	-	-	-	-
Capital Outlay	-	-	-	-	-
TOTAL EXPENDITURES	-	77,057	4,400,212	2,239	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	5,138	(22,366)	(318,081)	70,058	-
OTHER FINANCING SOURCES (USES)					
Debt Issuance	-	-	-	-	-
Bond Discount	-	-	-	-	-
Transfers In	156,636	-	575,584	-	-
Transfers Out	-	(495,921)	(338,816)	-	(136,378)
TOTAL OTHER FINANCING SOURCES (USES)	156,636	(495,921)	236,768	-	(136,378)
NET CHANGE IN FUND BALANCES	161,774	(518,287)	(81,313)	70,058	(136,378)
FUND BALANCES, October 1	218,829	518,287	(2,505,287)	-	136,378
FUND BALANCES, September 30	\$ 380,603	\$ -	\$ (2,586,600)	\$ 70,058	\$ -

(CONTINUED)

CITY OF GAINESVILLE, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2005

SPECIAL REVENUE FUNDS (continued)

	MISCELLANEOUS SPECIAL REVENUE FUND	TOURIST DESTINATION ENHANCEMENT FUND	EVERGREEN CEMETERY TRUST FUND	THOMAS CENTER FUND	FIFTH AVENUE TAX INCREMENT FUND
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 116,741
Intergovernmental	-	336,841	-	-	-
Charges for Services	344,190	-	35,389	-	-
Fines and Forfeitures	-	-	-	-	-
Miscellaneous	170,232	-	191,853	476	54,363
TOTAL REVENUES	514,422	336,841	227,242	476	171,104
EXPENDITURES					
Current:					
General Government	266,099	-	-	-	-
Public Safety	220,432	-	-	-	-
Physical Environment	-	-	-	-	-
Transportation	-	-	-	-	-
Economic Environment	-	-	-	-	145,877
Human Services	-	-	-	-	-
Culture and Recreation	161,791	334,871	-	17,128	-
Debt Service:					
Principal	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-
Bond Issuance Costs	-	-	-	-	-
Capital Outlay	-	-	-	-	-
TOTAL EXPENDITURES	648,322	334,871	-	17,128	145,877
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(133,900)	1,970	227,242	(16,652)	25,227
OTHER FINANCING SOURCES (USES)					
Debt Issuance	-	-	-	-	-
Bond Discount	-	-	-	-	-
Transfers In	39,750	-	-	-	364,362
Transfers Out	-	-	(44,225)	-	(51,982)
TOTAL OTHER FINANCING SOURCES (USES)	39,750	-	(44,225)	-	312,380
NET CHANGE IN FUND BALANCES	(94,150)	1,970	183,017	(16,652)	337,607
FUND BALANCES, October 1	222,168	138,818	1,189,261	11,066	223,106
FUND BALANCES, September 30	\$ 128,018	\$ 140,788	\$ 1,372,278	\$ (5,586)	\$ 560,713

(CONTINUED)

CITY OF GAINESVILLE, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2005

SPECIAL REVENUE FUNDS (concluded)

	DOWNTOWN REDEVELOP- MENT TAX INCREMENT FUND	COLLEGE PARK TAX INCREMENT FUND	EASTSIDE TAX INCREMENT FUND	ART IN PUBLIC PLACES TRUST FUND	SCHOOL CROSSING GUARD TRUST FUND
REVENUES					
Taxes	\$ 423,021	\$ 540,407	\$ 102,235	\$ -	\$ -
Intergovernmental	-	-	-	-	-
Charges for Services	-	-	-	-	-
Fines and Forfeitures	-	-	-	-	33,695
Miscellaneous	26,812	153,917	5,701	2,143	4,262
TOTAL REVENUES	449,833	694,324	107,936	2,143	37,957
EXPENDITURES					
Current:					
General Government	-	-	-	-	-
Public Safety	-	-	-	-	-
Physical Environment	-	-	-	-	-
Transportation	-	-	-	-	-
Economic Environment	546,853	541,239	50,879	-	-
Human Services	-	-	-	-	-
Culture and Recreation	-	-	-	2,870	-
Debt Service:					
Principal	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-
Bond Issuance Costs	-	-	-	-	-
Capital Outlay	-	-	-	-	-
TOTAL EXPENDITURES	546,853	541,239	50,879	2,870	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(97,020)	153,085	57,057	(727)	37,957
OTHER FINANCING SOURCES (USES)					
Debt Issuance	-	-	-	-	-
Bond Discount	-	-	-	-	-
Transfers In	232,890	297,186	58,505	-	-
Transfers Out	(132,932)	-	(3,478)	(9,000)	(100,000)
TOTAL OTHER FINANCING SOURCES (USES)	99,958	297,186	55,027	(9,000)	(100,000)
NET CHANGE IN FUND BALANCES	2,938	450,271	112,084	(9,727)	(62,043)
FUND BALANCES, October 1	560,390	1,375,218	122,805	58,754	108,650
FUND BALANCES, September 30	\$ 563,328	\$ 1,825,489	\$ 234,889	\$ 49,027	\$ 46,607

(CONTINUED)

CITY OF GAINESVILLE, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2005

DEBT SERVICE FUNDS

	FFGFC SERIES <u>1996</u>	FFGFC SERIES <u>1998</u>	FFGFC SERIES <u>2001</u>	FFGFC SERIES <u>2002</u>	FFGFC SERIES <u>2005</u>
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-
Charges for Services	-	-	-	-	-
Fines and Forfeitures	-	-	-	-	-
Miscellaneous	17,055	3,736	2,730	1,358	2,648
TOTAL REVENUES	17,055	3,736	2,730	1,358	2,648
EXPENDITURES					
Current:					
General Government	-	-	-	-	-
Public Safety	-	-	-	-	-
Physical Environment	-	-	-	-	-
Transportation	-	-	-	-	-
Economic Environment	-	-	-	-	-
Human Services	-	-	-	-	-
Culture and Recreation	-	-	-	-	-
Debt Service:					
Principal	375,000	1,010,000	575,000	350,000	-
Interest and Fiscal Charges	143,065	377,847	47,816	431,441	64,478
Bond Issuance Costs	-	-	-	-	103,182
Capital Outlay	-	-	-	-	-
TOTAL EXPENDITURES	518,065	1,387,847	622,816	781,441	167,660
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(501,010)	(1,384,111)	(620,086)	(780,083)	(165,012)
OTHER FINANCING SOURCES (USES)					
Debt Issuance	-	-	-	-	5,640,000
Bond Discount	-	-	-	-	(38,314)
Transfers In	384,375	1,385,046	622,000	774,207	263,691
Transfers Out	-	(37,793)	(20,006)	(43,320)	(5,500,365)
TOTAL OTHER FINANCING SOURCES (USES)	384,375	1,347,253	601,994	730,887	365,012
NET CHANGE IN FUND BALANCES	(116,635)	(36,858)	(18,092)	(49,196)	200,000
FUND BALANCES, October 1	698,993	36,858	18,092	49,196	-
FUND BALANCES, September 30	\$ 582,358	\$ -	\$ -	\$ -	\$ 200,000

(CONTINUED)

CITY OF GAINESVILLE, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2005

DEBT SERVICE FUNDS (concluded)

	GUARANTEED ENTITLEMENT REVENUE AND REFUNDING BONDS 1994	GUARANTEED ENTITLEMENT REFUNDING BONDS 2004	PENSION OBLIGATION BOND SERIES 2003A	PENSION OBLIGATION BOND SERIES 2003B	OTHER POST- EMPLOYMENT (OPEB) BONDS 2005
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	762,781	-	-	121,946
Charges for Services	-	-	1,319,418	-	-
Fines and Forfeitures	-	-	-	-	-
Miscellaneous	17,860	15,569	35,000	30,286	111
TOTAL REVENUES	17,860	778,350	1,354,418	30,286	122,057
EXPENDITURES					
Current:					
General Government	-	-	-	-	34,656,923
Public Safety	-	-	-	-	-
Physical Environment	-	-	-	-	-
Transportation	-	-	-	-	-
Economic Environment	-	-	-	-	-
Human Services	-	-	-	-	-
Culture and Recreation	-	-	-	-	-
Debt Service:					
Principal	-	580,000	1,120,000	-	-
Interest and Fiscal Charges	-	462,913	1,114,855	2,333,921	279,154
Bond Issuance Costs	-	-	-	-	525,217
Capital Outlay	-	-	-	-	-
TOTAL EXPENDITURES	-	1,042,913	2,234,855	2,333,921	35,461,294
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	17,860	(264,563)	(880,437)	(2,303,635)	(35,339,237)
OTHER FINANCING SOURCES (USES)					
Debt Issuance	-	-	-	-	35,210,000
Bond Discount	-	-	-	-	-
Transfers In	-	276,000	909,501	2,333,921	155,738
Transfers Out	(307,496)	(34,965)	(19,127)	(78,586)	-
TOTAL OTHER FINANCING SOURCES (USES)	(307,496)	241,035	890,374	2,255,335	35,365,738
NET CHANGE IN FUND BALANCES	(289,636)	(23,528)	9,937	(48,300)	26,501
FUND BALANCES, October 1	289,636	23,528	36,700	48,300	-
FUND BALANCES, September 30	\$ -	\$ -	\$ 46,637	\$ -	\$ 26,501

(CONTINUED)

CITY OF GAINESVILLE, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2005

CAPITAL PROJECTS FUNDS

	GENERAL CAPITAL PROJECTS FUND	GREENSPACE ACQUISITION FUND	PUBLIC IMPROVEMENT CONSTRUCTION FUND	INFORMATION SYSTEMS CAPITAL PROJECTS FUND	ROADWAY CONSTRUCTION FUND 96
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	49,200	-	-	-	-
Charges for Services	-	-	-	-	-
Fines and Forfeitures	-	-	-	-	-
Miscellaneous	170,730	1,360	6,692	505	22,900
TOTAL REVENUES	219,930	1,360	6,692	505	22,900
EXPENDITURES					
Current:					
General Government	-	-	-	-	-
Public Safety	-	-	-	-	-
Physical Environment	-	-	-	-	-
Transportation	-	-	-	-	-
Economic Environment	-	-	-	-	-
Human Services	-	-	-	-	-
Culture and Recreation	-	-	-	-	-
Debt Service:					
Principal	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-
Bond Issuance Costs	-	-	-	-	-
Capital Outlay	1,279,394	17,348	3,448	19,954	-
TOTAL EXPENDITURES	1,279,394	17,348	3,448	19,954	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,059,464)	(15,988)	3,244	(19,449)	22,900
OTHER FINANCING SOURCES (USES)					
Debt Issuance	-	-	-	-	-
Bond Discount	-	-	-	-	-
Transfers In	1,112,013	-	-	-	-
Transfers Out	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	1,112,013	-	-	-	-
NET CHANGE IN FUND BALANCES	52,549	(15,988)	3,244	(19,449)	22,900
FUND BALANCES, October 1	672,453	43,115	200,638	22,196	692,529
FUND BALANCES, September 30	\$ 725,002	\$ 27,127	\$ 203,882	\$ 2,747	\$ 715,429

(CONTINUED)

CITY OF GAINESVILLE, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2005

CAPITAL PROJECTS FUNDS (continued)

	COMMUNICATION EQUIPMENT PROJECT FUND 98	CAPITAL ACQUISITIONS FROM DEBT REFUNDING 98	COURTHOUSE PARKING GARAGE	FLEET ACQUISITION FUND 01	CAPITAL PROJECTS FUND 02
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-
Charges for Services	-	-	-	-	-
Fines and Forfeitures	-	-	-	-	-
Miscellaneous	1,217	1,925	14,068	2,454	151,201
TOTAL REVENUES	1,217	1,925	14,068	2,454	151,201
EXPENDITURES					
Current:					
General Government	-	-	-	-	-
Public Safety	-	-	-	-	-
Physical Environment	-	-	-	-	-
Transportation	-	-	-	-	-
Economic Environment	-	-	-	-	-
Human Services	-	-	-	-	-
Culture and Recreation	-	-	-	-	-
Debt Service:					
Principal	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-
Bond Issuance Costs	-	-	-	-	-
Capital Outlay	5,307	4,989	389,864	65,935	890,027
TOTAL EXPENDITURES	5,307	4,989	389,864	65,935	890,027
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(4,090)	(3,064)	(375,796)	(63,481)	(738,826)
OTHER FINANCING SOURCES (USES)					
Debt Issuance	-	-	-	-	-
Bond Discount	-	-	-	-	-
Transfers In	-	-	-	-	-
Transfers Out	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-
NET CHANGE IN FUND BALANCES	(4,090)	(3,064)	(375,796)	(63,481)	(738,826)
FUND BALANCES, October 1	35,954	59,956	393,002	66,725	4,443,497
FUND BALANCES, September 30	\$ 31,864	\$ 56,892	\$ 17,206	\$ 3,244	\$ 3,704,671

(CONTINUED)

CITY OF GAINESVILLE, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2005

CAPITAL PROJECTS FUNDS (concluded)

	DOWNTOWN PARKING GARAGE FUND 02	FIFTH AVENUE/ PLEASANT ST. REHAB. PROJ. FUND 02	DOWNTOWN PARKING GARAGE SALES TAX FUND	CAPITAL PROJECTS FUND 05	TOTAL NONMAJOR GOVERNMENTAL FUNDS
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 1,182,404
Intergovernmental	-	-	-	-	10,843,493
Charges for Services	-	-	-	-	2,468,368
Fines and Forfeitures	-	-	-	-	4,073,377
Miscellaneous	16,070	14,856	27,659	30,248	1,811,381
TOTAL REVENUES	16,070	14,856	27,659	30,248	20,379,023
EXPENDITURES					
Current:					
General Government	-	-	-	-	34,923,022
Public Safety	-	-	-	-	7,155,176
Physical Environment	-	-	-	-	282,060
Transportation	-	-	-	-	45,033
Economic Environment	-	-	-	-	4,114,272
Human Services	-	-	-	-	1,188,621
Culture and Recreation	-	-	-	-	939,749
Debt Service:					
Principal	-	-	-	-	4,010,000
Interest and Fiscal Charges	-	-	-	-	5,255,490
Bond Issuance Costs	-	-	-	-	628,399
Capital Outlay	456,861	38,540	620,832	1,367,716	5,160,215
TOTAL EXPENDITURES	456,861	38,540	620,832	1,367,716	63,702,037
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(440,791)	(23,684)	(593,173)	(1,337,468)	(43,323,014)
OTHER FINANCING SOURCES (USES)					
Debt Issuance	-	-	-	-	40,850,000
Bond Discount	-	-	-	-	(38,314)
Transfers In	-	-	-	6,298,504	16,487,133
Transfers Out	-	-	-	-	(8,966,857)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	6,298,504	48,331,962
NET CHANGE IN FUND BALANCES	(440,791)	(23,684)	(593,173)	4,961,036	5,008,948
FUND BALANCES, October 1	472,125	444,251	631,741	-	18,246,672
FUND BALANCES, September 30	\$ 31,334	\$ 420,567	\$ 38,568	\$ 4,961,036	\$ 23,255,620

(CONCLUDED)

CITY OF GAINESVILLE, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
COMMUNITY DEVELOPMENT BLOCK GRANT FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005

