

**CITY OF GAINESVILLE
FLORIDA**

AUDIT REPORT

SEPTEMBER 30, 2006

**City of Gainesville, Florida
Audit Report
September 30, 2006**

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Certified Public Accountants
& Business Consultants

*A Partnership Consisting of
Professional Associations*

Gainesville

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

Palatka

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

St. Augustine

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

Website:

www.davismonk.com

Members:

CPAmerica International

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Independent Auditors' Report

Honorable Mayor and City Commissioners
City of Gainesville, Florida:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of the City of Gainesville, Florida (the "City"), as of and for the year ended September 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Utility Fund, a major fund, which represent 97 percent and 90 percent, respectively, of the assets and revenues of the business-type activities. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinions, insofar as they relate to the amounts included for the Utility Fund, are based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of the City as of September 30, 2006, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 16 to the financial statements, the City restated certain beginning equity balances in order to correctly report long-term debt of a discretely presented component unit and the negative net OPEB obligation asset.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2006 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis and the schedules listed in the table of contents as "required supplementary information" are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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



December 15, 2006
Gainesville, Florida

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Gainesville (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2006. Management's Discussion and Analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the City's financial activity, (c) identify changes in the City's financial position, (d) identify any material deviations from the financial plan, and (e) identify individual fund issues or concerns. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages vi - xii of this report, and the City's financial statements which begin on page 1.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$495,800,408 (*net assets*). Of this amount, \$17,277,351 (*unrestricted net assets*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$1,829,010 as a result of fiscal year 2006 operations, and were increased by \$4,605,644 due to the effect of prior period adjustments, for a net increase of \$6,434,654.
- As of the close of the fiscal year, the City's governmental funds reported combined ending fund balances of \$67,298,773, an increase of \$31,896,204 in comparison with the prior year. This increase includes a prior period adjustment of \$2,973,919. Of the total ending fund balances, \$54,157,047 is available for spending at the City's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, the undesignated fund balance in the General Fund was \$7,844,042.
- The City's total bonded debt increased by \$169,275,697, or 27% during the current fiscal year. In addition to the scheduled pay down of existing debt, the prominent components of this change were the refunding of \$96,822,250 in Utilities System Commercial Paper Notes, Series C and D, the issuance of \$22,695,000 in Capital Improvement Revenue Bonds (CIRB), Series 2005, \$196,950,000 of Utility System Revenue Bonds, Series 2005A, \$61,590,000 of Utility System Revenue Bonds, Series 2005B, \$55,135,000 of Utility System Revenue Bonds, Series 2005C, and \$53,305,000 of Utility System Revenue Bonds, Series 2006A. The Utility System Revenue bonds were issued to refund the Utilities System Commercial Paper Notes and to pay a portion of the cost of acquisition and construction of improvements to the City's electric, natural gas, water, wastewater and telecommunications systems. The CIRB Bonds were issued to fund ongoing capital project needs.

Overview of the Financial Statements

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

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

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

The *statement of activities* presents information showing how the City's net assets have changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to

the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (such as uncollected taxes and earned but unused sick leave).

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

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

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

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

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

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

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

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

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

portion of the net income of the internal service funds each year is reported in the business-type activities. This amount is allocated based on percentage of service charges.

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

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

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

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

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

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's compliance with its General Fund budget and the City's progress in funding its obligation to provide pension and other post employment benefits to its employees. Required supplementary information can be found on pages 53-59 of this report.

The combining statements referred to earlier in connection with nonmajor governmental and proprietary funds, and internal service funds are presented immediately following the required supplementary information. Combining and individual fund statements can be found on pages 60-116 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$495,800,408 at the close of the most recent fiscal year.

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

City of Gainesville's Net Assets						
	Governmental activities		Business-type activities		Total	
	FY06	FY05	FY06	FY05	FY06	FY05
Current and other assets	\$ 189,339,909	\$ 166,879,139	\$ 478,298,849	\$ 352,033,164	\$ 667,638,758	\$ 518,912,303
Capital assets	114,150,881	110,709,097	792,044,226	757,747,351	906,195,107	868,456,448
Total assets	303,490,790	277,588,236	1,270,343,075	1,109,780,515	1,573,833,865	1,387,368,751
Long-term liabilities						
outstanding	181,808,763	161,822,309	608,372,745	454,367,134	790,181,508	616,189,443
Other liabilities	11,557,621	13,363,049	276,294,328	268,450,505	287,851,949	281,813,554
Total liabilities	193,366,384	175,185,358	884,667,073	722,817,639	1,078,033,457	898,002,997
Net assets:						
Invested in capital assets, net of related debt	81,644,688	82,168,018	331,146,120	322,442,298	412,790,808	404,610,316
Restricted	23,804,426	23,255,620	41,927,823	48,655,890	65,732,249	71,911,510
Unrestricted	4,675,292	(3,020,760)	12,602,059	15,864,688	17,277,351	12,843,928
Total net assets	\$ 110,124,406	\$ 102,402,878	\$ 385,676,002	\$ 386,962,876	\$ 495,800,408	\$ 489,365,754

An additional portion of the City's net assets (\$65,732,249 or 13 %) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$17,277,351) may be used to meet the government's ongoing obligations to citizens and creditors.

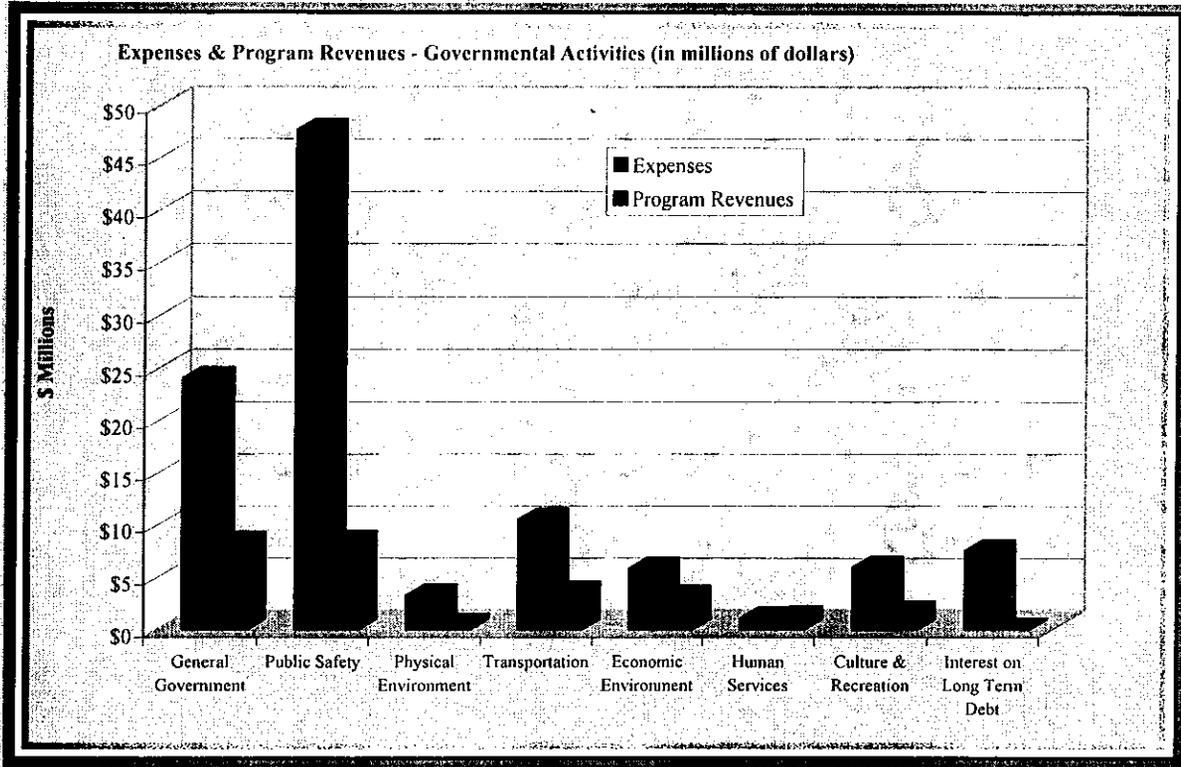
The City's net assets increased by \$6,434,654 during the current fiscal year. This increase is due in part to adjustments to fiscal year 2006 beginning net assets, an increase of \$4,605,644. This increase was to recognize existing long-term promissory notes receivable from the Community Redevelopment Agency, a discretely presented component unit of the City and to increase the Negative Net OPEB Obligation (asset) due to a calculation error in the prior fiscal year. In addition to the prior period adjustments, current year operations resulted in an increase of \$1,829,010.

City of Gainesville Changes in Net Assets

	Governmental activities		Business-type activities		Total	
	FY06	FY05	FY06	FY05	FY06	FY05
Revenues:						
Program revenues:						
Charges for services	\$ 16,808,138	\$ 17,839,624	\$ 307,995,771	\$ 261,274,941	\$ 324,803,909	\$ 279,114,565
Operating grants and contributions	8,097,602	13,058,351	3,567,605	3,400,623	11,665,207	16,458,974
Capital grants and contributions	1,617,534	191,600	9,492,873	9,632,321	11,110,407	9,823,921
General revenues:						
Property taxes	22,094,936	19,365,334	-	-	22,094,936	19,365,334
Other taxes	19,989,122	18,928,506	-	-	19,989,122	18,928,506
State revenue sharing	4,258,238	4,117,607	-	-	4,258,238	4,117,607
Interest	3,413,776	1,564,126	10,217,610	4,388,999	13,631,386	5,953,125
Other revenues	2,312,756	1,894,572	6,944,982	14,624,051	9,257,738	16,518,623
Total revenues	78,592,102	76,959,720	338,218,841	293,320,935	416,810,943	370,280,655
Expenses:						
General government	24,048,427	23,677,037	-	-	24,048,427	23,677,037
Public safety	47,701,143	54,281,144	-	-	47,701,143	54,281,144
Physical environment	3,243,727	3,055,388	-	-	3,243,727	3,055,388
Transportation	10,506,470	8,548,157	-	-	10,506,470	8,548,157
Economic environment	5,787,916	4,616,810	-	-	5,787,916	4,616,810
Human services	1,043,843	1,268,499	-	-	1,043,843	1,268,499
Culture & recreation	5,916,408	5,641,593	-	-	5,916,408	5,641,593
Interest on long-term debt	7,539,632	5,296,200	-	-	7,539,632	5,296,200
Electric	-	-	200,086,670	165,714,007	200,086,670	165,714,007
Gas	-	-	30,563,089	25,011,786	30,563,089	25,011,786
Water	-	-	18,267,647	16,373,985	18,267,647	16,373,985
Wastewater	-	-	22,266,780	20,179,076	22,266,780	20,179,076
GRUCom	-	-	8,481,545	7,763,554	8,481,545	7,763,554
Regional transit system	-	-	16,521,738	15,407,545	16,521,738	15,407,545
Stormwater	-	-	5,061,984	4,563,029	5,061,984	4,563,029
Ironwood	-	-	1,309,847	1,243,518	1,309,847	1,243,518
Solid waste	-	-	6,635,067	5,441,243	6,635,067	5,441,243
Total expenses	105,787,566	106,384,828	309,194,367	261,697,743	414,981,933	368,082,571
Increase(Decrease) in net assets						
before transfers	(27,195,464)	(29,425,108)	29,024,474	31,623,192	1,829,010	2,198,084
Transfers	30,311,348	28,235,590	(30,311,348)	(28,235,590)	-	-
Increase in net assets	3,115,884	(1,189,518)	(1,286,874)	3,387,602	1,829,010	2,198,084
Net assets - October 1	102,402,878	111,950,938	386,962,876	386,548,124	489,365,754	498,499,062
Prior period adjustment	4,605,644	(8,358,542)	-	(2,972,850)	4,605,644	(11,331,392)
Net assets - October 1, as restated	107,008,522	103,592,396	386,962,876	383,575,274	493,971,398	487,167,670
Net assets - September 30	\$ 110,124,406	\$ 102,402,878	\$ 385,676,002	\$ 386,962,876	\$ 495,800,408	\$ 489,365,754

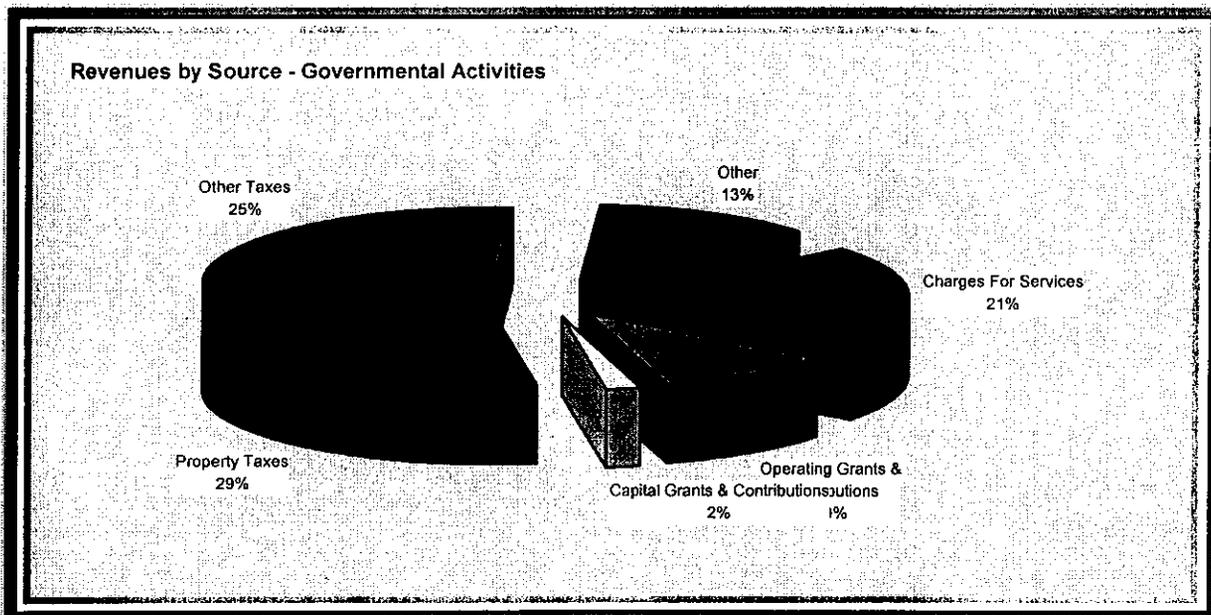
Governmental activities. Key elements of governmental activities revenues are as follows:

- Property taxes increased by more than \$2.7 million (14.1%) from last year.
- The City experienced an approximately \$1.8 million increase (118%) in interest earnings in the current year.



