

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORTS**

**CITY OF ALACHUA
ALACHUA, FLORIDA**

SEPTEMBER 30, 1999

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORTS**

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ALACHUA, FLORIDA
SEPTEMBER 30, 1999**

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**FINANCIAL STATEMENTS
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**CITY OF ALACHUA
ALACHUA, FLORIDA
SEPTEMBER 30, 1999**

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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Commission
City of Alachua
Alachua, Florida

We have audited the accompanying general-purpose financial statements of the City of Alachua, Florida as of and for the year ended September 30, 1999, as listed in the table of contents. These general-purpose financial statements are the responsibility of the City of Alachua, Florida's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with generally accepted auditing standards 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 general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general-purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We did not obtain sufficient evidential matter to determine if property, plant and equipment recorded in the proprietary fund types is fairly presented at cost or estimated historical cost, due to insufficient detail within the City of Alachua, Florida's property records.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to determine the propriety of amounts recorded as property, plant and equipment in the proprietary fund types, the general-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the City of Alachua, Florida as of September 30, 1999, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

Certified Public Accountants

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MEMBERS OF AMERICAN AND FLORIDA INSTITUTES OF CERTIFIED PUBLIC ACCOUNTANTS
MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

Honorable Mayor and City Commission
City of Alachua
Alachua, Florida

INDEPENDENT AUDITORS' REPORT
(Concluded)

In accordance with *Government Auditing Standards*, we have also issued a report dated November 19, 1999, on our consideration of the City of Alachua, Florida's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was made for the purpose of forming an opinion on the general-purpose financial statements taken as a whole. The combining and individual fund statements listed in the table of contents are the responsibility of the management of the City of Alachua, Florida, and are presented for purposes of additional analysis and are not a required part of the general-purpose financial statements. Similarly, the accompanying schedule of federal awards and state financial assistance is presented for purposes of additional analysis as required by U.S. Office of Management and Budget, Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the *Rules of the Auditor General*, State of Florida, and is also not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, if fairly presented in all material respects in relation to the general-purpose financial statements taken as a whole.

The year 2000 supplementary information on page 41 is not a required part of the general-purpose financial statements but is 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 supplementary information. However, we did not audit the information and do not express an opinion on it. In addition, we do not provide assurance that the City of Alachua, Florida is or will become year 2000 compliant, that the City of Alachua, Florida's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the City of Alachua, Florida does business are or will become year 2000 compliant.

November 19, 1999
Gainesville, Florida

Perris, Gray and Company

GENERAL-PURPOSE FINANCIAL STATEMENTS

These basic statements provide a summary overview of the financial position of all funds and account groups as well as the operating results of all funds and cash flows of the proprietary fund types. They also serve as an introduction to and summary of the more detailed statements included in the accompanying information section.

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
SEPTEMBER 30, 1999,
WITH COMPARATIVE TOTALS FOR 1998
CITY OF ALACHUA, FLORIDA

	Governmental Fund Types				Proprietary Fund Types		Fiduciary	Account Groups		Totals	
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Fund Types Trust and Agency	General Fixed Assets	General Long-Term Debt	(Memorandum Only)	
										1999	1998
Assets											
Cash and Cash Equivalents	\$ 273,781	\$ 119,050	\$ 56,663	\$ 983,408	\$ 1,920,118	\$ 33,325				\$ 3,386,345	\$ 1,708,275
Investments			92,922		30,000		\$ 309,816			432,738	195,765
Receivables (Net of Allowances For Uncollectibles Parenthetically Indicated):											
Accounts (\$36,098)	18,920				293,303					312,223	796,337
Other Receivables	57,788				34,730					92,518	92,453
Due From Other Funds	85,429				635,818					721,247	329,652
Due From Other Governments	75,838	15,900			50,091					141,829	90,220
Inventory of Utility Supplies					230,447					230,447	222,296
Prepaid Expenses	1,154				142,085					143,239	30,631
Unbilled Revenue					612,963					612,963	168,897
Restricted Assets:											
Cash and Cash Equivalents					1,673,127					1,673,127	1,828,166
Investments					839,090					839,090	721,960
Accrued Interest										0	5,629
Property, Plant and Equipment - Cost Less Accumulated Depreciation For Proprietary Fund Types; Cost For General Fixed Assets Account Group					11,530,237	17,558		\$ 3,191,827		14,739,622	15,022,061
Unamortized Bond Issue Costs					371,676					371,676	392,665
Amount Available For Retirement of General Long-Term Debt									\$ 149,585	149,585	169,525
Amount to be Provided For Retirement of General Long-Term Debt									2,450,763	2,450,763	1,296,715
Total Assets	<u>\$ 512,910</u>	<u>\$ 134,950</u>	<u>\$ 149,585</u>	<u>\$ 983,408</u>	<u>\$ 18,363,685</u>	<u>\$ 50,883</u>	<u>\$ 309,816</u>	<u>\$ 3,191,827</u>	<u>\$ 2,600,348</u>	<u>\$ 26,297,412</u>	<u>\$ 23,071,247</u>

See accompanying notes.

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
SEPTEMBER 30, 1999,
WITH COMPARATIVE TOTALS FOR 1998
CITY OF ALACHUA, FLORIDA
(Concluded)

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Types Trust and Agency	Account Groups		Totals	
	General	Special	Debt	Capital	Enterprise	Internal		General	General	(Memorandum Only)	
		Revenue	Service	Projects		Service		Fixed Assets	Long-Term Debt	1999	1998
Liabilities and Fund Equity											
Liabilities											
Accounts Payable	\$ 42,438	\$ 7,937		\$ 12,634	\$ 322,863	\$ 321				\$ 386,193	\$ 492,810
Other Accrued Expenses	44,405				45,178	9,204				98,787	40,334
Due to Other Funds		25,500		312,948	381,315	1,484				721,247	329,652
Payable From Restricted Assets:											
Accrued Interest					425,397					425,397	435,762
Current Portion of Bonds Payable					313,000					313,000	288,000
Customer Deposits					166,532					166,532	143,653
Deferred Revenues and Credits	17,198				159,849					177,047	299,617
Note Payable - Other					45,564					45,564	65,332
Note Payable - Arcadia									\$ 980,000	980,000	1,020,000
Notes Payable - Sales Tax									1,512,161	1,512,161	332,068
Revenue Bonds Payable					13,286,258					13,286,258	13,590,040
Accrued Compensated Absences					36,441	30,935			108,187	175,563	159,639
Total Liabilities	<u>104,041</u>	<u>33,437</u>	<u>\$ 0</u>	<u>325,582</u>	<u>15,182,397</u>	<u>41,944</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>2,600,348</u>	<u>18,287,749</u>	<u>17,196,907</u>
Fund Equity											
Contributed Capital					2,306,081					2,306,081	2,174,667
Investment in General Fixed Assets								3,191,827		3,191,827	3,374,724
Retained Earnings:											
Reserved					43,320		309,816			353,136	116,163
Unreserved					831,887	8,939				840,826	(221,323)
Fund Balances:											
Reserved	8,801	101,513	149,585	657,826						917,725	176,880
Undesignated	400,068									400,068	253,229
Total Fund Equity	<u>408,869</u>	<u>101,513</u>	<u>149,585</u>	<u>657,826</u>	<u>3,181,288</u>	<u>8,939</u>	<u>309,816</u>	<u>3,191,827</u>	<u>0</u>	<u>8,009,663</u>	<u>5,874,340</u>
Total Liabilities and Fund Equity	<u>\$ 512,910</u>	<u>\$ 134,950</u>	<u>\$ 149,585</u>	<u>\$ 983,408</u>	<u>\$ 18,363,685</u>	<u>\$ 50,883</u>	<u>\$ 309,816</u>	<u>\$ 3,191,827</u>	<u>\$ 2,600,348</u>	<u>\$ 26,297,412</u>	<u>\$ 23,071,247</u>

See accompanying notes.

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED SEPTEMBER 30, 1999,
WITH COMPARATIVE TOTALS FOR 1998
CITY OF ALACHUA, FLORIDA**

	Governmental Fund Types				Totals (Memorandum Only)	
	General	Special Revenue	Debt Service	Capital Projects	1999	1998
Revenues						
Taxes	\$ 1,699,714	\$ 42,731	\$ 0	\$ 0	\$ 1,742,445	\$ 1,666,261
Licenses and Permits	118,920	0	0	0	118,920	80,939
Intergovernmental	616,262	230,375	0	0	846,637	729,221
Charges For Services	408,821	0	0	0	408,821	356,690
Fines and Forfeitures	91,241	0	0	0	91,241	86,720
Interest and Miscellaneous	91,424	2,966	5,304	6,995	106,689	40,496
Total Revenues	<u>3,026,382</u>	<u>276,072</u>	<u>5,304</u>	<u>6,995</u>	<u>3,314,753</u>	<u>2,960,327</u>
Expenditures						
Current:						
General Government	545,077	0	0	0	545,077	555,219
Public Safety	1,471,849	0	0	0	1,471,849	1,473,630
Physical Environment	297,512	0	0	0	297,512	290,612
Transportation	342,363	0	90,747	0	433,110	509,600
Economic Environment	0	250,780	0	560,436	811,216	0
Parks and Recreation	263,568	0	0	0	263,568	0
(Total Expenditures)	<u>(2,920,369)</u>	<u>(250,780)</u>	<u>(90,747)</u>	<u>(560,436)</u>	<u>(3,822,332)</u>	<u>(2,976,514)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>106,013</u>	<u>25,292</u>	<u>(85,443)</u>	<u>(553,441)</u>	<u>(507,579)</u>	<u>(16,187)</u>
Other Financing Sources (Uses)						
Transfers In	183,996	0	65,503	0	249,499	235,589
Transfers Out	(65,503)	0	0	0	(65,503)	(91,589)
Proceeds From Sales Tax Notes	0	0	0	1,211,267	1,211,267	0
Total Other Financing Sources (Uses)	<u>118,493</u>	<u>0</u>	<u>65,503</u>	<u>1,211,267</u>	<u>1,395,263</u>	<u>144,000</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>224,506</u>	<u>25,292</u>	<u>(19,940)</u>	<u>657,826</u>	<u>887,684</u>	<u>127,813</u>
Fund Balances, Beginning of Year	<u>184,363</u>	<u>76,221</u>	<u>169,525</u>	<u>0</u>	<u>430,109</u>	<u>302,296</u>
Fund Balances, End of Year	<u>\$ 408,869</u>	<u>\$ 101,513</u>	<u>\$ 149,585</u>	<u>\$ 657,826</u>	<u>\$ 1,317,793</u>	<u>\$ 430,109</u>

See accompanying notes.

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL AND DEBT SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 1999,
WITH COMPARATIVE TOTALS FOR 1998
CITY OF ALACHUA, FLORIDA**

	General Fund			Debt Service Fund			Totals (Memorandum Only)	
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	1999	1998
Revenues								
Taxes	\$ 1,678,398	\$ 1,699,714	\$ 21,316	\$ 0	\$ 0	\$ 0	\$ 1,699,714	\$ 1,659,065
Licenses and Permits	80,000	118,920	38,920	0	0	0	118,920	80,939
Intergovernmental	529,668	616,262	86,594	0	0	0	616,262	729,221
Charges For Services	358,082	408,821	50,739	0	0	0	408,821	356,690
Fines and Forfeitures	78,000	91,241	13,241	0	0	0	91,241	86,720
Interest and Miscellaneous	41,300	91,424	50,124	0	5,304	5,304	96,728	38,977
Total Revenues	<u>2,765,448</u>	<u>3,026,382</u>	<u>260,934</u>	<u>0</u>	<u>5,304</u>	<u>5,304</u>	<u>3,031,686</u>	<u>2,951,612</u>
Expenditures								
Current:								
General Government	547,331	545,077	2,254	0	0	0	545,077	555,219
Public Safety	1,378,828	1,471,849	(93,021)	0	0	0	1,471,849	1,473,630
Physical Environment	270,534	297,512	(26,978)	0	0	0	297,512	290,612
Transportation	383,397	342,363	41,034	0	90,747	(90,747)	433,110	509,600
Parks and Recreation	183,632	263,568	(79,936)	0	0	0	263,568	147,453
(Total Expenditures)	<u>(2,763,722)</u>	<u>(2,920,369)</u>	<u>(156,647)</u>	<u>0</u>	<u>(90,747)</u>	<u>(90,747)</u>	<u>(3,011,116)</u>	<u>(2,976,514)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,726</u>	<u>106,013</u>	<u>104,287</u>	<u>0</u>	<u>(85,443)</u>	<u>(85,443)</u>	<u>20,570</u>	<u>(24,902)</u>
Other Financing Sources (Uses)								
Transfers In	184,000	183,996	(4)	0	65,503	65,503	249,499	235,589
Transfers Out	(65,503)	(65,503)	0	0	0	0	(65,503)	(91,589)
Total Other Financing Source (Uses)	<u>118,497</u>	<u>118,493</u>	<u>(4)</u>	<u>0</u>	<u>65,503</u>	<u>65,503</u>	<u>183,996</u>	<u>144,000</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>\$ 120,223</u>	<u>224,506</u>	<u>\$ 104,283</u>	<u>\$ 0</u>	<u>(19,940)</u>	<u>\$ (19,940)</u>	<u>204,566</u>	<u>119,098</u>
Fund Balances, Beginning of Year		<u>184,363</u>			<u>169,525</u>		<u>353,888</u>	<u>234,790</u>
Fund Balances, End of Year		<u>\$ 408,869</u>			<u>\$ 149,585</u>		<u>\$ 558,454</u>	<u>\$ 353,888</u>

See accompanying notes.

**COMBINED STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED SEPTEMBER 30, 1999,
WITH COMPARATIVE TOTALS FOR 1998
CITY OF ALACHUA, FLORIDA**

	Enterprise	Internal Service	Totals (Memorandum Only)	
			1999	1998
Operating Revenues				
Utility Service Fees	\$ 7,040,857	\$ 0	\$ 7,040,857	\$ 6,768,425
Interfund Charges	286,083	428,268	714,351	355,395
Total Operating Revenues	<u>7,326,940</u>	<u>428,268</u>	<u>7,755,208</u>	<u>7,123,820</u>
Operating Expenses				
Power Production Expense	3,431,679	0	3,431,679	3,307,648
Personal Services	553,051	350,113	903,164	698,116
Contractual Services	220,371	20,272	240,643	148,451
Supplies	51,527	18,116	69,643	57,159
Repairs and Maintenance	229,257	7,776	237,033	168,665
Billing and Administrative	385,439	0	385,439	300,692
Depreciation	512,830	4,389	517,219	502,898
Other Expenses	212,250	33,235	245,485	157,554
(Total Operating Expenses)	<u>(5,596,404)</u>	<u>(433,901)</u>	<u>(6,030,305)</u>	<u>(5,341,183)</u>
Operating Income (Loss)	<u>1,730,536</u>	<u>(5,633)</u>	<u>1,724,903</u>	<u>1,782,637</u>
Nonoperating Revenue (Expenses)				
Connection Charges	145,768	0	145,768	115,151
Interest Income	155,345	1,244	156,589	165,316
Interest on Long-Term Debt	(880,529)	0	(880,529)	(904,532)
Amortization of Bond Issue Costs	(20,945)	0	(20,945)	(20,945)
Miscellaneous Income	120,359	0	120,359	0
Total Nonoperating Revenue (Expenses)	<u>(480,002)</u>	<u>1,244</u>	<u>(478,758)</u>	<u>(645,010)</u>
Income (Loss) Before Operating Transfers	<u>1,250,534</u>	<u>(4,389)</u>	<u>1,246,145</u>	<u>1,137,627</u>
(Operating Transfers Out)	<u>(183,996)</u>	<u>0</u>	<u>(183,996)</u>	<u>(144,000)</u>
Net Income (Loss)	<u>1,066,538</u>	<u>(4,389)</u>	<u>1,062,149</u>	<u>993,627</u>
Retained Earnings (Deficit), Beginning of Year	<u>(191,331)</u>	<u>13,328</u>	<u>(178,003)</u>	<u>(1,171,630)</u>
Retained Earnings (Deficit), End of Year	<u>\$ 875,207</u>	<u>\$ 8,939</u>	<u>\$ 884,146</u>	<u>\$ (178,003)</u>

See accompanying notes.

**COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED SEPTEMBER 30, 1999,
WITH COMPARATIVE TOTALS FOR 1998
CITY OF ALACHUA, FLORIDA**

			Totals	
	Enterprise	Internal Service	(Memorandum Only)	
			1999	1998
Cash Flows From Operating Activities				
Operating Income (Loss)	\$ 1,730,536	\$ (5,633)	\$ 1,724,903	\$ 1,782,637
Adjustments to Reconcile Operating Income				
(Loss) to Net Cash Provided By Operating				
Activities:				
Depreciation of Plant	512,830	4,389	517,219	502,898
Provision For Losses on Accounts Receivable	0	0	0	9,600
Change in Current Assets - (Increase)				
Decrease:				
Accounts Receivable and Unbilled Revenue	75,501	0	75,501	(141,752)
Due To/From Other Funds	(252,745)	(274)	(253,019)	16,912
Due From Other Governments	(50,091)	0	(50,091)	0
Inventory	(8,151)	0	(8,151)	11,432
Prepaid Power Costs	(133,980)	0	(133,980)	144,715
Other Prepaid Expenses	8,593	13,933	22,526	(14,227)
Change in Current Liabilities - Increase				
(Decrease):				
Accounts Payable and Other Accrued Expenses	(160,593)	39,292	(121,301)	(223,814)
Customer Deposits	22,879	0	22,879	4,605
Net Cash Provided By Operating Activities	<u>1,744,779</u>	<u>51,707</u>	<u>1,796,486</u>	<u>2,093,006</u>
Cash Flows From Noncapital Financing Activities				
Connection Charges	145,768	0	145,768	115,151
Operating Transfers Out to Other Funds	(183,996)	0	(183,996)	(144,000)
Net Cash (Used In) Noncapital Financing Activities	<u>(38,228)</u>	<u>0</u>	<u>(38,228)</u>	<u>(28,849)</u>
Cash Flows From Capital and Related Financing Activities				
Activities				
Extension and Replacement of Plant - Net of				
Contributions Received in Aid of Construction	(272,615)	(19,626)	(292,241)	(417,730)
Principal Payments on Bonds	(288,000)	0	(288,000)	(267,000)
Note Proceeds	0	0	0	44,366
Principal Payments on Notes	(7,925)	0	(7,925)	(35,240)
Interest Paid	(890,894)	0	(890,894)	(889,106)
Miscellaneous Income	120,359	0	120,359	0
Net Cash (Used In) Capital and Related Financing Activities	<u>(1,339,075)</u>	<u>(19,626)</u>	<u>(1,358,701)</u>	<u>(1,564,710)</u>
Cash Flows From Investing Activities				
Investments Purchased	(147,130)	0	(147,130)	(30,000)
Investments Matured	30,000	0	30,000	861,384
Interest Income	155,345	1,244	156,589	165,316
Net Cash Provided By Investing Activities	<u>38,215</u>	<u>1,244</u>	<u>39,459</u>	<u>996,700</u>
Net Increase in Cash and Cash Equivalents	405,691	33,325	439,016	1,496,147
Cash and Cash Equivalents, Beginning of Year	3,187,554	0	3,187,554	1,691,407
Cash and Cash Equivalents, End of Year	<u>\$ 3,593,245</u>	<u>\$ 33,325</u>	<u>\$ 3,626,570</u>	<u>\$ 3,187,554</u>

See accompanying notes.

COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED SEPTEMBER 30, 1999,
WITH COMPARATIVE TOTALS FOR 1998
CITY OF ALACHUA, FLORIDA
(Concluded)

	<u>Enterprise</u>	<u>Internal Service</u>	<u>Totals (Memorandum Only)</u>	
			<u>1999</u>	<u>1998</u>
<u>Reconciliation of Cash and Cash Equivalents</u> <u>(Above) to Combined Balance Sheet</u>				
Captions on Combined Balance Sheet				
Cash and Cash Equivalents	\$ 1,920,118	\$ 33,325	\$ 1,953,443	\$ 1,359,388
Restricted Assets - Cash and Cash Equivalents	1,673,127	0	1,673,127	1,828,166
Total	<u>\$ 3,593,245</u>	<u>\$ 33,325</u>	<u>\$ 3,626,570</u>	<u>\$ 3,187,554</u>

See accompanying notes.

**COMBINED STATEMENT OF CHANGES IN PLAN NET ASSETS
PENSION TRUST FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 1999,
WITH COMPARATIVE TOTALS FOR 1998
CITY OF ALACHUA, FLORIDA**

	<u>General</u>	<u>Police</u>	<u>Totals</u> <u>(Memorandum Only)</u>	
			<u>1999</u>	<u>1998</u>
Additions				
Employer's Contributions	\$ 33,959	\$ 34,846	\$ 68,805	\$ 25,070
Employee's Contributions	0	3,501	3,501	998
State Contributions	0	162,393	162,393	18,892
Earnings on Investments	1,991	1,928	3,919	1,238
Total Additions	<u>35,950</u>	<u>202,668</u>	<u>238,618</u>	<u>46,198</u>
Deductions				
Retirement Benefits and Refunds	0	1,247	1,247	0
Administrative Fees	71	327	398	299
(Total Deductions)	<u>(71)</u>	<u>(1,574)</u>	<u>(1,645)</u>	<u>(299)</u>
Net Increase	35,879	201,094	236,973	45,899
Net Assets Held in Trust For Pension Benefits, Beginning of Year	<u>19,412</u>	<u>53,431</u>	<u>72,843</u>	<u>26,944</u>
Net Assets Held in Trust For Pension Benefits, End of Year	<u>\$ 55,291</u>	<u>\$ 254,525</u>	<u>\$ 309,816</u>	<u>\$ 72,843</u>

See accompanying notes.

NOTES TO FINANCIAL STATEMENTS CITY OF ALACHUA, FLORIDA

Note 1 - Summary of Significant Accounting Policies

The City of Alachua, Florida (the City) is a political subdivision of the State of Florida located in Alachua County. The legislative branch of the City is composed of a five-member elected commission. The City Commission is governed by the City Charter and by state and local laws and regulations. The City Commission is responsible for the establishment and adoption of policy. The execution of such policy is the responsibility of the Commission-appointed City Manager.

The City's major operations include various utility services - electric, water and wastewater as well as police protection, road and street maintenance, parks, recreation and other general government services. The City contracts with Alachua County for the provision of fire service at a fixed cost to the City which is renegotiated annually. The City leases the fire station and equipment to Alachua County at no cost. Sanitation services are provided by a private company, but billed by the City to its customers. The City retains an administrative fee on sanitation services.

The accounting policies of the City conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies.

Reporting Entity

As outlined in Governmental Accounting Standards Board (GASB) Statement No. 14, *The Reporting Entity*, effective for financial statements for periods beginning after December 15, 1992, the financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable, and other organizations whose exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Each potential component unit is individually evaluated using specific criteria outlined in GASB Statement No. 14, to determine whether the entity is: a) part of the primary government; b) a component unit which should be included in the reporting entity (blended or discretely presented); or c) an organization which should be excluded from the reporting entity entirely. The principal criteria for classifying a potential component unit include: a) the legal separateness of the organization; and b) the financial accountability of the primary government for the potential component unit resulting from either the primary government's ability to impose its will on the potential component unit or the potential component unit's fiscal dependency on the primary government. Based upon the application of these criteria, the following is a brief review of each potential component unit addressed in defining the City's reporting entity.

■ Community Redevelopment Agency

The Community Redevelopment Agency (the Agency) was created by the City Commission in 1982. In evaluating this potential component unit, it was determined that the Agency is not a separate legal entity as it generally cannot transact business in its own name and, therefore, should be included as part of the primary government for reporting purposes. The Agency is presented in the general-purpose financial statements of the City as a special revenue fund.

NOTES TO FINANCIAL STATEMENTS
CITY OF ALACHUA, FLORIDA
(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

Reporting Entity (Concluded)

■ **Public Finance Authority For Affordable Housing (the Authority)**

This potential component unit was created by the City Commission in 1992. The Authority is a separate legal entity capable of suing and being sued, and able to purchase property in its own name. By charter, the Authority's Board is composed of the City Commission and the City Commission has oversight over all financial activities. Accordingly, the Authority is a component unit of the City. There have been no financial transactions in the Authority during 1999, or since its creation; therefore, no amounts related to the Authority are reported in the accompanying general-purpose financial statements.

Fund Accounting

The City's accounting records are organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity, with a self-balancing set of accounts recording all financial resources with all related liabilities, reserves and residual entities, or balances or changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives. Amounts received from or payable to other funds are shown in the accounts of an individual fund and separately presented in the accompanying general-purpose financial statements until liquidated by payment or an interfund transfer.

The following fund types and account groups are used in accounting for the financial operations of the City.

■ **Governmental Fund Types**

- **General Fund** - to account for all financial resources not properly accounted for in another fund.
- **Special Revenue Funds** - to account for the proceeds of specific revenue resources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes. The City uses these funds to account for the activities of the Agency and to account for certain grant-funded projects.
- **Debt Service Fund** - to account for the accumulation of resources and payment of general obligation bond principal and interest from these resources. The City uses the debt service fund to account for the accumulation of resources and the payment of principal and interest on the City of Arcadia loan.
- **Capital Projects Fund** - to account for the financial resources used in the acquisition or construction of major capital facilities (other than those financed by proprietary fund types).

NOTES TO FINANCIAL STATEMENTS
CITY OF ALACHUA, FLORIDA
(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

Fund Accounting (Concluded)

■ **Proprietary Fund Types**

- **Enterprise Funds** - to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The City's electric, water and wastewater utility services are accounted for in these funds.
- **Internal Service Fund** - to account for the financing of goods or services provided by central services departments to other departments of the City on a cost-reimbursement basis. The City uses this fund to account for utility billing and administration.

■ **Fiduciary Fund Types**

- **Pension Trust Funds** - to account for pension assets held on behalf of employees and former employees. The City's defined contribution plan for general employees and defined benefit plan for police are accounted for in these funds.

■ **Account Groups**

- The account groups are used to establish accounting control and accountability for the City's general fixed assets and general long-term debt. These account groups are not considered funds since they do not reflect available financial resources and related liabilities.

Measurement Focus

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. Governmental fund types are accounted for on a "spending" or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on the balance sheet. The reported fund balance (net current assets) is considered a measure of "available spendable resources." Governmental fund type operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, such statements are said to present a summary of sources and uses of "available spendable resources" during a period.

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the general fixed assets account group, rather than in governmental funds, and long-term liabilities expected to be financed from governmental fund types are accounted for in the general long-term debt account group.

The proprietary fund types are accounted for on a "cost of services" or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with its activity are included on the balance sheet. The reported fund

NOTES TO FINANCIAL STATEMENTS
CITY OF ALACHUA, FLORIDA
(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

Measurement Focus (Concluded)

equity (net total assets) is segregated into contributions and retained earnings components. The proprietary fund types operating statements present increases (revenues) and decreases (expenses) in net total assets.

Basis of Accounting

The governmental fund types are maintained on the modified accrual basis of accounting. Under this method of accounting, revenues are generally recognized when they become measurable and available as net current assets. Revenues which are susceptible to accrual, i.e., being recorded when earned, include property and utility taxes, refuse collection fees and lot clearing, and certain other fees. Expenditures are generally recorded on an accrual basis, i.e., when incurred, except as follows:

- Principal and interest on long-term debt are recognized when due; and
- accumulated vacation and sick pay is not recorded in the general fund since the current amount is immaterial.

The proprietary fund types are maintained on the accrual basis of accounting. This method of accounting relates costs and expenditures to the period in which benefits of the outlays are received. It is intended to provide an accurate matching of these benefits with associated revenues. Under the accrual basis of accounting, revenues are recognized when earned and measurable, and expenses are recognized when incurred.

Proprietary fund types follow all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements:

- Financial Accounting Standards Board (FASB) Statements and Interpretations;
- Accounting Principles Board (APB) Opinions; and
- Accounting Research Bulletins.

Pursuant to GASB Statement No. 20, the City has elected not to apply all FASB Statements and Interpretations issued after November 30, 1989, to its proprietary fund type activities.

Budgeting

The City's procedures in preparing and adopting the annual budget are as follows:

- The City Manager is responsible for preparing a proposed operating budget for the upcoming year prior to September 30 that includes estimated revenues, proposed expenditures, and other financing sources and uses.
- Public hearings are held to obtain taxpayer comments and suggestions. The budget is enacted through passage of a resolution, which sets spending limits by department.

NOTES TO FINANCIAL STATEMENTS
CITY OF ALACHUA, FLORIDA
(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

Budgeting (Concluded)

- The City Manager is authorized to transfer budgeted amounts within any department in any fund, but may not revise total departmental expenditures without the approval of the City Commission. The budgetary information for the general and debt service fund types in the combined statement of revenues, expenditures and changes in fund balances is reported as amended.
- Budgets are adopted on a basis consistent with generally accepted accounting principles. Appropriations lapse at the end of the year. Encumbrances are not recorded.
- The budgets for the general and debt service funds that were adopted during the year by the City Commission were prepared on the same basis of accounting utilized by those specific fund types. Comparisons of budgetary data to actual are not required to be reported for proprietary fund types. There were no budgets adopted for the special revenue funds.

Receivables

Customer accounts receivable are recorded at their net realizable value reduced by an allowance for uncollectible accounts.

Inventory

Inventory in the general fund is charged to expenditures when purchased. Inventory in the proprietary fund types consists of supplies held for repairs or capital improvements, plus nuclear fuel.

Property, Plant and Equipment and Depreciation

Property, plant and equipment in the proprietary fund types are recorded at historical cost or at fair market value on the date donated. Ordinary maintenance and repairs are charged to expenses as incurred.

Provision has been made for the depreciation of such property, plant and equipment using the straight-line method. The straight-line rate is computed using the period of years considered as the normal service life of the property. Such rates are as follows:

Nuclear Plant and Equipment	2.7% to 3.6%
Electric Distribution Plan	2% to 4%
Water Plant	3% to 10%
Wastewater Plant	2.5%
Other Equipment	10% to 20%

NOTES TO FINANCIAL STATEMENTS
CITY OF ALACHUA, FLORIDA
(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

Property, Plant and Equipment and Depreciation (Concluded)

Construction work in progress is not depreciated until completed and placed into service. Utility plant acquired through grants is depreciated along with other utility plant purchased or constructed.

All other property and equipment owned by the City is reflected at cost in the general fixed assets account group and shown as an expenditure in the fund purchasing the property or equipment. Certain improvements such as streets, sidewalks and other infrastructure assets are capitalized along with other general fixed assets. No provision for depreciation is made for any general fixed assets.

Bond Discount and Issue Costs Amortization

The bond issue costs are being amortized over the lives of the bonds using the straight-line method. The bond discounts are being amortized over the life of the bonds using the effective interest method.

Capitalized Interest During Construction

The City accounts for capitalized interest during construction in accordance with Statement of Financial Accounting Standards No. 34, *Capitalization of Interest Costs*, and Statement No. 62, *Capitalization of Interest Cost in Situations Involving Certain Tax-Exempt Borrowings and Certain Gifts and Grants*. No interest expense was capitalized during 1999 on construction-in-progress in any fund or account group.

Long-Term Liabilities

Because of their spending measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type liabilities. They are instead reported as liabilities in the general long-term debt account group.

Compensated Absences

The City accrues accumulated unpaid vacation and sick pay when incurred, if material, in the proprietary funds and the general long-term debt account group. Amounts representing the current liability for unused annual and sick leave in governmental fund types are immaterial. Therefore, the entire liability for governmental fund types is recorded in the general long-term debt account group.