	<u>ACTUAL</u>	<u>ENCUMBRANCES</u>	<u>BUDGETARY BASIS</u>	<u>BUDGET</u>	<u>VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)</u>
<u>REVENUES</u>					
Intergovernmental	\$ 1,389,072	\$ -	\$ 1,389,072	\$ 2,266,056	\$ (876,984)
Charges for Services	22,960	-	22,960	22,960	-
Miscellaneous	14,047	-	14,047	13,596	451
TOTAL REVENUES	1,426,079	-	1,426,079	2,302,612	(876,533)
<u>EXPENDITURES</u>					
Economic Environment	<u>1,409,869</u>	<u>135,568</u>	<u>1,545,437</u>	<u>2,286,402</u>	<u>740,965</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	16,210	(135,568)	(119,358)	16,210	(135,568)
<u>OTHER FINANCING USES</u>					
Transfers Out	<u>(16,210)</u>	<u>-</u>	<u>(16,210)</u>	<u>(16,210)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	\$ -	\$ (135,568)	\$ (135,568)	\$ -	\$ (135,568)

CITY OF GAINESVILLE, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
URBAN DEVELOPMENT ACTION GRANT FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005

	<u>ACTUAL</u>	<u>ENCUMBRANCES</u>	<u>BUDGETARY BASIS</u>	<u>BUDGET</u>	<u>VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)</u>
<u>REVENUES</u>					
Miscellaneous:					
Principal Payments	\$ 120,756	\$ -	\$ 120,756	\$ 117,192	\$ 3,564
Investment Income	<u>35,995</u>	<u>-</u>	<u>35,995</u>	<u>39,559</u>	<u>(3,564)</u>
TOTAL REVENUES	156,751	-	156,751	156,751	-
<u>EXPENDITURES</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>50,589</u>	<u>50,589</u>
EXCESS OF REVENUES OVER EXPENDITURES	156,751	-	156,751	106,162	50,589
<u>OTHER FINANCING USES</u>					
Transfers Out	<u>(433,380)</u>	<u>-</u>	<u>(433,380)</u>	<u>(433,380)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	\$ (276,629)	\$ -	\$ (276,629)	\$ (327,218)	\$ 50,589

CITY OF GAINESVILLE, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
HOME GRANT FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005

	<u>ACTUAL</u>	<u>ENCUMBRANCES</u>	<u>BUDGETARY BASIS</u>	<u>BUDGET</u>	<u>VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)</u>
<u>REVENUES</u>					
Intergovernmental	\$ 1,155,922	\$ -	\$ 1,155,922	\$ 2,103,526	\$ (947,604)
Charges for Services	52,771	-	52,771	52,771	-
Miscellaneous	156	-	156	156	-
TOTAL REVENUES	1,208,849	-	1,208,849	2,156,453	(947,604)
<u>EXPENDITURES</u>					
Economic Environment	<u>1,206,554</u>	<u>289,704</u>	<u>1,496,258</u>	<u>2,154,158</u>	<u>657,900</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	2,295	(289,704)	(287,409)	2,295	(289,704)
<u>OTHER FINANCING USES</u>					
Transfer Out	<u>(2,295)</u>	<u>-</u>	<u>(2,295)</u>	<u>(2,295)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	\$ -	\$ (289,704)	\$ (289,704)	\$ -	\$ (289,704)

CITY OF GAINESVILLE, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
CULTURAL AND NATURE PROJECTS FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005

	<u>ACTUAL</u>	<u>ENCUMBRANCES</u>	<u>BUDGETARY BASIS</u>	<u>BUDGET</u>	<u>VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)</u>
<u>REVENUES</u>					
Charges for Services:					
Rents and Fees	\$ 406,975	\$ -	\$ 406,975	\$ 517,900	\$ (110,925)
Miscellaneous:					
Investment Income	<u>2,085</u>	<u>-</u>	<u>2,085</u>	<u>6,000</u>	<u>(3,915)</u>
TOTAL REVENUES	409,060	-	409,060	523,900	(114,840)
 <u>EXPENDITURES</u>					
Culture and Recreation	<u>404,522</u>	<u>8,991</u>	<u>413,513</u>	<u>492,791</u>	<u>79,278</u>
 EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	 <u>\$ 4,538</u>	 <u>\$ (8,991)</u>	 <u>\$ (4,453)</u>	 <u>\$ 31,109</u>	 <u>\$ (35,562)</u>

CITY OF GAINESVILLE, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
STATE LAW ENFORCEMENT CONTRABAND FORFEITURE FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005

	<u>ACTUAL</u>	<u>ENCUMBRANCES</u>	<u>BUDGETARY BASIS</u>	<u>BUDGET</u>	<u>VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)</u>
<u>REVENUES</u>					
Fines and Forfeitures:					
Confiscated Property	\$ 27,084	\$ -	\$ 27,084	\$ 27,000	\$ 84
Miscellaneous:					
Investment Income	1,021	-	1,021	1,000	21
Other Miscellaneous	20,927	-	20,927	21,000	(73)
Total Miscellaneous	21,948	-	21,948	22,000	(52)
TOTAL REVENUES	49,032	-	49,032	49,000	32
<u>EXPENDITURES</u>					
Public Safety	14,057	-	14,057	30,943	16,886
EXCESS OF REVENUES OVER EXPENDITURES	\$ 34,975	\$ -	\$ 34,975	\$ 18,057	\$ 16,918

CITY OF GAINESVILLE, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
FEDERAL LAW ENFORCEMENT CONTRABAND FORFEITURE FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005

	<u>ACTUAL</u>	<u>ENCUMBRANCES</u>	<u>BUDGETARY BASIS</u>	<u>BUDGET</u>	<u>VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)</u>
<u>REVENUES</u>					
Fines and Forfeitures:					
Confiscated Property	\$ 4,012,598	\$ -	\$ 4,012,598	\$ 4,012,502	\$ 96
Miscellaneous:					
Investment Income	<u>78,350</u>	<u>-</u>	<u>78,350</u>	<u>78,280</u>	<u>70</u>
TOTAL REVENUES	4,090,948	-	4,090,948	4,090,782	166
 <u>EXPENDITURES</u>					
Public Safety	<u>1,022,369</u>	<u>194,329</u>	<u>1,216,698</u>	<u>4,583,980</u>	<u>3,367,282</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	3,068,579	(194,329)	2,874,250	(493,198)	3,367,448
 <u>OTHER FINANCING USES</u>					
Transfers Out	<u>(1,160,582)</u>	<u>-</u>	<u>(1,160,582)</u>	<u>(75,318)</u>	<u>(1,085,264)</u>
NET CHANGE IN FUND BALANCES	<u>\$ 1,907,997</u>	<u>\$ (194,329)</u>	<u>\$ 1,713,668</u>	<u>\$ (568,516)</u>	<u>\$ 2,282,184</u>

CITY OF GAINESVILLE, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
ECONOMIC DEVELOPMENT FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005

	<u>ACTUAL</u>	<u>ENCUMBRANCES</u>	<u>BUDGETARY BASIS</u>	<u>BUDGET</u>	<u>VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)</u>
<u>REVENUES</u>					
Charges For Services:					
Rents and Fees	\$ 143,688	\$ -	\$ 143,688	\$ 154,000	\$ (10,312)
Miscellaneous:					
Investment Income	<u>8,328</u>	<u>-</u>	<u>8,328</u>	<u>4,500</u>	<u>3,828</u>
TOTAL REVENUES	152,016	-	152,016	158,500	(6,484)
<u>EXPENDITURES</u>					
Economic Environment	<u>210,762</u>	<u>-</u>	<u>210,762</u>	<u>238,877</u>	<u>28,115</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ (58,746)	\$ -	\$ (58,746)	\$ (80,377)	\$ 21,631

CITY OF GAINESVILLE, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
SMALL BUSINESS LOAN FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005

	<u>ACTUAL</u>	<u>ENCUMBRANCES</u>	<u>BUDGETARY BASIS</u>	<u>BUDGET</u>	<u>VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)</u>
<u>REVENUES</u>					
Miscellaneous:					
Principal Payments	\$ 57,633	\$ -	\$ 57,633	\$ 46,381	\$ 11,252
Investment Income	14,664	-	14,664	5,000	9,664
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL REVENUES	72,297	-	72,297	51,381	20,916
<u>EXPENDITURES</u>					
Economic Environment	2,239	-	2,239	51,381	49,142
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
EXCESS OF REVENUES OVER EXPENDITURES	\$ 70,058	\$ -	\$ 70,058	\$ -	\$ 70,058

CITY OF GAINESVILLE, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
RECREATION FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005

	<u>ACTUAL</u>	<u>ENCUMBRANCES</u>	<u>BUDGETARY BASIS</u>	<u>BUDGET</u>	<u>VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)</u>
<u>REVENUES</u>					
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -
<u>EXPENDITURES</u>					
Culture and Recreation	-	-	-	-	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	-	-	-
<u>OTHER FINANCING USES</u>					
Transfers Out	(136,378)	-	(136,378)	(149,275)	12,897
NET CHANGE IN FUND BALANCES	\$ (136,378)	\$ -	\$ (136,378)	\$ (149,275)	\$ 12,897

CITY OF GAINESVILLE, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
EVERGREEN CEMETERY TRUST FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005

	<u>ACTUAL</u>	<u>ENCUMBRANCES</u>	<u>BUDGETARY BASIS</u>	<u>BUDGET</u>	<u>VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)</u>
<u>REVENUES</u>					
Charges for Services	\$ 35,389	\$ -	\$ 35,389	\$ 21,000	\$ 14,389
Miscellaneous:					
Investment Income	191,853	-	191,853	41,674	150,179
TOTAL REVENUES	227,242	-	227,242	62,674	164,568
<u>EXPENDITURES</u>					
Physical Environment	-	-	-	-	-
EXCESS OF REVENUES OVER EXPENDITURES	227,242	-	227,242	62,674	164,568
<u>OTHER FINANCING USES</u>					
Transfers Out	(44,225)	-	(44,225)	(44,225)	-
NET CHANGE IN FUND BALANCES	\$ 183,017	\$ -	\$ 183,017	\$ 18,449	\$ 164,568

CITY OF GAINESVILLE, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
ART IN PUBLIC PLACES TRUST FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005

	<u>ACTUAL</u>	<u>ENCUMBRANCES</u>	<u>BUDGETARY BASIS</u>	<u>BUDGET</u>	<u>VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)</u>
<u>REVENUES</u>					
Miscellaneous:					
Investment Income	\$ 2,143	\$ -	\$ 2,143	\$ 1,121	\$ 1,022
<u>EXPENDITURES</u>					
Culture and Recreation	<u>2,870</u>	<u>-</u>	<u>2,870</u>	<u>44,938</u>	<u>42,068</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(727)	-	(727)	(43,817)	43,090
<u>OTHER FINANCING USES</u>					
Transfers Out	<u>(9,000)</u>	<u>-</u>	<u>(9,000)</u>	<u>(9,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>\$ (9,727)</u>	<u>\$ -</u>	<u>\$ (9,727)</u>	<u>\$ (52,817)</u>	<u>\$ 43,090</u>

CITY OF GAINESVILLE, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
SCHOOL CROSSING GUARD TRUST FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005

	<u>ACTUAL</u>	<u>ENCUMBRANCES</u>	<u>BUDGETARY BASIS</u>	<u>BUDGET</u>	<u>VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)</u>
<u>REVENUES</u>					
Fines and Forfeitures	\$ 33,695	\$ -	\$ 33,695	\$ 58,000	\$ (24,305)
Miscellaneous:					
Investment Income	4,262	-	4,262	2,000	2,262
TOTAL REVENUES	37,957	-	37,957	60,000	(22,043)
<u>EXPENDITURES</u>					
	-	-	-	-	-
EXCESS OF REVENUES OVER EXPENDITURES	37,957	-	37,957	60,000	(22,043)
<u>OTHER FINANCING USES</u>					
Transfers Out	(100,000)	-	(100,000)	(100,000)	-
NET CHANGE IN FUND BALANCES	\$ (62,043)	\$ -	\$ (62,043)	\$ (40,000)	\$ (22,043)

CITY OF GAINESVILLE, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
FFGFC FUND - SERIES 1996
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)</u>
<u>REVENUES</u>			
Miscellaneous:			
Investment Income	\$ 17,055	\$ 36,000	\$ (18,945)
<u>EXPENDITURES</u>			
Debt Service:			
Principal	375,000	375,000	-
Interest and Fiscal Charges	143,065	145,375	2,310
TOTAL EXPENDITURES	<u>518,065</u>	<u>520,375</u>	<u>2,310</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(501,010)	(484,375)	(16,635)
<u>OTHER FINANCING SOURCES</u>			
Transfers In	<u>384,375</u>	<u>384,375</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>\$ (116,635)</u>	<u>\$ (100,000)</u>	<u>\$ (16,635)</u>

CITY OF GAINESVILLE, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
FFGFC FUND - SERIES 1998
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)</u>
<u>REVENUES</u>			
Miscellaneous:			
Investment Income	\$ 3,736	\$ 2,000	\$ 1,736
<u>EXPENDITURES</u>			
Debt Service:			
Principal	1,010,000	1,010,000	-
Interest and Fiscal Charges	377,847	376,885	(962)
TOTAL EXPENDITURES	1,387,847	1,386,885	(962)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,384,111)	(1,384,885)	774
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers In	1,385,046	1,385,046	-
Transfers Out	(37,793)	(37,793)	-
TOTAL OTHER FINANCING SOURCES (USES)	1,347,253	1,347,253	-
NET CHANGE IN FUND BALANCES	\$ (36,858)	\$ (37,632)	\$ 774

CITY OF GAINESVILLE, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
FFGFC FUND - SERIES 2001
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)</u>
<u>REVENUES</u>			
Miscellaneous:			
Investment Income	\$ 2,730	\$ 2,729	\$ 1
<u>EXPENDITURES</u>			
Debt Service:			
Principal	575,000	575,000	-
Interest and Fiscal Charges	47,816	47,000	(816)
TOTAL EXPENDITURES	622,816	622,000	(816)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(620,086)	(619,271)	(815)
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers In	622,000	622,000	-
Transfers Out	(20,006)	(20,006)	-
 TOTAL OTHER FINANCING SOURCES (USES)	 601,994	 601,994	 -
NET CHANGE IN FUND BALANCES	\$ (18,092)	\$ (17,277)	\$ (815)

CITY OF GAINESVILLE, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
FFGFC FUND - SERIES 2002
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)</u>
<u>REVENUES</u>			
Miscellaneous:			
Investment Income	\$ 1,358	\$ 1,358	\$ -
TOTAL REVENUES	<u>1,358</u>	<u>1,358</u>	<u>-</u>
<u>EXPENDITURES</u>			
Debt Service:			
Principal	350,000	350,000	-
Interest	431,441	424,209	(7,232)
TOTAL EXPENDITURES	<u>781,441</u>	<u>774,209</u>	<u>(7,232)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(780,083)</u>	<u>(772,851)</u>	<u>(7,232)</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers In	774,207	774,209	(2)
Transfers Out	(43,320)	(43,320)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>730,887</u>	<u>730,889</u>	<u>(2)</u>
NET CHANGE IN FUND BALANCES	<u>\$ (49,196)</u>	<u>\$ (41,962)</u>	<u>\$ (7,234)</u>