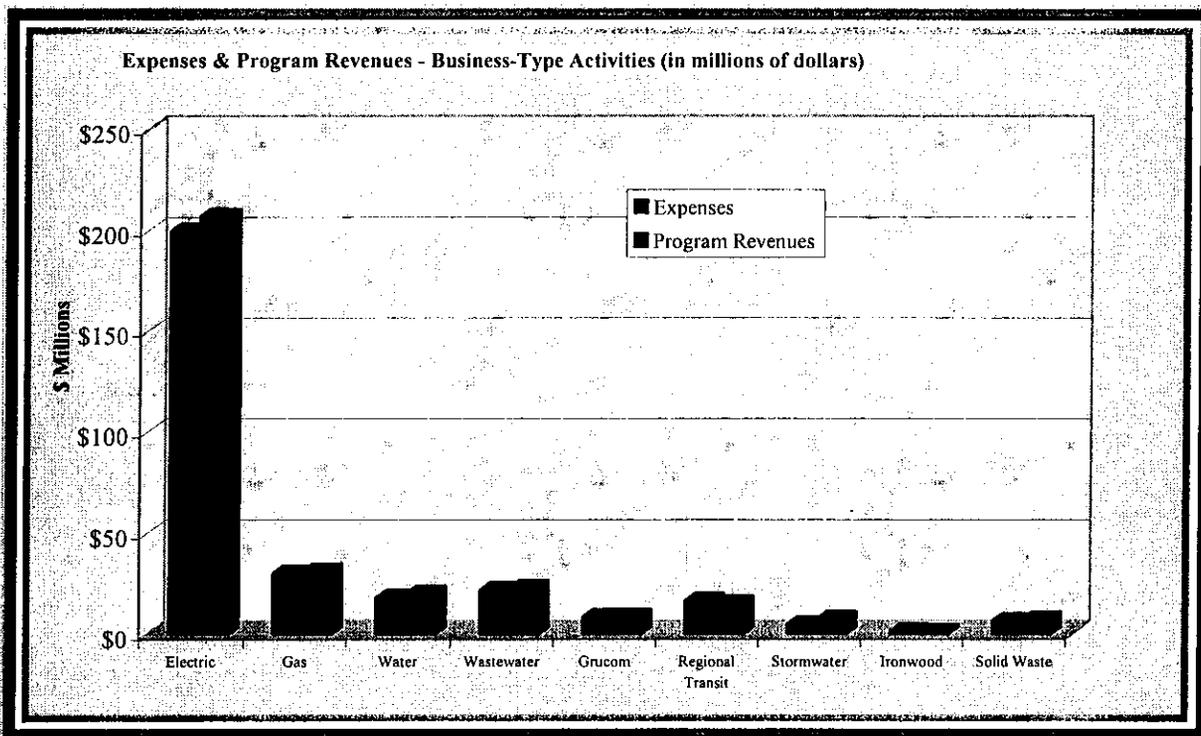
Governmental activities' expense decreased by \$597,262 or approximately 0.5%. The principal components of this decrease are shown below:

- Public safety expense decreased by approximately \$6.6 million (28%) from the prior year. This decrease was primarily due to the lack of significant overtime required by hurricanes in the current year, unlike the prior two fiscal years which were adversely impacted by the hurricanes of 2004.
- The majority of this decrease was offset by increases in other functional areas, most specifically in transportation and interest on long-term debt.



Business-type activities. Business-type activities' key elements for fiscal year 2006 are as follows:

- Utilities operating sales revenue increased \$45.5 million, or approximately 18.9%. The increase was offset in part by higher fuel costs in fiscal 2006 of approximately \$32 million which are passed directly through to customers as part of a fuel adjustment charge which is recorded as revenue.
- The number of customers for electric, water, wastewater and gas services increased 1.4%, 2.7%, 2.6% and 2.4% respectively in fiscal year 2006.
- Gainesville Regional Utilities' service area incurred approximately \$7.4 million of damage to its facilities as a result of two hurricanes in September 2004. In order to pay the unanticipated costs associated with the hurricanes, the utility used rate stabilization funds. However, as FEMA reimbursements are received, those funds are deposited back into the rate stabilization fund. To date, \$6.8 million has been received, of which \$4.1 million has been redeposited into the rate stabilization fund and \$2.7 million was used to cover capital expenses. An additional recovery of \$335,000 is anticipated.
- Interest revenue increased in the current year by \$5.8 million (133%) due to the more favorable investment environment experienced during the current year.



Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$67,298,773, an increase of \$31,896,204 in comparison with the prior year. Approximately 80% (\$54,157,047) of this total amount constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is

not available for new spending because it has already been committed 1) to liquidate contracts and purchase orders of the prior period (\$3,970,667), 2) to pay debt service (\$499,000), 3) noncurrent receivables (\$4,820,420), and 4) for a variety of other restricted purposes (\$3,851,639).

The general fund is the chief operating fund of the City. At the end of the current fiscal year there was \$7,844,042 undesignated fund balance of the general fund, while total fund balance was \$16,241,614. As a measure of the general fund's liquidity, it may be useful to compare both undesignated fund balance and total fund balance to total fund expenditures. Undesignated fund balance is 10.19% of total expenditures, while total fund balance represents 21.10% of that same amount.

The fund balance of the City's general fund increased by \$4,094,665 during the current fiscal year. This was an improvement from the prior year decline of \$1,117,331. Key factors in this improvement from the prior year are as follows:

- An increase in property tax revenues of \$2,370,961. The millage rate was slightly reduced from the previous year, so this growth was generated through an increase in the property tax base.
- An increase of over \$680,000 in half-cent sales tax revenue.
- A prior period adjustment of \$2,973,919 to account for existing long-term promissory notes due to the City from the Community Redevelopment Agency.

The special revenue funds have a total fund balance of \$15,976,403, which represents an increase of \$4,515,848 from last year's balance of \$11,460,555. The debt service funds have a total fund balance of \$730,073, \$499,000 of which is reserved for the payment of debt service. The net decrease in fund balance for the current year for these funds was \$125,423. Fund balance in the capital projects funds increased by \$23,411,114 from \$10,939,569 to \$34,350,683. This increase is due to the receipt of proceeds from the CIRB 2005 bond issue for capital projects.

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

General Fund Budgetary Highlights

The difference between the original and final revenue budget was \$2,074,755 or 3.7%. The primary components of this change were:

- \$1,018,652 of insurance premium tax received from the state, to be transferred to the Consolidated Police and Fire Pension Fund.
- \$289,000 of increased property tax revenue.
- \$183,217 of interest related to the Community Redevelopment Agency long-term promissory notes.
- \$135,050 for the City's share of a class action suit regarding body armor.

The difference between the original and final general fund budget for expenditures was \$2,434,942, or 3.24%. This increase is composed of many small adjustments throughout the fiscal year and the following larger adjustments:

- \$1,705,587 due to rollovers of prior year budget for projects and contracts in progress.
- \$485,000 in increased combined communications center costs.
- \$207,000 to acquire land to expand Evergreen Cemetery.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business type activities as of September 30, 2006 totals \$906,195,107 (net of accumulated depreciation). The investment in capital assets includes land, buildings, improvements, machinery and equipment, utility infrastructure, roads, bikepaths and sidewalks. Major capital asset events during the fiscal year include:

- Approximately \$850,000 to acquire property and equipment for the construction of the GPD Headquarters Annex.
- Approximately \$750,000 for GPD Headquarters energy efficiency improvements.
- Acquisition of about \$2 million in vehicles for the fleet.
- Improvements of about 800,000 to Glen Springs Road.
- Approximately \$2 million for the Depot Avenue Stormwater Park.
- Approximately \$2.6 million for the Old Landfill Slope Stabilization Project.
- Regional Transit System acquired approximately \$1.8 million of buses.
- Water transmission and distribution expansion was \$8.4 million which included \$2.4 million in Murphree wellfield improvements and \$1 million in water pressure improvements.
- The expansion of wastewater collection system totaled \$8 million in fiscal year 2006.
- Electric transmission and distribution net expansion was \$5.5 million and included \$2.3 million in system substation improvements.
- Gas distribution plant increased \$4.3 million.
- New Utility Customer Information System development of \$3.8 million, expected to be implemented in the Spring of 2007.
- Telecommunication fiber cable expansion of \$1.1 million

	Governmental activities		Business-type activities		Total	
	FY06	FY05	FY06	FY05	FY06	FY05
Land	\$ 17,019,604	\$ 15,844,365	\$ 3,808,720	\$ 3,566,267	\$ 20,828,324	\$ 19,410,632
Utility p & e	-	-	630,903,737	627,754,013	630,903,737	627,754,013
Buildings	26,211,863	26,717,825	1,742,634	1,841,533	27,954,497	28,559,358
Improvements	1,404,355	1,291,332	4,108,768	748,608	5,513,123	2,039,940
Mach & equip	11,440,934	11,685,666	8,709,006	8,259,983	20,149,940	19,945,649
Infrastructure	52,178,648	51,245,867	7,608,225	7,709,655	59,786,873	58,955,522
Const in prog	5,895,477	3,924,042	135,163,136	107,867,292	141,058,613	111,791,334
Total	\$ 114,150,881	\$ 110,709,097	\$ 792,044,226	\$ 757,747,351	\$ 906,195,107	\$ 868,456,448

Additional information on the City's capital assets can be found in note 6 on pages 44-45 of this report.

Bonded debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$794,864,926. This entire amount represents bonds secured solely by specified revenue sources (i.e., revenue bonds and notes).

**City of Gainesville's Outstanding Debt
Revenue Bonds**

	Governmental activities	Business-type activities	Total
Pension and OPEB obligation bonds	\$ 120,607,706	\$ -	\$ 120,607,706
Revenue bonds & utility notes	<u>54,092,220</u>	<u>620,165,000</u>	<u>674,257,220</u>
Total	<u>\$ 174,699,926</u>	<u>\$ 620,165,000</u>	<u>\$ 794,864,926</u>

The City's total bonded debt increased by \$169,275,697, or 27% during the current fiscal year. In addition to the scheduled pay down of existing debt, the prominent components of this change were the refunding of \$96,822,250 in Utilities System Commercial Paper Notes, Series C and D, the issuance of \$22,695,000 in Capital Improvement Revenue Bonds (CIRB), Series 2005, \$196,950,000 of Utility System Revenue Bonds, Series 2005A, \$61,590,000 of Utility System Revenue Bonds, Series 2005B, \$55,135,000 of Utility System Revenue Bonds, Series 2005C, and \$53,305,000 of Utility System Revenue Bonds, Series 2006A. The Utility System Revenue bonds were issued to refund the Utilities System Commercial Paper Notes and to pay a portion of the cost of acquisition and construction of improvements to the City's electric, natural gas, water, wastewater and telecommunications systems. The CIRB Bonds were issued to fund ongoing capital project needs.

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

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

Economic Factors and Next Year's Budgets and Rates

Some of the significant factors considered in preparing the City's fiscal year 2007 budgets were:

- Gainesville's unemployment rate is currently 2.7%. This is significantly lower than the state and national averages.
- Per capita income in Gainesville is \$27,528. This equates to 87% of state and 83% of national levels.
- Over half of Gainesville's jobs are supplied by the government, education and health services sectors. Such an economic structure tends to mitigate the impact of external economic stimuli. Gainesville's economy does not rise as much as the national average during economic expansions, nor fall as much during economic declines.

Utility highlights for the 2007 fiscal year budget are as follows:

- On October 1, 2006, the Utility implemented a 14% revenue requirement increase in the electric system to be recovered across all classes. The customer charge for all classes and all services was increased to the cost of service.
- Both water and wastewater rates were increased 25%.
- Water and wastewater connection fee charges were increased by 77% and 33%, respectively.

- Fire hydrant charges for the University of Florida will be incorporated into base water rates across all classes, to complete the roll-in to General Service customers based on City Commission approval effective October 1, 2005.
- There were no changes in gas rates.
- The utility system's Deerhaven and JR Kelly generating stations are subject to the Clean Air Interstate Rule and Clean Air Mercury Rule which were promulgated in 2005. As a result, significant capital and operating and maintenance expenditures will be required prior to 2009 and 2010.
- The Utility currently forecasts the need for new electric supply by about 2013, in order to maintain a 15% reserve margin. This is later than previous studies had indicated due to the incorporation of additional direct load control and Demand Side Management (DSM) into the Utility's integrated resource plan as well as more conservative customer growth and sales forecasts. In 2002, GRU initiated an Integrated Resource Planning (IRP) process to investigate options to satisfy its customer demand and supply needs. In early 2005, Utilities management proposed to the City Commission an IRP comprised of DSM programs; additional solid fuel capacity able to use a mix of coal, petroleum coke, and biomass; and a greenhouse gas fund to develop local carbon offsets. The Commission has reviewed the proposals and had two separate individual consultants. In 2006, the Commission gave direction to develop the Utility's long-term energy supply plan, consisting of two key components. The first is to pursue all cost-effective and feasible DSM measures. The second is to develop additional generation capacity for the balance of the Utility's needs, to be provided as follows: (i) construction of a relatively small (100 MW or less), fuel flexible, solid fuel facility at the Deerhaven Station plant site capable of utilizing up to 100% biomass as fuel; (ii) construction of an F-class integrated gasification combined cycle unit at the Deerhaven Station plant site of roughly 260 MW, preferably able to employ biomass as well as coal and petroleum coke; and/or (iii) participation in another unit not constructed at the Deerhaven plant site. Management was requested to return to the Commission with a recommendation in six to nine months.
- The Utility currently carries a reserve balance of \$2.25 million, primarily for possible liability related to the oil contamination at the Kelly Generating Station. In July of 2006, GRU was notified by the Florida Department of Environmental Protection (FDEP) that provisions of Chapter 62-780, F.A.C. must be complied with on this site. This Rule is currently being utilized to establish a process and time schedule for assessment and remediation of the site. GRU's liability utilizing this Rule is unknown and cannot be reasonably estimated at this time.