Personnel policies allow permanent, full-time employees to accumulate a maximum of twenty-five days vacation leave. One week of vacation time is granted if sixty days sick leave is accumulated. Employees are paid the balance of their accumulated vacation leave, in full, upon termination. Also upon termination, employees are paid the balance of their accumulated sick leave, up to a maximum of eighty hours.

NOTES TO FINANCIAL STATEMENTS
CITY OF ALACHUA, FLORIDA
(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

Revenue Recognition

Utility revenues are recognized when customers are billed unless there has been a significant change in meter reading dates. In that event, unbilled or deferred revenues are recorded for consistency.

Restricted grant revenues which are received, but not expended, are recorded as deferred revenues in the liability section of the balance sheet.

Property Taxes

Under Florida law, the assessment of all properties and the collection of all county, municipal and school board property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector. The laws of the state regulating tax assessments are also designed to assure a consistent property valuation method statewide. Florida Statutes permit municipalities to levy property taxes at a rate of up to 10.00 mills. The City's millage rate for the 1999 fiscal year was 5.50 mills.

The tax levy of the City is established by the City Commission prior to October 1 of each year and the Alachua County Property Appraiser incorporates the City millages into the total tax levy, which includes the County and the County School Board tax requirements.

All property is reassessed according to its fair market value January 1 of each year. Each assessment roll is submitted to the Executive Director of the Florida Department of Revenue for review to determine if the rolls meet all of the appropriate requirements of Florida Statutes.

All taxes are levied on November 1 of each year or as soon thereafter as the assessment roll is certified and delivered to the County Tax Collector. All unpaid taxes become delinquent on April 1 following the year in which they are assessed. Discounts are allowed for early payment at the rate of 4% in the month of November, 3% in the month of December, 2% in the month of January, and 1% in the month of February. The taxes paid in March are without discount.

On or prior to June 1 following the tax year, certificates are sold for all delinquent taxes on real property. After sale, tax certificates bear interest of 18% per year or at any lower rate bid by the buyer. Application for a tax deed on any unredeemed tax certificates may be made by the certificate holder after a period of two years. Unsold certificates are held by the County.

Delinquent taxes on personal property bear interest at 18% per year until the tax is satisfied either by seizure and sale of the property or by the five-year statute of limitations.

NOTES TO FINANCIAL STATEMENTS
CITY OF ALACHUA, FLORIDA
(Continued)

Note 1 - Summary of Significant Accounting Policies (Concluded)

Total Columns on the Combined Statements

Total columns on the combined statements are captioned "Totals (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. The data in these columns does not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data. The totals for 1998 are presented for the purpose of additional analysis and are not a required part of the general-purpose financial statements.

Note 2 - Deposits and Investments

All monies collected by the City are required to be deposited in accordance with the laws of the State of Florida. Florida Statutes authorize the City to invest in the following:

- Direct obligations of, or obligations guaranteed by, the U.S. Government;
- Interest-bearing time deposits or savings accounts in qualified institutions;
- Obligations of the Federal Farm Credit Banks;
- Obligations of the Federal National Mortgage Association; and
- The Local Government Surplus Funds Trust Fund.

Deposits

At year end, the carrying amount of the City's deposits was \$3,468,949 and the bank balance was \$3,523,605. Deposits include \$30,000 of certificates of deposit, which are classified as "investments" on the balance sheet because the original maturities exceed ninety days. All deposits of the City are maintained in qualified public depositories. In addition, the City had \$440,048 deposited with fiscal agents as of September 30, 1999, for the payment of revenue bonds on October 1.

The Florida Security for Public Deposits Act; Chapter 280 of the Florida Statutes, provides that qualified public depositories must maintain eligible collateral having a market value equal to 50% of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance held by the depository during the twelve months immediately preceding the date of any computation of the balance. As such, the depository is not required to hold collateral in the City's name nor specify which collateral is held for the City's benefit. In the event of default, the Public Deposit Security Trust Fund, as created under the laws of the State of Florida, would be required to pay the City for any deposits not covered by depository insurance or collateral pledged by the depository as previously described.

NOTES TO FINANCIAL STATEMENTS
CITY OF ALACHUA, FLORIDA
(Continued)

Note 2 - Deposits and Investments (Concluded)

Investments

The carrying amount and market value of investments owned by the City at September 30, 1999, was as follows:

<u>Type of Investment</u>	<u>Balance 9/30/99</u>
State Board of Administration of Florida Local Government Pooled Investment Account, Variable Interest Rate (5.56% at September 30, 1999)	\$ 1,291,610
Florida Municipal Power Agency (FMPA) CR-3 Pooled Investment Account	159,849
United States Treasury Bonds, \$575,000 Par Value, 7.625% Interest, Maturing February 15, 2007	568,106
City of Arcadia - Debt Service Reserve	92,922
Florida Municipal Pension Trust Fund	309,816
Total	<u><u>\$ 2,422,303</u></u>

The State Board of Administration's deposits in Tallahassee are maintained in an investment pool which invests primarily in commercial paper, repurchase agreements, bankers' acceptance notes and U.S. Government obligations. The FMPA account represents a 2.087% interest in an investment pool which invests primarily in mid- and long-term U.S. Government obligations. The securities in the pool are registered in the name of SunTrust, N.A., as trustee for the FMPA (CR-3) participants. The U.S. Treasury Bonds are insured or registered, or held by the City or its agent in the City's name. The City of Arcadia debt service reserve account is an investment pool held by the Trustee for the City of Arcadia bond issue, which is invested in FNMA mortgage notes. The Florida Municipal Pension Trust Fund is an investment pool managed by the Florida League of Cities.

Note 3 - Inventory

Inventory in the proprietary fund types at September 30, 1999, consists of the following:

Electric Utility Supplies	\$ 142,325
Water/Sewer Supplies	19,773
Nuclear Fuel	50,212
Nuclear Plant Materials Inventory	18,137
Total	<u><u>\$ 230,447</u></u>

The utility supplies and plant inventory are valued at cost as determined by the average unit cost method. The City's portion of nuclear fuel inventory at the CR-3 nuclear generating facility is recorded at amortized cost.

NOTES TO FINANCIAL STATEMENTS
CITY OF ALACHUA, FLORIDA
(Continued)

Note 4 - Detail of Property, Plant and Equipment

General Fixed Assets Account Group

A summary of changes in general fixed assets for the year follows:

	Balance 10/1/98	Additions	(Removals and Adjustments)	Balance 9/30/99
City Park - Structures and Improvements	\$ 33,426	\$ 0	\$ (14,652)	\$ 18,774
City Hall - Building	157,625	0	0	157,625
City Hall - Equipment, Furnishings and Vehicles	93,177	2,498	(367)	95,308
Fire Station	129,908	0	(659)	129,249
Fire Trucks and Other Equipment	180,228	0	(89,576)	90,652
Police Station	69,094	0	(2,597)	66,497
Police Department - Vehicles and Equipment	527,285	78,226	(250,551)	354,960
Rolling Green - Land and Buildings	698,624	0	0	698,624
Rolling Green - Improvements	14,653	0	0	14,653
Parking Lots - Land	43,189	0	0	43,189
Street Paving and Sidewalks	1,027,056	0	0	1,027,056
Mosquito Spraying Equipment	8,725	0	0	8,725
Land - Other	171,791	0	0	171,791
Streets and Roads Equipment and Vehicles	106,295	0	(4,018)	102,277
Miscellaneous	11,709	0	(383)	11,326
Parks and Recreation - Buildings and Improvements	0	46,827	0	46,827
Parks and Recreation - Equipment	29,650	24,426	(90)	53,986
Physical Environment - Equipment	13,175	0	0	13,175
Equipment	59,114	0	(7,215)	51,899
CWIP - Economic Development Project	0	35,234	0	35,234
Total Property, Plant and Equipment - At Cost	\$ 3,374,724	\$ 187,211	\$ (370,108)	\$ 3,191,827

NOTES TO FINANCIAL STATEMENTS
CITY OF ALACHUA, FLORIDA
(Continued)

Note 4 - Detail of Property, Plant and Equipment (Concluded)

Proprietary Fund Types

A summary of property, plant and equipment in the proprietary fund types at September 30, 1999, follows:

Nuclear Generating Plant and Equipment	\$ 651,961
Electric Distribution Plant and Equipment	6,524,587
Water Plant and Equipment	3,859,629
Wastewater Plant and Equipment	4,801,517
Turkey Creek Water and Wastewater Plant and Equipment	2,159,868
Utility Billing and Administration Equipment	21,947
	<u>18,019,509</u>
(Accumulated Depreciation)	(6,576,565)
	<u>11,442,944</u>
Wastewater Improvements - Construction in Progress	104,851
Total Utility Plant - Cost Less Accumulated Depreciation	<u>\$ 11,547,795</u>

Nuclear generating plant and equipment represents the cost of the City's 0.0779% undivided interest in Florida Power Corporation's Crystal River III (CR-3) Nuclear Plant.

Note 5 - Long-Term Debt

Listed below is a summary of all outstanding debt issues of the City at September 30, 1999, by issue and by fund:

Description	Interest Rate	Principal Balance 9/30/99	Final Maturity
1993 City of Arcadia Revenue Bonds	5.375%	\$ 980,000	2015
1995 First National Bank Note	5.20%	311,092	2010
1993 Utility Acquisition Bonds	7.0%	1,185,000	2019
1993 Utility Refunding Bonds	3.0% - 5.5%	8,895,000	2020
1986 Utility Refunding Bonds	6.15% - 7.8%	2,995,000	2008
1979 Utilities Revenue Bond	5.0%	614,000	2019
1998 State Revolving Fund Loan	2.70%	45,564	--
1999A Sales Tax Revenue Note	8.00%	402,302	2002
1999B Sales Tax Revenue Note	5.50%	798,767	2006
Total Debt		<u>16,226,725</u>	
(Unamortized Discounts)		(89,742)	
Net Carrying Amount		<u>\$ 16,136,983</u>	

Total long-term debt by fund/account group:

General Long-Term Debt	\$ 2,492,161
Electric	7,686,482
Water	614,000
Wastewater	3,058,539
Turkey Creek	2,285,801
Total Debt	<u>\$ 16,136,983</u>

NOTES TO FINANCIAL STATEMENTS
CITY OF ALACHUA, FLORIDA
(Continued)

Note 5 - Long-Term Debt (Continued)

General Long-Term Debt

The following tabulation summarizes the changes in the City's general long-term debt account group during the year ended September 30, 1999:

	<u>Balance 10/1/98</u>	<u>New Debt</u>	<u>(Principal Paid)</u>	<u>Balance 9/30/99</u>
City of Arcadia, Florida, Dedicated Pool Local Govern- ment Revenue Bonds, Series 1993	\$1,020,000	\$ 0	\$ (40,000)	\$ 980,000
Sales Tax Revenue Note, Series 1995 - First National Bank of Alachua	332,068	0	(20,976)	311,092
Sales Tax Revenue Note, Series 1999A - First National Bank of Alachua	0	412,500	(10,198)	402,302
Sales Tax Revenue Note, Series 1999B - First National Bank of Alachua	0	798,767	0	798,767
Note Payable - Other	2,625	0	(2,625)	0
Compensated Absences	111,547	0	(3,360)	108,187
Totals	<u>\$1,466,240</u>	<u>\$1,211,267</u>	<u>\$ (77,159)</u>	<u>\$2,600,348</u>

■ **City of Arcadia, Florida - Dedicated Pool Local Government Revenue Bonds, Series 1993**

On July 1, 1993, the City executed a loan agreement with the City of Arcadia, Florida (the Sponsor), and NationsBank of Florida, N.A. (the Trustee), to borrow \$1,200,000 from the Sponsor's \$45,455,000 Local Government Revenue Bonds, Series 1993, Dedicated Pool. The Sponsor issued the bonds on August 10, 1993, and deposited the proceeds with the Trustee to fund the pool, available to governmental entities for financing and refinancing certain qualified projects. During 1996, the Trustee was changed to Bank of New York.

The City used the proceeds to refinance the balance due on a loan from the City of Gulf Breeze, originally issued to finance street and drainage improvements. The City of Arcadia loan is evidenced by a Governmental Unit Note, which is payable solely from the City's local option gas tax revenues and guaranteed entitlement revenues (the Pledged Revenues).

The loan agreement required the establishment of the following accounts:

NOTES TO FINANCIAL STATEMENTS
CITY OF ALACHUA, FLORIDA
(Continued)

Note 5 - Long-Term Debt (Continued)

General Long-Term Debt (Continued)

- **City of Arcadia, Florida - Dedicated Pool Local Government Revenue Bonds, Series 1993 (Concluded)**

Revenue To collect the pledged revenues.

Sinking To accumulate sufficient monies to pay interest on the next semiannual interest date (December 1 and June 1), to pay principal coming due annually and to make required "reserve payments," if any.

Reserve To initially accumulate the maximum annual debt service requirement of \$92,922.

In accordance with the loan agreement, money on deposit in the revenue account must be disbursed in the following order:

- To satisfy current debt service requirements of the note;
- to provide for the reserve payments, if any, when due (in the event the reserve account is insufficient);
- to the payment of any additional parity bonds;
- to the payment of any junior lien obligations; and
- for any other lawful purpose.

The note carries a true interest cost rate of 5.375% and matures on December 1, 2014. The following tabulation summarizes remaining principal and interest payment requirements of the note:

Fiscal Year Ending September 30,	Principal	Interest	Total
2000	\$ 35,000	\$ 48,930	\$ 83,930
2001	40,000	47,298	87,298
2002	40,000	45,518	85,518
2003	45,000	43,560	88,560
2004	45,000	41,422	86,422
Thereafter	775,000	263,853	1,038,853
Totals	\$ 980,000	\$ 490,581	\$1,470,581

NOTES TO FINANCIAL STATEMENTS
CITY OF ALACHUA, FLORIDA
(Continued)

Note 5 - Long-Term Debt (Continued)

General Long-Term Debt (Continued)

■ **Sales Tax Revenue Note, Series 1995**

On May 24, 1995, the City adopted Resolution R-95-9, authorizing the issuance of a \$400,000 Sales Tax Revenue Note, Series 1995. The note was issued at the par amount of \$393,000, and used to refinance the City's outstanding FLGFA loan, plus pay note issuance and loan redemption costs.

The note is secured by a lien upon the pledge of the City's local government half-cent sales tax. Principal and interest are payable on the first of each month in level monthly installments for fifteen years. Interest accrues at a fixed rate of 5.20% (based on a 360-day year) for the first five years of the note, and is reset on June 1, 2000 and June 1, 2005, to the five-year U.S. Treasury index on those dates. The City may prepay the note in whole or in part, at any time, without penalty.

Following is a tabulation of the remaining principal and interest requirements of the note (interest requirements assume a 5.20% rate throughout the entire term):

Fiscal Year Ending September 30,	Principal	Interest	Total
2000	\$ 22,108	\$ 15,870	\$ 37,978
2001	23,303	14,676	37,979
2002	24,561	13,417	37,978
2003	25,888	12,090	37,978
2004	27,256	10,722	37,978
Thereafter	187,976	30,326	218,302
Totals	\$ 311,092	\$ 97,101	\$ 408,193

■ **Taxable Sales Tax Revenue Note, Series 1999A**

On September 1, 1999, the City issued a \$412,500 Taxable Sales Tax Revenue Note, Series 1999A to finance the City's purchase of land and other costs for economic development.

The note is secured by a lien upon the pledge of the City's local government half-cent sales tax. Principal and interest are payable on the first of each month in level monthly installments for three years. Interest accrues at a fixed rate of 8.00% (based on a 360-day year) The City may prepay the note in whole or in part, at any time, without penalty.