CITY OF GAINESVILLE, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
FFGFC FUND - SERIES 2005
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)</u>
<u>REVENUES</u>			
Miscellaneous:			
Investment Income	\$ 2,648	\$ 2,648	\$ -
<u>EXPENDITURES</u>			
Debt Service:			
Bond Issuance Costs	103,182	103,182	-
Interest and Fiscal Charges	64,478	63,689	(789)
TOTAL EXPENDITURES	167,660	166,871	(789)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(165,012)	(164,223)	(789)
<u>OTHER FINANCING SOURCES (USES)</u>			
Debt Issuance	5,640,000	5,640,000	-
Bond Discount	(38,314)	(38,314)	-
Transfers In	263,691	263,691	-
Transfers Out	(5,500,365)	(5,500,365)	-
TOTAL OTHER FINANCING SOURCES (USES)	365,012	365,012	-
NET CHANGE IN FUND BALANCES	\$ 200,000	\$ 200,789	\$ (789)

CITY OF GAINESVILLE, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
GUARANTEED ENTITLEMENT REVENUE AND REFUNDING BONDS 1994
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005

	<u>ACTUAL</u>	<u>BUDGET</u>	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
<u>REVENUES</u>			
Miscellaneous:			
Investment Income	\$ 17,860	\$ 17,860	\$ -
<u>OTHER FINANCING USES</u>			
Transfers Out	<u>(307,496)</u>	<u>(307,496)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>\$ (289,636)</u>	<u>\$ (289,636)</u>	<u>\$ -</u>

CITY OF GAINESVILLE, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
GUARANTEED ENTITLEMENT REVENUE AND REFUNDING BONDS 2004
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)</u>
<u>REVENUES</u>			
Intergovernmental:			
State Revenue Sharing	\$ 762,781	\$ 762,781	\$ -
Miscellaneous:			
Investment Income	<u>15,569</u>	<u>16,210</u>	<u>(641)</u>
TOTAL REVENUES	<u>778,350</u>	<u>778,991</u>	<u>(641)</u>
<u>EXPENDITURES</u>			
Debt Service:			
Principal	580,000	580,000	-
Interest and Fiscal Charges	<u>462,913</u>	<u>463,613</u>	<u>700</u>
TOTAL EXPENDITURES	<u>1,042,913</u>	<u>1,043,613</u>	<u>700</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(264,563)</u>	<u>(264,622)</u>	<u>59</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers In	276,000	276,000	-
Transfers Out	<u>(34,965)</u>	<u>(34,965)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>241,035</u>	<u>241,035</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>\$ (23,528)</u>	<u>\$ (23,587)</u>	<u>\$ 59</u>

CITY OF GAINESVILLE, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
PENSION OBLIGATION BOND SERIES 2003A
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)</u>
<u>REVENUES</u>			
Charges for Services:			
Charges to GACRAA	\$ 5,551	\$ 5,551	\$ -
Charges to GRU	1,307,390	1,309,625	(2,235)
Other Charges	6,477	6,477	-
Miscellaneous:			
Investment Income	31,300	31,300	-
Other	<u>3,700</u>	<u>3,700</u>	<u>-</u>
TOTAL REVENUES	<u>1,354,418</u>	<u>1,356,653</u>	<u>(2,235)</u>
<u>EXPENDITURES</u>			
Debt Service:			
Principal	1,120,000	1,120,000	-
Interest & Fiscal Charges	<u>1,114,855</u>	<u>1,114,855</u>	<u>-</u>
TOTAL EXPENDITURES	<u>2,234,855</u>	<u>2,234,855</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(880,437)</u>	<u>(878,202)</u>	<u>(2,235)</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers In	909,501	909,501	-
Transfers Out	<u>(19,127)</u>	<u>(19,127)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>890,374</u>	<u>890,374</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>\$ 9,937</u>	<u>\$ 12,172</u>	<u>\$ (2,235)</u>

CITY OF GAINESVILLE, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
PENSION OBLIGATION BOND SERIES 2003B
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)</u>
<u>REVENUES</u>			
Miscellaneous:			
Investment Income	\$ 30,286	\$ 31,908	\$ (1,622)
<u>EXPENDITURES</u>			
Debt Service:			
Interest & Fiscal Charges	<u>2,333,921</u>	<u>2,334,921</u>	<u>1,000</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(2,303,635)</u>	<u>(2,303,013)</u>	<u>(622)</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers In	2,333,921	2,333,921	-
Transfers Out	<u>(78,586)</u>	<u>(78,586)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>2,255,335</u>	<u>2,255,335</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>\$ (48,300)</u>	<u>\$ (47,678)</u>	<u>\$ (622)</u>

CITY OF GAINESVILLE, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
OTHER POST EMPLOYMENT (OPEB) BONDS 2005
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005

	<u>ACTUAL</u>	<u>BUDGET</u>	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
<u>REVENUES</u>			
Intergovernmental:			
Local Cost Sharing	\$ 121,946	\$ 121,946	\$ -
Miscellaneous:			
Investment Income	<u>111</u>	<u>-</u>	<u>111</u>
TOTAL REVENUES	<u>122,057</u>	<u>121,946</u>	<u>111</u>
<u>EXPENDITURES</u>			
General Government:			
Employer Contribution to Other Post-Employment Benefits Fund	34,656,923	34,656,205	(718)
Debt Service:			
Interest and Fiscal Charges	279,154	277,683	(1,471)
Bond Issuance Costs	<u>525,217</u>	<u>553,796</u>	<u>28,579</u>
TOTAL EXPENDITURES	<u>35,461,294</u>	<u>35,487,684</u>	<u>26,390</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(35,339,237)</u>	<u>(35,365,738)</u>	<u>26,501</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Debt Issuance	35,210,000	35,210,000	-
Transfers In	<u>155,738</u>	<u>155,738</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>35,365,738</u>	<u>35,365,738</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>\$ 26,501</u>	<u>\$ -</u>	<u>\$ 26,501</u>



ENTERPRISE FUNDS

Enterprise Funds are used to account for operations: (a) 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 be financed or recovered primarily through user charges; or (b) 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 maintains the following non-major Enterprise Funds:

Regional Transit System Fund - to account for the operations of the City's mass transit system.

Stormwater Management Utility Fund - to account for the operations of a program designed to maintain, replace and expand the City's stormwater-related infrastructure.

Ironwood Golf Course Fund - to account for the operations of the City owned golf course.

Solid Waste Fund - to account for the City's refuse collection program. The actual collections are performed by private contractors (Waste Management, Inc. and Boone Waste Industries).

CITY OF GAINESVILLE, FLORIDA
COMBINING STATEMENT OF NET ASSETS
NONMAJOR ENTERPRISE FUNDS
SEPTEMBER 30, 2005

	REGIONAL TRANSIT SYSTEM FUND	STORMWATER MANAGEMENT UTILITY FUND	IRONWOOD GOLF COURSE FUND
<u>ASSETS</u>			
Current Assets:			
Equity in Pooled Cash and Investments	\$ 409,165	\$ 3,317,916	\$ 3,400
Receivables	1,885,770	67,973	1,400
Due from Other Funds	-	1,946,763	-
Inventories	505,544	-	26,739
Total Current Assets	<u>2,800,479</u>	<u>5,332,652</u>	<u>31,539</u>
Noncurrent Assets:			
Capital Assets (net of accumulated depreciation):			
Buildings	1,203,695	38,664	599,174
Improvements other than buildings	374,211	-	361,234
Machinery and equipment	7,980,606	66,622	127,593
Infrastructure	-	7,709,655	-
Capital Assets (not depreciated):			
Land	434,765	2,510,248	520,265
Construction in progress	388,365	1,810,226	-
Total Noncurrent Assets	<u>10,381,642</u>	<u>12,135,415</u>	<u>1,608,266</u>
TOTAL ASSETS	<u>13,182,121</u>	<u>17,468,067</u>	<u>1,639,805</u>
<u>LIABILITIES</u>			
Current Liabilities:			
Accounts Payable and Accrued Liabilities	304,306	44,661	10,555
Accounts Payable - Payroll	165,414	48,022	4,610
Due to Other Funds	-	-	1,768,561
Current Portion of Long-term Debt	10,085	2,342	382
Total Current Liabilities	<u>479,805</u>	<u>95,025</u>	<u>1,784,108</u>
Noncurrent Liabilities:			
Long-Term Debt	252,137	58,552	9,545
TOTAL LIABILITIES	<u>731,942</u>	<u>153,577</u>	<u>1,793,653</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	10,381,642	12,135,415	1,608,266
Restricted for:			
RTS Grant	468,600	-	-
Unrestricted	1,599,937	5,179,075	(1,762,114)
TOTAL NET ASSETS	<u>\$ 12,450,179</u>	<u>\$ 17,314,490</u>	<u>\$ (153,848)</u>

(CONTINUED)

CITY OF GAINESVILLE, FLORIDA
COMBINING STATEMENT OF NET ASSETS
NONMAJOR ENTERPRISE FUNDS
SEPTEMBER 30, 2005

	<u>SOLID WASTE FUND</u>	<u>TOTAL NONMAJOR ENTERPRISE FUNDS</u>
<u>ASSETS</u>		
Current Assets:		
Equity in Pooled Cash and Investments	\$ 1,119,466	\$ 4,849,947
Receivables	395,821	2,350,964
Due from Other Funds	512,281	2,459,044
Inventories	-	532,283
Total Current Assets	2,027,568	10,192,238
Noncurrent Assets:		
Capital Assets (net of accumulated depreciation):		
Buildings	-	1,841,533
Improvements other than buildings	13,163	748,608
Machinery and equipment	85,162	8,259,983
Infrastructure	-	7,709,655
Capital Assets (not depreciated):		
Land	100,989	3,566,267
Construction in progress	1,062,040	3,260,631
Total Noncurrent Assets	1,261,354	25,386,677
TOTAL ASSETS	3,288,922	35,578,915
 <u>LIABILITIES</u>		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	471,658	831,180
Accounts Payable - Payroll	11,328	229,374
Due to Other Funds	-	1,768,561
Current Portion of Long-term Debt	1,421	14,230
Total Current Liabilities	484,407	2,843,345
Noncurrent Liabilities:		
Long-Term Debt	35,535	355,769
TOTAL LIABILITIES	519,942	3,199,114
 <u>NET ASSETS</u>		
Invested in capital assets, net of related debt	1,261,354	25,386,677
Restricted for:		
RTS Grant	-	468,600
Unrestricted	1,507,626	6,524,524
TOTAL NET ASSETS	\$ 2,768,980	\$ 32,379,801

(CONCLUDED)

CITY OF GAINESVILLE, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
NONMAJOR ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005

	REGIONAL TRANSIT SYSTEM FUND	STORMWATER MANAGEMENT UTILITY FUND	IRONWOOD GOLF COURSE FUND	SOLID WASTE FUND	TOTAL NONMAJOR ENTERPRISE FUNDS
OPERATING REVENUES					
Sales and Service Charges	\$ 8,237,242	\$ 4,959,651	\$ 886,314	\$ 7,290,690	\$ 21,373,897
Other Operating Revenues	6,079	-	-	-	6,079
TOTAL OPERATING REVENUES	8,243,321	4,959,651	886,314	7,290,690	21,379,976
OPERATING EXPENSES					
Operations and Maintenance	13,095,665	4,123,761	734,905	5,426,623	23,380,954
Administrative and General	889,435	350,518	383,215	-	1,623,168
Depreciation and Amortization	1,442,018	196,550	129,664	25,171	1,793,403
TOTAL OPERATING EXPENSES	15,427,118	4,670,829	1,247,784	5,451,794	26,797,525
OPERATING INCOME (LOSS)	(7,183,797)	288,822	(361,470)	1,838,896	(5,417,549)
NON OPERATING REVENUES (EXPENSES)					
Investment Income / (Loss)	(13,614)	195,010	(53,387)	38,999	167,008
Gain(Loss) on Disposal of Capital Assets	(2,580)	48,897	-	-	46,317
Local Option Gas Tax	2,082,636	-	-	-	2,082,636
Other Revenue	-	173,390	-	-	173,390
Operating Grants	3,400,623	-	-	-	3,400,623
TOTAL NON OPERATING REVENUE(EXPENSES)	5,467,065	417,297	(53,387)	38,999	5,869,974
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	(1,716,732)	706,119	(414,857)	1,877,895	452,425
Capital Contributions	4,116,005	366,575	113,433	-	4,596,013
Transfers In	442,434	-	223,969	134,344	800,747
Transfers Out	(186,896)	(331,904)	(223,961)	(1,087,119)	(1,829,880)
CHANGE IN NET ASSETS	2,654,811	740,790	(301,416)	925,120	4,019,305
TOTAL NET ASSETS					
October 1	9,795,368	16,573,700	147,568	1,843,860	28,360,496
TOTAL NET ASSETS					
September 30	\$ 12,450,179	\$ 17,314,490	\$ (153,848)	\$ 2,768,980	\$ 32,379,801

CITY OF GAINESVILLE, FLORIDA
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005

	REGIONAL TRANSIT SYSTEM FUND	STORMWATER MANAGEMENT UTILITY FUND	IRONWOOD GOLF COURSE FUND	SOLID WASTE FUND	TOTAL NONMAJOR ENTERPRISE FUNDS
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>					
Cash Received from Customers	\$ 8,692,274	\$ 5,014,524	\$ 886,314	\$ 7,291,372	\$ 21,884,484
Cash Paid to Suppliers	(5,703,886)	(2,076,469)	(850,661)	(4,998,112)	(13,629,128)
Cash Paid to Employees	(8,151,204)	(2,346,058)	(250,818)	(571,496)	(11,319,576)
Other Operating Receipts	-	-	308,431	-	308,431
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(5,162,816)	591,997	93,266	1,721,764	(2,755,789)
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>					
Local Option Gas Tax	2,082,636	-	-	-	2,082,636
Operating Grants	3,968,502	-	-	-	3,968,502
Interest Paid	(22,495)	-	(53,387)	-	(75,882)
Transfers from Other Funds	442,434	-	223,969	134,344	800,747
Transfers to Other Funds	(186,896)	(331,904)	(223,961)	(1,087,119)	(1,829,880)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACITIVITES	6,284,181	(331,904)	(53,379)	(952,775)	4,946,123
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>					
Local Option Gas Tax	-	-	-	-	-
Principal Repayments on Long-Term Debt	(1,000,000)	(110,952)	(36,243)	-	(1,147,195)
Proceeds from Sale of Capital Assets	6,762	48,897	-	-	55,659
Capital Contributions	590,253	173,390	-	-	763,643
Acquisition and Construction of Capital Assets	(637,620)	(1,163,610)	(3,644)	(715,498)	(2,520,372)
Interfund Borrowing	-	(1,608,897)	-	-	(1,608,897)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(1,040,605)	(2,661,172)	(39,887)	(715,498)	(4,457,162)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>					
Interest Received	8,881	195,010	-	38,999	242,890
Purchase of Investments	(266,748)	(2,163,062)	-	(729,818)	(3,159,628)
Proceeds from Investment Maturities	208,308	3,601,272	2,217	669,520	4,481,317
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(49,559)	1,633,220	2,217	(21,299)	1,564,579
NET INCREASE (DECREASE) IN CASH	31,201	(767,859)	2,217	32,192	(702,249)
CASH - OCTOBER 1	111,216	1,922,713	1,183	357,456	2,392,568
CASH - SEPTEMBER 30	\$ 142,417	\$ 1,154,854	\$ 3,400	\$ 389,648	\$ 1,690,319