Requests for Information

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

CITY OF GAINESVILLE, FLORIDA
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2006

	Primary Government			Component Units	
	Governmental Activities	Business- Type Activities	Total	GEZDA	CRA
ASSETS					
Cash and cash equivalents	\$ 945,658	\$ 4,950	\$ 950,608	\$ -	\$ -
Equity in pooled cash and investments	67,520,941	6,958,160	74,479,101	4,119	55,304
Investments	1,655,257	-	1,655,257	-	-
Receivables	15,386,353	46,708,810	62,093,163	-	-
Internal balances	(1,164,888)	1,164,888	-	-	-
Inventories	124,482	19,344,698	19,469,180	-	-
Prepays	-	10,886,909	10,886,909	-	-
Assets held for evidence	82,908	-	82,908	-	-
Deferred charges and other assets	2,648,353	144,924,185	147,572,538	-	-
Restricted assets:					
Temporarily restricted:					
Cash and cash equivalents	-	248,508,249	248,508,249	-	-
Negative net pension obligation asset	76,556,392	-	76,556,392	-	-
Negative net OPEB obligation asset	25,584,453	-	25,584,453	-	-
Capital assets (net of accumulated depreciation):					
Utility plant and equipment	-	630,903,737	630,903,737	-	-
Buildings	26,211,863	1,742,634	27,954,497	-	-
Improvements other than buildings	1,404,355	4,108,768	5,513,123	-	-
Machinery and equipment	11,440,934	8,709,006	20,149,940	-	-
Infrastructure	52,178,648	7,608,225	59,786,873	-	-
Capital Assets (not depreciated):					
Land	17,019,604	3,808,720	20,828,324	-	-
Construction in progress	5,895,477	135,163,136	141,058,613	-	-
Total assets	<u>\$ 303,490,790</u>	<u>\$ 1,270,343,075</u>	<u>\$ 1,573,833,865</u>	<u>\$ 4,119</u>	<u>\$ 55,304</u>
LIABILITIES					
Accounts payable	\$ 9,621,320	\$ 30,730,260	\$ 40,351,580	\$ -	\$ -
Accounts payable - payroll	1,026,915	1,136,676	2,163,591	-	4,667
Accrued interest payable	353,084	-	353,084	-	-
Unearned revenue	556,302	172,873,146	173,429,448	-	-
Liabilities payable from restricted assets:					
Accrued interest payable	-	12,205,931	12,205,931	-	-
Other liabilities payable from restricted assets	-	59,348,315	59,348,315	-	-
Long-term debt due within one year	6,906,829	13,132,039	20,038,868	-	184,848
Long-term debt due in more than one year	174,901,934	595,240,706	770,142,640	-	3,885,227
Total liabilities	<u>\$ 193,366,384</u>	<u>\$ 884,667,073</u>	<u>\$ 1,078,033,457</u>	<u>\$ -</u>	<u>\$ 4,074,742</u>
NET ASSETS					
Invested in capital assets, net of related debt	\$ 81,644,688	\$ 331,146,120	\$ 412,790,808	\$ -	\$ -
Restricted for:					
Debt service	730,073	12,831,459	13,561,532	-	-
Capital projects	8,859,781	-	8,859,781	-	-
Utility plant improvement	-	19,240,324	19,240,324	-	-
Investment in The Energy Authority	-	2,528,440	2,528,440	-	-
Nuclear decommissioning reserve	-	6,799,280	6,799,280	-	-
Tax increment zones	3,560,613	-	3,560,613	-	-
Federal and state grants	8,603,998	-	8,603,998	-	-
Cemetery care	1,478,166	-	1,478,166	-	-
Other purposes	571,795	528,320	1,100,115	-	-
Unrestricted	4,675,292	12,602,059	17,277,351	4,119	(4,019,438)
Total net assets	<u>\$ 110,124,406</u>	<u>\$ 385,676,002</u>	<u>\$ 495,800,408</u>	<u>\$ 4,119</u>	<u>\$ (4,019,438)</u>

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

CITY OF GAINESVILLE, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2006.

FUNCTIONS/PROGRAMS PRIMARY GOVERNMENT	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS			Component Units	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-type Activities		GEZDA	CRA
						Total			
Governmental activities:									
General government	\$ 24,048,427	\$ 8,120,988	\$ 46,764	\$ 127,400	\$ (15,753,275)	\$ -	\$ (15,753,275)	\$ -	\$ -
Public safety	47,701,143	4,704,098	3,653,985	8,170	(39,334,890)	-	(39,334,890)	-	-
Physical environment	3,243,727	115,071	312,589	-	(2,816,067)	-	(2,816,067)	-	-
Transportation	10,506,470	1,654,034	571,460	1,307,614	(6,973,362)	-	(6,973,362)	-	-
Economic environment	5,787,916	978,610	2,131,646	-	(2,677,660)	-	(2,677,660)	-	-
Human services	1,043,843	-	1,186,045	-	142,202	-	142,202	-	-
Culture & recreation	5,916,408	1,235,337	195,113	174,350	(4,311,608)	-	(4,311,608)	-	-
Interest on long-term debt	7,539,632	-	-	-	(7,539,632)	-	(7,539,632)	-	-
Total governmental activities	105,787,566	16,808,138	8,097,602	1,617,534	(79,264,292)	-	(79,264,292)	-	-
Business-type activities:									
Electric	200,086,670	207,023,570	-	-	-	6,936,900	6,936,900	-	-
Gas	30,563,089	31,148,518	-	-	-	585,429	585,429	-	-
Water	18,267,647	17,987,383	-	2,235,298	-	1,955,034	1,955,034	-	-
Wastewater	22,266,780	20,474,546	-	2,471,856	-	679,622	679,622	-	-
GRUCOM	8,481,545	8,722,084	-	-	-	240,539	240,539	-	-
Regional Transit System	16,521,738	9,061,565	3,567,605	2,477,108	-	(1,415,460)	(1,415,460)	-	-
Stormwater Management	5,061,984	5,269,791	-	2,305,805	-	2,513,612	2,513,612	-	-
Ironwood Golf Course	1,309,847	888,908	-	2,806	-	(418,133)	(418,133)	-	-
Solid Waste	6,635,067	7,419,406	-	-	-	784,339	784,339	-	-
Total business-type activities	309,194,367	307,995,771	3,567,605	9,492,873	-	11,861,882	11,861,882	-	-
Total primary government	\$ 414,981,933	\$ 324,803,909	\$ 11,665,207	\$ 11,110,407	(79,264,292)	11,861,882	(67,402,410)	-	-
COMPONENT UNITS									
Gainesville Enterprise Zone Development Agency	\$ -	\$ -	\$ -	\$ -	-	-	-	-	-
Community Redevelopment Agency	988,753	-	-	-	-	-	-	-	(988,753)
Total component units	\$ 988,753	\$ -	\$ -	\$ -	-	-	-	-	(988,753)
General revenues:									
Property taxes					22,094,936	-	22,094,936	-	-
Franchise & utility taxes					7,034,019	-	7,034,019	-	-
Communications services tax					5,519,801	-	5,519,801	-	-
Half cent sales tax					7,435,302	-	7,435,302	-	-
State revenue sharing (unrestricted)					4,258,238	-	4,258,238	-	-
Gain on sale of capital assets					195,539	24,216	219,755	-	-
Other unrestricted general revenues					2,117,217	6,920,766	9,037,983	-	1,146,282
Interest					3,413,776	10,217,610	13,631,386	204	4,648
Transfers					30,311,348	(30,311,348)	-	-	-
Total general revenues and transfers					82,380,176	(13,148,756)	69,231,420	204	1,150,930
Change in net assets					3,115,884	(1,286,874)	1,829,010	204	162,177
Net assets - beginning of year, as previously reported					102,402,878	386,962,876	489,365,754	3,915	66,788
Restatement					4,605,644	-	4,605,644	-	(4,248,403)
Net assets - beginning of year, as restated					107,008,522	386,962,876	493,971,398	3,915	(4,181,615)
Net assets - ending					\$ 110,124,406	\$ 385,676,002	\$ 495,800,408	\$ 4,119	\$ (4,019,438)

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

CITY OF GAINESVILLE, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2006

	<u>GENERAL</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
ASSETS			
Cash and cash equivalents	\$ -	\$ 560,595	\$ 560,595
Equity in pooled cash and investments	2,475,378	48,339,972	50,815,350
Investments	-	1,655,257	1,655,257
Receivables	9,921,499	5,457,916	15,379,415
Due from other funds	5,495,248	9,809	5,505,057
Inventories	11,447	-	11,447
Assets held for evidence	-	82,908	82,908
Total assets	<u>\$ 17,903,572</u>	<u>\$ 56,106,457</u>	<u>\$ 74,010,029</u>
LIABILITIES AND FUND BALANCES			
Accounts payable and accrued liabilities	\$ 1,276,044	\$ 415,252	\$ 1,691,296
Due to other funds	-	3,284,749	3,284,749
Deferred revenue	385,914	1,349,297	1,735,211
Total liabilities	<u>1,661,958</u>	<u>5,049,298</u>	<u>6,711,256</u>
Fund balances:			
Reserved	8,397,572	4,744,154	13,141,726
Unreserved, reported in:			
General Fund			
Undesignated	7,844,042	-	7,844,042
Special Revenue Funds			
Designated for Future Use	-	14,613,094	14,613,094
Undesignated	-	(596,675)	(596,675)
Debt Service Funds			
Designated for Future Use	-	144,740	144,740
Undesignated	-	86,333	86,333
Capital Projects Funds			
Designated for Future Use	-	32,065,513	32,065,513
Total fund balances	<u>16,241,614</u>	<u>51,057,159</u>	<u>67,298,773</u>
Total liabilities and fund balances	<u>\$ 17,903,572</u>	<u>\$ 56,106,457</u>	<u>\$ 74,010,029</u>

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

CITY OF GAINESVILLE, FLORIDA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2006

Total fund balances: governmental funds balance sheet		\$ 67,298,773
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds. The cost of the assets is \$223,617,692 and the accumulated depreciation is \$117,825,659. This excludes internal service fund capital assets which are included in the internal service fund adjustment below.		105,792,033
Long term liabilities, including compensated absences, are not due and payable in the current period and therefore are not reported in the fund financial statements. Long-term liabilities of internal service funds are included in the internal service fund adjustment below. Other governmental long-term liabilities at year end consist of:		
Bonds and promissory notes payable	177,019,411	
Capital lease payable	942,136	
Compensated absences	3,214,734	(181,176,281)
Governmental funds record debt issuance costs as expenditures when these costs are first incurred. Unamortized debt issuance costs must be included as a deferred charge in the government-wide financial statements.		2,600,194
Governmental funds do not report a liability for accrued interest until it is due and payable. Accrued interest must be reported as a liability in the government-wide financial statements.		(353,084)
In fund financial statements, governmental fund types recognize discounts and premiums during the current period as other financing sources and uses. In the government-wide statements, discounts and premiums are applied against bonds payable.		
Discounts	90,681	
Premiums	(640,186)	(549,505)
Liabilities for earned but unavailable revenues are reported in the funds, but not in the statement of net assets.		1,178,909
Negative net pension obligation and OPEB obligation assets created through treatment of Taxable Pension Obligation Bonds and Taxable OPEB Obligation Bonds as employer contribution to defined benefit pension plans are not recognized in the funds.		
Negative net pension obligation asset	76,556,392	
Negative net OPEB obligation asset	25,584,453	102,140,845
Internal service funds are used by management to charge the costs of fleet management, general insurance, employees health insurance, and retirees health insurance. The assets and liabilities of the internal service funds, including net capital assets of \$8,358,848 and compensated absences liabilities of \$82,977, are included in governmental activities in the statement of net assets.		13,192,522
Net assets of governmental activities		\$ 110,124,406

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

CITY OF GAINESVILLE, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	<u>GENERAL</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
REVENUES			
Taxes	\$ 34,316,334	\$ 1,537,206	\$ 35,853,540
Licenses and permits	3,073,214	-	3,073,214
Intergovernmental	12,684,311	13,599,741	26,284,052
Charges for services	7,073,022	1,682,732	8,755,754
Fines and forfeitures	1,353,554	262,171	1,615,725
Miscellaneous	1,314,987	3,871,456	5,186,443
Total revenues	<u>59,815,422</u>	<u>20,953,306</u>	<u>80,768,728</u>
EXPENDITURES			
Current:			
General government	14,767,695	286,764	15,054,459
Public safety	45,184,497	3,004,333	48,188,830
Physical environment	2,461,271	322,387	2,783,658
Transportation	9,259,302	869,112	10,128,414
Economic environment	315,833	5,215,159	5,530,992
Human services	-	1,031,754	1,031,754
Culture and recreation	4,971,995	1,145,131	6,117,126
Debt service:			
Principal	-	6,227,053	6,227,053
Interest	-	7,422,640	7,422,640
Bond issuance costs	-	301,727	301,727
Capital outlay	-	5,801,349	5,801,349
Total expenditures	<u>76,960,593</u>	<u>31,627,409</u>	<u>108,588,002</u>
Excess of revenues over(under) expenditures	<u>(17,145,171)</u>	<u>(10,674,103)</u>	<u>(27,819,274)</u>
OTHER FINANCING SOURCES(USES)			
Debt issuance	-	25,956,621	25,956,621
Bond premium	-	39,168	39,168
Transfers in	30,239,674	40,201,668	70,441,342
Transfers out	(11,973,757)	(27,721,815)	(39,695,572)
Total other financing sources(uses)	<u>18,265,917</u>	<u>38,475,642</u>	<u>56,741,559</u>
Net change in fund balances	<u>1,120,746</u>	<u>27,801,539</u>	<u>28,922,285</u>
Fund balances - beginning as previously reported	12,146,949	23,255,620	35,402,569
Restatement	2,973,919	-	2,973,919
Fund balances - beginning as restated	<u>15,120,868</u>	<u>23,255,620</u>	<u>38,376,488</u>
Fund balances - ending	<u>\$ 16,241,614</u>	<u>\$ 51,057,159</u>	<u>\$ 67,298,773</u>