Following is a tabulation of the remaining principal and interest requirements of the note (interest requirements assume a 5.20% rate throughout the entire term):

NOTES TO FINANCIAL STATEMENTS
CITY OF ALACHUA, FLORIDA
(Continued)

Note 5 - Long-Term Debt (Continued)

General Long-Term Debt (Concluded)

■ **Taxable Sales Tax Revenue Note, Series 1999A**

<u>Fiscal Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2000	\$ 127,336	\$ 28,046	\$ 155,382
2001	138,142	17,241	155,383
2002	136,824	5,610	142,434
Totals	<u>\$ 402,302</u>	<u>\$ 50,897</u>	<u>\$ 453,199</u>

■ **Sales Tax Revenue Note, Series 1999B**

On September 1, 1999, the City issued a \$798,676 Sales Tax Revenue Note, Series 1999B, to finance certain water and wastewater infrastructure improvements. The note is secured by a lien upon the pledge of the City's local government half-cent sales tax. Interest only is payable on the first of each month for the first three years. Thereafter, principal and interest are payable on the first of each month in level monthly installments for the next four years. Interest accrues at a fixed rate of 5.50% (based on a 360-day year) for the first five years of the note, and is reset on September 1, 2004, to the five-year U.S. Treasury index on that date. The City may prepay the note in whole or in part, at any time, without penalty.

Following is a tabulation of the remaining principal and interest requirements of the note (interest requirements assume a 5.50% rate throughout the entire term):

<u>Fiscal Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2000	\$ 0	\$ 44,664	\$ 44,664
2001	0	44,542	44,542
2002	0	44,542	44,542
2003	183,370	39,047	222,417
2004	193,777	28,592	222,369
Thereafter	421,620	22,963	444,583
Totals	<u>\$ 798,767</u>	<u>\$ 224,350</u>	<u>\$1,023,117</u>

■ **Note Payable - Other**

This unsecured note is payable over sixty months beginning May 6, 1994, at \$385 per month including 8% interest. This note was paid in full in fiscal year 1999.

General Long-Term Debt - Summary

The following tabulation indicates the principal retirement of general long-term debt by fiscal year (excluding compensated absences):

NOTES TO FINANCIAL STATEMENTS
CITY OF ALACHUA, FLORIDA
(Continued)

Note 5 - Long-Term Debt (Continued)

General Long-Term Debt - Summary (Concluded)

Fiscal Year Ending September 30,	City of Arcadia Loan	1995 Sales Tax Revenue Note	1999A Sales Tax Revenue Note	1999B Sales Tax Revenue Note	Total Principal
2000	\$ 35,000	\$ 22,108	\$ 127,336	\$ 0	\$ 184,444
2001	40,000	23,303	138,142	0	201,445
2002	40,000	24,561	136,824	0	201,385
2003	45,000	25,888	0	183,370	254,258
2004	45,000	27,256	0	193,777	266,033
Thereafter	775,000	187,976	0	421,620	1,384,596
Totals	\$ 980,000	\$ 311,092	\$ 402,302	\$ 798,767	\$ 2,492,161

Proprietary Fund Types

■ **Utility Acquisition Bonds, Series 1993**

On October 18, 1993, the City adopted Resolution R-93-24 authorizing the issuance of \$1,300,000 Utility Acquisition Bonds, Series 1993 (the 1994 bonds) to provide the necessary funds for the acquisition of the private water and wastewater systems in the Turkey Creek recreational residential community in the City. The bonds are secured by the gross revenues of the combined electric, water and wastewater utility systems of the City, but is subordinate to the secured interests of the bondholders in the other outstanding revenue bonds of the City.

The bonds were issued without premium or discount and are payable at 7% interest, with interest payable semiannually beginning April 1, 1994, and principal payable annually beginning October 1, 1994.

The following tabulation summarizes remaining principal and interest payments on the 1994 bonds:

Fiscal Year Ending September 30,	Principal	Interest	Total
2000	\$ 30,000	\$ 81,900	\$ 111,900
2001	30,000	79,800	109,800
2002	35,000	77,525	112,525
2003	35,000	75,075	110,075
2004	40,000	72,450	112,450
2005	40,000	69,650	109,650
2006	45,000	66,675	111,675

NOTES TO FINANCIAL STATEMENTS
CITY OF ALACHUA, FLORIDA
(Continued)

Note 5 - Long-Term Debt (Continued)

Proprietary Fund Types (Continued)

Fiscal Year Ending September 30,	Principal	Interest	Total
2007	\$ 45,000	\$ 63,525	\$ 108,525
2008	50,000	60,200	110,200
2009	55,000	56,525	111,525
2010	55,000	52,675	107,675
2011	60,000	48,650	108,650
2012	65,000	44,275	109,275
2013	70,000	39,550	109,550
2014	75,000	34,475	109,475
2015	80,000	29,050	109,050
2016	85,000	23,275	108,275
2017	90,000	17,150	107,150
2018	95,000	10,675	105,675
2019	105,000	3,675	108,675
Totals	\$ 1,185,000	\$ 1,006,775	\$ 2,191,775

■ **Utility Refunding Revenue Bonds, Series 1993**

On March 31, 1993, the City adopted Resolution R-93-3, authorizing the issuance of \$9,500,000 Utility Refunding Revenue Bonds, Series 1993. The bonds were issued at a par amount of \$9,000,000 to provide a portion of the funds required: a) to advance refund the City's outstanding Utility Revenue Bonds, Series 1990 and a portion of the City's outstanding Utility Refunding Revenue Bonds, Series 1986; b) to construct and install certain facilities constituting water and wastewater capital improvements; and c) to pay a portion of the costs of issuance.

Gross revenues of the system, plus utilities service taxes are pledged as collateral for the revenue bonds on a parity and rank equally as to lien on, and source and security for payment with the City's outstanding Series 1979 bonds and the remaining Series 1986 bonds.

The \$9,000,000 issue consists of \$1,355,000 of serial bonds maturing from 1994 to 2009, with stated interest rates of 3% to 5.5%; \$1,635,000—5.625% Term Bonds due April 1, 2012, sold at a price of 98.5% of par; and \$6,010,000—5.75% Term Bonds, due April 1, 2020, at 99% of par. The Term Bonds are subject to mandatory redemption prior to their stated maturity dates as shown below.

Interest is payable semiannually on each April 1 and October 1, with principal due annually on October 1. The following tabulation summarizes remaining principal and interest payments on the 1993 bonds:

NOTES TO FINANCIAL STATEMENTS
CITY OF ALACHUA, FLORIDA
(Continued)

Note 5 - Long-Term Debt (Continued)

Proprietary Fund Types (Continued)

■ **Utility Refunding Revenue Bonds, Series 1993 (Continued)**

Fiscal Year Ending September 30	Principal	Interest	Total
2000	\$ 20,000	\$ 505,150	\$ 525,150
2001	25,000	504,190	529,190
2002	25,000	502,965	527,965
2003	20,000	501,715	521,715
2004	25,000	500,695	525,695
2005	25,000	499,395	524,395
2006	25,000	498,070	523,070
2007	390,000	486,726	876,726
2008	205,000	479,666	684,666
2009	490,000	464,494	954,494
2010	515,000	437,544	952,544
2011	545,000	408,575	953,575
2012	575,000	377,919	952,919
2013	610,000	345,575	955,575
2014	640,000	310,500	950,500
2015	680,000	273,700	953,700
2016	720,000	234,600	954,600
2017	760,000	193,200	953,200
2018	805,000	149,500	954,500
2019	850,000	103,213	953,213
2020	945,000	54,337	999,337
Totals	\$ 8,895,000	\$ 7,831,729	\$ 16,726,729

	Allocated Between Proprietary Funds		
	Par	(Unamortized Discount)	Carrying Value
Electric Fund	\$ 6,116,949	\$ (45,188)	\$ 6,071,761
Wastewater Fund	1,669,058	(12,330)	1,656,728
Turkey Creek Fund	1,108,993	(8,193)	1,100,800
Totals	\$ 8,895,000	\$ (65,711)	\$ 8,829,289

NOTES TO FINANCIAL STATEMENTS
CITY OF ALACHUA, FLORIDA
(Continued)

Note 5 - Long-Term Debt *(Continued)*

Proprietary Fund Types *(Continued)*

■ **Utility Refunding Revenue Bonds, Series 1993 *(Concluded)***

The 1993 bonds are considered additional parity bonds, issued under the authority of Original Resolution R-86-10 (which authorized the issuance of the Utility Refunding Revenue Bonds of 1986). The covenants and pledges contained in the original resolution regarding the establishment and maintenance of various funds and accounts for the 1986 bonds are applicable to the 1993 bonds. The reserve account established in the original resolution is applicable pro rata to the 1993 bonds, and the payments made into said reserve account are increased proportionately to provide a reserve for both the 1993 bonds and the remaining 1986 bonds equal to the maximum annual combined bond service requirement.

In addition to the refunding proceeds, \$1,003,318 was deposited into a construction fund established by the bond resolution and used primarily for water and wastewater capital improvements.

■ **Utility Refunding Revenue Bonds of 1986**

On May 19, 1986, the City adopted a resolution to issue the Utilities Refunding Revenue Bonds, Series 1986. These bonds were issued pursuant to a multipurpose plan including the advance refunding of certain of the City's utility refunding and revenue bonds. The refunding portion of the proceeds was deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. As a result, the 1983 bonds and all other refunded bonds are considered to be defeased, and the trust account assets and liabilities of the defeased bonds are not included in the financial statements of the City.

The 1986 bonds were issued on a parity and rank equally as to lien on and source and security for payment from gross revenues and excise taxes as the Utilities Revenue Bond of 1979. Gross revenues of the electric, water and wastewater utility systems, plus utilities service taxes are pledged as collateral for the refunding bonds which have a coupon rate ranging from 6.15% to 7.80%.

The \$7,750,000 issue consisted of \$1,795,000 of serial bonds maturing from 1991 to 2000, and \$5,955,000 of term bonds; \$2,495,000 due in 2007 and \$3,460,000 due in 2016, but which are subject to mandatory redemption in earlier years as tabulated below at no premium.

All of the outstanding term bonds due in 2016, with the exception of \$255,000, subject to mandatory redemption in 2008, were advance refunded through the issuance of the \$9,000,000 Utility Refunding Revenue Bonds, Series 1993.

NOTES TO FINANCIAL STATEMENTS
CITY OF ALACHUA, FLORIDA
(Continued)

Note 5 - Long-Term Debt (Continued)

Proprietary Fund Types (Continued)

■ **Utility Refunding Revenue Bonds of 1986 (Continued)**

The following tabulation summarizes remaining principal and interest payment requirements of the 1986 issue:

Fiscal Year Ending September 30,	Principal	Interest	Total
2000	\$ 245,000	\$ 231,995	\$ 476,995
2001	255,000	213,252	468,252
2002	275,000	193,490	468,490
2003	300,000	172,177	472,177
2004	320,000	148,928	468,928
2005	350,000	124,128	474,128
2006	375,000	95,002	470,002
2007	620,000	67,940	687,940
2008	255,000	19,890	274,890
Totals	\$ 2,995,000	\$ 1,266,802	\$ 4,261,802

Allocated Between Proprietary Funds

	Par	(Unamortized Discount)	Carrying Value
Electric Fund	\$ 1,627,782	\$ (13,061)	\$ 1,614,721
Wastewater Fund	1,367,218	(10,970)	1,356,248
Totals	\$ 2,995,000	\$ (24,031)	\$ 2,970,969

The bond resolution required the establishment of the following accounts:

Revenue	To collect electric, water and wastewater revenues.
Operation and Maintenance	To pay for cost of operation and maintenance of the utility system.
Bond and Interest Sinking	To accumulate sufficient monies to pay interest on the next semiannual interest date (October 1 and April 1) and to pay principal coming due on serial bonds.
Bond Amortization	To accumulate monies for payment of amortization installments coming due on term bonds.

NOTES TO FINANCIAL STATEMENTS
CITY OF ALACHUA, FLORIDA
(Continued)

Note 5 - Long-Term Debt (Continued)

Proprietary Fund Types (Continued)

■ **Utility Refunding Revenue Bonds of 1986 (Concluded)**

Reserve

To accumulate monies to: 1) pay cost of repairs and replacement to utility system; 2) pay for improvements to the system; and 3) pay bond principal and interest when other accounts are insufficient.

In accordance with the bond resolution, operating revenues from the utility system must be disbursed in the following order:

- To satisfy current debt service requirements of serial and term bonds;
- to fund a reserve account equal to the maximum annual bond service requirement;
- to meet operating and maintenance expenses before depreciation; and
- for any other lawful purpose.

■ **Utilities Revenue Bond of 1979**

On August 6, 1979, the City adopted a resolution to issue the Utilities Revenue Bond of 1979. The bond was issued on December 17, 1979, to partially finance the cost of the construction of additions to the utility system.

Net utility revenues and utilities service taxes are pledged as collateral for the revenue bond which has a coupon rate of 5%. The lien on revenues by the 1979 bond is equal to the Utilities Refunding Revenue Bonds of 1986 and 1993. Amounts deposited in the revenue fund created by the bond resolution must be disbursed in the following order:

- To meet operating expenses;
- to satisfy debt service requirements; and
- to fund a reserve account to be used for repairs, improvements and to satisfy debt service.

The issue consists of \$830,800 of Serial Bonds - \$198,800 of which has been paid and the remainder which matures as indicated in the following schedule:

NOTES TO FINANCIAL STATEMENTS
CITY OF ALACHUA, FLORIDA
(Continued)

Note 5 - Long-Term Debt (Continued)

Proprietary Fund Types (Continued)

■ **Utilities Revenue Bond of 1979 (Continued)**

Fiscal Year Ending September 30,	Principal	Interest	Total
2000	\$ 18,000	\$ 30,700	\$ 48,700
2001	19,000	29,800	48,800
2002	21,000	28,850	49,850
2003	21,000	27,800	48,800
2004	23,000	26,750	49,750
2005	24,000	25,600	49,600
2006	25,000	24,400	49,400
2007	26,000	23,150	49,150
2008	27,000	21,850	48,850
2009	29,000	20,500	49,500
2010	30,000	19,050	49,050
2011	32,000	17,550	49,550
2012	33,000	15,950	48,950
2013	35,000	14,300	49,300
2014	37,000	12,550	49,550
2015	38,000	10,700	48,700
2016	40,000	8,800	48,800
2017	43,000	6,800	49,800
2018	45,000	4,650	49,650
2019	48,000	2,400	50,400
Totals	\$ 614,000	\$ 372,150	\$ 986,150

■ **Note Payable - First National Bank of Alachua**

This unsecured note dated March 26, 1996, for \$103,000 is payable over thirty-six months beginning April 26, 1996, at \$3,105 per month including 5.30% interest. The proceeds were used to purchase computer equipment and pay operating expenses. This note was paid in full in fiscal 1999.

■ **State Revolving Fund Loan - State of Florida Department of Environmental Protection**

This loan is to finance preconstruction wastewater control facility costs. The total loan available is \$125,732, of which \$45,564 had been drawn as of September 30, 1999. Repayment commences in May 2000, and is over a term of twenty years bearing a 2.70% interest rate.

NOTES TO FINANCIAL STATEMENTS
CITY OF ALACHUA, FLORIDA
(Continued)

Note 5 - Long-Term Debt (Concluded)

Proprietary Fund Types (Concluded)

**Summary of Principal Maturities Required For Next
Five Years on Long-Term Debt**

	Principal Required During Fiscal Year Ending September 30,				
	2000	2001	2002	2003	2004
General Long-Term Debt	\$184,444	\$201,445	\$201,385	\$254,258	\$266,033
Utility Acquisition Bonds, Series 1993	30,000	30,000	35,000	35,000	40,000
Utility Refunding Revenue Bonds, Series 1993	20,000	25,000	25,000	20,000	25,000
Utility Refunding Revenue Bonds, Series 1986	245,000	255,000	275,000	300,000	320,000
Utility Revenue Bond, Series 1979	18,000	19,000	21,000	21,000	23,000
State Revolving Fund Loan	2,000	2,000	2,000	2,000	2,000
Totals	<u>\$499,444</u>	<u>\$532,445</u>	<u>\$559,385</u>	<u>\$632,258</u>	<u>\$676,033</u>

■ **Interest**

Interest paid (governmental fund types) or accrued (enterprise funds) amounted to \$50,747 in the debt service fund, \$23,414 in the general fund and \$880,529 in the proprietary fund types (including amortization of bond discounts) for the fiscal year ended September 30, 1999. All interest in the proprietary fund types was charged to interest expense.