(continued)

CITY OF GAINESVILLE, FLORIDA
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005

	REGIONAL TRANSIT SYSTEM FUND	STORMWATER MANAGEMENT UTILITY FUND	IRONWOOD GOLF COURSE FUND	SOLID WASTE FUND	TOTAL NONMAJOR ENTERPRISE FUNDS
OPERATING INCOME (LOSS)	\$ (7,183,797)	\$ 288,822	\$ (361,470)	\$ 1,838,896	\$ (5,417,549)
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:					
Depreciation and Amortization	1,442,018	196,550	129,664	25,171	1,793,403
(Increase)/Decrease in Receivables	447,152	54,872	-	15,256	517,280
(Increase)/Decrease in Inventories	(60,826)	-	11,909	-	(48,917)
(Increase)/Decrease in Due from Other Funds	-	-	-	4,473	4,473
Increase/(Decrease) in Accounts Payable and Accrued Liabilities	262,787	51,753	4,732	(142,984)	176,288
Increase/(Decrease) in Due to Other Funds	(70,150)	-	308,431	(19,048)	219,233
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ (5,162,816)	\$ 591,997	\$ 93,266	\$ 1,721,764	\$ (2,755,789)
 RECONCILIATION OF CASH TO BALANCE SHEET					
Cash	\$ 142,417	\$ 1,154,854	\$ 3,400	\$ 389,648	\$ 1,690,319
Investments	266,748	2,163,062	-	729,818	3,159,628
TOTAL CASH, EQUITY IN POOL AND INVESTMENTS PER BALANCE SHEET	\$ 409,165	\$ 3,317,916	\$ 3,400	\$ 1,119,466	\$ 4,849,947
 NONCASH CAPITAL, INVESTING AND FINANCING ACTIVITIES					
Change in Fair Value of Investments	\$ 2,035	\$ (17,206)	\$ -	\$ (13,993)	\$ (29,164)

(concluded)

INTERNAL SERVICE FUNDS

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the governmental unit, or to other governmental units, on a cost-reimbursement basis.

The City maintains the following Internal Service Funds:

General Insurance Fund - to account for costs associated with administering a self-insurance plan for worker's compensation, automobile, and general liability benefits. The plan is externally administered.

Employees Health and Accident Benefits Fund - to account for costs associated with administering a self-insurance plan for employees' health and accident claims. The plan is externally administered for an annually contracted amount, which is based upon volume of claims.

Fleet Management Fund - to account for the costs of operating a maintenance facility for vehicles used by various City departments.

CITY OF GAINESVILLE, FLORIDA
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
SEPTEMBER 30, 2005

	GENERAL INSURANCE FUND	EMPLOYEES HEALTH AND ACCIDENT BENEFITS FUND	FLEET MANAGEMENT FUND	TOTALS
<u>ASSETS</u>				
Current Assets:				
Cash and Cash Equivalents	\$ 85,401	\$ 349,873	\$ 1,926	\$ 437,200
Equity in Pooled Cash and Investments	5,442,577	2,396,223	5,870,055	13,708,855
Receivables	-	-	2,738	2,738
Due from Other Funds	322,224	-	205,368	527,592
Inventories	-	-	105,129	105,129
Prepaid Expenses	83,461	-	-	83,461
Total Current Assets	<u>5,933,663</u>	<u>2,746,096</u>	<u>6,185,216</u>	<u>14,864,975</u>
Noncurrent Assets:				
Capital Assets (net of accumulated depreciation):				
Buildings	-	-	91,171	91,171
Machinery and Equipment	4,930	7,953	7,880,830	7,893,713
Capital Assets (non depreciable):				
Land	-	-	146,033	146,033
Construction in Progress	-	-	4,290	4,290
Total Noncurrent Assets	<u>4,930</u>	<u>7,953</u>	<u>8,122,324</u>	<u>8,135,207</u>
TOTAL ASSETS	<u>5,938,593</u>	<u>2,754,049</u>	<u>14,307,540</u>	<u>23,000,182</u>
 <u>LIABILITIES</u>				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	7,536,448	1,244,500	263,299	9,044,247
Accounts Payable - Payroll	12,938	2,998	32,245	48,181
TOTAL LIABILITIES	<u>7,549,386</u>	<u>1,247,498</u>	<u>295,544</u>	<u>9,092,428</u>
 <u>NET ASSETS</u>				
Invested in Capital Assets	4,930	7,953	8,122,324	8,135,207
Unrestricted	<u>(1,615,723)</u>	<u>1,498,598</u>	<u>5,889,672</u>	<u>5,772,547</u>
TOTAL NET ASSETS	<u>\$ (1,610,793)</u>	<u>\$ 1,506,551</u>	<u>\$ 14,011,996</u>	<u>\$ 13,907,754</u>

CITY OF GAINESVILLE, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005

	GENERAL INSURANCE FUND	EMPLOYEES HEALTH AND ACCIDENT BENEFITS FUND	FLEET MANAGEMENT FUND	TOTALS
<u>OPERATING REVENUES</u>				
Sales and Service Charges	\$ 6,830,861	\$ 2,967,149	\$ 6,677,680	\$ 16,475,690
Employer Contributions	-	7,277,261	-	7,277,261
Employee Contributions	-	3,745,969	-	3,745,969
Other Operating Revenues	182,563	3,785	29,034	215,382
TOTAL OPERATING REVENUES	<u>7,013,424</u>	<u>13,994,164</u>	<u>6,706,714</u>	<u>27,714,302</u>
<u>OPERATING EXPENSES</u>				
Operations and Maintenance	5,815,810	2,428,948	3,640,549	11,885,307
Administrative and General	1,015,381	220,549	615,209	1,851,139
Depreciation and Amortization	5,074	4,078	2,048,481	2,057,633
Benefits Paid and Other Expenses	-	10,709,093	-	10,709,093
TOTAL OPERATING EXPENSES	<u>6,836,265</u>	<u>13,362,668</u>	<u>6,304,239</u>	<u>26,503,172</u>
OPERATING INCOME	<u>177,159</u>	<u>631,496</u>	<u>402,475</u>	<u>1,211,130</u>
<u>NON OPERATING REVENUES (EXPENSES)</u>				
Interest Revenue	99,049	5,838	142,595	247,482
Gain on Disposal of Capital Assets	-	-	190,814	190,814
TOTAL NON OPERATING REVENUES (EXPENSES)	<u>99,049</u>	<u>5,838</u>	<u>333,409</u>	<u>438,296</u>
INCOME BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	<u>276,208</u>	<u>637,334</u>	<u>735,884</u>	<u>1,649,426</u>
Capital Contributions	-	-	65,935	65,935
Transfers In	-	-	125,000	125,000
Transfers Out	(7,796)	(2,382)	(41,635)	(51,813)
CHANGE IN NET ASSETS	<u>268,412</u>	<u>634,952</u>	<u>885,184</u>	<u>1,788,548</u>
TOTAL NET ASSETS, October 1, as restated	<u>(1,879,205)</u>	<u>871,599</u>	<u>13,126,812</u>	<u>12,119,206</u>
TOTAL NET ASSETS, September 30	<u>\$ (1,610,793)</u>	<u>\$ 1,506,551</u>	<u>\$ 14,011,996</u>	<u>\$ 13,907,754</u>

CITY OF GAINESVILLE, FLORIDA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005

	GENERAL INSURANCE FUND	EMPLOYEES HEALTH AND ACCIDENT BENEFITS FUND	FLEET MANAGEMENT FUND	TOTALS
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>				
Cash Received from Customers	\$ 6,615,760	\$ 13,994,164	\$ 6,721,584	\$ 27,331,508
Cash Paid to Suppliers	(5,373,747)	(12,935,699)	(2,791,311)	(21,100,757)
Cash Paid to Employees	(679,521)	(143,067)	(1,455,036)	(2,277,624)
Other Operating Receipts/Payments	182,563	-	29,033	211,596
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>745,055</u>	<u>915,398</u>	<u>2,504,270</u>	<u>4,164,723</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>				
Transfers from Other Funds	-	-	125,000	125,000
Transfers to Other Funds	(7,796)	(2,382)	(41,635)	(51,813)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>(7,796)</u>	<u>(2,382)</u>	<u>83,365</u>	<u>73,187</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>				
Proceeds from Sale of Capital Assets	-	-	190,814	190,814
Capital Contributions	-	-	65,935	65,935
Acquisition and Construction of Capital Assets	-	-	(2,426,519)	(2,426,519)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>-</u>	<u>-</u>	<u>(2,169,770)</u>	<u>(2,169,770)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>				
Interest Received	99,049	5,838	142,595	247,482
Purchase of Investments	(3,603,876)	(1,790,273)	(3,828,143)	(9,222,292)
Proceeds from Investment Maturities	3,058,658	1,191,241	3,462,760	7,712,659
NET CASH USED BY INVESTING ACTIVITIES	<u>(446,169)</u>	<u>(593,194)</u>	<u>(222,788)</u>	<u>(1,262,151)</u>
NET INCREASE IN CASH	291,090	319,822	195,077	805,989
CASH - OCTOBER 1	<u>1,633,012</u>	<u>636,001</u>	<u>1,848,761</u>	<u>4,117,774</u>
CASH - SEPTEMBER 30	<u>\$ 1,924,102</u>	<u>\$ 955,823</u>	<u>\$ 2,043,838</u>	<u>\$ 4,923,763</u>

(continued)

CITY OF GAINESVILLE, FLORIDA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005

	GENERAL INSURANCE FUND	EMPLOYEES HEALTH AND ACCIDENT BENEFITS FUND	FLEET MANAGEMENT FUND	TOTALS
<u>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</u>				
OPERATING INCOME	\$ 177,159	\$ 631,496	\$ 402,475	\$ 1,211,130
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Depreciation and Amortization	5,074	4,078	2,048,481	2,057,633
(Increase)/Decrease in Receivables	55,224	-	6,960	62,184
(Increase)/Decrease in Inventories	-	-	(14,126)	(14,126)
(Increase)/Decrease in Due from Other Funds	(270,325)	-	36,943	(233,382)
(Increase)/Decrease in Prepaid Expenses	(26,288)	-	-	(26,288)
Increase/(Decrease) in Accounts Payable and Accrued Liabilities	804,211	279,824	23,537	1,107,572
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 745,055	\$ 915,398	\$ 2,504,270	\$ 4,164,723
 <u>RECONCILIATION OF CASH TO BALANCE SHEET</u>				
Cash	\$ 1,924,102	\$ 955,823	\$ 2,043,838	\$ 4,923,763
Investments	3,603,876	1,790,273	3,828,143	9,222,292
TOTAL CASH AND EQUITY IN POOL PER BALANCE SHEET	\$ 5,527,978	\$ 2,746,096	\$ 5,871,981	\$ 14,146,055
 <u>NONCASH CAPITAL, INVESTING AND FINANCING ACTIVITIES</u>				
Change in Fair Value of Investments	\$ (45,094)	\$ (27,512)	\$ (46,850)	\$ (119,456)

(concluded)



FIDUCIARY FUNDS

TRUST FUNDS

Trust Funds are used to account for public employee retirement systems and the other post-employment benefit trust fund.

The City maintains the following Trust Funds:

Employees Pension Fund - to account for the accumulation of resources to be used for pension payments to participants of the City's Employees Pension Plan.

Disability Pension Fund - to account for the accumulation of resources to be used for pension payments to participants of the City's Disability Pension Plan.

Police Officers and Firefighters Consolidated Retirement Fund - to account for the accumulation of resources to be used for pension payments to participants of the City's Consolidated Police Officers and Firefighters Retirement Plan.

Other Post-Employment Benefit (OPEB) Fund - to account for costs associated with administering the retired employees' health and accident claims trust fund. The plan is externally administered for an annually contracted amount, which is based upon volume of claims.

CITY OF GAINESVILLE, FLORIDA
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PENSION AND OPEB TRUST FUNDS
SEPTEMBER 30, 2005

	EMPLOYEES PENSION FUND	EMPLOYEES DISABILITY PENSION FUND	POLICE OFFICERS AND FIREFIGHTERS CONSOLIDATED RETIREMENT FUND	OTHER POST- EMPLOYMENT BENEFITS (OPEB) FUND	TOTALS
ASSETS					
Cash and Cash Equivalents	\$ 3,375,073	\$ -	\$ 1,207,778	\$ 1,734,210	\$ 6,317,061
Equity in Pooled Cash and Investments	-	-	581,293	1,100,119	1,681,412
Investments, at fair value:					
U. S. Treasury Obligations	3,280,233	-	1,986,814	-	5,267,047
Corporate Bonds	30,994,552	-	15,201,651	-	46,196,203
Government Bonds	8,004,086	-	1,839,577	7,861,924	17,705,587
Collateralized Mortgage Obligations	457,133	-	137,631	5,822,115	6,416,879
Commercial Mortgage Backed Securities	1,311,064	-	893,622	-	2,204,686
Mortgage Pass Through	113,730	-	114,203	-	227,933
Asset Backed Obligations	1,792,456	-	537,911	-	2,330,367
Common and Preferred Stock	217,801,713	-	145,289,742	31,918,089	395,009,544
Due from Other Funds	-	3,773,918	-	817,992	4,591,910
TOTAL ASSETS	267,130,040	3,773,918	167,790,222	49,254,449	487,948,629
LIABILITIES					
Accounts Payable and Accrued Liabilities	249,831	444	1,610	63	251,948
Due to Other Funds	4,591,910	-	-	-	4,591,910
TOTAL LIABILITIES	4,841,741	444	1,610	63	4,843,858
NET ASSETS HELD IN TRUST FOR PENSION AND OPEB BENEFITS	\$ 262,288,299	\$ 3,773,474	\$ 167,788,612	\$ 49,254,386	\$ 483,104,771

CITY OF GAINESVILLE, FLORIDA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PENSION AND OPEB TRUST FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2005