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

CITY OF GAINESVILLE, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2006

Net changes in fund balances - total governmental funds	\$	28,922,285
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of capital outlay recorded in the current period, excluding internal service fund activity.		9,717,612
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of depreciation expense recorded in the current period, excluding internal service fund activity.		(6,499,469)
In the governmental funds, revenue cannot be recognized until it is available to liquidate liabilities of the current period. In the statement of activities, revenue is recognized as soon as it is earned regardless of its availability.		(3,019,703)
The issuance of long-term debt provides current financial resources to governmental funds. These transactions, however, have no effect on net assets. This is the amount of long-term debt issued in the current period, including premium of \$39,168		(25,995,789)
Proceeds of pension obligation bonds issued during FY2003 and other post-employment benefit obligation bonds issued during FY2005 were contributed to the pension plans and the OPEB plan to retire the unfunded obligations. Governmental funds report such outlays as expenditures. However, the outlay is reported as an asset on the Statement of Net Assets. The impact on the Statement of Activities is the amortization of the Negative NPO and Negative Net OPEB Obligation during the current fiscal year.		
Amortization of Negative Net Pension Obligation	(1,404,718)	
Amortization of Negative Net OPEB Obligation	<u>(6,557,190)</u>	(7,961,908)
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds. These transactions, however, have no effect on net assets. This is the amount of repayment of principal of long-term debt recorded in the current period.		6,227,053
Governmental funds report the effect of bond premiums and discounts when debt is issued, whereas these amounts are deferred and amortized in the statement of activities. This is the amount of the effect of the difference in treatment of bond premiums and discounts.		
Amortization of bond premiums	53,662	
Amortization of bond discounts	<u>(4,708)</u>	48,954
Governmental funds report the effect of issuance costs when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This is the amount of the effect of the difference in treatment of unamortized debt issuance costs.		
Amortization of debt issuance costs	(155,159)	
Deferral of current year debt issuance costs	<u>301,727</u>	146,568
Governmental funds do not recognize expenditures for the long-term accrued liability associated with compensated absences. This is the amount of the change in the liability account, excluding the amount attributable to internal service funds, which is included in the internal service fund adjustment below.		(290,199)
Governmental funds do not recognize expenditures for the liability associated with accrued interest payable on long-term debt. This is the amount of the change in the liability account.		(10,787)
Internal service funds are used by management to charge the costs of fleet maintenance and insurance to individual funds. A portion of the net revenue of certain activities of internal service funds is reported in governmental activities.		<u>1,831,267</u>
Change in net assets of governmental activities	<u>\$</u>	<u>3,115,884</u>

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

CITY OF GAINESVILLE, FLORIDA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2006

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES - Internal Service Funds
	<u>Utility</u>	<u>Other Enterprise Funds</u>	<u>Totals</u>	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ -	\$ 4,950	\$ 4,950	\$ 385,063
Equity in pooled cash and investments	4,678,783	2,279,377	6,958,160	16,705,591
Receivables	42,882,504	3,824,306	46,706,810	6,939
Due from other funds	447,194	3,886,761	4,333,955	455,816
Inventories	18,780,954	563,744	19,344,698	113,035
Prepaid rent - lease/leaseback	10,686,909	-	10,686,909	-
Prepaid expenses	-	-	-	48,159
Deferred charges	8,746,370	-	8,746,370	-
Restricted assets - cash and investments	84,569,246	-	84,569,246	-
Total current assets	170,791,960	10,559,138	181,351,098	17,714,603
Noncurrent assets:				
Restricted assets - cash and investments	163,939,003	-	163,939,003	-
Prepaid rent - lease/leaseback	119,337,150	-	119,337,150	-
Other noncurrent assets	16,840,665	-	16,840,665	-
Capital assets (net of accumulated depreciation)				
Utility plant & equipment	630,903,737	-	630,903,737	-
Buildings	-	1,742,634	1,742,634	78,147
Improvements other than buildings	-	4,108,768	4,108,768	27,175
Machinery and equipment	-	8,709,006	8,709,006	7,964,765
Infrastructure	-	7,608,225	7,608,225	-
Capital assets (not depreciated)				
Land	-	3,808,720	3,808,720	146,033
Construction in progress	130,635,434	4,527,702	135,163,136	142,728
Total capital assets	761,539,171	30,505,055	792,044,226	8,358,848
Total noncurrent assets	1,061,655,989	30,505,055	1,092,161,044	8,358,848
Total assets	1,232,447,949	41,064,193	1,273,512,142	26,073,451
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	28,804,716	1,925,544	30,730,260	8,995,817
Accounts payable - payroll	892,011	244,665	1,136,676	44,100
Due to other funds	3,426,084	3,583,995	7,010,079	-
Current portion of long-term debt	103,489	13,549	117,038	-
Deferred credits	15,666,529	-	15,666,529	-
Current liabilities payable from restricted assets:				
Rate stabilization deferred credit	54,638,482	-	54,638,482	-
Accrued interest payable	12,205,931	-	12,205,931	-
Current portion of long-term debt	13,015,000	-	13,015,000	-
Other liabilities payable from restricted assets	4,709,833	-	4,709,833	-
Total current liabilities	133,462,075	5,767,753	139,229,828	9,039,917
Noncurrent liabilities:				
Long-term debt	594,901,986	338,721	595,240,707	-
Operating lease - lease/leaseback	139,147,397	-	139,147,397	-
Other noncurrent liabilities	18,059,220	-	18,059,220	-
Total noncurrent liabilities	752,108,603	338,721	752,447,324	-
Total liabilities	885,570,678	6,106,474	891,677,152	9,039,917
NET ASSETS				
Invested in capital assets, net of related debt	299,811,373	30,505,055	330,316,428	8,358,848
Restricted for:				
Debt service	12,831,459	-	12,831,459	-
Utility plant improvement	19,240,324	-	19,240,324	-
Other purposes	9,327,720	528,320	9,856,040	-
Unrestricted	5,666,395	3,924,344	9,590,739	8,674,686
Total net assets	\$ 346,877,271	\$34,957,719	\$ 381,834,990	\$ 17,033,534

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

CITY OF GAINESVILLE, FLORIDA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			GOVERNMENTAL
	Utility	Other Enterprise Funds	Totals	ACTIVITIES - Internal Service Funds
Operating revenues:				
Sales and service charges	\$ 285,356,101	\$ 22,639,670	\$ 307,995,771	\$ 18,482,308
Employer contributions	-	-	-	7,659,953
Employee contributions	-	-	-	3,779,201
Other operating revenues	4,682,906	108,160	4,791,066	185,491
Total operating revenues	<u>290,039,007</u>	<u>22,747,830</u>	<u>312,786,837</u>	<u>30,106,953</u>
Operating expenses:				
Operations and maintenance	188,648,249	26,371,338	215,019,587	12,294,291
Administrative and general	26,501,727	1,672,004	28,173,731	1,915,608
Depreciation and amortization	38,548,308	1,946,266	40,494,574	1,919,690
Benefits paid and other expenses	-	-	-	11,295,239
Total operating expenses	<u>253,698,284</u>	<u>29,989,608</u>	<u>283,687,892</u>	<u>27,424,828</u>
Operating income (loss)	<u>36,340,723</u>	<u>(7,241,778)</u>	<u>29,098,945</u>	<u>2,682,125</u>
Nonoperating revenues (expenses):				
Investment income	10,024,843	192,767	10,217,610	691,814
Interest expense	(26,919,503)	-	(26,919,503)	-
Gain on disposal of capital assets	-	24,216	24,216	151,263
Local option gas tax	-	1,990,000	1,990,000	-
Other revenue	-	139,700	139,700	-
Operating grants	-	3,567,605	3,567,605	-
Total nonoperating revenue(expenses)	<u>(16,894,660)</u>	<u>5,914,288</u>	<u>(10,980,372)</u>	<u>843,077</u>
Income before capital contributions and transfers	19,446,063	(1,327,490)	18,118,573	3,525,202
Capital contributions	4,707,154	4,785,719	9,492,873	35,000
Transfers in	-	662,160	662,160	-
Transfers out	(29,431,037)	(1,542,471)	(30,973,508)	(434,422)
Change in net assets	<u>(5,277,820)</u>	<u>2,577,918</u>	<u>(2,699,902)</u>	<u>3,125,780</u>
Total net assets - beginning	352,155,091	32,379,801	384,534,892	13,907,754
Total net assets - ending	<u>\$ 346,877,271</u>	<u>\$ 34,957,719</u>	<u>\$ 381,834,990</u>	<u>\$ 17,033,534</u>

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

CITY OF GAINESVILLE, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENSES, AND CHANGES IN FUND NET ASSETS OF PROPRIETARY FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2006

Change in net assets - Enterprise Funds	\$ (2,699,902)
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Internal service funds are used by management to charge the costs of fleet maintenance and insurance to individual funds. A portion of the net revenue of certain activities of internal service funds is reported in business-type activities.

Look-back adjustment for the consolidation of internal service fund activity involving enterprise fund participants.

1,413,028

Change in net assets of business-type activities

\$ (1,286,874)

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

CITY OF GAINESVILLE, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES
	UTILITY FUND	OTHER ENTERPRISE FUNDS	TOTAL ENTERPRISE FUNDS	INTERNAL SERVICE FUNDS
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>				
Cash Received from Customers	\$ 281,277,935	\$ 23,209,690	\$ 304,487,625	\$ 30,174,527
Cash Paid to Suppliers	(158,488,664)	(14,843,095)	(173,331,759)	(23,156,313)
Cash Paid to Employees	(46,384,562)	(12,219,927)	(58,604,489)	(2,373,940)
Cash Paid for Operating Transactions with Other Funds	(7,758,806)	-	(7,758,806)	-
Other Operating Receipts	2,908,703	59,720	2,968,423	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>71,554,606</u>	<u>(3,793,612)</u>	<u>67,760,994</u>	<u>4,644,274</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>				
Local Option Gas Tax	-	1,990,000	1,990,000	-
Operating Grants	-	3,567,605	3,567,605	-
Interest Paid	-	(146,805)	(146,805)	-
Interfund Borrowing	-	252,285	252,285	-
Transfers from Other Funds	-	662,160	662,160	-
Transfers to Other Funds	(29,431,037)	(1,542,471)	(30,973,508)	(434,422)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>(29,431,037)</u>	<u>4,782,774</u>	<u>(24,648,263)</u>	<u>(434,422)</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>				
Principal Repayments on Long-Term Debt	(214,172,250)	-	(214,172,250)	-
Proceeds from Sale of Capital Assets	115,679	35,554	151,233	151,263
Interest Paid on Long-term Debt	(31,717,022)	-	(31,717,022)	-
Capital Contributions	-	855,200	855,200	35,000
Acquisition and Construction of Capital Assets	(51,831,018)	(4,495,558)	(56,326,576)	(2,143,330)
Proceeds from Debt Issued	366,980,000	-	366,980,000	-
Capitalized Connection Fees	5,040,201	-	5,040,201	-
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>74,415,590</u>	<u>(3,604,804)</u>	<u>70,810,786</u>	<u>(1,957,067)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>				
Interest Received	6,029,922	315,220	6,345,142	691,814
Purchase of Investments	(617,916,567)	(1,484,453)	(619,401,020)	(11,141,975)
Investment in The Energy Authority	(1,200,000)	-	(1,200,000)	-
Distributions from The Energy Authority	923,245	-	923,245	-
Proceeds from Investment Maturities	479,977,545	2,892,880	482,870,425	9,222,292
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(132,185,855)</u>	<u>1,723,647</u>	<u>(130,462,208)</u>	<u>(1,227,869)</u>
NET INCREASE (DECREASE) IN CASH	(15,646,696)	(891,995)	(16,538,691)	1,024,916
CASH - OCTOBER 1, 2005	<u>32,186,051</u>	<u>1,690,319</u>	<u>33,876,370</u>	<u>4,923,763</u>
CASH - SEPTEMBER 30, 2006	<u>\$ 16,539,355</u>	<u>\$ 798,324</u>	<u>\$ 17,337,679</u>	<u>\$ 5,948,679</u>

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

(CONTINUED)

CITY OF GAINESVILLE, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	<u>BUSINESS-TYPE ACTIVITIES</u> <u>ENTERPRISE FUNDS</u>			<u>GOVERNMENTAL</u> <u>ACTIVITIES</u>
	<u>UTILITY</u> <u>FUND</u>	<u>OTHER</u> <u>ENTERPRISE</u> <u>FUNDS</u>	<u>TOTAL</u> <u>ENTERPRISE</u> <u>FUNDS</u>	<u>INTERNAL</u> <u>SERVICE</u> <u>FUNDS</u>
OPERATING INCOME (LOSS)	\$ 36,340,723	\$ (7,241,778)	\$ 29,098,945	\$ 2,682,125
ADJUSTMENTS TO RECONCILE OPERATING INCOME				
(LOSS) TO NET CASH PROVIDED (USED) BY				
OPERATING ACTIVITIES:				
Depreciation and Amortization	38,548,308	1,946,266	40,494,574	1,919,690
Operating Lease-Lease/leaseback Revenue	(1,774,203)	-	(1,774,203)	-
(Increase)/Decrease in Receivables	(4,538,840)	16,452	(4,522,388)	(4,201)
(Increase)/Decrease in Due from Other Funds	-	105,288	105,288	71,776
(Increase)/Decrease in Inventories	(1,544,105)	(31,461)	(1,575,566)	(7,906)
(Increase)/Decrease in Prepaid Expenses	2,937,545	-	2,937,545	35,302
Increase/(Decrease) in Accounts Payable and Accrued Liabilities	2,237,123	1,005,480	3,242,603	(52,512)
Increase/(Decrease) in Due to Other Funds	(1,743,601)	406,141	(1,337,460)	-
Increase/(Decrease) in Deferred Credits	1,227,578	-	1,227,578	-
(Increase)/Decrease in Deferred Debits	(596,596)	-	(596,596)	-
Increase/(Decrease) in Utility Deposits	460,674	-	460,674	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 71,554,606	\$ (3,793,612)	\$ 67,760,994	\$ 4,644,274

**RECONCILIATION OF CASH TO
STATEMENT OF NET ASSETS**

Cash	\$ 16,539,355	\$ 798,324	\$ 17,337,679	\$ 5,948,679
Accrued Interest	12,205,931	-	12,205,931	-
CR3 Decommissioning Reserve	6,799,280	-	6,799,280	-
Investment in TEA	2,528,440	-	2,528,440	-
Investments	215,114,026	1,486,003	216,600,029	11,141,975
TOTAL CASH, EQUITY IN POOL AND INVESTMENTS PER STATEMENT OF NET ASSETS	\$ 253,187,032	\$ 2,284,327	\$ 255,471,359	\$ 17,090,654

**NONCASH CAPITAL, INVESTING AND
FINANCING ACTIVITIES**

Contribution of Capital Assets	\$ 4,707,154	\$ 3,930,519	\$ 8,637,673	\$ -
Change in Fair Value of Investments	-	(70,748)	(70,748)	(119,456)

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

(CONCLUDED)

CITY OF GAINESVILLE, FLORIDA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
SEPTEMBER 30, 2006