Note 6 - Restricted Assets

Actual balances of the restricted cash and investment accounts in the enterprise funds at September 30, 1999, are as follows:

	Electric	Water	Wastewater	Turkey Creek	Totals
Revenue Bond Accounts:					
Sinking Fund	\$ 304,757	\$ 24,350	\$ 153,579	\$ 84,723	\$ 567,409
Debt Service Reserve	217,995	43,320	731,841	57,165	1,050,321
Bond Amortization Account	0	0	568,106	0	568,106
Customer Deposits	124,584	21,148	20,800	0	166,532
CR-3 Decommissioning Account	159,849	0	0	0	159,849
Total	<u>\$ 807,185</u>	<u>\$ 88,818</u>	<u>\$ 1,474,326</u>	<u>\$ 141,888</u>	<u>\$ 2,512,217</u>

NOTES TO FINANCIAL STATEMENTS
CITY OF ALACHUA, FLORIDA
(Continued)

Note 6 - Restricted Assets (Concluded)

The CR-3 Decommissioning Account is required by state law to accumulate funds for the City's share of the decommissioning costs of the CR-3 nuclear power plant. The City's contribution to this account was \$5,010 including interest during 1999. The required cash balance in the decommissioning account is offset by a deferred credit on the balance sheet.

The impact fee fund represents prepaid impact fees and is also offset by a deferred credit.

Note 7 - Interfund Receivables and Payables

Interfund transactions are normally recorded through a consolidated cash account instead of interfund receivables and payables. Following is a summary of interfund receivables and payables at September 30, 1999:

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>
Wastewater Fund	Electric Fund	\$ 321,386
Wastewater Fund	General Fund	59,929
Economic Development Capital Projects Fund	Electric Fund	312,948
Internal Service Fund	Electric Fund	1,484
Neighborhood Revitalization CDBG Fund	General Fund	20,500
El Niño CDBG Fund	General Fund	5,000
Total		<u>\$ 721,247</u>

Following is a summary of interfund transfers during 1999:

<u>Transfers Out</u>	<u>Amount</u>	<u>Fund Receiving Transfer</u>
Governmental		
General	\$ 65,503	Debt Service Fund
Enterprise		
Electric	183,996	General Fund
Electric	111,696	Turkey Creek Water/Waterwater
Water	21,660	Sewer
Total	<u>\$ 382,885</u>	

Note 8 - Fund Balances - Reserved

Fund balances are reserved within the governmental fund types as follows:

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Special Revenue</u>
Reserved				
Debt Service	\$ 0	\$ 149,585	\$ 0	\$ 0
Economic Development	0	0	657,826	0
Police Department Operations	8,801	0	0	101,513

NOTES TO FINANCIAL STATEMENTS
CITY OF ALACHUA, FLORIDA
(Continued)

Note 8 - Fund Balances - Reserved (Concluded)

Reserves earmark a portion of fund equity as: 1) not available for appropriation or expenditure; or 2) legally restricted to a specific future use.

Note 9 - Changes in Contributed Capital

Following is a summary of the changes in contributed capital for the year ended September 30, 1999:

Contributed Capital - October 1, 1999	\$ 2,174,667
Current Year Additions	131,414
Contributed Capital - September 30, 1999	<u>\$ 2,306,081</u>

Note 10 - Excess of Expenditures Over Budget and Deficit Equity Balances

For excesses of actual expenditures over budgeted appropriations for governmental fund types, please see page 6 of the financial statements.

The following individual funds show deficit equity balances at September 30, 1999, in the amounts shown:

Fund	Type	Deficit 1999
Enterprise		
Wastewater	Unreserved Retained Earnings	\$ 411,857
Turkey Creek Water/Wastewater	Unreserved Retained Earnings	135,487
Governmental		
El Niño Grant	Reserved Fund Balance	12
Neighborhood Revitalization Grant	Reserved Fund Balance	121

Note 11 - Segment Information - Proprietary Fund Types

	Electric Fund	Water Fund	Wastewater Fund	Turkey Creek Water/ Wastewater Fund
Operating Revenues	\$ 6,103,594	\$ 344,717	\$ 549,366	\$ 329,263
Depreciation	215,296	115,781	116,957	64,796
Operating Income (Loss)	1,736,091	(95,203)	6,194	83,454
Nonoperating Revenues (Expenses)	(302,823)	59,473	(118,454)	(118,198)
Operating Transfers In (Out)	(295,692)	(21,660)	21,660	111,696
Net Income (Loss)	1,137,576	(57,390)	(90,600)	76,952

NOTES TO FINANCIAL STATEMENTS
CITY OF ALACHUA, FLORIDA
(Continued)

Note 11 - Segment Information - Proprietary Fund Types (Concluded)

	<u>Electric Fund</u>	<u>Water Fund</u>	<u>Wastewater Fund</u>	<u>Turkey Creek Water/ Wastewater Fund</u>
Property, Plant and Equipment				
Additions	\$ 199,441	\$ 123,641	\$ 72,821	\$ 5,126
Contributions - Current Year	0	89,851	41,563	0
Net Working Capital (Deficit)	3,159,371	139,551	(292,802)	157,638
Total Assets	9,014,030	2,490,061	4,634,811	2,224,783
Bonds Payable - Long-Term Portion	7,539,571	596,000	2,897,380	2,253,307
Total Equity (Deficit)	423,465	1,827,873	1,065,437	(135,487)
Total Retained Earnings (Deficit)	423,465	999,086	(411,857)	(135,487)

Note 12 - Electric Power Agreements

City of Gainesville

The City entered into a wholesale electric service contract with the City of Gainesville, Florida, on January 21, 1987, for the purchase of the majority of the City's electric power requirements beginning January 6, 1988. The City constructed a 138 x 69 - 12.47Y/7.2kV substation to receive the power, which was placed into operation on that date. The substation is located in such a manner that the City has reasonable access to the transmission lines of both the City of Gainesville and Florida Power Corporation. A portion of the substation is owned by the City of Gainesville. The initial term of the contract was five years, with options for additional annual extensions. The contract was renegotiated on October 2, 1992, and extended for an additional fifteen years, beginning on December 31, 1992. Provisions in the contract allow for price adjustments for increases and decreases in the City of Gainesville's fuel and operating costs. Total payments to the City of Gainesville for 1999 were \$3,083,787.

Crystal River Unit #3 Participation Agreement

The City is a participant in an agreement with Florida Power Corporation which was entered into on July 31, 1975. Under terms of the agreement, the City acquired an 0.0779% ownership interest and generation entitlement share in the nuclear steam electric generating unit. Participants are entitled to energy output of the unit based upon their respective generation entitlement share.

Florida Power Corporation has been appointed by the participants to act as their agent and has sole authority to manage, control, maintain and operate the unit. Operating costs of the unit, in general, are shared in proportion to each generation entitlement share on a monthly basis. Common and external facilities of the generating unit are solely owned by Florida Power Corporation and participants share in the operating and maintenance expenses of such facilities. Nuclear fuel payments and capital acquisition costs are required of participants in advance. Total payments for 1999 were \$209,129.

NOTES TO FINANCIAL STATEMENTS
CITY OF ALACHUA, FLORIDA
(Continued)

Note 12 - Electric Power Agreements (Concluded)

The City's share of plant decommissioning costs to be paid during the years 2015 through 2022 is being accumulated in an account administered by the FMPA. FMPA has determined the appropriate account balance to be \$159,849 at September 30, 1999. The cash account is offset by a deferred credit on the balance sheet of \$159,849 at September 30, 1999.

St. Lucie No. 2 Power Purchase Agreement

The City has negotiated a long-term agreement with Florida Power and Light Corporation through FMPA to purchase .3044 megawatts of generating capacity and a corresponding amount of energy monthly from the St. Lucie No. 2 nuclear generating plant. The plant became operational in 1984. Total payments for 1999 were \$167,346.

The City has signed certain documents with FMPA relating to the St. Lucie Project that provide that if the agency defaults on certain bond payments, the City would be required to satisfy payment on their share (.431%) of the bonds. The par amount of the outstanding bonds at September 30, 1999, was approximately \$297 million.

Note 13 - Pension Plans

All full-time employees of the City hired prior to January 1, 1996, participate in the Florida State Retirement System, a multiple-employer defined benefit public retirement system. Full-time employees hired on January 1, 1996, or later, participate in a retirement system administered by the Florida League of Cities, Inc.

Florida Retirement System

The Florida State Retirement System (the System) was created by the Florida Legislature and is administered by the State of Florida, Department of Administration, Division of Retirement and is a cost-sharing, multiple-employer defined benefit public retirement plan available to governmental units within the state of Florida. The System issues a publicly available financial report that includes financial statements and required supplementary information for the System. The report may be obtained by writing to the Florida Retirement System, Division of Retirement, 2639-C North Monroe Street, Tallahassee, Florida 32399-1560, or by calling (850) 488-5706. At September 30, 1999, the City had thirty-three active participants in the System.

The System provides vesting of benefits after ten years of creditable service. Members are eligible for normal retirement after they have met one of the following: 1) after thirty years of service, regardless of age (twenty-five years if special risk); or 2) age 62 and ten years of service (age 55 and ten years if special risk).

NOTES TO FINANCIAL STATEMENTS
CITY OF ALACHUA, FLORIDA
(Continued)

Note 13 - Pension Plans (Continued)

Florida Retirement System (Concluded)

Early retirement may be taken any time after completing ten years of service; however, there is a 5% benefit reduction for each year prior to normal retirement. Benefits are computed on the basis of age, average final compensation and service credit. Average final compensation is the average of the five highest years of earnings. The System also provides death and disability benefits. Benefits are estimated by Florida Statutes and include cost-of-living adjustments.

The funding methods and the determination of benefits payable are provided in various acts of the Florida Legislature. These acts provide that employers, such as the City are required to contribute 10.15% of the compensation for regular members, 12.13% for senior management and 21.16% for special risk as of September 30, 1999. The City's contribution to the System for the years ended September 30, 1999, 1998, and 1997, were \$184,512, \$211,831, and \$227,260, respectively.

Florida League of Cities Plans

There are two retirement plans for employees hired on or after January 1, 1996: a defined contribution plan for general employees, and a Police Officers' Pension Plan, a local-law plan that follows chapter 185 of the Florida State Statutes. Both plans are administered by the Florida League of Cities. At September 30, 1999, the City had 19 general employees and 7 police officers participating in these plans.

The *Retirement Plan and Trust for the General Employees of the City of Alachua* is a defined contribution plan with a vesting schedule between five and ten years of service. The amount contributed to the plan by the City is at the City Commission's discretion, 11% for fiscal year 1999. The vesting schedules are as follows:

Years of Service	Percent Vested
0 - 4 Years	0%
5 Years	50%
6 Years	60%
7 Years	70%
8 Years	80%
9 Years	90%
10 or More Years	100%

The normal retirement date from this plan is the first day of the month coincident with or next following attainment of age 62. Distributions may be made at the participant's election on or after the anniversary date following termination of employment and a one year break in service. The administrator and the investment manager of this plan is the Florida League of Cities' Florida Municipal Pension Trust Fund (FMPTF). The City's contributions to this plan for the years ended September 30, 1999, 1998, and 1997, were \$33,959, \$12,663, and \$6,135, respectively.

NOTES TO FINANCIAL STATEMENTS
CITY OF ALACHUA, FLORIDA
(Continued)

Note 13 - Pension Plans (Concluded)

Florida League of Cities Plans (Concluded)

The *Retirement Plan and Trust for the Police Officers of the City of Alachua* is a defined-benefit plan established under Chapter 185 of the Florida Statutes. Benefits are determined by the number of years of credited service multiplied by 2% and multiplied by final monthly compensation. Final monthly compensation is one-twelfth of the highest average earnings during the five best years out of the last ten years of creditable service prior to separation, or the career average, whichever is greater.

The normal retirement date is the first day of the month coincident with, or next following attainment of age 55 and 10 years of service or earlier attainment of age 52 and 25 years of service. The amount of accrued benefits will be reduced a maximum of 3% for each year before the normal retirement age. This plan requires a 1% contribution by all participants. If a member terminates before completing 10 years of credited service, all employee contributions are returned to the member, with no other benefits. Employees are 100% vested after ten years. The City's contributions are based on an actuarial study, 12.17% for fiscal year 1999. The administrator and investment manager is the Florida League of Cities' FMPTF. Claims procedures and plan administration is supervised by the City of Alachua Police Officers' Pension Trust Fund Board of Trustees. Membership in this Board is established by the City Commission in compliance with Chapter 185, Florida Statutes. The City's contributions to this plan for the years ended September 30, 1999, 1998, and 1997, were \$34,846, \$31,299, and \$17,626, respectively.

As of the date of this report, the actuarial study was not available and, accordingly, certain disclosures and required supplementary information have not been included.

Note 14 - Risk Management

The City is exposed to various risk of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City carries insurance. Insurance against losses are provided for the following types of risk with the following carriers:

Florida League of Cities, Inc.

- Workers' Compensation and Employer's Liability
- General Liability and Automobile Liability
- Real and Personal Property Damage
- Automobile Physical Damage

Hilb, Rogal and Hamilton Company (HRH) of Gainesville, Florida, Inc.

- Public Employees' Blanket Bond
- Boiler and Machinery Policy - Electric Substation
- Public Officials' Liability

NOTES TO FINANCIAL STATEMENTS
CITY OF ALACHUA, FLORIDA
(Concluded)

Note 14 - Risk Management (Concluded)

Hilb, Rogal and Hamilton Company (HRH) of Gainesville, Florida, Inc. (Concluded)

- Law Enforcement Officers' Professional Liability and Other Mandated Coverage
- Accidental Death and Dismemberment
- Auxiliary Reserve Policy
- Law Enforcement Officers' Professional Liability

The City's coverage for workers' compensation is under a retrospectively rated policy. Premiums are accrued based on the ultimate cost to-date of the City's experience for this type of risk.

The City's coverage for law enforcement officers' professional liability administered by HRH is through the Florida Police Chiefs' Self-Insurance Fund. The nature of the City's participation in this public entity risk pool, including the rights and responsibilities of the City and the pool have not been determined.

Note 15 - Commitments and Contingencies

The City has entered an economic development agreement with a private corporation (corporation), which provides that the City furnish water, wastewater and fire suppression services to the economic development site. The current cost estimate for these items is \$1,770,000, all of which is an outstanding commitment at September 30, 1999. The economic development agreement also provides that the City will furnish the aforementioned services to the corporation within a specified time period. As of the date of this report, it appears the City will not be able to meet the contractual timetable. The potential magnitude of financial penalty to the City, if any, is not currently determinable.

The City has also entered into a second development agreement with a corporation (developer) developing an industrial park within the City limits. The agreement provides that if, and when, the developer constructs a roadway within the industrial park, the City will provide water and wastewater services along the roadway within six months of road completion for up to five linear miles of road. The development agreement also prohibits the City from charging tap, impact or contribution in aid of construction fees for these improvements. The City may, at its discretion, pay the developer approximately \$1.7 million in lieu of meeting the contractual obligations.

In addition, various other claims and lawsuits arise against the City in the normal course of operations. In the opinion of management, the potential loss on these other claims and lawsuits will not be significant to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

**REQUIRED SUPPLEMENTARY INFORMATION
CITY OF ALACHUA, FLORIDA**

YEAR 2000 DISCLOSURE

GASB Technical Bulletin No. 98-1 requires governmental units to disclose a description of the stages of work in process or completed to make their computer systems and other electronic equipment critical to conducting operations year 2000 compliant. The stages are defined as:

- **Awareness Stage** - Encompasses establishing a budget and project plan for dealing with the year 2000 issue.
- **Assessment Stage** - When the City begins the actual process of identifying all of its systems and individual components of the systems.
- **Remediation Stage** - When the City actually makes changes to systems and equipment.
- **Validation/Testing Stage** - When the City validates and tests the changes made during the conversion process.