	EMPLOYEES PENSION FUND	EMPLOYEES DISABILITY PENSION FUND	POLICE OFFICERS AND FIREFIGHTERS CONSOLIDATED RETIREMENT FUND	OTHER POST- EMPLOYMENT BENEFITS (OPEB) FUND	TOTALS
ADDITIONS:					
Contributions:					
Employer Contributions:					
Required	\$ 1,894,206	\$ 487,779	\$ 1,476,918	\$ 7,680,930	\$ 11,539,833
State on Behalf Payments, through General Fund	-	-	1,085,890	-	1,085,890
Amount creating negative net OPEB obligation	-	-	-	30,509,918	30,509,918
Total Employer Contributions	1,894,206	487,779	2,562,808	38,190,848	43,135,641
Employee Contributions	3,836,467	-	2,420,043	1,469,475	7,725,985
Total Contributions	5,730,673	487,779	4,982,851	39,660,323	50,861,626
Investment Income:					
Net Appreciation in Fair Value of Investments	31,528,861	100,293	21,391,850	489,775	53,510,779
Dividends & Interest	3,939,226	-	3,567,038	835,491	8,341,755
Total Investment Income	35,468,087	100,293	24,958,888	1,325,266	61,852,534
Less Investment Expense	1,416,972	-	939,999	92,155	2,449,126
Net Investment Income	34,051,115	100,293	24,018,889	1,233,111	59,403,408
TOTAL ADDITIONS	39,781,788	588,072	29,001,740	40,893,434	110,265,034
DEDUCTIONS:					
Benefit Payments	12,765,345	277,596	7,944,093	2,854,183	23,841,217
Refunds of Contributions	283,427	-	166,443	-	449,870
Administrative Expenses	298,537	30,839	289,880	116,257	735,513
TOTAL DEDUCTIONS	13,347,309	308,435	8,400,416	2,970,440	25,026,600
CHANGE IN NET ASSETS	26,434,479	279,637	20,601,324	37,922,994	85,238,434
NET ASSETS - beginning, as previously reported	239,347,657	-	147,187,288	-	386,534,945
Restatement	(3,493,837)	3,493,837	-	11,331,392	11,331,392
NET ASSETS - beginning, as restated	235,853,820	3,493,837	147,187,288	11,331,392	397,866,337
NET ASSETS - ending	\$ 262,288,299	\$ 3,773,474	\$ 167,788,612	\$ 49,254,386	\$ 483,104,771





—
FINANCIAL TRENDS
—

City of Gainesville
Net Assets by Component
Last Four Fiscal Years
(accrual basis of accounting)

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Governmental activities:				
Invested in capital assets, net of related debt	\$ 65,937,740	\$ 47,854,313	\$ 79,593,219	\$ 82,168,018
Restricted	19,881,956	22,754,050	12,928,276	23,255,620
Unrestricted	16,850,893	39,185,669	19,429,443	(3,020,760)
Total governmental activities net assets	<u>\$ 102,670,589</u>	<u>\$ 109,794,032</u>	<u>\$ 111,950,938</u>	<u>\$ 102,402,878</u>
Business-type activities:				
Invested in capital assets, net of related debt	\$ 267,998,636	\$ 281,117,024	\$ 319,702,835	\$ 322,442,298
Restricted	164,091,715	83,814,681	49,479,733	48,655,890
Unrestricted	5,280,964	8,096,203	17,365,556	15,864,688
Total business-type activities net assets	<u>\$ 437,371,315</u>	<u>\$ 373,027,908</u>	<u>\$ 386,548,124</u>	<u>\$ 386,962,876</u>
Total primary government:				
Invested in capital assets, net of related debt	\$ 333,936,376	\$ 328,971,337	\$ 399,296,054	\$ 404,610,316
Restricted	183,973,671	106,568,731	62,408,009	71,911,510
Unrestricted	22,131,857	47,281,872	36,794,999	12,843,928
Total primary government net assets	<u>\$ 540,041,904</u>	<u>\$ 482,821,940</u>	<u>\$ 498,499,062</u>	<u>\$ 489,365,754</u>

Note: The City began to report accrual information when it implemented GASB 34 in fiscal year 2002.

City of Gainesville
Changes in Net Assets
Last Four Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2002	2003	2004	2005
Expenses				
Governmental activities:				
General government	\$ 17,122,419	\$ 15,061,813	\$ 18,458,043	\$ 23,677,037
Public safety	39,240,517	42,574,106	45,714,000	54,281,144
Physical environment	4,036,034	2,832,078	2,827,492	3,055,388
Transportation	8,846,755	9,358,165	9,548,804	8,548,157
Economic environment	3,127,631	5,135,218	3,583,832	4,616,810
Human services	256,864	1,490,131	1,713,715	1,268,499
Culture & recreation	4,247,853	5,317,908	3,669,838	5,641,593
Interest on long-term debt	1,668,424	3,626,965	5,136,385	5,296,200
Total governmental activities expenses	<u>78,546,497</u>	<u>85,396,384</u>	<u>90,652,109</u>	<u>106,384,828</u>
Business-type activities:				
Electric	131,212,687	140,555,094	152,668,644	165,714,007
Gas	14,287,385	20,745,014	22,402,154	25,011,786
Water	13,874,410	14,213,832	15,662,347	16,373,985
Wastewater	17,157,698	17,514,229	17,978,035	20,179,076
GRUCom	6,549,990	6,296,174	6,626,562	7,763,554
Regional transit system	11,636,440	12,833,553	13,946,979	15,407,545
Stormwater	4,031,510	3,934,824	3,963,762	4,563,029
Ironwood	1,542,185	1,531,655	1,438,628	1,243,518
Solid waste	5,204,119	5,703,055	5,595,169	5,441,243
Total business-type activities expenses	<u>205,496,424</u>	<u>223,327,430</u>	<u>240,282,280</u>	<u>261,697,743</u>
Total primary government expenses	<u>\$ 284,042,921</u>	<u>\$ 308,723,814</u>	<u>\$ 330,934,389</u>	<u>\$ 368,082,571</u>
Program Revenues				
Governmental activities:				
Charges for services	\$ 10,267,204	\$ 11,863,349	\$ 11,802,297	\$ 17,839,624
Operating grants and contributions	5,301,805	4,681,010	5,951,582	13,058,351
Capital grants and contributions	3,193,076	4,971,251	1,406,477	191,600
Total governmental activities program revenues	<u>18,762,085</u>	<u>21,515,610</u>	<u>19,160,356</u>	<u>31,089,575</u>
Business-type activities:				
Charges for services:				
Electric	147,794,295	154,865,704	159,117,967	174,046,207
Other utilities	51,136,526	56,785,641	65,702,620	65,854,837
Other charges for services	15,295,019	17,798,421	20,313,784	21,373,897
Operating grants and contributions	4,710,372	4,968,210	5,059,409	3,400,623
Capital grants and contributions	9,350,464	5,953,321	7,572,300	9,632,321
Total business-type activities program revenues	<u>228,286,676</u>	<u>240,371,297</u>	<u>257,766,080</u>	<u>274,307,885</u>
Total primary government program revenues	<u>\$ 247,048,761</u>	<u>\$ 261,886,907</u>	<u>\$ 276,926,436</u>	<u>\$ 305,397,460</u>
Net (Expense)/Revenue				
Governmental activities	\$ (59,784,412)	\$ (63,880,774)	\$ (71,491,753)	\$ (75,295,253)
Business-type activities	22,790,252	17,043,867	17,483,800	12,610,142
Total primary government net expense	<u>\$ (36,994,160)</u>	<u>\$ (46,836,907)</u>	<u>\$ (54,007,953)</u>	<u>\$ (62,685,111)</u>
General Revenues and Other Changes in Net Assets				
Governmental activities:				
Taxes:				
Property taxes	\$ 13,713,591	\$ 16,341,921	\$ 17,983,617	\$ 19,365,334
Other taxes	16,189,171	17,738,773	18,961,421	18,928,506
State revenue sharing	2,809,984	2,825,141	3,367,156	4,117,607
Interest	1,640,420	1,634,773	2,641,812	1,564,126
Other revenues	1,764,678	6,097,543	3,564,261	1,894,572
Total governmental activities	<u>36,117,844</u>	<u>44,638,151</u>	<u>46,518,267</u>	<u>45,870,145</u>
Business-type activities:				
Interest	7,507,294	6,468,299	7,011,499	4,388,999
Other revenues	5,503,668	13,945,313	16,155,309	14,624,051
Total business-type activities	<u>13,010,962</u>	<u>20,413,612</u>	<u>23,166,808</u>	<u>19,013,050</u>
Total primary government	<u>\$ 49,128,806</u>	<u>\$ 65,051,763</u>	<u>\$ 69,685,075</u>	<u>\$ 64,883,195</u>
Changes in Net Assets				
Governmental activities	\$ 2,454,226	\$ 7,123,443	\$ 2,156,906	\$ (1,189,518)
Business-type activities	9,680,420	11,091,413	13,520,216	3,387,602
Total primary government	<u>\$ 12,134,646</u>	<u>\$ 18,214,856</u>	<u>\$ 15,677,122</u>	<u>\$ 2,198,084</u>

Note: The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2002.

City of Gainesville
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year									
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
General fund:										
Reserved	\$5,204,531	\$5,618,189	\$7,798,541	\$14,592,082	\$14,451,177	\$15,479,387	\$17,897,583	\$14,480,596	\$6,519,587	\$4,911,387
Unreserved	2,365,756	2,237,472	1,109,742	584,373	867,787	2,105,507	-	98,216	6,744,693	7,235,562
Total general fund	\$7,570,287	\$7,855,661	\$8,908,283	\$15,176,455	\$15,318,964	\$17,584,894	\$17,897,583	\$14,578,812	\$13,264,280	\$12,146,949
All other governmental funds:										
Reserved	\$4,121,630	\$4,009,454	\$4,502,879	\$4,017,703	\$5,755,542	\$5,041,790	\$5,508,677	\$4,885,383	\$6,765,983	\$4,882,686
Unreserved, reported in:										
Special revenue funds	1,712,331	1,535,798	285,576	841,576	1,579,507	1,540,652	4,194,183	7,474,304	4,289,293	8,385,893
Capital projects funds	8,458,720	7,816,329	9,294,505	9,038,884	4,706,396	5,805,338	13,929,199	15,302,299	6,489,093	9,630,545
Debt service funds	658,761	312,506	726,598	511,762	531,376	789,508	567,840	618,571	702,303	356,496
Total all other governmental funds	\$14,951,442	\$13,674,087	\$14,809,558	\$14,409,925	\$12,572,821	\$13,177,288	\$24,199,899	\$28,280,557	\$18,246,672	\$23,255,620

City of Gainesville
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year									
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Revenues										
Taxes	\$ 19,373,067	\$ 19,703,399	\$ 20,789,710	\$ 20,968,492	\$ 22,344,885	\$ 23,447,094	\$ 28,064,616	\$ 32,199,454	\$ 31,303,901	\$ 32,679,841
Licenses and permits	880,755	1,408,859	1,516,597	1,470,963	1,545,920	1,859,727	1,787,686	2,018,662	2,426,963	2,896,874
Intergovernmental	13,297,435	14,603,763	12,412,375	19,729,318	14,858,835	15,770,255	13,822,265	15,234,836	18,272,298	22,974,018
Charges for services	5,247,453	5,721,419	5,657,788	6,195,241	6,220,561	6,479,956	7,207,981	7,874,717	7,814,955	8,856,453
Fines and forfeitures	1,579,452	1,526,744	1,537,902	1,274,854	1,928,495	1,359,332	1,275,135	6,417,778	1,385,684	5,262,937
Miscellaneous	1,562,175	2,144,789	4,025,251	1,833,340	2,716,903	2,981,585	2,902,249	2,607,583	3,960,453	3,291,883
Total revenues	41,940,337	45,108,973	45,939,623	51,472,208	49,615,599	51,897,949	55,059,932	66,363,030	65,164,254	75,962,006
Expenditures										
General government	12,104,431	13,159,570	13,802,168	14,208,661	15,128,422	15,903,772	17,454,860	101,604,577	16,256,847	51,239,460
Public safety	27,948,670	28,996,827	30,242,569	31,742,222	33,603,870	33,221,383	36,154,898	43,502,172	46,561,694	52,511,787
Physical environment	1,893,702	1,526,149	1,703,232	1,776,073	1,859,039	1,996,771	3,057,768	2,630,318	2,707,341	2,454,447
Transportation	2,989,958	5,653,845	5,738,318	6,184,738	6,724,418	6,326,833	6,909,654	7,544,417	8,138,503	8,771,221
Economic environment	4,267,363	3,587,260	5,515,022	3,749,736	3,404,006	4,070,329	3,324,140	4,537,137	3,513,053	4,414,062
Human services	162,052	77,974	66,885	88,696	70,675	56,616	163,952	1,490,005	1,713,667	1,188,621
Culture and recreation	4,031,694	3,165,340	3,124,837	3,579,842	3,745,831	4,133,446	5,021,563	6,376,185	5,755,697	5,483,963
Debt service:										
Principal	1,831,178	2,122,484	2,041,019	2,601,200	1,833,297	1,663,689	2,323,778	2,643,845	3,608,817	4,010,000
Interest	1,845,224	1,964,557	1,644,558	1,742,472	1,501,677	1,477,860	1,575,315	3,615,491	5,015,779	5,255,490
Bond issuance costs							193,773	1,693,031	282,612	628,399
Capital outlay	5,933,863	4,618,068	1,389,183	1,522,285	5,475,124	6,265,480	6,325,236	6,214,790	10,207,478	5,160,215
Total expenditures	63,008,135	64,872,074	65,267,791	67,195,925	73,346,359	75,116,179	82,504,927	181,851,968	103,761,488	141,117,665
Excess of revenues under expenditures	(21,067,798)	(19,763,101)	(19,328,168)	(15,723,717)	(23,730,760)	(23,218,230)	(27,444,995)	(115,499,938)	(38,597,234)	(65,155,659)
Other Financing Sources (Uses)										
Proceeds from refunding bonds	5,161,805	-	10,963,984	-	-	-	-	-	-	-
Paid to refunded bond escrow agent	-	-	(9,839,297)	-	-	-	-	-	-	-
Debt issuance	-	-	-	-	-	-	-	-	-	-
Bond premium	-	-	-	-	-	2,794,848	-	89,894,759	9,805,000	40,850,000
Deposit to refund escrow	-	-	-	-	-	-	-	-	728,392	(38,314)
Transfers in	28,146,348	25,892,031	26,623,681	32,169,060	26,876,868	32,680,313	42,073,750	33,964,439	(10,460,858)	-
Transfers out	(9,881,467)	(6,487,479)	(6,006,247)	(10,474,764)	(4,771,131)	(9,386,534)	(16,252,956)	(7,598,373)	40,484,406	45,341,847
Total other financing sources (uses)	23,426,686	19,404,552	21,742,121	21,694,296	22,105,737	26,088,627	35,690,794	116,260,825	27,248,817	69,047,276
Net change in fund balances	\$ 2,358,888	\$ (358,549)	\$ 2,413,953	\$ 5,970,579	\$ (1,625,023)	\$ 2,870,397	\$ 8,245,799	\$ 761,887	\$ (11,348,417)	\$ 3,891,617
Debt service as a percentage of noncapital expenditures	6.44%	6.78%	5.77%	6.61%	4.91%	4.56%	5.37%	4.53%	9.52%	7.28%



REVENUE CAPACITY

City of Gainesville
Assessed Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year Ended September 30,	Just Value				Exemptions				Total Taxable Assessed Value	Total Direct Tax Rate	
	Tax Year	Real Property	Personal Property	Centrally Assessed Property	Governmental	Agricultural	Institutional	Homestead			Other
1997	1996	\$ 4,075,760,500	\$ 1,329,866,556	\$ 1,616,314	\$ 2,677,865,360	\$ 18,406,300	\$ 236,734,699	\$ 435,692,588	\$ 7,425,110	\$ 2,031,119,313	4.9416
1998	1997	4,342,404,900	1,468,167,011	2,588,643	2,766,702,540	17,288,800	389,878,883	480,833,032	8,222,510	2,150,234,789	4.9416
1999	1998	4,464,739,850	1,440,015,325	1,809,310	2,773,838,970	18,512,800	368,613,860	501,131,025	8,708,010	2,235,759,820	4.9416
2000	1999	4,659,366,900	1,457,465,429	1,048,907	2,785,024,080	20,564,200	367,554,285	545,191,019	9,099,400	2,390,448,252	4.9416
2001	2000	4,801,682,500	1,418,616,961	961,366	2,793,826,888	19,109,400	321,344,308	556,556,377	8,711,265	2,521,712,589	4.9416
2002	2001	5,174,110,900	1,458,320,027	853,086	2,975,528,170	29,573,000	312,372,599	571,752,264	8,825,685	2,735,232,295	4.9416
2003	2002	5,583,918,487	1,462,695,450	876,190	2,797,872,400	36,296,700	293,761,160	656,539,633	10,201,087	3,252,819,147	4.9416
2004	2003	5,973,598,600	1,494,298,767	1,442,544	2,796,295,760	36,614,800	341,737,970	721,498,130	11,528,885	3,561,664,366	4.9416
2005	2004	7,244,067,100	1,493,401,961	1,737,804	3,641,123,420	34,963,100	369,084,360	876,134,257	12,690,560	3,805,211,168	4.9416
2006	2005	7,991,469,700	1,523,306,918	1,033,801	3,723,073,730	39,875,900	388,002,325	1,014,315,873	13,456,130	4,337,086,461	4.9355

Source: Alachua County Property Appraiser

Note: The Property Appraiser assesses the value of property in a manner that does not provide a reasonable basis for estimating the actual value of property.