	<u>PENSION AND OPEB TRUST FUNDS</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 4,967,294
Equity in Pooled Cash and Investments	7,101,671
Investments, at fair value:	
Common and Preferred Stock	238,454,721
Mutual Funds	182,428,283
Real Estate Investment Trust	2,525,463
U. S. Treasury Obligations	7,908,611
Mortgage & Asset Backed Securities	5,217,700
Corporate Bonds	43,827,738
Government Agencies	24,056,136
Receivables	1,093,747
Due from Other Funds	246,119
TOTAL ASSETS	517,827,483
 <u>LIABILITIES</u>	
Accounts Payable and Accrued Liabilities	316,221
Due to Other Funds	212,898
TOTAL LIABILITIES	529,119
 NET ASSETS	
Held in trust for pension and OPEB benefits	\$ 517,298,364

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

CITY OF GAINESVILLE, FLORIDA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	PENSION AND OPEB TRUST FUNDS
<u>ADDITIONS:</u>	
Contributions:	
Employer Contributions:	
Required	\$ 5,321,634
State on Behalf Payments, through General Fund	<u>1,172,293</u>
Total Employer Contributions	6,493,927
Employee Contributions	<u>9,586,069</u>
Total Contributions	<u>16,079,996</u>
Investment Income:	
Net Appreciation in Fair Value of Investments	41,912,886
Dividends & Interest	<u>10,076,532</u>
Total Investment Income	51,989,418
Less Investment Expense	<u>2,561,152</u>
Net Investment Income	<u>49,428,266</u>
TOTAL ADDITIONS	<u>65,508,262</u>
<u>DEDUCTIONS:</u>	
Benefit Payments	26,666,319
Refunds of Contributions	4,058,500
Administrative Expenses	<u>589,850</u>
TOTAL DEDUCTIONS	<u>31,314,669</u>
CHANGE IN NET ASSETS	34,193,593
NET ASSETS - beginning	<u>483,104,771</u>
NET ASSETS - ending	<u>\$ 517,298,364</u>

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

CITY OF GAINESVILLE, FLORIDA
Notes to Financial Statements
September 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

(A) Reporting Entity

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

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

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

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

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

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

CITY OF GAINESVILLE, FLORIDA
Notes to Financial Statements
September 30, 2006

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

The only joint venture in which the City participated in fiscal year 2006 was Gainesville Regional Utilities' investment in The Energy Authority, which is described in Note 14.

(B) Government-wide and Fund Financial Statements

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

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

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

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

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

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

- Enterprise Funds
- Internal Service Funds

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

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

CITY OF GAINESVILLE, FLORIDA
Notes to Financial Statements
September 30, 2006

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

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

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

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

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

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

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

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

The City reports one major governmental fund:

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

The City reports one major proprietary fund:

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. The principal operating revenues for the City's internal service funds related to general insurance and fleet management are charges to other funds for sales and services. For the internal service fund related to health insurance, the principal operating

CITY OF GAINESVILLE, FLORIDA
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revenues are employer and employee contributions. Operating expenses for enterprise funds and internal service funds include the cost of sales and service, administrative expenses, depreciation on capital assets, and benefits paid. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

(D) Deposits with Financial Institutions and Investments

Deposits and Investments

Deposits and investments as of September 30, 2006 are classified in the accompanying financial statements as follows:

Statement of net assets:

Cash and cash equivalents	\$ 950,608
Equity in pooled cash and investments	74,479,101
Investments	1,655,257
Restricted cash and cash equivalents	248,508,249

Statement of fiduciary net assets:

Cash and cash equivalents	4,967,294
Equity in pooled cash and investments	7,101,671
Investments	504,418,652

Total cash and investments	<u>\$ 842,080,832</u>
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Deposits and investments as of September 30, 2006 consist of the following:

Defined benefit pension

Deposits with financial institutions	\$ 2,802,126
Investments	454,670,329

Other post employment benefit (OPEB)

Deposits with financial institutions	2,165,168
Investments	49,748,323

Other than defined benefit pension and OPEB:

Deposits with financial institutions	15,007,972
Investments	307,920,455
Utilities investment in The Energy Authority	2,528,440
Utilities CR3 decommissioning reserve	6,799,280
Utilities accrued interest receivable	438,739

Total cash and investments	<u>\$ 842,080,832</u>
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Investment Policies

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

Defined Benefit Pension Investments

These funds represent investments administered by the City's Defined Benefit Pension Fund Investment Managers. They comprise \$454,670,329 of the City's total fair value of investments, and are exclusive of the \$2,802,126 held in cash by the Trustees.

CITY OF GAINESVILLE, FLORIDA
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These investments are reported at fair value. The fair value of this plan is derived through valuation efforts done by our investment managers in conjunction with our plan custodian. The fair values for the vast majority of these assets are readily available. For those assets whose fair value is less verifiable, the best available information is used.

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

Equity Funds (domestic)

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

Equity Funds (international)

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

Fixed Income Funds (domestic)

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

Fixed Income Funds (international)

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

Cash Equivalents

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

Real Estate and Alternative Assets

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

CITY OF GAINESVILLE, FLORIDA
Notes to Financial Statements
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Pooled or Commingled Funds

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

Derivatives

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

Restricted Investments – Prohibited

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

Other Post Employment Benefit (OPEB) Investments

These funds represent investments administered by the City’s OPEB Fund Investment Managers. They comprise \$ 49,748,323 of the City’s total fair value of investments, and are exclusive of the \$2,165,168 held in cash by the Trustees. These investments are reported at fair value. The fair value of this plan is derived through valuation efforts done by the City’s investment managers in conjunction with the plan custodian. The fair values for the vast majority of these assets are readily available. For those assets whose fair value is less verifiable, the best available information is used.

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

Equity Funds (domestic and international)

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

Fixed Income Funds

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

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

Equity Managers

- The equity portion of each portfolio manager shall not be more than 10% invested in the securities of any one company at fair value.
- The portfolio manager shall not make short sales or use margin or leverage.
- The portfolio manager shall not be invested in commodities, private real estate, or investment art objects.
- The portfolio manager shall not invest in options, including the purchase, sale or writing of options unless options are “covered” by the corresponding security.

CITY OF GAINESVILLE, FLORIDA
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- The portfolio manager shall not invest in warrants, although warrants issued in connection with stocks held by the fund may be sold, held, or converted by the investment manager at its discretion.

Fixed Income Managers

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

Other than Defined Benefit Pension and OPEB Investments

These funds comprise \$307,920,455 of the City's total fair value of investments. This figure excludes \$15,007,972 of deposits with financial institutions.

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

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

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

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

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

The City has a contractual relationship with a Qualified Public Depository in the State of Florida. Under the terms of the contract, essentially all bank balances are transferred into a sweep account at the close of each business day. The money market account underlying securities are AAA obligations of the United States Government and Corporations with maturities not exceeding 365 days.

Money belonging to the Evergreen Cemetery Trust Fund (a non-major special revenue fund), is invested in accordance with guidelines established by the Evergreen Cemetery Advisory Committee and/or as approved by the City Commission. These guidelines authorize investments in mutual funds including domestic equities, international equities and fixed income funds, as well as in a money market sweep account for cash balances held in the Evergreen Cemetery Trust bank account.

Custodial Credit Risk - Deposits

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

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

Custodial Credit Risk - Investments

Investment securities are exposed to custodial credit risk if they are uninsured and are not registered in the name of the government and are held by either the counterparty or by the counterparty's trust department or agent but not in the government's name.

All identifiable investment securities of the City are either insured or are registered in the Custodian's Street name for the benefit of the City and are held by the counterparty's trust department or agent.

Credit Risk

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

CITY OF GAINESVILLE, FLORIDA
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Defined Benefit Pension Investments

Investment Type	Fair Value	Exempt from				
		Disclosure	AAA	AA	A	BBB
Common Stock	\$ 203,917,050	\$ 203,917,050	\$ -	\$ -	\$ -	\$ -
Mutual Funds	181,308,881	181,308,881	-	-	-	-
Real Estate Inv Trust	2,525,463	2,525,463	-	-	-	-
US Treasury Bonds	5,168,092	1,623,803	3,544,289	-	-	-
US Treasury Notes	1,050,687	604,103	446,584	-	-	-
CMO	2,789,678	-	2,789,678	-	-	-
Corporate Bonds	43,758,249	-	2,381,519	8,077,213	30,789,422	2,510,095
FHLMC Pool	20,654	-	20,654	-	-	-
FNMA Pool	2,010,509	-	2,010,509	-	-	-
FHLMC	2,770,724	-	2,770,724	-	-	-
FHLB	5,782,858	-	5,782,858	-	-	-
FNMA	3,567,484	-	3,567,484	-	-	-
Totals	\$ 454,670,329	\$ 389,979,300	\$ 23,314,299	\$ 8,077,213	\$ 30,789,422	\$ 2,510,095

OPEB Investments

Investment Type	Fair Value	Exempt from	
		Disclosure	AAA
Domestic Equities	\$ 24,090,537	\$ 24,090,537	\$ -
International Equities	11,566,536	11,566,536	-
Corporate Bonds	69,489	-	69,489
US Treasury Notes	1,689,832	-	1,689,832
Federal Agencies:			
FHLMC	1,478,527	-	1,478,527
FNMA	8,425,380	-	8,425,380
Mortgage & Asset Backed Securities	2,428,022	-	2,428,022
Totals	\$ 49,748,323	\$ 35,657,073	\$ 14,091,250

Other than Defined Benefit Pension and OPEB Investments – Governmental Activities

Investment Type	Fair Value	Exempt from		
		Disclosure	AAA	A
Money Market	\$ 29,482,305	\$ -	\$ 29,482,305	\$ -
Mutual Funds	6,242,585	6,242,585	-	-
Federal Agencies:				
FFCB	6,346,296	-	6,346,296	-
FHLB	18,487,840	-	18,487,840	-
FHLMC	14,297,520	-	14,297,520	-
FNMA	3,863,740	-	3,863,740	-
Mortgage Backed Securities	39,572	-	-	39,572
Totals	\$ 78,759,858	\$ 6,242,585	\$ 72,477,701	\$ 39,572

CITY OF GAINESVILLE, FLORIDA
Notes to Financial Statements
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Other than Defined Benefit Pension and OPEB Investments – Business-Type Activities

Investment Type	Fair Value	AAA	A-1
Money Market	\$ 2,279,378	\$ 2,279,378	\$ -
Commercial Paper	85,470,030	-	85,470,030
Federal Agencies	141,411,189	141,411,189	-
Totals	<u>\$ 229,160,597</u>	<u>\$ 143,690,567</u>	<u>\$ 85,470,030</u>

Concentration of Credit Risk

Investments in any one issuer that represent 5% or more of the City's investments are reported below. This is presented by the three major categories described above, and is additionally shown using governmental and business type categories. The City's investment policies do not specifically restrict the concentration allowed to be held with any individual issuer, except that the equity portion of each portfolio manager shall not be more than 10% invested in the securities of any one company at fair value. Investments that represent 5% or more by each category are shown below by issuer and percent of total investments.

Defined Benefit Pension Investments

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

OPEB Investments

Issuer	Investment Type	Fair Value	%
Federal National Mortgage Assn.	Federal Agency Securities	\$ 8,425,380	16.9%

Other than Defined Benefit Pension and OPEB Investments – Governmental Activities

Issuer	Investment Type	Fair Value	%
Federal Farm Credit Banks	Federal Agency Securities	\$ 6,346,296	7.8%
Federal Home Loan Banks	Federal Agency Securities	18,487,840	22.8%
Federal Home Loan Mortgage Corp.	Federal Agency Securities	14,297,520	17.6%

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

Issuer	Investment Type	Fair Value	%
Federal Home Loan Mortgage Corp	Federal Agency Securities	\$ 58,217,721	25.7%
Federal National Mortgage Association	Federal Agency Securities	28,133,271	12.4%
Federal Home Loan Banks	Federal Agency Securities	50,821,393	22.4%

Interest Rate Risk

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

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Defined Benefit Pension Investments

Investment Type	Fair Value	< 1 year	1-2 years	2-5 years	5-10 yrs	> 10 yrs
Common Stock *	\$ 203,917,050	\$ -	\$ -	\$ -	\$ -	\$ -
Mutual Funds *	181,308,881	-	-	-	-	-
Real Estate Inv Trust *	2,525,463	-	-	-	-	-
US Treasury Bonds	5,168,092	-	-	-	3,512,337	1,655,755
US Treasury Notes	1,050,687	3,993	78,986	455,569	512,139	-
CMO	2,789,678	-	-	-	-	2,789,678
Corporate Bonds	43,758,249	2,866,907	3,414,595	14,091,830	15,225,966	8,158,951
FHLMC Pool	20,654	-	-	-	12,127	8,527
FNMA Pool	2,010,509	-	-	-	1,151,783	858,726
FHLB	2,770,724	-	150,112	2,620,612	-	-
FHLMC	5,782,858	211,890	12,760	2,931,204	2,627,004	-
FNMA	3,567,484	-	264,560	1,266,707	2,036,217	-
Totals	\$ 454,670,329	\$ 3,082,790	\$ 3,921,013	\$ 21,365,922	\$ 25,077,573	\$ 13,471,637

* Included but not required to be presented by maturity date

OPEB Investments

Investment Type	Fair Value	n/a	< 5 years	5-10 years	10-20 years	> 20 yrs
Domestic Equities	\$ 24,090,537	\$ 24,090,537	\$ -	\$ -	\$ -	\$ -
International Equities	11,566,536	11,566,536	-	-	-	-
Corporate Bonds	69,489	-	-	-	69,489	-
US Treasury Notes	1,689,832	-	1,689,832	-	-	-
Federal Agencies:						
FHLMC	1,478,527	-	270,911	-	434,645	772,971
FNMA	8,425,380	-	3,177,987	1,091,243	610,333	3,545,817
Mortgage & Asset Backed Securities	2,428,022	-	221,255	1,698,602	259,224	248,941
Totals	\$ 49,748,323	\$ 35,657,073	\$ 5,359,985	\$ 2,789,845	\$ 1,373,691	\$ 4,567,729

Other than Defined Benefit Pension and OPEB Investments – Governmental Activities

Investment Type	Fair Value	n/a	1-5 years	> 5 years
Money Market	\$ 29,482,305	\$ 29,482,305	\$ -	\$ -
Mutual Funds	6,242,585	6,242,585	-	-
Federal Agencies:				
FFCB	6,346,296	-	-	6,346,296
FHLB	18,487,840	-	18,487,840	-
FHLMC	14,297,520	-	-	14,297,520
FNMA	3,863,740	-	1,950,620	1,913,120
Mortgage Backed	39,572	-	-	39,572
Totals	\$ 78,759,858	\$ 35,724,890	\$ 20,438,460	\$ 22,596,508

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

Investment Type	Fair Value	n/a	< 1 year	1-5 years
Money Market	\$ 2,279,378	\$ 2,279,378	\$ -	\$ -
Commercial Paper	85,470,030	-	85,470,030	-
Federal Agencies	141,411,189	-	104,713,554	36,697,635
Totals	\$ 229,160,597	\$ 2,279,378	\$ 190,183,584	\$ 36,697,635

CITY OF GAINESVILLE, FLORIDA
Notes to Financial Statements
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(E) Receivables

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

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

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

Utilities service receivables are recorded at year end for services rendered but unbilled. They are calculated by prorating cycle billings subsequent to September 30, 2006 according to the number of days applicable to the current fiscal year.