The City maintains a technology infrastructure that consists of computer hardware and software systems for various financial, billing and other applications. In order for this computer infrastructure to continue to function accurately in the future, it is important that a determination of its "year 2000" compliance be assessed. The reason being that computer systems that are not year 2000 compliant may produce errors in both financial transactions and other activities, beginning January 1, 2000.

In November 1998, the City formed a Year 2000 Committee (the Committee), which includes a supervisor from each department of the City. Several members of the Committee have attended seminars concerning year 2000 issues and continually update the other members as new information becomes available.

The Committee has completed all stages outlined above and has contacted vendors for compliance statements requesting that they provide written verification to the City.

The Committee is also evaluating and testing the vital components needed to provide customers with utility services in addition to in-house applications and electronic equipment needed to provide customer service and communications. The City has been following the guidelines in *Guidelines for Public Power Utilities to Confront Year 2000 Problems in Embedded Systems*, produced by the American Public Power Association.

Management states that the City's top priority is to provide responsive and reliable service to all customers, and that they are making every effort necessary to ensure that they are ready to handle the challenges of the year 2000.

No estimate for costs to correct year 2000 issues has been included in the accompanying financial statements as an accurate figure is not readily determinable.

ACCOMPANYING INFORMATION

COMBINING AND INDIVIDUAL FUND STATEMENTS

These statements provide a more detailed view of the "general-purpose financial statements" presented in the previous section. Combining statements are presented when there is more than one fund of a given fund type. An individual fund statement is presented for the general fund to provide detail budgetary comparisons.

**BALANCE SHEETS
GENERAL FUND
SEPTEMBER 30, 1999 AND 1998
CITY OF ALACHUA, FLORIDA**

	<u>1999</u>	<u>1998</u>
Assets		
Cash in Bank, Including Certificates of Deposit:		
Police Department Trust Fund	\$ 8,801	\$ 7,355
Other	264,980	188,708
Receivables:		
Customer Accounts	18,920	25,284
Other	57,788	15,906
Due From Other Funds	85,429	0
Due From Other Governments	75,838	90,220
Prepaid Expenses	1,154	0
Total Assets	<u>512,910</u>	<u>327,473</u>
 Liabilities and Fund Balance		
 Liabilities		
Accounts Payable	42,438	82,296
Other Accrued Expenses	44,405	13,986
Occupational Licenses Collected in Advance	13,930	14,449
Other Deferred Revenues	<u>3,268</u>	<u>32,379</u>
Total Liabilities	<u>104,041</u>	<u>143,110</u>
 Fund Balance		
Reserved Designated For Police Department Operations	8,801	7,355
Undesignated	<u>400,068</u>	<u>177,008</u>
Total Fund Balance	<u>408,869</u>	<u>184,363</u>
 Total Liabilities and Fund Balance	<u>\$ 512,910</u>	<u>\$ 327,473</u>

**STATEMENT OF REVENUES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 1999,
WITH COMPARATIVE ACTUAL AMOUNTS FOR 1998
CITY OF ALACHUA, FLORIDA**

	1999			1998
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues				
Taxes				
Property Taxes - Current	\$ 974,640	\$ 969,923	\$ (4,717)	\$ 906,885
Property Taxes - Delinquent	0	13,820	13,820	9,021
Franchise Fees	85,000	94,798	9,798	95,313
Utility Taxes	500,000	503,992	3,992	533,102
Local Option Gas Taxes	118,758	117,181	(1,577)	114,744
Total Taxes	<u>1,678,398</u>	<u>1,699,714</u>	<u>21,316</u>	<u>1,659,065</u>
Licenses and Permits				
Occupational Licenses	20,000	20,642	642	20,451
Building Permits	60,000	98,278	38,278	60,488
Total Licenses and Permits	<u>80,000</u>	<u>118,920</u>	<u>38,920</u>	<u>80,939</u>
Intergovernmental				
Federal Grants:				
U.S. Department of Justice - LLEBG	18,709	18,709	0	20,814
U.S. Department of Justice - COPS - FAST	50,000	58,558	8,558	99,624
Passed Through Alachua County School Board - DARE	21,600	21,600	0	21,600
U.S. Department of Justice - COPS - School-Based Partnership	0	39,732	39,732	0
U.S. Department of Justice - COPS - Problem Solving Partnership	0	0	0	80,527
FEMA Disaster Assistance	0	33,850	33,850	43,371
Total Federal Grants	<u>90,309</u>	<u>172,449</u>	<u>82,140</u>	<u>265,936</u>
State Grants:				
Solid Waste	3,000	3,915	915	3,963
Florida Department of Community Affairs	0	0	0	14,069
Florida Department of Environmental Protection	0	11,227	11,227	0
Total State Grants	<u>3,000</u>	<u>15,142</u>	<u>12,142</u>	<u>18,032</u>
State-Shared Revenue:				
Cigarette Tax	15,336	15,074	(262)	15,899
State Revenue Sharing	118,908	121,102	2,194	134,019
Mobile Home Licenses	4,500	4,791	291	4,491
Alcoholic Beverage Tax	4,200	3,565	(635)	3,824
Half-Cent Sales Tax	289,415	278,333	(11,082)	284,324
Fuel Tax Refund	4,000	5,806	1,806	2,696
Total State-Shared Revenue	<u>436,359</u>	<u>428,671</u>	<u>(7,688)</u>	<u>445,253</u>
Total Intergovernmental	<u>529,668</u>	<u>616,262</u>	<u>86,594</u>	<u>729,221</u>

**STATEMENT OF REVENUES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 1999,
WITH COMPARATIVE ACTUAL AMOUNTS FOR 1998
CITY OF ALACHUA, FLORIDA
(Concluded)**

	1999			1998
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues (Concluded)				
Charges For Services				
Police Services	\$ 77,482	\$ 87,218	\$ 9,736	\$ 74,701
Zoning Fees	7,000	21,314	14,314	8,376
Sanitation Revenue	240,000	266,423	26,423	239,659
Penalty Revenue	4,800	5,486	686	5,146
Mosquito Spraying	28,800	28,380	(420)	28,808
Total Charges For Services	<u>358,082</u>	<u>408,821</u>	<u>50,739</u>	<u>356,690</u>
Fines and Forfeitures				
Court Fines	78,000	91,241	13,241	83,482
Forfeitures	0	0	0	3,238
Total Fines and Forfeitures	<u>78,000</u>	<u>91,241</u>	<u>13,241</u>	<u>86,720</u>
Miscellaneous				
Interest	5,000	15,410	10,410	1,818
Rents	9,800	6,180	(3,620)	10,496
Miscellaneous Revenue	3,000	26,170	23,170	15,459
Recreation Department Revenue	23,500	18,699	(4,801)	3,802
Administrative Fees	0	632	632	331
Assets Sales	0	0	0	1,500
Contributions and Donations	0	24,333	24,333	446
Total Miscellaneous	<u>41,300</u>	<u>91,424</u>	<u>50,124</u>	<u>33,852</u>
Total Revenues	<u>\$ 2,765,448</u>	<u>\$ 3,026,382</u>	<u>\$ 260,934</u>	<u>\$ 2,946,487</u>

**STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 1999,
WITH COMPARATIVE ACTUAL AMOUNTS FOR 1998
CITY OF ALACHUA, FLORIDA**

	1999		Variance Favorable (Unfavorable)	1998
	Budget	Actual		Actual
Expenditures				
General Government				
Legislative:				
Personal Services	\$ 40,370	\$ 35,784	\$ 4,586	\$ 38,749
Operations	25,275	21,406	3,869	27,757
Total Legislative	<u>65,645</u>	<u>57,190</u>	<u>8,455</u>	<u>66,506</u>
Executive:				
Personal Services	72,266	73,940	(1,674)	72,382
Operations	155,659	142,778	12,881	155,154
Capital Outlay	0	0	0	9,120
Debt Service	40,288	57,173	(16,885)	42,602
Total Executive	<u>268,213</u>	<u>273,891</u>	<u>(5,678)</u>	<u>279,258</u>
Finance and Administration:				
Personal Services	111,651	108,837	2,814	87,046
Operations	34,207	31,231	2,976	38,463
Capital Outlay	0	0	0	5,420
Total Finance and Administration	<u>145,858</u>	<u>140,068</u>	<u>5,790</u>	<u>130,929</u>
Legal:				
Personal Services	4,500	0	4,500	4,075
Operations	36,638	32,686	3,952	36,440
Total Legal	<u>41,138</u>	<u>32,686</u>	<u>8,452</u>	<u>40,515</u>
Code Enforcement:				
Personal Services	25,209	38,509	(13,300)	33,045
Operations	1,268	2,733	(1,465)	4,966
Total Code Enforcement	<u>26,477</u>	<u>41,242</u>	<u>(14,765)</u>	<u>38,011</u>
Total General Government	<u>547,331</u>	<u>545,077</u>	<u>2,254</u>	<u>555,219</u>
Public Safety				
Law Enforcement:				
Personal Services	891,468	916,615	(25,147)	833,958
Operations	127,213	146,340	(19,127)	165,655
Capital Outlay	75,585	118,132	(42,547)	133,226
Debt Service	0	0	0	28,040
Total Law Enforcement	<u>1,094,266</u>	<u>1,181,087</u>	<u>(86,821)</u>	<u>1,160,879</u>

**STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 1999,
WITH COMPARATIVE ACTUAL AMOUNTS FOR 1998
CITY OF ALACHUA, FLORIDA
(Concluded)**

	1999			1998
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
Expenditures (Concluded)				
Public Safety (Concluded)				
Fire Control:				
Operations	\$ 198,873	\$ 198,973	\$ (100)	\$ 188,067
Capital Outlay	0	0	0	59,102
Total Fire Control	<u>198,873</u>	<u>198,973</u>	<u>(100)</u>	<u>247,169</u>
Protective Inspections:				
Personal Services	56,805	62,512	(5,707)	13,514
Operations	19,061	21,835	(2,774)	44,638
Total Protective Inspections	<u>75,866</u>	<u>84,347</u>	<u>(8,481)</u>	<u>58,152</u>
Animal Control:				
Personal Services	6,923	6,208	715	5,534
Operations	2,900	1,234	1,666	1,896
Total Animal Control	<u>9,823</u>	<u>7,442</u>	<u>2,381</u>	<u>7,430</u>
Total Public Safety	<u>1,378,828</u>	<u>1,471,849</u>	<u>(93,021)</u>	<u>1,473,630</u>
Physical Environment				
Sanitation:				
Operations	257,289	281,393	(24,104)	280,026
Mosquito Control:				
Personal Services	5,495	7,186	(1,691)	6,269
Operations	7,750	8,933	(1,183)	4,317
Total Mosquito Control	<u>13,245</u>	<u>16,119</u>	<u>(2,874)</u>	<u>10,586</u>
Total Physical Environment	<u>270,534</u>	<u>297,512</u>	<u>(26,978)</u>	<u>290,612</u>
Transportation				
Personal Services	250,297	262,885	(12,588)	247,082
Operations	133,100	79,478	53,622	153,121
Capital Outlay	0	0	0	17,275
Total Transportation	<u>383,397</u>	<u>342,363</u>	<u>41,034</u>	<u>417,478</u>
Parks and Recreation				
Personal Services	106,398	109,881	(3,483)	80,746
Operations	67,234	95,976	(28,742)	66,707
Capital Outlay	10,000	57,711	(47,711)	0
Total Parks and Recreation	<u>183,632</u>	<u>263,568</u>	<u>(79,936)</u>	<u>147,453</u>
Total Expenditures	<u>\$ 2,763,722</u>	<u>\$ 2,920,369</u>	<u>\$ (156,647)</u>	<u>\$ 2,884,392</u>

SPECIAL REVENUE FUNDS

**COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS
SEPTEMBER 30, 1999,
WITH COMPARATIVE TOTALS FOR 1998
CITY OF ALACHUA, FLORIDA**

	Community Redevelopment Agency		El Niño Grant		Neighborhood Revitalization Grant		Totals	
	1999	1998	1999	1998	1999	1998	1999	1998
Assets								
Cash and Cash Equivalents	\$ 109,583	\$ 76,221	\$ 4,988	\$ 0	\$ 4,479	\$ 0	\$ 119,050	\$ 76,221
Due From Other Governments	0	0	0	0	15,900	0	15,900	0
Total Assets	<u>109,583</u>	<u>76,221</u>	<u>4,988</u>	<u>0</u>	<u>20,379</u>	<u>0</u>	<u>134,950</u>	<u>76,221</u>
Liabilities and Fund Balances								
Liabilities								
Accounts Payable	7,937	0	0	0	0	0	7,937	0
Due to Other Funds	0	0	5,000	0	20,500	0	25,500	0
Total Liabilities	<u>7,937</u>	<u>0</u>	<u>5,000</u>	<u>0</u>	<u>20,500</u>	<u>0</u>	<u>33,437</u>	<u>0</u>
Fund Balances								
Reserved For Community Redevelopment	101,646	76,221	0	0	0	0	101,646	76,221
Reserved For Economic Development	0	0	(12)	0	(121)	0	(133)	0
Total Fund Balances	<u>101,646</u>	<u>76,221</u>	<u>(12)</u>	<u>0</u>	<u>(121)</u>	<u>0</u>	<u>101,513</u>	<u>76,221</u>
Total Liabilities and Fund Balances	<u>\$ 109,583</u>	<u>\$ 76,221</u>	<u>\$ 4,988</u>	<u>\$ 0</u>	<u>\$ 20,379</u>	<u>\$ 0</u>	<u>\$ 134,950</u>	<u>\$ 76,221</u>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS
SEPTEMBER 30, 1999,
WITH COMPARATIVE TOTALS FOR 1998
CITY OF ALACHUA, FLORIDA**

	Community Redevelopment Agency		El Niño Grant		Neighborhood Revitalization Grant		Totals	
	1999	1998	1999	1998	1999	1998	1999	1998
Revenues								
Taxes	\$ 42,731	\$ 7,196	\$ 0	\$ 0	\$ 0	\$ 0	\$ 42,731	\$ 7,196
Intergovernmental Revenue:								
Federal Grants	0	0	146,275	0	84,100	0	230,375	0
Interest and Miscellaneous	2,966	1,519	0	0	0	0	2,966	1,519
Total Revenues	<u>45,697</u>	<u>8,715</u>	<u>146,275</u>	<u>0</u>	<u>84,100</u>	<u>0</u>	<u>276,072</u>	<u>8,715</u>
Expenditures								
Economic Environment	(20,272)	0	(146,287)	0	(84,221)	0	(250,780)	0
Excess (Deficiency) of Revenues Over (Under) Expenditures	25,425	8,715	(12)	0	(121)	0	25,292	8,715
Fund Balances - Beginning of Year	<u>76,221</u>	<u>67,506</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>76,221</u>	<u>67,506</u>
Fund Balances - End of Year	<u>\$ 101,646</u>	<u>\$ 76,221</u>	<u>\$ (12)</u>	<u>\$ 0</u>	<u>\$ (121)</u>	<u>\$ 0</u>	<u>\$ 101,513</u>	<u>\$ 76,221</u>

**COMBINING BALANCE SHEETS
PROPRIETARY FUNDS
SEPTEMBER 30, 1999,
WITH COMPARATIVE TOTALS FOR 1998
CITY OF ALACHUA, FLORIDA**