**City of Gainesville
Property Tax Rates
Direct and Overlapping Governments
Last Ten Fiscal Years
(rate per \$1,000 assessed value)**

Fiscal Year	Tax Year	City of Gainesville Direct Rate	Overlapping Rates				Total Direct & Overlapping Rates
			Alachua County	Alachua County School District	St. Johns Water Management District	Alachua County Library District	
1996	1995	4.9659	9.2810	12.1770	0.4820	1.8408	28.7467
1997	1996	4.9416	9.2810	12.1770	0.4820	1.8408	28.7224
1998	1997	4.9416	9.0290	12.1770	0.4820	1.8107	28.7467
1999	1998	4.9416	8.7700	11.8240	0.4820	1.8107	28.7224
2000	1999	4.9416	8.7700	10.9560	0.4820	1.9000	27.0496
2001	2000	4.9416	8.7650	10.8030	0.4720	1.9000	26.8816
2002	2001	4.9416	9.0009	10.4360	0.4620	1.6789	26.5194
2003	2002	4.9416	8.9887	10.4660	0.4620	1.6632	26.8816
2004	2003	4.9416	9.2387	9.8390	0.4620	1.6566	26.1379
2005	2004	4.9416	9.2387	9.2240	0.4620	1.6566	25.5229

Source: Alachua County Property Appraiser

Notes: The City's direct property tax rate is limited to a maximum rate of 10.0.

Overlapping rates are those of other local and county governments that apply to property owners within the City.

City of Gainesville
Principal Property Taxpayers
Current Year and Nine Years Ago

	2005			1996		
	Total Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Total Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Oaks Mall Gainesville Ltd Partnership	\$83,529,900	1	2.20%	\$ -	-	-
Bellsouth Telecommunications	64,389,000	2	1.69%	62,966,615	1	0.31%
HCA Health Services of Florida	53,575,100	3	1.41%	-	-	-
Florida Power Corp	39,382,900	4	1.03%	41,567,418	2	2.04%
Gainesville Place LLC	22,499,000	5	0.59%	-	-	-
Colonial Realty Ltd Partnership	21,582,400	6	0.57%	-	-	-
Campus Lodge of Gainesville, LTD	20,159,100	7	0.53%	-	-	-
North Florida Regional Hospital	20,115,040	8	0.53%	-	-	-
Metal Container Corporation	18,814,970	9	0.49%	32,045,020	5	1.58%
Cox Cable University City, Inc.	18,717,390	10	0.49%	-	-	-
Prudential Insurance Co.	-	-	-	35,530,050	3	1.75%
Columbia/HCA Corporation	-	-	-	34,265,490	4	1.69%
Kriser, Sidney P.	-	-	-	11,755,400	6	0.58%
Industrial Plants Corporation	-	-	-	9,492,200	7	0.47%
P.C.R. Corporation	-	-	-	8,872,240	8	0.44%
Melrose Apartments of Gainesville	-	-	-	8,716,290	9	0.43%
Gainesville Sun	-	-	-	7,980,300	10	0.39%
Total	\$362,764,800			\$ 253,191,023		

Source: Alachua County Property Appraiser

City of Gainesville
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year Ended September 30,	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
1996	\$ 9,671,074	\$ 9,558,085	98.8%	\$ 79,630	\$ 9,637,715	99.7%
1997	10,047,998	9,930,982	98.8%	118,289	10,049,271	100.0%
1998	10,642,575	10,201,814	95.9%	61,160	10,262,974	96.4%
1999	11,071,988	10,626,794	96.0%	47,864	10,674,658	96.4%
2000	11,838,312	11,271,501	95.2%	129,246	11,400,747	96.3%
2001	12,480,786	12,000,434	96.2%	16,277	12,016,711	96.3%
2002	13,538,191	12,925,315	95.5%	117,116	13,042,431	96.3%
2003	16,095,632	15,428,716	95.9%	104,161	15,532,877	96.5%
2004	17,633,726	16,795,752	95.2%	138,267	16,934,019	96.0%
2005	18,828,011	18,138,640	96.3%	66,677	18,145,902	96.4%

Source: Alachua County Tax Collector



—
DEBT CAPACITY
—

City of Gainesville
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Presented by Governmental and Business-Type Activities

Fiscal Year	Governmental Activities		Business-Type Activities		Total Primary Government	Total	
	Revenue Bonds	Promissory Notes	Revenue Bonds	Revenue Notes		% of Personal Income	Per Capita
1996	\$ 35,357,220	\$ 338,645	\$ 409,610,722	\$ 62,165,000	\$ 507,471,587	23.67%	\$ 5,195
1997	33,397,220	176,170	389,807,401	59,937,000	483,317,791	20.76%	4,839
1998	33,462,220	113,400	380,814,079	57,529,000	471,918,699	18.93%	4,704
1999	30,877,220	996,600	347,020,009	28,508,000	407,401,829	15.66%	4,018
2000	29,062,220	978,304	307,624,076	75,109,000	412,773,600	18.24%	4,325
2001	30,237,220	1,294,631	298,865,223	99,643,952	430,041,026	18.21%	4,459
2002	37,847,467	1,166,002	341,130,721	77,921,952	458,066,142	16.74%	4,118
2003	125,120,811	1,489,009	376,436,480	73,625,952	576,672,252	19.14%	4,921
2004	122,036,108	-	365,874,265	69,985,702	557,896,075	17.93%	4,738
2005	158,791,270	-	354,697,051	96,822,250	610,310,571	19.26%	5,091

Presented by City Government and Gainesville Regional Utilities (GRU)

Fiscal Year			Total Primary Government	City Government		Utility (GRU)	
	General Government	Utility (GRU)		% of Personal Income	Per Capita	% of Personal Income	Per Customer
1996	\$ 35,695,865	\$ 471,775,722	\$ 507,471,587	1.66%	\$ 365	11.12%	\$ 2,440
1997	33,573,390	449,744,401	483,317,791	1.44%	336	9.69%	2,258
1998	33,575,620	438,343,079	471,918,699	1.35%	335	8.31%	2,065
1999	31,873,820	375,528,009	407,401,829	1.23%	314	6.93%	1,776
2000	30,040,524	382,733,076	412,773,600	1.33%	315	7.34%	1,740
2001	35,642,803	394,398,223	430,041,026	1.51%	370	7.21%	1,765
2002	42,124,421	415,941,721	458,066,142	1.54%	379	7.21%	1,774
2003	128,720,772	447,951,480	576,672,252	4.27%	1,098	7.33%	1,885
2004	123,147,060	434,749,015	557,896,075	3.96%	1,046	6.73%	1,777
2005	158,791,270	451,519,301	610,310,571	5.01%	1,324	6.91%	1,826

Sources: Personal income and population figures were obtained from the Bureau of Economic and Business Research. Customer information was obtained from GRU's Annual Report.

Notes: Details regarding the City's outstanding debt may be found in the Notes to the Financial Statements.

The debt ratios for the primary government include both General Government and GRU. These ratios are shown separately as well to provide more meaningful information.

The increase in General Government's debt ratios in fiscal year 2003 is attributable to the issuance of the 2003 Series A & B Taxable Pension Obligation Bonds. These bonds were issued to take advantage of the opportunity to issue taxable debt at rates well below the interest charges on the unfunded accrued actuarial liability of the City's defined benefit pension plans.

The increase in General Government's debt ratios in fiscal year 2005 is attributable to the issuance of the 2005 Taxable Other Post Employment Benefit Obligation Bonds. These bonds were issued to take advantage of the opportunity to issue taxable debt at rates well below the interest charges on the unfunded accrued actuarial liability of the City's retiree health care plan.

City of Gainesville
Direct and Overlapping Governmental Activities Debt
As of September 30, 2005

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Direct and Overlapping Debt
Alachua County:			
General Obligation Bonds	\$ 11,540,000	45.006%	\$ 5,193,724
Sales Tax Revenue Bonds	44,905,000	45.006%	20,210,067
Alachua County Library District Bonds	10,800,000	45.006%	4,860,677
Alachua County School Board District			
General Obligation Bonds	45,585,000	44.826%	20,433,855
State Motor Vehicle License Tax Revenue Bonds	8,305,000	44.826%	3,722,785
Certificates of Participation	82,182,000	44.826%	36,838,764
Capital Leases	960,108	44.826%	430,376
Subtotal, Overlapping Debt			91,690,248
City of Gainesville Governmental Activities Direct Debt			<u>158,791,270</u>
Total Direct and Overlapping Governmental Activities Debt			<u><u>\$ 250,481,518</u></u>

Notes:

Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

The percentage of overlapping debt applicable is estimated using taxable property values. Applicable percentages were estimated by dividing the portion of another government unit's taxable value that is within the City's boundaries and dividing it by each unit's total taxable value.

Sources:

Alachua County Finance Department, Alachua County School Board and Alachua County Property Appraiser

City of Gainesville
Pledged Revenue Coverage
Last Ten Fiscal Years

Fiscal Year	State Guaranteed Entitlement Revenue Bonds					Utilities System Revenue Bonds				
	State Guaranteed Entitlement Revenue	Debt Service			Coverage	Utilities Revenues (1)	Less: Operating Expenses (3)	Net Available Revenues	Debt Service	
		Principal	Interest	Coverage					Principal	Interest
1996	\$ 1,100,340	\$ 365,000	\$ 733,721	1.0015	\$ 172,419,275	\$ 100,311,340	72,107,935	\$ 11,465,000	\$ 17,491,424	2.4902
1997	1,100,340	380,000	719,121	1.0011	179,541,882	101,994,873	77,547,009	9,290,000	21,454,551	2.5223
1998	1,100,340	395,000	702,973	1.0022	183,774,469	103,501,429	80,273,040	9,740,000	21,042,845	2.6077
1999	1,100,340	415,000	685,198	1.0001	431,428,628 (2)	100,273,410	331,155,218	10,165,000	19,734,917	11.0755
2000	1,100,340	430,000	666,004	1.0040	198,326,204	113,860,710	84,465,494	10,190,000	19,268,515	2.8673
2001	1,100,340	450,000	645,579	1.0043	226,589,270	136,304,479	90,284,791	10,985,000	18,780,188	3.0332
2002	1,100,340	475,000	623,641	1.0015	218,416,063	127,953,800	90,462,263	11,520,000	17,792,587	3.0861
2003	1,100,340	495,000	599,891	1.0050	229,879,820	144,689,344	85,190,476	9,585,000	15,917,972	3.3404
2004	1,100,340	525,000	412,574	1.1736	244,500,436	161,501,757	82,998,679	10,100,000	16,573,276	3.1117
2005	1,100,340	580,000	462,613	1.0554	254,112,058	177,618,895	76,493,163	9,385,000	15,491,978	3.0749

Notes:

- (1) Utilities revenues include electric, gas, water, wastewater and telecommunications charges to customers, other utilities revenues (including fees for connection, installation and backflow prevention), rate stabilization transfers, and interest income (excluding interest income earned on construction funds).
- (2) Includes revenue of \$249,220,553 from leaseback transaction. The coverage ratio excluding the revenue from the leaseback would be 2.42.
- (3) Operating expenses exclude depreciation and debt service charges.

Details regarding the City's outstanding debt can be found in the notes to the financial statements.





—
**DEMOGRAPHIC AND
ECONOMIC INFORMATION**

**City of Gainesville
Demographic and Economic Statistics
Last Ten Fiscal Years**

Fiscal Year	(1) Population	(2) Personal Income	(2) Per Capita Personal Income	(1) Median Age (Alachua County)	(3) Public School Enrollment (Alachua County)	(4) Unemployment Rate
1996	97,693	4,156,226,000	20,117	28.5	30,945	2.90%
1997	99,870	4,396,469,000	20,926	31.6	30,283	2.80%
1998	100,315	4,723,572,000	22,207	28.5	29,300	2.40%
1999	101,405	4,925,739,000	22,821	28.5	28,460	2.70%
2000	95,447	5,238,274,000	24,010	28.5	30,484	1.90%
2001	96,446	5,418,264,000	24,704	29.0	30,176	2.40%
2002	111,224	5,490,780,000	24,863	29.0	28,226	2.62%
2003	117,182	5,773,763,000	26,041	29.0	29,270	2.48%
2004	117,754	N/A	N/A	29.3	30,440	2.40%
2005	119,889	N/A	N/A	29.4	28,134	2.20%

Sources:

- (1) The Population and Median Age of Gainesville were obtained from the University of Florida Bureau of Economic and Business Research
- (2) Total Personal Income and Per Capita Personal Income amounts obtained from Florida Research and Economic Database
- (3) Public School Enrollment information obtained from Alachua County School Board
- (4) Unemployment Rates obtained from the United States Department of Labor

Personal Income and Per Capita Personal Income were not available for 2004 and 2005

**City of Gainesville
Principal Employers
Current Year and Nine Years Ago**

Employer	2005			1996		
	Employees	Rank	Percentage Of Total City Employment	Employees	Rank	Percentage of Total City Employment
University of Florida	12,297	1	9.04%	11,600	1	10.39%
Shands Hospital	8,225	2	6.04%	7,874	2	7.06%
Alachua County School Board	4,064	3	2.99%	3,963	3	3.55%
City of Gainesville	2,369	4	1.74%	1,869	5	1.67%
Florida Dept. Of Children & Family	2,319	5	1.70%	3,100	4	2.78%
Publix Supermarkets	1,876	6	1.38%	927	9	0.83%
VA Hospital	1,627	7	1.20%	1,650	6	1.48%
North Florida Regional Medical Ctr.	1,560	8	1.15%	1,300	8	1.16%
Nationwide Insurance	1,058	9	0.78%	-	-	-
Alachua County (1)	860	10	0.63%	750	10	0.67%
Energizer Power Systems	-	-	-	1,350	7	1.21%
Total	36,255			34,383		

Source: Gainesville Council for Economic Research

Note: (1) Alachua County employment does not include employees of constitutional officers, such as the Alachua County Sheriff's Office.