Receivables are reported net of an estimated allowance for uncollectible accounts. At September 30, 2006, the allowance was \$32,407 for the General Fund and \$1,921,389 for Enterprise Funds.

(F) Inventories

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

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

(G) Capital Assets

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

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

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

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

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

Depreciation of utility plant is computed using the straight-line method over estimated service lives ranging from 6 to 50 years. These service lives were changed in fiscal year 2005, which adjusted the overall depreciation rate of average depreciable property from 3.50% in fiscal year 2004 to 3.27% in fiscal year 2005 and 3.22% in fiscal year 2006.

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

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. An allowance for interest on borrowed funds used during construction of \$242,654 is included in construction in progress for the Utilities Fund and as a corresponding reduction in interest expense. It is computed by applying the effective interest rate on the funds borrowed to finance the projects to the monthly balance of projects under construction. The effective interest rate was approximately 4.14%. For assets constructed with governmental fund resources, interest during construction is not capitalized.

(H) Long-term Obligations

In the government-wide financial statements, and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statements of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

CITY OF GAINESVILLE, FLORIDA
Notes to Financial Statements
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(I) Amortization and Deferred Charges/Credits

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

Deferred charges are presented on the balance sheets under current assets and as other non-current assets. The largest deferred charge is for estimated environmental costs of \$9,149,000 at September 30, 2006. An offset from the manufactured gas plant remediation of \$2.2 million is a result of proceeds received from insurance coverage. Also included in deferred charges are unamortized bond issuance costs of approximately \$8 million. These costs are being amortized straight-line over the life of the bonds, which approximates the effective interest method. Unrecognized hedge adjustments were \$5.9 million for September 30, 2006. Accrued fuel adjustment was a deferred debit of \$1,152,125 at September 30, 2006. Electric distribution plant acquisition costs of \$3,378,075 are being amortized over the expected life of the acquired assets. Remaining smaller items make up the balance of the deferred charges.

(J) Compensated Absences

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

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

(K) Risk Management

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

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

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

CITY OF GAINESVILLE, FLORIDA
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Changes in the Utility Fund's claims liability for the last two years are as follows:

	BEGINNING OF FISCAL YEAR <u>LIABILITY</u>	<u>INCURRED</u>	<u>PAYMENTS</u>	END OF FISCAL YEAR <u>LIABILITY</u>
2005-2006	\$2,106,000	\$2,077,078	\$2,077,078	\$2,106,000
2004-2005	\$2,106,000	\$903,200	\$903,200	\$2,106,000

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

	BEGINNING OF FISCAL YEAR <u>LIABILITY</u>	<u>INCURRED</u>	<u>PAYMENTS</u>	END OF FISCAL YEAR <u>LIABILITY</u>
2005-2006	\$6,714,000	\$2,599,971	\$2,599,971	\$6,714,000
2004-2005	\$6,714,000	\$2,759,776	\$2,759,776	\$6,714,000

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

	BEGINNING OF FISCAL YEAR <u>LIABILITY</u>	<u>INCURRED</u>	<u>PAYMENTS</u>	END OF FISCAL YEAR <u>LIABILITY</u>
2005-2006	\$1,237,451	\$11,265,932	\$11,295,239	\$1,208,144
2004-2005	\$1,281,296	\$11,458,684	\$11,502,529	\$1,237,451

These claims liability amounts are all considered to be due within one year and are classified as current liabilities in the accompanying financial statements.

(L) Interfund Activity

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

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

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

(M) Property Taxes

Ad valorem property tax revenue is recognized as revenue in the fiscal year for which taxes are levied, measurable and available. Only property taxes collected within 60 days after year end are recognized as revenue. The total millage levy is assessed at **4.9355 mills**. Taxes are levied and collected according to Florida State Statutes under the following calendar:

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

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

(N) Budgetary Information

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

(O) Statement of Cash Flows

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

(P) Enterprise Activities

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

NOTE 2 - RETIREMENT PLANS

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

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

(A) Defined Benefit Plans

Employees' Plan:

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

CITY OF GAINESVILLE, FLORIDA
Notes to Financial Statements
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Funding Policy. The contribution requirements of plan members and the City are established and may be amended by City Ordinance approved by the City Commission. Plan members are required to contribute 5% of their annual covered salary. The City is required to contribute at an actuarially determined rate; the rate for fiscal year 2006 for retirement and death benefits was 3.51% of covered payroll. This reduced rate was brought about through the issuance of the Taxable Pension Obligation Bonds, Series 2003A. The proceeds from this issue were utilized to retire the unfunded actuarial accrued liability in the Employees' Plan - the 3.51% represents the ongoing normal cost of the plan. Administrative costs are financed through investment earnings.

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

Annual required contribution	\$ 2,492,978
Interest on net pension obligation	(3,497,587)
Adjustment to annual required contribution	4,194,036
Annual Pension Cost	\$ 3,189,427
Contributions Made	2,489,336
Change in net pension obligation	\$ 700,091
Net Pension Obligation (Asset), beginning of year	(33,754,665)
Net Pension Obligation(Asset), end of year	<u>\$ (33,054,574)</u>

The annual required contribution for the current year was determined as part of the October 1, 2004 actuarial valuation using the Individual Entry Age Actuarial Cost method. The actuarial assumptions included (a) 9.25% investment rate of return (net of administrative expenses) and (b) projected salary increases of 3.75%-7% per year, based on years of service. Both (a) and (b) included an inflation component of 3.75%. The assumptions include post-retirement benefit increases for those retirees who meet eligibility criteria. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. Any unfunded actuarial accrued liability is traditionally amortized as a level percentage of projected payroll on a closed basis. The amortization period at September 30, 2006 was 30 years.

Three Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Contribution	Percentage of APC Contributed	Net Pension Obligation (Asset)
09/30/04	\$ 5,007,465	\$ 2,719,588	54.3%	\$ (36,346,256)
09/30/05	4,485,797	1,894,206	42.2%	(33,754,665)
09/30/06	3,189,427	2,489,336	78.0%	(33,054,574)

Disability Plan:

Plan Description. The Disability Plan is a contributory defined benefit plan that covers all permanent employees of the City, except police officers and firefighters whose disability plan is incorporated in the Consolidated Plan. The Disability Plan provides disability benefits to plan members and beneficiaries. The Disability Plan's basis of accounting is accrual; the policy is to recognize costs of the plan under accrual. Benefits are recognized when due and payable in accordance with the terms of the plan. The costs of administering the plan, like other plan costs, are captured within the plan itself and financed through contribution and investment income, as appropriate. This plan and any amendments were adopted through a City Ordinance by the Commission of the City of Gainesville. The City of Gainesville issues a publicly available financial report that includes financial statements and required supplementary information for the Disability Plan. That report may be obtained by writing to City of Gainesville, Finance Department, P.O. Box 490, Gainesville, Florida 32602 or by calling (352)334-5054.

CITY OF GAINESVILLE, FLORIDA
Notes to Financial Statements
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Funding Policy. The contribution requirements of plan members and the City are established and may be amended by City Ordinance approved by the City Commission. The City is required to contribute at an actuarially determined rate; the rate for fiscal year 2006 for disability benefits was 0.69% of covered payroll. Administrative costs are financed through investment earnings.

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

Annual required contribution	\$	488,940
Interest on net pension obligation		(2,046)
Adjustment to annual required contribution		(19,921)
Annual Pension Cost	\$	466,973
Contributions Made		507,979
Change in net pension obligation	\$	(41,006)
Net Pension Obligation (Asset), beginning of year		-
Net Pension Obligation(Asset), end of year	\$	(41,006)

Annual Contribution: The annual contribution for the current year was determined as part of the October 1, 2003 actuarial valuation using the individual entry age actuarial cost method. The actuarial assumptions included (a) 9.25% investment rate of return (net of administrative expenses) and (b) projected salary increase of between 3.75% and 7% per year, based on years of service. Both (a) and (b) included an inflation component of 3.75%. The actuarial value of assets was set at market value. Any unfunded actuarial accrued liability is traditionally amortized as a level percentage of projected payroll on a closed basis. The amortization period at September 30, 2006 was 15 years.

Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Contribution	Percentage of APC Contributed	Net Pension Obligation (Asset)
09/30/05	\$ 487,779	\$ 487,779	100.0%	-
09/30/06	\$ 466,973	\$ 507,979	108.8%	(41,006)

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

Consolidated Plan:

Plan Description. The Consolidated Plan is a contributory defined benefit pension plan that covers City sworn police officers and firefighters. The Consolidated Plan provides retirement, disability, and death benefits to plan members and beneficiaries. The basis of accounting for the Consolidated Plan is accrual. Benefits and refunds of the defined benefit pension plan are recognized when due and payable in accordance with the terms of the plan. The costs of administering the plan, like other plan costs, are captured within the plan itself and financed through contribution and investment income, as appropriate. This plan and any amendments were adopted through a City Ordinance by the Commission of the City of Gainesville in accordance with State Statute. The City of Gainesville issues a publicly available financial report that includes financial statements and required supplementary information for the Consolidated Plan. That report may be obtained by writing to City of Gainesville, Finance Department, P.O. Box 490, Gainesville, Florida 32602 or by calling (352)334-5054.

CITY OF GAINESVILLE, FLORIDA
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Funding Policy. The contribution requirements of plan members and the City are established and may be amended by City Ordinance approved by the City Commission in accordance with applicable State Statute. Plan members are required to contribute 7.50% of their annual covered salary. The City is required to contribute at an actuarially determined rate; the rate for fiscal year 2006 was 7.00% of covered payroll. This reduced rate was brought about through the issuance of the Taxable Pension Obligation Bonds, Series 2003B. In addition, State contributions, which totaled \$1,172,293, are also made to the plan on behalf of the City. These State contributions are recorded as revenue and personnel expenditures in the City's General Fund before they are recorded as contributions in the Consolidated Pension Fund. Administrative costs are financed through investment earnings.

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

Annual required contribution	\$	2,268,597
Interest on net pension obligation		(3,977,044)
Adjustment to annual required contribution		4,010,021
Annual Pension Cost	\$	2,301,574
Contributions Made		1,555,941
Change in net pension obligation	\$	745,633
Net Pension Obligation (Asset), beginning of year		(44,206,445)
Net Pension Obligation(Asset), end of year	\$	(43,460,812)

The annual required contribution for the current year was determined as part of the October 1, 2005 actuarial valuation using the Entry Age Normal Cost method. The actuarial assumptions included (a) 8.5% investment rate of return (net of administrative expenses) and (b) projected salary increases ranging from 4% to 7% per year, based on years of service. Both (a) and (b) included an inflation component of 3.75%.

The assumptions include post-retirement benefit increases for those retirees meeting eligibility criteria. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. Any unfunded actuarial accrued liability is traditionally amortized as a level percentage of projected payroll on a closed basis. The amortization period at September 30, 2006 was 30 years.

Three Year Trend Information

Fiscal Year	Annual Pension		Percentage of APC	Net Pension
<u>Ending</u>	<u>Cost (APC)</u>	<u>Contribution</u>	<u>Contributed</u>	<u>Obligation (Asset)</u>
09/30/04	\$ 3,477,971	\$ 917,400	26.4%	\$ (45,167,955)
09/30/05	2,438,428	1,476,918	60.6%	(44,206,445)
09/30/06	2,301,574	1,555,941	67.6%	(43,460,812)

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

(B) Defined Contribution Pension Plan

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

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

Funding Policy. The contribution requirements of plan members and the City are established and may be amended by City Ordinance approved by the City Commission in accordance with applicable State Statute. Plan members are required to contribute 5.0% of their annual covered salary. The City is required to contribute 10.0% of covered payroll. During fiscal year 2006, plan members contributed \$235,438 and the City contributed \$310,770.

NOTE 3 – OTHER POST-EMPLOYMENT BENEFITS PLAN

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

The City of Gainesville issues a publicly available financial report that includes financial statements and required supplementary information for the RHCP. That report may be obtained by writing to City of Gainesville, Finance Department, P.O. Box 490, Gainesville, Florida 32602 or by calling (352)334-5054.

The RHCP has 664 retirees receiving benefits and has a total of 2,654 active participants and dependents. Of that total, 1,373 are not yet eligible to receive benefits. Ordinance 991457 of the City of Gainesville assigned the authority to establish and amend benefit provisions to the City Commission.

Annual OPEB Cost and Net OPEB Obligation. For fiscal year 2006, the City's annual OPEB cost for the RHCP was \$9,271,124. The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year ended September 30, 2006 were as follows:

Annual required contribution	\$	9,047,293
Interest on net OPEB obligation		(2,745,893)
Adjustment to annual required contribution		2,969,724
Annual OPEB cost	\$	9,271,124
Contributions made *		2,713,934
Change in net OPEB obligation (asset)	\$	6,557,190
Net OPEB obligation (asset), beginning of year		(32,141,643)
Net OPEB obligation(asset), end of year	\$	(25,584,453)

* Contributions include \$768,378 by City to the RHCP Trust Fund and \$1,945,556 made by the City through the payment of the active employees' implicit rate subsidy.

Trend Information

Year Ended	Annual OPEB Cost	Actual Employer Contribution	Percentage Contributed	Net Ending OPEB Obligation (Asset)
09/30/05	\$ 7,680,930	\$ 39,822,573	518.46%	\$ (32,141,643)
09/30/06	9,271,124	2,713,934	29.27%	(25,584,453)

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

CITY OF GAINESVILLE, FLORIDA
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In addition, City's contributions also include \$1,945,556 and \$1,631,725 in payments made by the City for the implicit rate subsidy included in the blended rate premiums for active employees which fund the implicit rate subsidy discount provided to the retirees fiscal years 2006 and 2005, respectively.