	Electric	Water	Wastewater	Turkey Creek Water/ Wastewater	Totals (Memorandum Only)	
					1999	1998
Assets						
Current Assets						
Cash and Cash Equivalents	\$ 1,654,344	\$ 106,632		\$ 159,142	\$ 1,920,118	\$ 1,359,388
Investments	30,000				30,000	30,000
Receivables (Net of Allowance For Uncollectibles as Parenthetically Indicated):						
Accounts (\$36,098)	227,524	24,612	\$ 41,167		293,303	771,053
Other Receivables	28,877	224	5,629		34,730	76,547
Due From Other Funds	635,818				635,818	329,652
Due From Other Governments			50,091		50,091	0
Inventory, At Cost	210,674	19,773			230,447	222,296
Prepaid Power Costs	133,980				133,980	0
Prepaid Expenses	8,105				8,105	16,698
Unbilled Revenue	612,963				612,963	168,897
Total Current Assets	<u>3,542,285</u>	<u>151,241</u>	<u>96,887</u>	<u>159,142</u>	<u>3,949,555</u>	<u>2,974,531</u>
Restricted Assets						
Cash and Cash Equivalents	647,336	88,818	795,085	141,888	1,673,127	1,828,166
Investments	159,849		679,241		839,090	721,960
Accrued Interest					0	5,629
Total Restricted Assets	<u>807,185</u>	<u>88,818</u>	<u>1,474,326</u>	<u>141,888</u>	<u>2,512,217</u>	<u>2,555,755</u>
Property, Plant and Equipment						
Utility Plant in Service	7,176,548	3,859,629	4,801,517	2,159,868	17,997,562	17,544,752
(Accumulated Depreciation)	(2,730,443)	(1,609,627)	(1,931,464)	(300,642)	(6,572,176)	(6,059,476)
Construction in Progress			104,851		104,851	159,740
Total Property, Plant and Equipment - Cost Less Depreciation	<u>4,446,105</u>	<u>2,250,002</u>	<u>2,974,904</u>	<u>1,859,226</u>	<u>11,530,237</u>	<u>11,645,016</u>
Other Assets						
Unamortized Bond Issue Costs	218,455	0	88,694	64,527	371,676	392,665
Total Assets	<u>\$ 9,014,030</u>	<u>\$ 2,490,061</u>	<u>\$ 4,634,811</u>	<u>\$ 2,224,783</u>	<u>\$ 18,363,685</u>	<u>\$ 17,567,967</u>

**COMBINING BALANCE SHEETS
PROPRIETARY FUNDS
SEPTEMBER 30, 1999,
WITH COMPARATIVE TOTALS FOR 1998
CITY OF ALACHUA, FLORIDA
(Concluded)**

	Electric	Water	Wastewater	Turkey Creek Water/ Wastewater	Totals (Memorandum Only)	
					1999	1998
Liabilities and Fund Equity						
Current Liabilities, Payable From Current Assets						
Accounts Payable	\$ 318,231	\$ 1,853	\$ 2,779		\$ 322,863	\$ 409,346
Note Payable - Current Portion					0	18,341
Other Accrued Expenses	39,963	2,640	1,071	\$ 1,504	45,178	26,348
Deferred Credits and Developer Deposits					0	56,029
Due to Other Funds			381,315		381,315	327,894
Accrued Compensated Absences	24,720	7,197	4,524		36,441	48,092
Total Current Liabilities, Payable From Current Assets	382,914	11,690	389,689	1,504	785,797	886,050
Current Liabilities, Payable From Restricted Assets						
Accrued Interest	236,736	15,350	100,346	72,965	425,397	435,762
Bonds Payable - Current Portion	146,911	18,000	115,595	32,494	313,000	288,000
Customer Deposits	124,584	21,148	20,800		166,532	143,653
Total Current Liabilities, Payable From Restricted Assets	508,231	54,498	236,741	105,459	904,929	867,415
Long-Term Liabilities						
Note Payable			45,564		45,564	44,366
Deferred Credit - CR-3 Decommissioning Costs	159,849				159,849	154,839
Deferred Contribution - Impact Fee					0	41,921
Utilities Revenue Bond of 1979, Less Current Portion		596,000			596,000	614,000
Utility Refunding Revenue Bonds of 1986, Less Current Portion	1,481,564		1,244,405		2,725,969	2,966,458
Utility Revenue Bonds of 1993, Less Current Portion	6,058,007		1,652,975	1,098,307	8,809,289	8,824,582
Utility Revenue Bonds of 1994, Less Current Portion				1,155,000	1,155,000	1,185,000
Total Long-Term Liabilities	7,699,420	596,000	2,942,944	2,253,307	13,491,671	13,831,166
Total Liabilities	8,590,565	662,188	3,569,374	2,360,270	15,182,397	15,584,631
Fund Equity						
Contributions:						
Customers		36,774	924,325		961,099	961,099
Capital Project Fund		37,758			37,758	37,758
EDA and HUD		135,050	372,569		507,619	466,056
Farmers Home Administration		246,900	180,400		427,300	427,300
Other		372,305			372,305	282,454
Total Contributions	0	828,787	1,477,294	0	2,306,081	2,174,667
Retained Earnings:						
Reserved For Debt Service		43,320			43,320	43,320
Unreserved	423,465	955,766	(411,857)	(135,487)	831,887	(234,651)
Total Retained Earnings (Deficit)	423,465	999,086	(411,857)	(135,487)	875,207	(191,331)
Total Fund Equity	423,465	1,827,873	1,065,437	(135,487)	3,181,288	1,983,336
Total Liabilities and Fund Equity	\$ 9,014,030	\$ 2,490,061	\$ 4,634,811	\$ 2,224,783	\$ 18,363,685	\$ 17,567,967

**COMBINING STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 1999,
WITH COMPARATIVE TOTALS FOR 1988
CITY OF ALACHUA, FLORIDA**

	Electric	Water	Wastewater	Turkey Creek Water/ Wastewater	Totals (Memorandum Only) Total	Total
Operating Revenues						
Utility Billings	\$ 5,888,886	\$ 323,379	\$ 523,209	\$ 305,383	\$ 7,040,857	\$ 6,487,354
Other Operating Charges	214,708	21,338	26,157	23,880	286,083	281,071
Total Operating Revenues	<u>6,103,594</u>	<u>344,717</u>	<u>549,366</u>	<u>329,263</u>	<u>7,326,940</u>	<u>6,768,425</u>
Operating Expenses						
Electric Power Expenses:						
Nuclear Power Generation and Transmission	311,737	0	0	0	311,737	266,997
Purchased Power and Other	3,119,942	0	0	0	3,119,942	3,040,651
Personal Services	277,627	103,129	112,600	59,695	553,051	415,068
Contractual Services	7,926	35,009	124,489	52,947	220,371	122,878
Supplies	14,782	15,261	15,672	5,812	51,527	45,792
Repairs and Maintenance	147,371	45,613	30,944	5,329	229,257	158,007
Billing and Administrative	214,132	64,240	64,240	42,827	385,439	300,692
Depreciation	215,296	115,781	116,957	64,796	512,830	502,898
Other Expenses	58,690	60,887	78,270	14,403	212,250	146,133
(Total Operating Expenses)	<u>(4,367,503)</u>	<u>(439,920)</u>	<u>(543,172)</u>	<u>(245,809)</u>	<u>(5,596,404)</u>	<u>(4,999,116)</u>
Operating Income (Loss)	<u>1,736,091</u>	<u>(95,203)</u>	<u>6,194</u>	<u>83,454</u>	<u>1,730,536</u>	<u>1,769,309</u>
Nonoperating Revenues (Expenses)						
Connection Charges	0	85,911	32,895	26,962	145,768	115,151
Interest Income	81,488	4,712	64,434	4,711	155,345	165,316
Interest and Fiscal Charges	(493,101)	(31,150)	(209,735)	(146,543)	(880,529)	(904,532)
Amortization of Bond Issue Costs	(11,569)	0	(6,048)	(3,328)	(20,945)	(20,945)
Miscellaneous Income	120,359	0	0	0	120,359	0
Total Nonoperating Revenues (Expenses)	<u>(302,823)</u>	<u>59,473</u>	<u>(118,454)</u>	<u>(118,198)</u>	<u>(480,002)</u>	<u>(645,010)</u>
Income (Loss) Before Operating Transfers	<u>1,433,268</u>	<u>(35,730)</u>	<u>(112,260)</u>	<u>(34,744)</u>	<u>1,250,534</u>	<u>1,124,299</u>
Operating Transfers In (Out)	<u>(295,692)</u>	<u>(21,660)</u>	<u>21,660</u>	<u>111,696</u>	<u>(183,996)</u>	<u>(144,000)</u>
Net Income (Loss)	<u>1,137,576</u>	<u>(57,390)</u>	<u>(90,600)</u>	<u>76,952</u>	<u>1,066,538</u>	<u>980,299</u>
Retained Earnings (Deficit), Beginning of Year	<u>(714,111)</u>	<u>1,056,476</u>	<u>(321,257)</u>	<u>(212,439)</u>	<u>(191,331)</u>	<u>(1,171,630)</u>
Retained Earnings (Deficit), End of Year	<u>\$ 423,465</u>	<u>\$ 999,086</u>	<u>\$ (411,857)</u>	<u>\$ (135,487)</u>	<u>\$ 875,207</u>	<u>\$ (191,331)</u>

**COMBINING BALANCE SHEETS
FIDUCIARY FUND TYPES
ALL FIDUCIARY FUNDS
SEPTEMBER 30, 1999,
WITH COMPARATIVE TOTALS FOR 1998
CITY OF ALACHUA, FLORIDA**

	Pension Trust				Totals	
	General Employees		Police Officers		(Memorandum Only)	
	<u>1999</u>	<u>1998</u>	<u>1999</u>	<u>1998</u>	<u>1999</u>	<u>1998</u>
Assets						
Investments	<u>\$ 55,291</u>	<u>\$ 19,412</u>	<u>\$ 254,525</u>	<u>\$ 53,431</u>	<u>\$ 309,816</u>	<u>\$ 72,843</u>
 Net Assets Held in Trust For Pension Benefits	 <u>\$ 55,291</u>	 <u>\$ 19,412</u>	 <u>\$ 254,525</u>	 <u>\$ 53,431</u>	 <u>\$ 309,816</u>	 <u>\$ 72,843</u>

**ADDITIONAL ELEMENTS OF REPORT PREPARED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*,
ISSUED BY THE COMPTROLLER GENERAL OF THE UNITED
STATES; THE PROVISIONS OF OFFICE OF MANAGEMENT AND
BUDGET (OMB) CIRCULAR A-133; AND THE *RULES
OF THE AUDITOR GENERAL* OF THE STATE OF FLORIDA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 1999
CITY OF ALACHUA, FLORIDA**

	<u>CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Award Amount</u>	<u>9/30/98 Receivable (Deferral)</u>	<u>(Receipts)</u>	<u>Expenses</u>	<u>Repaid to Grantor</u>	<u>9/30/99 Receivable (Deferral)</u>
Federal Awards								
U.S. Department of Housing and Urban Development								
Community Development Block Grant Program - Water/Sewer Extension*	14.228	98DB-1Y-03-11-02-E70	\$ 550,000	\$ (5,000)	\$ (9,640)	\$ 14,640	\$ 0	\$ 0
Passed Through Department of Community Affairs: Community Development Block Grant Program - Neighborhood Revitalization*	14.228	99-DB-4Z-03-11-02-N17	600,000	0	(68,200)	84,100	0	15,900
Community Development Block Grant Program - El Niño*	14.228	98-DB-4Z-03-11-02-B17	228,275	0	(146,275)	146,275	0	0
Total U.S. Department of Housing and Urban Development				(5,000)	(224,115)	245,015	0	15,900
U.S. Department of Justice								
Community-Oriented Policing Services - FAST	16.580	95-CF-WX-3100	252,498	28,159	(86,717)	58,558	0	0
Community-Oriented Policing Services - Problem Solving Partnership	16.580	97-PR-WX-0239	88,277	(7,740)	0	3,293	4,447	0
Community-Oriented Policing Services - School-Based Partnership	16.710	98-SB-WX-0034	58,087	0	(43,000)	39,732	0	(3,268)
Law Enforcement Block Grant Program	16.580	96-LB-VX-2884	18,768	(119)	0	119	0	0
Law Enforcement Block Grant Program	16.580	98-LB-VX-2884	18,709	0	(18,709)	18,709	0	0
Total U.S. Department of Justice				20,300	(148,426)	120,411	4,447	(3,268)
Federal Emergency Management Agency								
Passed Through Department of Community Affairs: Disaster Relief Funding	83.544	98RM-M9-03-11-02-018 FEMA-1195-DR-FL	109,086	(24,520)	0	34,120	0	9,600
U.S. Department of Commerce								
Economic Development Administration: Public Works and Facilities Development Program Grant	11.300	04-01-04373	1,250,000	8,528	0	41,563	0	50,091
Total Federal Awards				<u>\$ (692)</u>	<u>\$ (372,541)</u>	<u>\$ 441,109</u>	<u>\$ 4,447</u>	<u>\$ 72,323</u>
State Financial Assistance								
Florida Department of Community Affairs								
Evaluation and Appraisal Report Assistance Program		98-DR-1G-03-11-02-034	14,069	\$ 14,069	\$ (14,069)	\$ 0	\$ 0	\$ 0
Florida Department of Environmental Protection								
Florida Recreation Development Assistance Program*		F99040	100,000	0	0	11,228	0	11,228
Total State Financial Assistance				<u>\$ 14,069</u>	<u>\$ (14,069)</u>	<u>\$ 11,228</u>	<u>\$ 0</u>	<u>\$ 11,228</u>

*Denotes state grants and aids appropriation.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN
AUDIT OF GENERAL-PURPOSE FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Honorable Mayor and City Commission
City of Alachua
Alachua, Florida

We have audited the general-purpose financial statements of the City of Alachua, Florida as of and for the year ended September 30, 1999, and have issued our report thereon dated November 19, 1999. Except as discussed in the following paragraph, we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

We did not obtain sufficient evidential matter to determine if property, plant and equipment recorded in the proprietary fund types is fairly presented at cost or estimated historical cost, due to insufficient detail within the City of Alachua, Florida's property records.

Compliance

As part of obtaining reasonable assurance about whether the City of Alachua, Florida's general-purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 the following instances of noncompliance that are required to be reported under *Government Auditing Standards*:

■ **99-1—Arbitrage Compliance***

As reported in preceding audits, arbitrage calculations are required and are not being performed on certain debt issues of the City. Since no calculations have been made, it was impossible to determine whether reports to the federal government were delinquent, and whether penalties had been incurred. Violations of arbitrage reporting requirements could affect the tax-exempt status of the City's bonds. We again recommend this issue receive management's highest priority.

■ **99-2—Economic Development Agreement**

As discussed in the notes to the financial statements, it appears the City will be unable to meet its obligation to provide water, wastewater, and fire suppression services to a private corporation within the timetable outlined in an economic development agreement with the corporation. The magnitude of financial penalty to the City, if any, is not currently determinable.

*Prior year compliance violation not resolved.

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Honorable Mayor and City Commission
City of Alachua
Alachua, Florida

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN
AUDIT OF GENERAL-PURPOSE FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(Continued)**

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Alachua, Florida's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general-purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. 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 of Alachua, Florida's ability to record, process, summarize and report financial data consistent with the assertions of management in the general-purpose financial statements. The reportable conditions are described below:

■ **99-3—Monthly Reconciliation***

As reported in preceding audits, the City was not reconciling certain financial records to the general ledger on a monthly basis. During the current year, the City began monthly reconciliations on some of these items; however, the following items remain which should also be reconciled monthly: pooled cash, long-term debt, restricted cash and investments, required sinking fund and reserve balances, and work order additions and retirements to the utility system. These reconciliations should be normal control procedures to assure the accurate processing of monthly and annual financial information. We again recommend the City formalize monthly close-out procedures to address these remaining items.

■ **99-4—Budgeting**

During the current year, the City did not adopt budgets for all funds. We recommend all funds be budgeted.

*Prior year reportable condition not completely resolved.

A material weakness is a 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 in amounts that would be material in relation to the general-purpose 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 consider the reportable conditions described above to be material weaknesses.

Honorable Mayor and City Commission
City of Alachua
Alachua, Florida

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN
AUDIT OF GENERAL-PURPOSE FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(Concluded)**

This report is intended solely for the information and use of the City Commission, management, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

November 19, 1999
Gainesville, Florida

Purvis, Gray and Company

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM
AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

Honorable Mayor and City Commission
City of Alachua
Alachua, Florida

Compliance

We have audited the compliance of the City of Alachua, Florida with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended September 30, 1999. The City of Alachua, Florida's major federal program is 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 its major federal program is the responsibility of the City of Alachua, Florida's management. Our responsibility is to express an opinion on the City of Alachua, Florida's compliance based on our audit.