—
OPERATING INFORMATION
—

City of Gainesville
Full-time Equivalent City Government Employees by Function/Program
Last Ten Fiscal Years

	Full-time Equivalent Employees as of September 30,									
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Charter Offices:										
City Commission	5.00	5.00	5.00	5.00	5.00	5.00	5.00	7.00	7.00	7.00
City Manager's Office	6.00	4.00	4.00	4.00	5.00	5.00	5.00	5.00	5.00	5.00
Assistant City Manager	-	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
City Attorney's Office	13.00	13.00	13.00	13.00	13.00	14.00	13.00	13.00	13.00	14.50
City Auditor's Office	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	5.50
Clerk of the Commission	9.75	9.50	9.50	9.50	9.50	9.50	9.50	9.50	9.50	8.00
General Government:										
Office of Management and Budget	9.00	8.00	8.00	8.00	7.50	7.50	7.50	7.50	7.50	7.50
Administrative Services	-	4.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Finance	35.00	39.00	45.50	45.50	45.50	44.00	46.00	44.50	45.50	45.50
Computer Services	9.00	10.00	14.00	14.00	14.00	14.00	14.00	16.00	16.00	16.00
Risk Management	9.50	9.50	8.00	10.00	10.00	11.00	10.00	11.00	11.00	13.00
Public Safety:										
Police										
Officers	240.00	254.00	251.00	252.00	240.00	237.00	273.00	273.00	278.00	278.00
Civilians	135.00	135.00	143.00	138.00	94.00	90.00	89.00	70.00	80.00	73.00
Fire Rescue										
Officers	142.00	142.00	142.00	141.00	141.00	141.00	142.00	142.00	141.00	143.00
Civilians	10.00	10.00	9.00	9.00	7.50	7.50	8.00	8.00	10.00	8.00
Physical Environment:										
Building Inspection	16.00	16.00	16.00	16.00	16.00	17.00	17.00	20.00	20.00	20.00
Facilities Management	-	-	30.50	31.00	29.00	30.00	30.00	28.00	28.00	28.00
Public Works	163.00	163.00	135.75	137.75	333.50	137.75	136.25	147.25	147.25	158.75
Community Development	48.00	48.00	49.00	49.00	54.00	54.50	54.50	57.50	57.50	59.00
Transportation:										
Regional Transit System	83.00	78.00	116.00	116.00	142.00	177.00	176.00	212.00	212.00	219.50
Fleet Management	57.00	57.00	35.00	35.00	30.00	30.00	30.00	30.00	30.00	30.00
Economic Environment:										
Economic Development	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	3.00	3.00
Small Business Development	-	-	-	-	-	2.00	2.00	2.00	-	-
Human Services:										
Equal Opportunity	3.50	3.50	2.00	2.00	4.00	4.00	4.00	6.00	6.00	6.00
Human Resources	19.50	19.75	21.50	21.50	21.00	21.00	23.00	21.50	21.50	21.50
Culture & Recreation:										
Cultural Affairs	10.50	10.50	12.50	12.50	12.50	14.00	13.50	16.50	16.50	14.875
Recreation & Parks	86.00	149.00	90.00	92.00	93.00	95.00	94.75	94.00	94.00	87.25
General Manager for Utilities	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00

Source: Information for all depts except Police and Fire Rescue obtained from the corresponding year's Citizens Report. Police and Fire Rescue employment information obtained from the departments directly.

Note: In 1998 the reorganization of the Building Maintenance Division as a separate department called Facilities Management was implemented. The Facilities Management Department's activities were previously accounted for in the Public Works Department

City of Gainesville
Operating Indicators by Functional Department
Last Three Fiscal Years

	Fiscal Year		
	2003	2004	2005
Code Enforcement:			
Number of cases initiated	8,534	6,085	n/a
Cases brought into voluntary compliance/# initiated	n/a	21.50%	n/a
Avg # of days from complaint to first inspection	7.41	8.00	n/a
Avg # of days from case initiation to compliance	40.41	46.00	n/a
Fire & EMS			
Total fire incidents per 1,000 population served	2.84	1.72	n/a
Total non-fire incidents per 1,000 population served	n/a	56.80	n/a
Total arson incidents per 10,000 population served	1.01	0.97	n/a
% of fire calls with a response time of 8 min or less	73.0%	81.0%	n/a
Fleet			
Average age of police vehicles (months)	51	37	43
Average age of fire apparatus (months)	72	45	57
Hours billed as a percentage of hours available	60.2%	62.7%	n/a
No. of work orders completed - police vehicles	1,201	1,644	n/a
No. of work orders completed - fire apparatus	261	303	n/a
Total vehicle and heavy equipment work orders	9,143	8,279	n/a
Highway and Road Maintenance			
Number of potholes repaired	22,263	18,076	22,445
% lane miles assessed as satisfactory or better	n/a	94.0%	69.9%
Number of linear miles swept	11,387	16,049	17,136
Number of traffic signals repaired or replaced	1,901	1,649	1,595
Housing			
# of homes purchased with public assistance	44	19	n/a
Avg # of days from application to rehab completion	464	360	n/a
# of households assisted per \$100,000 assistance	26.4	30.6	n/a
Human Resources			
Percentage of employees in unions	30.8%	32.8%	33.8%
Full-time permanent employee turnover rate	n/a	3.4%	5.2%
# of employee grievances per 100 employees	1.50	1.11	0.98
% of grievances resolved in management control	100.0%	33.0%	100.0%
Parks and Recreation			
Participants in aquatics programs	40,829	26,547	27,961
Trees pruned	3,939	3,275	330
Police			
911 calls received	n/a	143,464	144,279
Non-911 calls received	n/a	350,683	303,863
Calls resulting in police unit dispatch per 1,000 pop	n/a	1,144	1,069
UCR Part I violent crimes reported per 1,000 pop	8.12	7.52	8.29
% of UCR Part I violent crimes cleared	40.06%	46.73%	39.96%
UCR Part I property crimes reported per 1,000 pop	43.45	42.40	41.39
% of UCR Part I property crimes cleared	14.02%	18.65%	16.83%
Total arrests	6,644	7,376	7,698

	Fiscal Year		
	2003	2004	2005
Injury-producing traffic accidents per 1,000 pop	11.07	18.62	7.47
Traffic fatalities per 1,000 population	0.07	0.03	0.07
Moving violation citations issued per 1,000 pop	202.22	206.21	199.29
DUI arrests per 1,000 population	1.53	1.98	2.64
Sustained complaints against sworn personnel	71	110	117
Purchasing			
% of purchases conducted using purchasing cards	1.24%	10.00%	6.00%
% awarded to minority/women owned business	n/a	44.64%	n/a
Average days per formal bid process	n/a	44	44
Number of protests filed	4	1	-
Number of protests sustained	2	-	-
Refuse & Recycling			
Avg # accounts served per on-route hour	133	130	99
Tons of refuse collected & disposed	21,441	55,536	20,266
Tons yard waste collected & composted	4,627	7,984	9,000
Tons recycling materials collected	4,749	5,311	n/a
Complaints per 1,000 accounts	66	77	84
Risk Mgmt			
Gen liab claims per 10,000 population served	2.91	1.43	n/a
Public official E&O claims per 10,000 population	0.23	0.06	n/a
All other liab cvg claims per 10,000 population	0.17	0.11	n/a
Workers' comp claims per 10,000 population	17.56	19.44	n/a
Workers' comp days lost to injury - police	209	n/a	n/a
Workers' comp days lost to injury - fire	175	126	n/a
Workers' comp days lost to injury - all other	1,275	1,176	n/a
Safety & loss control training hours - by risk staff	112	1,000	n/a
Safety & loss control training hours - all other	7,105	6,371	n/a
Electricity			
Residential customers	74,164	76,435	77,918
Commercial & industrial	8,912	9,203	9,342
Natural Gas			
Customers	30,206	30,901	31,704
Water			
Customers	61,078	62,890	64,692
Wastewater Service Fees			
Customers	54,310	55,821	57,553

Sources:

Gainesville Regional Utilities Annual Report
ICMA Center for Performance Measurement

Note:

GASB Statement 44 was implemented in fiscal year 2005, in future years, additional years will be reported, cumulating in a ten year presentation.

City of Gainesville
Capital Asset Statistics by Functional Department
Last Three Fiscal Years

	Fiscal Year		
	2003	2004	2005
Facilities Management			
Number of administrative/office facilities	24	24	n/a
Number of warehouse/industrial facilities	13	13	n/a
Total number of facilities operated & maintained	73	73	n/a
Square footage of facilities operated & maintained	504,758	504,758	n/a
Fire & EMS			
Total number of fire apparatus	13	12	12
Number of ladder trucks	2	2	2
Number of pumper trucks	7	7	7
Number of quints/combination trucks	1	1	1
Average age of fire apparatus (in months)	72	45	61
Average annual mileage per fire apparatus	n/a	n/a	9,794
Number of fire stations	7	7	7
Fleet			
Light vehicles:			
Number	583	1,218	1,279
Number using alternative fuel	-	3	5
Average age (in months)	62	n/a	81
Medium-duty vehicles:			
Number	39	63	65
Average age (in months)	49	62	81
Heavy-duty vehicles:			
Number	137	174	164
Average age (in months)	83	38	53
Heavy equipment:			
Number	81	14	14
Average age (in months)	130	56	68
Highway and Road Maintenance			
Total paved lane miles maintained	1,473	1,473	1,473
Number of traffic signals	n/a	3,970	4,004
Parks and Recreation			
Park acres per 1,000 population	24.81	23.87	23.45
Percent park acreage - developed	n/a	53.93	12.59
Recreation/community centers	8	8	8
Athletic fields	37	32	37
Play structures	78	80	78
Tennis courts	22	22	23
Basketball courts	24	24	24
Swimming pools	3	3	3
Miles of bike, walking, and hiking trails	8.90	8.90	9.90
Police			
Number of police vehicles	208	285	244
Average age of police vehicles	51	37	44
Average annual mileage per police vehicle	n/a	n/a	11,297

	Fiscal Year		
	2003	2004	2005
Regional Transit System			
Number of buses	105	105	104
Number of buses using alternative fuel	n/a	2	2
Average age of buses (in months)	n/a	137	n/a
Average annual mileage per bus	n/a	26,697	n/a
Electricity			
Combined system net capability (megawatts)	611	612	611
Distribution - overhead (circuit miles)	611	597	594
Distribution - underground (circuit miles)	719	743	753
Distribution substations	9	9	9
Natural Gas			
Distribution mains (miles)	637	641	692
Delivery points	5	5	5
Water			
Treatment capacity (peak - million gallons/day)	54	54	54
Storage capacity (million gallons)	19.5	19.5	19.5
Distribution mains (miles)	1,003	1,029	1,034
Supply wells	15	15	15
Wastewater			
Gravity mains (miles)	553	567	568
Force mains (miles)	126	127	127
Lift stations	156	152	154
Treatment capacity (million gallons per day)	22.4	22.4	22.4
GRUCom			
Fiber optic cable (miles)	234	259	268
Maximum bandwidth (2.5 gigabits/second)	OC-48	OC-48	OC-48
On-net locations	248	266	302

Sources:

Gainesville Regional Utilities Annual Report
ICMA Center for Performance Measurement

Note:

GASB Statement 44 was implemented in fiscal year 2005, in future years, additional years will be reported, cumulating in a ten year presentation.





**Certified Public Accountants
& Business Consultants**

A Partnership Consisting of
Professional Associations

Gainesville

4010 N. W. 25 Place
P.O. Box 13494 (32604)
Gainesville, Florida 32606
Phone: (352) 372-6300
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

Members:

CPAmerica International

Florida Institute of
Certified Public Accountants

American Institute of
Certified Public Accountants

Horwath International

Management Letter

Honorable Mayor and City Commissioners
City of Gainesville, Florida:

We have audited the basic financial statements of the City of Gainesville, Florida (the "City"), as of and for the fiscal year ended September 30, 2005, and have issued our report thereon dated February 27, 2006. Our report on the basic financial statements included a reference to the report of other auditors who issued a separate management letter. Our audit was conducted in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.550, Rules of the Auditor General.

Pursuant to the Rules of the Auditor General, which govern the conduct of governmental audits performed in the State of Florida, we make the following representations:

- As required by the Rules of the Auditor General, we determined that the annual financial report for the City, for the fiscal year ended September 30, 2005, was filed with the Department of Financial Services pursuant to Section 218.32, Florida Statutes, and is in substantial agreement with the audit report. It should be noted that the annual financial report includes the accounts of the Gainesville Housing Authority, which the State of Florida has characterized as a dependent special district. Pursuant to the provisions of GASB Statement No. 14, the City's basic financial statements do not include the Gainesville Housing Authority in the financial reporting entity.
- The scope of our audit included a review of the provisions of Section 218.503(1), Florida Statutes, *Determination of Financial Emergency*. We determined that the City has not met one or more of the conditions described in that section that are indicative of a state of financial emergency.
- As required by the Rules of the Auditor General, we applied financial condition assessment procedures, as of the end of the fiscal year, pursuant to Rule 10.556(8). It is management's responsibility to monitor financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by management. The application of such procedures

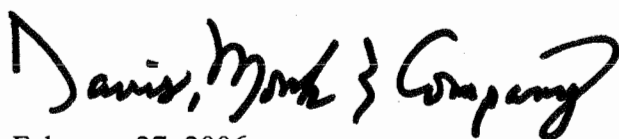
did not reveal evidence of "deteriorating financial condition" as that term is defined in Rule 10.554.

- As required by the Rules of the Auditor General, the scope of our audit included a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. Our audit did not reveal noncompliance with the provisions of Section 218.415, Florida Statutes.
- The Rules of the Auditor General stipulate that auditors should review the status of prior-audit findings. There was one financial statement finding and one federal program finding reported in the City's Schedule of Findings and Questioned Costs for the year ended September 30, 2004. The financial statement finding, No. 04-1, addressed internal controls related to the City's procurement card program. That finding is repeated in the accompanying Schedule of Findings and Questioned Costs as item 05-1. The federal program finding addressed internal controls related to the Home Investment Partnership ("HOME"). That finding, No. 04-2, was resolved.

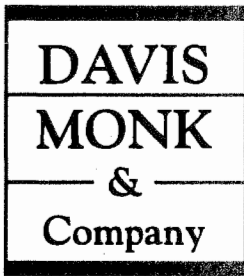
Following this letter are our reports on internal control and compliance relative to financial reporting and financial assistance programs. Also, other auditors have issued a separate management letter relative to Gainesville Regional Utilities. The comments in those documents should be considered in conjunction with this management letter.

This management letter is intended solely for the information and use of the Audit and Finance Committee, management and oversight audit agencies, and is not intended to be and should not be used by anyone other than these specified parties.

Thank you for the cooperation and courtesies extended to us during the course of our audit. We have sincerely enjoyed our association with the City and look forward to a continuing relationship. Please let us know if you have any questions or comments concerning this letter, our accompanying reports, or other matters.