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

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

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

In July 2005, the City issued \$35,210,000 Taxable Other Post Employment Benefit (OPEB) bonds to retire the unfunded actuarial accrued liability then existing in the RHCP Trust Fund. This allowed the City to reduce its contribution rate beginning August 1, 2005 to 0.50% of covered payroll. During fiscal year 2006, the City's actual regular contribution was \$768,378. This was less than the annual required contribution of \$9,271,124 calculated using the age-adjusted premiums instead of the blended rate premiums. The difference between the annual required calculation and the City's actual regular contribution was due to two factors. The first is the amortization of the negative net OPEB obligation created in fiscal year 2005 by the issuance of the OPEB bonds. The other factor is that the City contributes based on the blended rate premium instead of the age-adjusted premium, described above as the implicit rate subsidy.

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

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

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

CITY OF GAINESVILLE, FLORIDA
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NOTE 4 - DEFERRED COMPENSATION PLAN

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

NOTE 5 - LONG-TERM DEBT AND CAPITAL LEASES

Long-term debt and capital leases are hereafter described:

GOVERNMENTAL ACTIVITIES:

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

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

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

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

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

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

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

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

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

\$9,805,000 Guaranteed Entitlement Refunding Bonds Series 2004 3.5%-5.5%; issued May 4, 2004, final maturity August 1, 2017; payable solely from and secured by a lien upon and pledge of monies from the City's Guaranteed Entitlement Funds. The proceeds were used to refund \$10,010,000 of the City's Guaranteed Entitlement Revenue and Refunding Bonds, Series 1994. Principal is payable annually on August 1, beginning 2005. Interest is payable semi-annually beginning August 1, 2004. This current

CITY OF GAINESVILLE, FLORIDA
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refunding resulted in a reduction of total debt service payments over 13 years of approximately \$735,000 and an economic gain of approximately \$572,000.

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

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

\$22,695,000 Capital Improvement Revenue Bonds, Series 2005 – 4.00% -4.50%, issued November 30, 2005, final maturity October 2025, payable solely from non-ad valorem revenues. Principal payable annually on October 1, beginning 2006. Interest payable semi-annually beginning April 1, 2006. The bonds are not subject to redemption prior to maturity.

\$16,360,500 State Revolving Loan – Depot Park Remediation (FDEP) – In an agreement dated December 9, 2004, FDEP issued the City a loan not to exceed \$16,360,500 (including \$360,500 of capitalized interest) for remediation of the Depot Park area for stormwater improvements. The loan is made interest-free, but includes a 1.97% annual grant allocation assessment rate and a one-time 2% loan service fee. Repayment will begin in September 2007 and will continue semi-annually until the balance is repaid. Payable from non-ad valorem revenues, including stormwater fees and transfers from the Gas Utility.

\$942,136 Siemens Buildings Technologies, GPD Energy Project Capital Lease, 2006 – 4.18%, repayable monthly for 144 months, beginning October 10, 2006. The lease will be repaid using non-ad valorem revenues, and it is expected that the building improvements being leased will result in energy savings equal to or greater than the lease payments. At September 30, 2006, \$730,682 of the proceeds had been expended and capitalized as buildings. These assets are being amortized as part of depreciation expense.

BUSINESS-TYPE ACTIVITIES:

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

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

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

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

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A portion of the Bonds maturing from October 1, 2004 to October 1, 2008 (\$6.2 million) were advance-refunded to the maturity dates. The bonds were defeased, in substance, and will be paid from escrowed funds. There were defeased bonds totaling \$3,950,000 outstanding as of September 30, 2006.

In November 2005, the 2005 Series C Bonds totaling \$53,190,000 were issued to advance-refund to the maturity dates a portion of the bonds maturing from October 1, 2010 to October 1, 2026. In July 2006, the 2006 Series A Bonds totaling \$51,675,000 were issued to refund to the maturity dates the remainder of the bonds maturing from October 1, 2010 to October 1, 2026. The proceeds related to the refunded bonds for both series were deposited into an escrow account to refund the bonds on October 1, 2006 at 102% of par.

\$37,300,000 2002 Utilities System Subordinated Utilities System Revenue Bonds Series 2002A – variable interest, dated July 20, 2002. The 2002A bonds were issued as multi-modal variable interest rate bonds, initially issued as variable-rate auction notes. Interest rates are reset by an auction process each 35 days based on market rates. Payment of principal and interest of the 2002A Series Subordinated Bonds when due are insured by a municipal bond insurance policy issued by Financial Security Assurance. While in the variable auction-rate mode, the Bonds may be redeemed at the option of the City in whole or in part on any interest payment date immediately following the end of the auction period without premium.

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

\$33,000,000 2003 Utilities System Revenue Bonds Series 2003A – 4.625% - 5.25%, dated January 30, 2003, final maturity October 1, 2033. The 2003A bonds are subject to redemption at the option of the City on or after October 1, 2013 at 100%.

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

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

\$196,950,000 2005 Utilities System Revenue Bonds Series 2005A – 4.75 – 5.0%, dated November 16, 2005, final maturity October 1, 2036. The 2005A bonds will be subject to redemption at the option of the City on and after October 1, 2015, at a redemption price of 100% of the principal amount, plus accrued interest to the date of redemption. The 2005A bonds were issued to pay a portion of the cost of acquisition and construction of certain improvements to the City's electric, natural gas, water, wastewater and telecommunications systems and to refund the City's Utilities System Commercial Paper Notes, Series C.

\$61,590,000 2005 Utilities System Revenue Bonds Series 2005B – 5.14 – 5.31%, dated November 16, 2005, final maturity October 1, 2021. The 2005B bonds will be subject to redemption at the option of the City, in whole or in part, on any date, at a redemption price equal to the greater of: 100% of the principal amount, plus accrued and unpaid interest to the date of redemption; or the sum of the present values of the remaining scheduled payments of principal and interest on the bonds to be redeemed discounted to the date of redemption on a semiannual basis plus 12.5 basis points. The 2005B bonds were issued to pay a portion of the cost of acquisition and construction of certain improvements to the City's electric, natural gas, water, wastewater and telecommunications systems and to refund the City's Utilities System Commercial Paper Notes, Series D.

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\$55,135,000 2005 Utilities System Revenue Bonds Series 2005C – Variable interest rates based on market rates, 3.83% at September 30, 2006, dated November 16, 2005, final maturity October 1, 2026. The 2005C bonds will be subject to redemption at the option of the City at a redemption price of 100% of the principal amount, plus accrued interest to the date of redemption. The 2005C bonds were issued to refund a portion of the City's Utilities System Revenue Bonds, 1996 Series A and created a net present value savings of over \$6,700,000, with yearly cash savings ranging from approximately \$370,000 to over \$1,085,000.

\$53,305,000 2006 Utilities System Revenue Bonds Series 2006A – Variable interest rates based on market rates, 3.86% at September 30, 2006, dated July 6, 2006, final maturity October 1, 2026. The 2006A bonds will be subject to redemption at the option of the City, in whole or in part, at a redemption price equal to 100% of the principal amount plus accrued interest to the date of redemption. The 2006A bonds were issued to pay a portion of the cost of acquisition and construction of certain improvements to the City's electric, natural gas, water, wastewater and telecommunications systems and to refund a portion of the City's Utilities System Revenue Bonds, 1996 Series A. The 2006A Bonds created a net present value savings of over \$6,200,000, with yearly cash savings ranging from approximately \$371,000 to over \$890,000.

Utility Notes

The following Utility System notes are outstanding as of September 30, 2006:

\$85,000,000 Commercial Paper Notes, Series C Notes (tax-exempt)- These may continue to be issued to refinance maturing Series C Notes or provide for other costs. Liquidity support for the Series C notes is provided under a long-term credit agreement dated as of March 1, 2000 with Bayerische Landesbank Gironzentrale. This agreement has been extended to November 30, 2015. The obligation of the bank may be substituted by another bank which meets certain credit standards and which is approved by GRU and the agent. Under terms of the agreement, GRU may borrow up to \$85,000,000 with same day availability ending on the termination date, as defined in the agreement. Series C Notes of \$80.6 million and \$3.2 million were redeemed during 2006 and 2005, respectively. There are no Series C Notes outstanding as of September 30, 2006.

\$25,000,000 Commercial Paper Notes, Series D (taxable) - In June 2000, a Utilities System Commercial Paper Note Program, Series D (taxable) was established in a principal amount not to exceed \$25,000,000. Liquidity support for the Series D Notes is provided under a long-term credit agreement dated June 1, 2000 with SunTrust Bank. This agreement has been extended to July 23, 2008. The obligation of the bank may be substituted by another bank which meets certain credit standards and is approved by GRU. Under the terms of the agreement, GRU may borrow up to \$25,000,000 with same day availability ending on the termination date, as defined in the agreement. Series D Notes of \$16.2 million and \$833,000 were redeemed during 2006 and 2005, respectively. There are no Series D Notes outstanding as of September 30, 2006.

COMMUNITY REDEVELOPMENT AGENCY (CRA):

\$60,000 Arlington Square Apartments Phase III, Downtown Promissory Note – 6.5% fixed annual interest rate. In August 1998, a promissory note payable was established from the City to CRA to be repaid from tax increment proceeds. In September 2002, the note was amended to specify that repayment will be from tax increment proceeds from the redevelopment of specific parcels. The final repayment is scheduled for July 2013.

\$836,900 Commerce Building/AMJ Project, Downtown Promissory Note – 1.05% to 4.28% fixed annual interest rate. In September 1999, a promissory note payable was established from the City to CRA to be repaid from tax increment proceeds associated with the Commerce Building project. In July 2004, the note was amended to specify that repayment will be from all tax increment proceeds from the Downtown Redevelopment Area. The final repayment is scheduled for January 2019.

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\$434,955 The Lofts (Old Stringfellow) – 609 West University Avenue, College Park Promissory Note – 1.57% to 4.96% fixed annual interest rate. In April 2001, a promissory note payable was established from the City to CRA to be repaid from tax increment proceeds. In October 2004, the note was amended for the redevelopment of the area known as The Lofts. The final repayment is scheduled for November 2024.

\$650,000 Fifth Avenue/Pleasant Street Projects, Fifth Avenue/Pleasant Street Promissory Note – 6.72% fixed annual interest rate. In April 2002, a promissory note payable was established from the City to CRA to be repaid from tax increment proceeds. The final repayment is scheduled for July 2022.

\$1,400,600 Courthouse Parking Facility Project, Downtown Promissory Note – 6.72% fixed annual interest rate. In April 2002, a promissory note payable was established from the City to CRA to be repaid from tax increment proceeds. The final repayment is scheduled for July 2022.

\$300,000 Eastside District Redevelopment Trust Promissory Note – 4.5% to 6.2% fixed annual interest rate. In May 2005, a promissory note payable was established from the City to CRA to be repaid from tax increment proceeds. The final repayment is scheduled for July 2025.

\$800,000 College Park / 2nd Avenue Redevelopment Trust, College Park Promissory Note – 4.5% to 6.2% fixed annual interest rate. In May 2005, a promissory note payable was established from the City to CRA to be repaid from tax increment proceeds. The final repayment is scheduled for July 2025.

Debt Service Requirements for Long-term Debt

Annual debt service requirements to maturity for long-term debt are as follows:

Year ending September 30,	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2007	\$ 6,717,370	\$ 7,504,565	\$ 13,015,000	\$ 26,733,958
2008	7,370,629	7,334,424	18,555,000	28,462,918
2009	8,047,776	7,160,981	21,740,000	27,567,966
2010	8,737,739	6,997,528	22,930,000	26,375,625
2011	8,927,456	6,846,979	25,155,000	25,217,638
2012-2016	39,310,820	32,348,366	121,925,000	106,901,299
2017-2021	25,995,332	30,906,911	102,690,000	81,111,016
2022-2026	25,954,352	31,933,265	81,115,000	59,792,211
2027-2031	34,592,937	17,286,091	98,365,000	40,989,735
2032-2036	11,365,000	674,248	97,265,000	17,330,000
2037	-	-	17,410,000	826,975
Total	\$ 177,019,411	\$ 148,993,358	\$ 620,165,000	\$ 441,309,341

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Debt Service Requirements for Capital Lease

Year ending September 30,	Governmental Activities		
	Principal	Interest	Total
2007	\$ 62,623	\$ 38,770	\$ 101,393
2008	63,094	38,299	101,393
2009	66,978	34,415	101,393
2010	69,880	31,513	101,393
2011	72,907	28,486	101,393
2012-2016	414,649	92,316	506,965
2017-2021	192,005	10,776	202,781
Total	\$ 942,136	\$ 274,575	\$ 1,216,711

Debt Service Requirements for CRA Promissory Notes

Year ending September 30,	Principal	Interest
2007	\$ 184,848	\$ 169,381
2008	189,208	163,967
2009	197,846	157,784
2010	206,418	150,902
2011	211,879	143,547
2012-2016	1,203,019	579,773
2017-2021	1,308,562	297,883
2022-2025	568,295	50,525
Total	\$ 4,070,075	\$ 1,713,762

Derivatives

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

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

Terms, fair values and credit risk. The terms, fair values and credit ratings of the outstanding swaps as of September 30, 2006 were as follows. The notational amounts of the swaps match the principal amounts of the outstanding debt.

Associated Bond Issue	2002A	2005B*	2005C*
Notational Amounts	\$ 31,600,000	\$45,000,000	\$ 55,135,000
Effective Date	07/03/2002	11/16/2005	11/16/2005
Fixed Payer Rate	4.100%	BMA	3.200%
Variable Receiver Rate	BMA	77.14% of LIBOR	68% of LIBOR
Fair Value	\$(390,529)	\$632,095	\$(1,187,994)
Termination Date	10/01/2017	10/01/2021	10/01/2026
Counterparty Credit Rating	As3/A+/AA-	Aaa/AAA	A1/A/A+

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Associated Bond Issue	2006 *	2008*	2008 *
Notational Amounts	\$ 535,305,000	\$ 58,500,000	\$ 31,500,000
Effective Date	07/06/2006	02/01/2008	02/01/2008
Fixed Payer Rate	3.224%	4.222%	4.222%
Variable Receiver Rate	68% of 10 YR	BMA	BMA
Fair Value	\$710,196	n/a	n/a
Termination Date	10/01/2026	10/01/2038	10/01/2038
Counterparty Credit Rating	Aaa/AAA	A1/A/A+	Aa3/A+/A+

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

Fair Value. Certain of the swap agreements have negative fair values as of September 30, 2006. Due to historically low interest rates, the fixed payer rates exceeded the variable receiver rates at that date.