We conducted our audit in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 the major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Alachua, Florida'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 of Alachua, Florida's compliance with those requirements.

In our opinion, the City of Alachua, Florida complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended September 30, 1999.

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Honorable Mayor and City Commission
City of Alachua
Alachua, Florida

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM
AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133
(Concluded)**

Internal Control Over Compliance

The management of the City of Alachua, Florida is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to its major federal program. In planning and performing our audit, we considered the City of Alachua, Florida's internal control over compliance with requirements that could have a direct and material effect on its major federal program 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.

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 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 applicable requirements of laws, regulations, contracts and grants that would be material in relation to the major federal program 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.

This report is intended solely for the information and use of the City Commission, management, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

November 19, 1999
Gainesville, Florida

Purvis, Gray and Company

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS IN
ACCORDANCE WITH OMB CIRCULAR A-133
CITY OF ALACHUA, FLORIDA
ALACHUA, FLORIDA**

1. Summary of Audit Results

I. Type of Audit Report Issued on General-Purpose Financial Statements

Qualified Opinion

II. Reportable Conditions and/or Material Weaknesses in Internal Control

Findings 99-3 and 99-4

III. Noncompliance Material to Auditee General-Purpose Financial Statements

Findings 99-1 and 99-2

IV. Reportable Conditions and/or Material Weaknesses in Internal Control Over the Major Program

Audit disclosed no instances of reportable conditions in internal control over the major program or reportable conditions which were material weaknesses in internal control over the major program

V. Type of Audit Report Issued on Compliance With Requirements Applicable to the Major Program

Unqualified Opinion

VI. Audit Findings Relative to Section .510(a) of OMB Circular A-133

The audit disclosed no findings required to be reported under Section .510(a) of OMB Circular A-133

VII. Major Federal Program

U.S. Department of Housing and Urban Development Passed Through the
State of Florida Department of Community Affairs:
Community Development Block Grant (14.228)

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS IN
ACCORDANCE WITH OMB CIRCULAR A-133
CITY OF ALACHUA, FLORIDA
ALACHUA, FLORIDA
(Concluded)**

1. **Summary of Audit Results (Concluded)**

VIII. Dollar Threshold Used to Distinguish Between Type A and Type B Programs

\$300,000

IX. Auditee Qualification as Low-Risk Auditee

The auditee does not qualify as a low-risk auditee per criteria set forth in Section .530 of OMB Circular A-133

2. **Findings Related to the General-Purpose Financial Statements Required to be Reported Under GAGAS**

The audit disclosed four findings required to be reported under GAGAS (Findings 99-1 through 99-4) as discussed in the independent auditors' report on compliance and on internal control over financial reporting based on an audit of general-purpose financial statements performed in accordance with *Government Auditing Standards*.

3. **Findings and Questioned Costs For Federal Awards Required to be Reported Under Section .510(a) of OMB Circular A-133**

The audit disclosed no findings which are required to be reported under Section .510(a) of OMB Circular A-133

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS IN
ACCORDANCE WITH OMB CIRCULAR A-133
CITY OF ALACHUA, FLORIDA
ALACHUA, FLORIDA**

1. Status of Prior Audit Findings

There were no prior year audit findings related to federal award programs.

**CORRECTIVE ACTION PLAN IN
ACCORDANCE WITH OMB CIRCULAR A-133
CITY OF ALACHUA, FLORIDA
ALACHUA, FLORIDA**

1. **Corrective Action Planned For Current Year Audit Findings**

There are no current year audit findings related to federal award programs.

**INDEPENDENT AUDITORS' REPORT ON EXAMINATION
OF MANAGEMENT'S ASSERTION ABOUT COMPLIANCE
WITH SPECIFIED REQUIREMENTS**

Honorable Mayor and City Commission
City of Alachua
Alachua, Florida

We have examined management's assertion included in its representation letter dated November 19, 1999, that the City of Alachua, Florida complied with the allowable cost requirements of the grants and aids appropriations identified in the schedule of expenditures of federal awards and state financial assistance, for the year ended September 30, 1999. Management is responsible for the City of Alachua, Florida's compliance with those requirements. Our responsibility is to express an opinion on management's assertion about the City's compliance based on our examination.

Our examination was made in accordance with standards established by the American Institute of Certified Public Accountants and, accordingly, included 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 examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the City's compliance with specified requirements.

In our opinion, management's assertion that the City of Alachua, Florida complied with the allowable cost requirements of the grants and aids appropriations identified in the schedule of expenditures of federal awards and state financial assistance during the fiscal year ended September 30, 1999, is fairly stated, in all material respects.

This report is intended solely for the information and use of the City Commission, management, and applicable state and federal agencies, and is not intended to be and should not be used by anyone other than these specified parties.

November 19, 1999
Gainesville, Florida

Purvis, Gray and Company

Certified Public Accountants

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MANAGEMENT LETTER

Honorable Mayor and City Commission
City of Alachua
Alachua, Florida

We have audited the financial statements of the City of Alachua, Florida, as of and for the fiscal year ended September 30, 1999, and have issued our report thereon dated November 19, 1999. In our report, our opinion was qualified because we were unable to obtain sufficient evidential matter to determine if property, plant and equipment recorded in the proprietary fund types were fairly presented at cost or estimated historical cost, due to insufficient detail within the City's property records.

We have issued our independent auditors' report on compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with *Government Auditing Standards* dated November 19, 1999. Disclosures in that report, if any, should be considered in conjunction with this management letter.

Except as discussed in the first paragraph, we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, *Rules of the Auditor General*, which govern the conduct of local governmental entity audits performed in the state of Florida and require that certain items be addressed in this letter.

The *Rules of the Auditor General* (Section 10.554(1)(e)1.) require that we comment as to whether or not inaccuracies, irregularities, shortages, defalcations, and/or violations of laws, rules, regulations, and contractual provisions reported in the preceding annual financial audit report have been corrected. Items of this nature which have not been corrected, are indicated by asterisk (*) in this management letter or in the report on compliance and on internal control over financial reporting based on an audit in accordance with *Government Auditing Standards*.

The *Rules of the Auditor General* (Section 10.554(1)(e)2.) require that we also comment as to whether or not recommendations made in the preceding annual financial audit report have been followed. Items of this nature which have not been corrected are indicated by asterisk (*) in this management letter or in the report on compliance and on internal control over financial reporting based on an audit in accordance with *Government Auditing Standards*.

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Honorable Mayor and City Commission
City of Alachua, Florida
Alachua, Florida

MANAGEMENT LETTER

(Continued)

As required by the *Rules of the Auditor General* (Section 10.554(1)(e)3.), the scope of our audit included a review of the provisions of Section 218.503(1), Florida Statutes, "Determination of Financial Emergency." In connection with our audit, we determined that the City of Alachua, Florida, is not in a state of financial emergency as a consequence of the conditions described in Section 218.503(1), Florida Statutes.

As required by the *Rules of the Auditor General* (Section 10.554(1)(e)4.), we determined that the financial information for the City of Alachua, Florida, for the fiscal year ended September 30, 1999, included in the financial report filed with the Florida Department of Banking and Finance pursuant to Section 218.32, Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 1999.

The *Rules of the Auditor General* (Sections 10.554(1)(e)6., 7., 8., and 9.) require disclosure in the management letter of the following matters if not already addressed in the auditors' reports on the internal control over financial reporting or compliance: recommendations to improve financial management, accounting procedures, and internal controls; violations of laws, rules, and regulations which may or may not materially affect the financial statements; illegal or improper expenditures which may or may not materially affect the financial statements; improper or inadequate accounting procedures (e.g., the omission of required disclosures from the financial statements); failures to properly record financial transactions; and other inaccuracies, irregularities, shortages, and defalcations discovered by the auditor. Certain of these matters are disclosed on the preceding pages in the report on compliance on internal control over financial reporting based on an audit in accordance with *Government Auditing Standards*. In addition, we have the following observations and recommendations:

■ **Wastewater Overdraft***

The City's wastewater fund typically operates at an annual loss and has accumulated a net overdraft position in its unrestricted cash of \$381,315 and \$327,894 at September 30, 1999 and 1998, respectively. The City maintains operating cash for all funds in a pooled cash account, so the overdraft position represents amounts due other funds of the City, not amounts due the bank. However, we recommend this interfund liability be eliminated through Commission action by authorizing one-time and annual transfers from other funds to support these losses. The alternative would be to raise wastewater rates so that the fund is self-supporting.

■ **Conduit Debt and Defeased Debt***

The City is required to disclose information on certain *conduit debt* issues of the City. In general, conduit debt represents debt issued by the City for the benefit of a third party, e.g., industrial development bonds. We recommend the City assemble this information for disclosure. In addition, we also recommend the City assemble similar information on defeased debt issues, also a required disclosure.

Honorable Mayor and City Commission
City of Alachua, Florida
Alachua, Florida

MANAGEMENT LETTER

(Concluded)

■ Electric Industry Deregulation*

With the eminent threat of increased competition in the electric industry and retail wheeling on the horizon, we again recommend the City develop a financial and operating plan addressing their approach to the myriad of issues facing this competitive industry.

The *Rules of the Auditor General* (Section 10.554(1)(e)10.) also require that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in the management letter, unless disclosed in the notes to the financial statements (please see note 1 to the accompanying financial statements). The City of Alachua, Florida, was established in 1908 under the legal authority of Chapter 165, Florida Statutes.

This management letter is intended solely for the information and use of the City of Alachua, Florida, management, and the State of Florida, and is not intended to be and should not be used by anyone other than these specified parties.

We wish to take this opportunity to thank you and your staff for the cooperation and courtesies extended to us during the course of our audit. Please let us know if you have any questions or comments concerning this letter, our accompanying reports, or other matters.

November 19, 1999
Gainesville, Florida

Purvis, Gray and Company

City Of Alachua



P.O. Box 9
Alachua, Florida 32616-0009
904/462-1231 - Phone ♦ 904/462-1985 - Fax

March 6, 2000

The Honorable William O. Monroe, Auditor General
State of Florida
P.O. Box 1735
Tallahassee, FL 32302-1735

Please find enclosed two copies of the Financial Statements and Independent Auditors' Reports for the City of Alachua as of 9/30/1999. These reports were approved and accepted by the City Commission on March 6, 2000.

Our City accepts the findings of our external Auditors' and the City Commission, Management, and staff are making positive changes to implement these finding. Our response to each of the Management letter comments is attached. As the Finance Director for the City, it is my responsibility to implement corrections and improvements to the City's financial procedures, and I have already seen to the correction of many items mentioned in the Audit Report.

Please contact me if you require further clarification.

Sincerely,

Nat Hadsock, CFO
Finance Director

PATRICK MURPHY
Mayor

ORIEN A. HILLS
Vice Mayor

GIB COERPER
Commissioner

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GERALD CRISWELL
Commissioner

JAMES A. LEWIS
Commissioner

CHARLES M. MORRIS
City Manager

NEIL A. MALPHURS
City Attorney

City of Alachua, Annual Financial Statements and Independent Auditors' Report for 9/30/1999, Response to Independent Auditor's report on Compliance, Internal Control over Financial Reporting based on an audit of general-purpose financial statements performed in accordance with *Government Auditing Standards*, and Management Letter Comments

Page 1

The following information is respectfully submitted for your review, in order of the comments as they appear in the 9/30/1999 Financial Report:

Page 54 "Arbitrage Compliance": "As reported in preceding audits, arbitrage calculations are required and are not being performed on certain debt issues of the City. Since no calculations have been made, it was impossible to determine whether reports to the federal government were delinquent, and whether penalties had been incurred. Violations of arbitrage reporting requirements could affect the tax-exempt status of the City's bonds. We again recommend this issue receive management's highest priority."

Action taken to eliminate this comment: In a meeting with the City Manager, and with recommendations from Raymond James & Associates, Inc. Bond Manager, funds have been budgeted in the 1999-2000 budget and is in the process to complete "Arbitrage Compliance". The results of Raymond James & Associates, Inc. findings should eliminate this comment from any future audits.

Page 54 "Economic Development Agreement: "...it appears the City will be unable to meet its obligation to provide water, wastewater, and fire suppression services to a private corporation within the timetable outlined in an economic development agreement with the corporation. The magnitude of financial penalty to the City, if any, is not currently determinable."

Action taken to eliminate this comment: It appears the engineer contracted by the City was not familiar with EDA guidelines required for a project of this magnitude, nor the requirements to secure proper guidance in our endeavor in applying for Section 108 loan assistance program. The City Attorney has been in constant communication with the Corporations legal staff and indicated to the City Manager and City Commission, that there will not be any forthcoming legal action taken to his knowledge.

Page 55 "Monthly Reconciliation": "As reported in the preceding audit, the City was not reconciling certain financial records to the general ledger on a monthly basis..."

Action taken to eliminate this comment: A formalized monthly closeout procedure is now in place on a monthly basis. In addition to this procedure, I have appointed staff to closely monitor long term debt, with restricted cash, requiring sinking fund and reserve balances. Also staff to monitor all grant income and expenses on a daily basis.

City of Alachua, Annual Financial Statements and Independent Auditors' Report for 9/30/1999, Response to Independent Auditor's report on Compliance, Internal Control over Financial Reporting based on an audit of general-purpose financial statements performed in accordance with *Government Auditing Standards*, and Management Letter Comments

Page 2

Page 55 "Budgeting": "During the current year, the City did not adopt budgets for all funds. We recommend all funds be budgeted."

Action taken to eliminate this comment: In the future Grant Funds will be setup when Grants are awarded.

Page 64, "Qualified Opinion": Our Auditors have given the City a "qualified opinion" on the Financial Statements. A qualified opinion means that the Auditors have reservations regarding the quality and accuracy of the City's financial reporting and accounting. If the auditors had no reservations, their opinion of our financial statements would be "unqualified."

The specific reason stated for their qualified opinion is "because we were unable to obtain sufficient evidential matter to determine if property, plant and equipment recorded in the proprietary fund types was fairly presented at cost or estimated historical cost, due to insufficient detail within the City's property records."

Action taken to eliminate this comment: Initial estimates indicate that purchasing the services to obtain sufficient documentation to eliminate this comment would be very expensive. I do not feel the benefit to the City would equal the cost of correcting this problem at this time. All recent additions of property, plant and equipment to the proprietary funds are being correctly accounted for.

Page 65 "Wastewater Overdraft": "The City's wastewater fund typically operates at an annual loss and has accumulated a net overdraft position in its unrestricted cash of \$381,315 and \$327,894 at September 30, 1999 and 1998 respectively. The City maintains operating cash for all funds in a pooled cash account, so the overdraft position represents amounts due other funds of the City, not amounts due the bank..."

Action taken to eliminate this comment: At the recommendation by the Auditors, the City will eliminate this problem through Commission action by authorizing a one-time transfer from other funds to support these losses. The alternative would be to raise wastewater rates so that the fund would be self-supporting, which may be the solution in the future.

City of Alachua, Annual Financial Statements and Independent Auditors' Report for 9/30/1999, Response to Independent Auditor's report on Compliance, Internal Control over Financial Reporting based on an audit of general-purpose financial statements performed in accordance with *Government Auditing Standards*, and Management Letter Comments

Page 3

Page 66 "Conduit Debt and Defeased Debt" "...In general, conduit debt represents debt issued by the City for the benefit of a third party... and Defeased debt issues be assembled for disclosure."

Action taken to eliminate this comment: This information will be gathered and made available to auditor's for our 9/30/2000 audit.

Page 66 "Electric Industry Deregulation" "The Auditors have recommended the City develop a financial and operating plan to address the eminent threat of increased competition in the electric industry, and have offered to assist the City with this process."

Action taken to eliminate this comment: City management plans to address the issues facing the electric industry deregulation in the near future.