February 27, 2006
Gainesville, Florida



Certified Public Accountants
& Business Consultants

A Partnership Consisting of
Professional Associations

Gainesville

4010 N. W. 25 Place
P.O. Box 13494 (32604)
Gainesville, Florida 32606
Phone: (352) 372-6300
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

Members:

CPAmerica International

Florida Institute of
Certified Public Accountants

American Institute of
Certified Public Accountants

Horwath International

**Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed
in Accordance With Government Auditing Standards**

Honorable Mayor and City Commissioners
City of Gainesville, Florida:

We have audited the 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, 2005, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 27, 2006. Our report on the basic financial statements included a reference to the report of 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the basic financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as item 05-1.

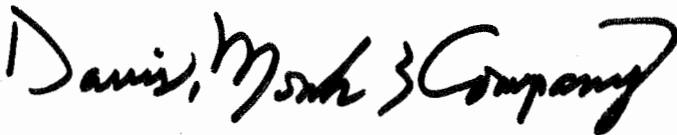
A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly,

would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable condition described above is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Audit and Finance Committee, management and oversight audit agencies, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Davis, Mark S Company". The signature is written in a cursive, somewhat stylized font.

February 27, 2006
Gainesville, Florida

**Schedule of Expenditures of Federal Awards and State Financial Assistance
For the Fiscal Year Ended September 30, 2005
City of Gainesville, Florida**

<u>Federal Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>	<u>Program Total</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Passed through Natural Resources Conservation Service:			
NRCS/Emergency Watershed Protection - Lenox Place	10.904	\$ 91,858	
NRCS/Emergency Watershed Protection - Lenox Place Amended	10.904	24,452	
NRCS/Emergency Watershed Protection - LAPA Glen Springs Road	10.904	2,087	118,397
<u>U.S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT</u>			
Community Development Block Grant - Entitlement Program	14.218	1,389,073	
Supportive Housing Program	14.235	99,001	
Supportive Housing - VETSPACE	14.235	100,983	199,984
HOME Investment Partnership Grant	14.239	1,242,555	
Economic Development Initiative - SE 12th Street	14.246	1,865	
Cedar Grove Housing Project	14.XXX	39,199	
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Internet Crimes Against Children	16.543	185,282	
Domestic Violence Grant	16.590	178,983	
Local Law Enforcement Block Grant 8	16.592	5,411	
Local Law Enforcement Block Grant 9	16.592	66,260	71,671
DEA/Weed & Seed cost reimbursement	16.595	3,696	
BJA Bullet-proof vest	16.607	7,607	
BJA Bullet-proof vest	16.607	20,988	28,595
COPS Homeland Security Overtime	16.710	27,189	
COPS More 2003	16.710	4,134	
COPS Universal Hiring	16.710	124,889	
COPS Technology	16.710	110,236	266,448
Federal Equitable Sharing Proceeds	16.XXX	2,182,951	
Passed through Florida Department of Law Enforcement:			
Byrne Formula Grant/ Victim Advocate	16.579	21,711	
Byrne Formula Grant/Computer Crime Investigation Enhancement	16.579	19,578	
Byrne Formula Grant/Tutorial Assistance for At-Risk Youth	16.579	18,217	
Byrne Formula Grant/Victims of Violent Crimes Assistance #2	16.579	16,208	
Byrne Formula Grant/Intoxilyzer 8000 Phase III Alcohol Testing Program	16.579	9,525	
Byrne Formula Grant/Intoxilyzer 8000 Phase III Alcohol Testing Program	16.579	3,175	88,414
Project Safe Neighborhood/Prevent Youth Firearm Violence	16.609	12,959	
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Federal Transit Administration -			
Operating and Capital Assistance	20.507	3,719,363	
Highway Safety Cluster:			
Traffic Records Enhancement	20.600	(178)	
DUI Enforcement	20.605	54,900	54,722
Passed through Florida Department of Transportation:			
Emergency Relief Program for 2004 Hurricanes	20.205	2,586,600	
<u>ENVIRONMENTAL PROTECTION AGENCY</u>			
Wetlands Program Development	66.461	14,919	
Water Quality Program Special Project	66.606	41,878	
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Temporary Assistance for Needy Families	93.558	156,523	
<u>DEPARTMENT OF HOMELAND SECURITY</u>			
Homeland Security SRT Domestic Preparedness Equipment	97.004	5,190	
FEMA/USFA for Alachua County	97.036	8,266,007	
Assistance to Firefighters Risk, Hazard and Value Evaluation Program	97.044	2,922	
Assistance to Firefighters	83.554	199,660	202,582
TOTAL EXPENDITURES OF FEDERAL AWARDS		<u>\$ 21,057,856</u>	

**Schedule of Expenditures of Federal Awards and State Financial Assistance
For the Fiscal Year Ended September 30, 2005
City of Gainesville, Florida**

<u>State Grantor/ Program Title</u>	<u>State CSFA Number</u>	<u>Expenditures</u>	<u>Project Total</u>
<u>DEPARTMENT OF STATE</u>			
Local Arts Agency Grant - 2004/2005	45.005	17,804	
Local Arts Agency Grant - 2005/2006	45.005	2,134	19,938
<u>DEPARTMENT OF COMMUNITY AFFAIRS</u>			
State, Local and Private Projects Trust - Front Porch/Duval Stormwater Park	52.002	1,000	
SHIP 2002/2003	52.901	275,312	
SHIP 2003/2004	52.901	607,437	
SHIP 2004/2005	52.901	26,960	909,709
FEMA/USFA for Alachua County	52600308	394,787	
<u>DEPARTMENT OF TRANSPORTATION</u>			
Regional Transit System Improvement Program:			
Commuter Assistance - Funding 2004/2005	55.007	45,000	
Public Transit Block Grant Operating Assistance 2004/2005	55.010	1,124,752	
Urban Capital	55.017	505,434	
<u>DEPARTMENT OF HEALTH</u>			
EMS '03 Pass through from County	64.005	5,382	
EMS '04 Pass through from County	64.005	<u>12,143</u>	17,525
 TOTAL EXPENDITURES OF STATE AWARDS		 <u><u>\$ 3,018,145</u></u>	

**Notes to the Schedule of Expenditures of Federal Awards and State Financial Assistance
For the Year Ended September 30, 2005
City of Gainesville, Florida**

Note 1. Basis of Presentation

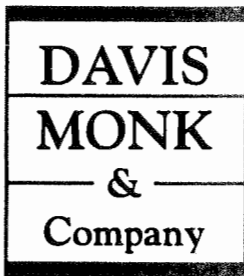
The accompanying schedule of expenditures of federal awards and state financial assistance includes the federal and state grant activity of the City of Gainesville, Florida and is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the Florida Single Audit Act. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2. Subrecipients

The City provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount</u>
Community Development Block Grant	14.218	\$ 377,485
HOME Investment Partnership Grant	14.239	\$ 228,820

The City did not provide state awards to subrecipients.



Certified Public Accountants & Business Consultants

A Partnership Consisting of Professional Associations

Gainesville

4010 N. W. 25 Place
P.O. Box 13494 (32604)
Gainesville, Florida 32606
Phone: (352) 372-6300
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

Members:

CPAmerica International

Florida Institute of Certified Public Accountants

American Institute of Certified Public Accountants

Horwath International

**Report on Compliance and on Internal Control Over Compliance
Applicable to Each Major Federal Awards Program and State
Financial Assistance Project**

Honorable Mayor and City Commissioners
City of Gainesville, Florida:

Compliance

We have audited the compliance of the City of Gainesville, Florida (the "City"), with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement*, and the requirements described in the State Projects Compliance Supplement, that are applicable to each of its major federal programs and state projects for the year ended September 30, 2005. The City's major federal programs and state projects are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs and state projects is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.550, Rules of the Auditor General. Those standards, OMB Circular A-133, and Chapter 10.550, Rules of the Auditor General, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or state project occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs and state projects for the year ended September 30, 2005.

Internal Control Over Compliance

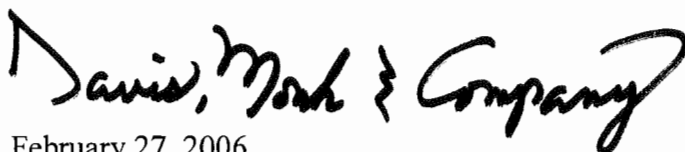
The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs and state projects. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program or state project in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and Chapter 10.550, Rules of the Auditor General.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program or state project being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards and State Financial Assistance

We have audited the 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 as of and for the year ended September 30, 2005, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 27, 2006. Our report on the basic financial statements included a reference to the report of other auditors. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by OMB Circular A-133 and Chapter 10.550, Rules of the Auditor General, and is 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.

This report is intended solely for the information and use of the Audit and Finance Committee, management and oversight audit agencies, and is not intended to be and should not be used by anyone other than these specified parties.



February 27, 2006
Gainesville, Florida

**Schedule of Findings and Questioned Costs
For the Fiscal Year Ended September 30, 2005
City of Gainesville, Florida**

Part I - Summary of Auditors' Results

1. The auditors' report on the basic financial statements was unqualified.
2. A reportable condition in internal control over financial reporting was disclosed by the audit. The reportable condition was not considered to be a material weakness.
3. No instances of noncompliance considered material to the financial statements were disclosed by the audit.
4. The audit did not disclose reportable conditions in internal control over major federal programs and state projects.
5. The auditors' report on compliance for the major federal programs and state projects was unqualified.
6. The audit did not disclose any findings relative to major federal programs and state projects.
7. The City's major programs/projects were:

<u>Federal Programs</u>	<u>CFDA No.</u>
HOME Investment Partnership Grant	14.239
Federal Equitable Sharing Proceeds	16.XXX
FEMA Public Assistance Grants	97.036
Emergency Relief Program	20.205
<u>State Projects</u>	<u>CSFA No.</u>
FEMA	52600308
Public Transit Block Grant Program	55.010
Urban Capital	55.017

8. A threshold of \$300,000 was used to distinguish between Type A and Type B programs for federal programs, and \$300,000 was used for state projects.
9. The City did not qualify as a low-risk auditee as that term is defined in OMB Circular A-133.

**Schedule of Findings and Questioned Costs
For the Fiscal Year Ended September 30, 2005
City of Gainesville, Florida**

Part II - Financial Statement Findings

05-1 *Condition and Criteria:* Our review of the City's procurement card ("ProCard") program revealed several instances where a receipt was not available to adequately document the public purpose of a purchase. We also observed several purchases that were not approved by appropriate personnel.

Effect: There was noncompliance with the City's prescribed policies and procedures regarding ProCard purchases.

Recommendation: Supervisory reviews of ProCard purchases should be improved to help ensure compliance with the City's system of internal control.

Part III – Findings and Questioned Costs – Federal Programs

No matters are reportable.

Part IV – Findings and Questioned Costs – State Programs

No matters are reportable.



CITY OF GAINESVILLE

Finance Department

The following is a summary of the September 30, 2004 audit findings and the current status of each finding. The City feels that each item has been addressed appropriately during the past fiscal year and actions have been taken to correct these findings.

PRIOR AUDIT FINDING NO. 1:

Condition and Criteria: Our review of the City's procurement card ("ProCard") program revealed several instances where a receipt was not available to adequately document the public purpose of a purchase. We also observed some receipts that were signed by someone other than the cardholder, indicating that the credit card had been shared.

Effect: There was noncompliance with the City's prescribed policies and procedures regarding ProCard purchases.

Recommendation: Supervisory reviews of ProCard purchases should be improved to help ensure compliance with the City's system of internal control.

CURRENT STATUS:

Training programs for card users and supervisors are held to improve compliance with the City's policies and procedures for ProCard purchases. Attendance is mandatory. Communications have been sent to each cardholder and supervisor reinforcing the appropriate procedures for card usage and purchase approval. These procedures will continue to be included in ongoing training programs for all cardholders and supervisors. A web-based software program was acquired and is currently being tested which will assist the ProCard administrator, department heads, and supervisors to monitor ProCard activity online on a real time basis.

PRIOR AUDIT FINDING NO. 2:

Condition and Criteria: In the Home Investment Partnership ("HOME") program (CFDA No. 14.239), internal controls were not sufficient to ensure that reimbursement requests were accurate and made in a timely manner.

Effect: When reimbursement requests were made, program income was not properly applied against reimbursable costs, the amounts requested for reimbursement were not reconciled to the general ledger, and the reimbursable costs were not always reported to the grantor in a timely manner.

Accounting Division

Station 14 • P.O. Box 490 • Gainesville, FL 32602-0490
352.334.5034 • FAX 352.334.3163

Recommendation: Internal controls over the HOME program should be strengthened. Internal control activities should include reconciliation of amounts requested for reimbursement to amounts recorded in the general ledger for both expenditures and program income.

CURRENT STATUS:

Monthly meetings have been set up on a recurring basis with Community Development and Finance staff to review monthly expenditures and program income for preparation of monthly draws in amounts reconciled to the general ledger.



CITY OF GAINESVILLE

Finance Department

In connection with our September 30, 2005 financial statement audit and single audit, our external auditors listed a single finding, which is set forth below. We have developed a plan for corrective action on that finding as described. The plan will be implemented by the applicable departments within the City and will be overseen by the City Manager, Russ Blackburn. He can be contacted at (352) 334-5010.

Financial Statement Finding

CURRENT AUDIT FINDING NO. 05-1:

Condition and Criteria: Our review of the City's procurement card ("ProCard") program revealed several instances where a receipt was not available to adequately document the public purpose of a purchase. We also observed several purchases that were not approved by appropriate personnel.

Effect: There was noncompliance with the City's prescribed policies and procedures regarding ProCard purchases.

Recommendation: Supervisory reviews of ProCard purchases should be improved to help ensure compliance with the City's system of internal control.

CORRECTIVE ACTION PLAN:

Communications will be sent to each cardholder and supervisor reinforcing the appropriate procedures for card usage and purchase approval. These procedures will continue to be included in ongoing training programs for all cardholders and supervisors. A web-based software program was acquired and is currently being tested which will assist the ProCard administrator, department heads, and supervisors to monitor ProCard activity online on a real time basis. A more aggressive program of revoking cards held by those who violate procedures will be instituted.

Accounting Division

Station 14 • P.O. Box 490 • Gainesville, FL 32602-0490
352.334.5034 • FAX 352.334.3163

Management Letter

City Commission, City of Gainesville, Florida and
Gainesville Regional Utilities

In planning and performing our audit of the basic financial statements of Gainesville Regional Utilities, (GRU or the Utility) for the year ended September 30, 2005, we considered its internal control to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control.

We have also issued our report of independent certified public accountants, dated November 10, 2005, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. Disclosures in that report should be considered in conjunction with this management letter.

Prior Year's Recommendations

The current status of the prior year's recommendations is attached as Exhibit A.

Current Year Recommendations

There were no recommendations in the current year.

This letter is intended solely for the information and use of management, the City Commission of the City of Gainesville, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Ernst & Young LLP

November 10, 2005

Exhibit A

**Status of Prior Year's Recommendations and
Management's Responses**

Prior Year Recommendations	Comment Continues To Be Relevant	Comment Has Been Addressed Or Is No Longer Relevant
Accounts Receivable Records and Procedures		X
Allowance for Doubtful Accounts		X
Journal Entry Review		X