Swap payments and associated debt. Assuming interest rates remain the same at September 30, 2006 debt service requirements on the auction rate notes and interest rate swap would be as follows:

Fiscal Year Ending Sept 30,	Variable Rate		Fixed Rate		Interest Rate Swaps, Net	Total
	Principal	Interest	Principal	Interest		
2007	\$ 3,200,000	\$ 4,410,715	\$ -	\$ 2,839,923	\$ (221,077)	\$ 10,229,561
2008	3,300,000	5,042,094	-	3,245,626	(232,597)	11,355,123
2009	-	4,928,244	-	3,207,076	(244,477)	7,890,843
2010	-	4,928,244	-	3,166,470	(244,477)	7,850,237
2011	5,890,000	4,928,244	-	3,123,808	(244,477)	13,697,575
2012-2016	43,590,000	20,963,108	6,260,000	14,896,870	(1,106,024)	84,603,954
2017-2021	53,310,000	10,572,052	36,585,000	8,132,796	(771,931)	107,827,917
2022-2026	24,565,000	2,855,683	2,155,000	204,435	(2,214,928)	27,565,190
2027	3,085,000	118,610	-	-	(4,558)	3,199,052
Total	\$136,940,000	\$58,746,994	\$45,000,000	\$38,817,004	\$ (5,284,546)	\$274,219,452

Credit Risk. As of September 30, 2006 the fair value of the 2002A and 2005C swaps were negative, therefore the City is not subject to credit risk. However, the fair value of the 2005B and 2006 swaps are positive, exposing the City to credit risk in the amount of the derivative's fair value. To mitigate the potential for credit risk, GRU has negotiated additional termination event and collateralization requirements in the event of a ratings downgrade. Failure to deliver the Collateral Agreement to the City as negotiated and detailed in the Schedule to the International Swap and Derivative Agreement (ISDA) for each counterparty would constitute an Event of Default with respect to that counterparty.

Basis Risk. The swaps expose the City to basis risk. The 2002A swap is exposed to the difference between the weekly BMA index and a 35-day rollover based on current market conditions. As a result, savings may not be realized. As of September 30, 2006, BMA was 3.74%, while the last 35-day rollover rate was 3.45%. The 2005B swap is exposed to basis risk through the potential mismatch of 77.14% of LIBOR and the BMA rate. The 2005C swap is exposed to basis risk through the potential mismatch of 68% of one-month LIBOR and the BMA rate. As of September 30, 2006, the one-month LIBOR rate was 5.32% trading at approximately 70.30% of BMA. The 2006A swap is exposed to basis risk through the potential mismatch of 68% of 10-year LIBOR less .365% and the BMA rate. As of September 30, 2006, the 10-year LIBOR rate was 5.084%, trading at approximately 73.6% of BMA.

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

CITY OF GAINESVILLE, FLORIDA
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(A) Changes in long-term liabilities

Long-term liability activity for the year ended September 30, 2006 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within one year
Governmental activities:					
Bonds payable:					
Revenue bonds and loans	\$ 35,097,220	\$ 22,695,000	\$ 3,700,000	\$ 54,092,220	\$ 3,330,000
Bond premium	654,680	39,168	53,662	640,186	-
Pension obligation bonds	87,924,759	-	202,053	87,722,706	440,104
OPEB obligation bonds	35,210,000	-	2,325,000	32,885,000	2,605,000
Less deferred amounts:					
For issuance discounts	95,389	-	4,708	90,681	-
Total bonds payable	158,791,270	22,734,168	6,276,007	175,249,431	6,375,104
FDEP Depot Park state revolving loan fund	-	2,319,485	-	2,319,485	342,266
GPD Siemens Capital Lease	-	942,136	-	942,136	62,623
Compensated absences	3,031,039	1,500,000	1,233,328	3,297,711	126,836
Total	\$ 161,822,309	\$ 27,495,789	\$ 7,509,335	\$ 181,808,763	\$ 6,906,829
Typically, the General Fund has been used in prior years to liquidate the liability for compensated absences.					
Business-type activities:					
Bonds payable:					
Utility revenue bonds	\$ 370,535,000	\$ 366,980,000	\$ 117,350,000	\$ 620,165,000	\$ 13,015,000
Add: Issuance premiums	8,809,829	2,426,026	-	11,235,855	-
Less deferred amounts:					
For issuance discounts	24,647,778	1,423,335	-	26,071,113	-
Total bonds payable	354,697,051	367,982,691	117,350,000	605,329,742	13,015,000
Utility notes payable	96,822,250	-	96,822,250	-	-
Compensated absences	2,847,833	1,750,000	1,554,830	3,043,003	117,039
Total	\$ 454,367,134	\$ 369,732,691	\$ 215,727,080	\$ 608,372,745	\$ 13,132,039
Community Redevelopment Agency:					
CRA promissory notes	\$ 4,248,403	\$ -	\$ 178,328	\$ 4,070,075	\$ 184,848

CITY OF GAINESVILLE, FLORIDA
Notes to Financial Statements
September 30, 2006

NOTE 6 -- CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2006 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 15,844,365	\$ 1,198,173	\$ 22,934	\$ 17,019,604
Construction in progress	<u>3,924,042</u>	<u>2,063,670</u>	<u>92,235</u>	<u>5,895,477</u>
Total capital assets, not being depreciated	19,768,407	3,261,843	115,169	22,915,081
Capital assets, being depreciated:				
Buildings	40,899,330	1,120,610	442,198	41,577,742
Improvements other than buildings	6,224,387	294,637	35,479	6,483,545
Machinery and equipment	33,956,961	3,810,221	3,230,618	34,536,564
Infrastructure	<u>132,825,687</u>	<u>4,050,978</u>	<u>-</u>	<u>136,876,665</u>
Total capital assets being depreciated	213,906,365	9,276,446	3,708,295	219,474,516
Less accumulated depreciation for:				
Buildings	(14,181,505)	(1,218,575)	(34,201)	(15,365,879)
Improvements other than buildings	(4,933,055)	(167,193)	(21,058)	(5,079,190)
Machinery and equipment	(22,271,295)	(3,915,196)	(3,090,861)	(23,095,630)
Infrastructure	<u>(81,579,820)</u>	<u>(3,118,197)</u>	<u>-</u>	<u>(84,698,017)</u>
Total accumulated depreciation	<u>(122,965,675)</u>	<u>(8,419,161)</u>	<u>(3,146,120)</u>	<u>(128,238,716)</u>
Total capital assets, being depreciated, net	<u>90,940,690</u>	<u>857,285</u>	<u>562,175</u>	<u>91,235,800</u>
Governmental activities capital assets, net	<u>\$ 110,709,097</u>	<u>\$ 4,119,128</u>	<u>\$ 677,344</u>	<u>\$ 114,150,881</u>

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

General Government	\$ 1,393,266
Public Safety	981,882
Transportation	3,543,686
Economic Environment	68,885
Culture & Recreation	511,750
Depreciation on capital assets held by the City's internal service funds is charged to the various functions based on their usage of the assets	<u>1,919,692</u>
Total depreciation expense - governmental activities	<u>\$ 8,419,161</u>

CITY OF GAINESVILLE, FLORIDA
Notes to Financial Statements
September 30, 2006

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 3,566,267	\$ 242,453	\$ -	\$ 3,808,720
Construction in progress	<u>107,867,292</u>	<u>66,879,391</u>	<u>39,583,547</u>	<u>135,163,136</u>
Total capital assets, not being depreciated	111,433,559	67,121,844	39,583,547	138,971,856
Capital assets, being depreciated:				
Utility plant and equipment	1,062,776,877	72,121,573	41,612,171	1,093,286,279
Buildings	3,522,458	9,840	-	3,532,298
Improvements other than buildings	2,257,857	3,435,850	-	5,693,707
Machinery and equipment	19,839,659	2,050,274	1,796,226	20,093,707
Infrastructure	<u>24,937,686</u>	<u>70,495</u>	<u>-</u>	<u>25,008,181</u>
Total capital assets, being depreciated	1,113,334,537	56,589,546	32,673,181	1,147,614,172
Less accumulated depreciation for:				
Utility plant and equipment	(435,022,864)	(34,729,105)	(7,369,427)	(462,382,542)
Buildings	(1,680,925)	(108,739)	-	(1,789,664)
Improvements other than buildings	(1,509,249)	(75,690)	-	(1,584,939)
Machinery and equipment	(11,579,676)	(1,589,912)	(1,784,887)	(11,384,701)
Infrastructure	<u>(17,228,031)</u>	<u>(171,925)</u>	<u>-</u>	<u>(17,399,956)</u>
Total accumulated depreciation	<u>(467,020,745)</u>	<u>(36,675,371)</u>	<u>(9,154,314)</u>	<u>(494,541,802)</u>
Total capital assets, being depreciated, net	<u>646,313,792</u>	<u>19,914,175</u>	<u>23,518,867</u>	<u>653,072,370</u>
Business-type activities capital assets, net	<u>\$ 757,747,351</u>	<u>\$ 87,036,019</u>	<u>\$ 63,102,414</u>	<u>\$ 792,044,226</u>

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

Utility	\$ 34,729,105
Regional Transit System	1,588,260
Stormwater	200,326
Ironwood	132,677
Solid Waste	25,003
Total depreciation expense - business type activities	<u>\$ 36,675,371</u>

NOTE 7 - INDIVIDUAL FUND DEFICITS

The following funds had deficit fund balances/net assets at September 30, 2006:

Special Revenue Funds	
<i>School Crossing Guard Fund</i>	<13,924>
Enterprise Funds	
<i>Ironwood Golf Course</i>	<608,116>
Internal Service Funds	
<i>General Insurance</i>	<890,139>

CITY OF GAINESVILLE, FLORIDA
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The School Crossing Guard Fund deficit is anticipated to be eliminated in FY 2007.

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

In the General Insurance Fund, claim expense outpaced estimates in prior years. Premium structures were revised in FY 2005 to address these issues and the fund realized a positive change in net assets in both FY 2005 and FY 2006. This trend is anticipated to continue.

NOTE 8 – COMPOSITION OF RECEIVABLES AND PAYABLES

Governmental activities

Receivables:

General Fund – Net accounts receivable as of September 30, 2006 are comprised of approximately 17% taxes (communications services tax, half cent sales tax, and local option gas tax), 4% due from other governments, 44% notes receivable, 6% receivables from employees, and 29% other receivables.

Nonmajor governmental funds – Net accounts receivable as of September 30, 2006 consist of approximately 21% loans receivable, 72% intergovernmental receivables, and 7% other receivables.

Payables:

General Fund – As of September 30, 2006, the payables balance in the General Fund consists of 77% wages payable and 23% other payables.

Nonmajor governmental funds – Payables balances as of September 30, 2006 are comprised of 56% construction related obligations, 4% wages payable and 40% other payables.

Business-type activities

Receivables:

Utility Fund – As of September 30, 2006 the net accounts receivable balance in the Utility Fund consists of 92% customer receivables for billed and unbilled utility services and 8% other receivables.

Nonmajor Enterprise Funds – Net accounts receivable as of September 30, 2006 are comprised of approximately 11% unbilled revenue, 50% intergovernmental receivables and 39% other receivables.

Payables:

Utility Fund – As of September 30, 2006 the payables balance in the Utility Fund consists of 41% fuels payable, 28% standard vendor payables, 15% intergovernmental payables, 10% wages payable and 6% other payables.

Nonmajor Enterprise Funds – As of September 30, 2006 payables balances consist of 7% construction related obligations, 11% wages payable and 82% other payables.

CITY OF GAINESVILLE, FLORIDA
Notes to Financial Statements
September 30, 2006

NOTE 9 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Due to/from other funds:

Due to	Due from					Total
	General	Utility	Nonmajor governmental	Internal Service	Nonmajor Enterprise	
General	\$ -	\$ 2,528,949	\$ 2,843,857	\$ -	\$ 122,442	\$ 5,495,248
Utility	-	-	440,892	-	6,302	447,194
Nonmajor						
Governmental	-	9,809	-	-	-	9,809
Internal Service	-	455,816	-	-	-	455,816
Nonmajor Enterprise	-	431,510	-	-	3,455,251	3,886,761
Total	\$ -	\$ 3,426,084	\$ 3,284,749	\$ -	\$ 3,583,995	\$ 10,294,828

There is an interfund balance between the fiduciary funds of \$212,898 which is due to the establishment of an interfund payable resulting from the General Pension Fund overdrawing its share of the pooled cash account. There were no interfund balances between the fiduciary funds and other non-fiduciary funds.

The \$3,455,251 interfund payable between enterprise funds resulted from Ironwood and Regional Transit overdrawing their share of the pooled cash account.

Of the \$5,495,248 due to the General Fund, \$2,843,857 is the result of the establishment of an interfund payable resulting from funds overdrawing their share of the pooled cash account. All remaining balances resulted from the time lag between the dates that (1) interfund good and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund transfers:

Transfer in	Transfer out					Total
	General	Utility	Nonmajor governmental	Internal Service	Nonmajor Enterprise	
General	\$ -	\$ 29,431,037	\$ 508,637	\$ -	\$ 300,000	\$ 30,239,674
Nonmajor						
Governmental	11,311,597	-	27,213,178	434,422	1,242,471	40,201,668
Nonmajor Enterprise	662,160	-	-	-	-	662,160
Total	\$ 11,973,757	\$ 29,431,037	\$ 27,721,815	\$ 434,422	\$ 1,542,471	\$ 71,103,502

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

CITY OF GAINESVILLE, FLORIDA
Notes to Financial Statements
September 30, 2006

NOTE 10 - EQUITY RESERVES

Fund Balance Reserves.

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

A brief description and balances of reported reserved equity balances at September 30, 2006 follows:

<u>Fund Type</u>	<u>Encumbrances</u>	<u>Inventories</u>	<u>Noncurrent Receivable</u>	<u>Debt Service</u>	<u>Legal Restrictions for a Specific Future Use</u>	<u>TOTAL</u>
<i>General Fund</i>	\$ 229,901	\$ 11,447	\$ 4,820,420	\$ -	\$ 3,335,804	\$ 8,397,572
<i>Special Revenue Funds</i>	1,455,596	-	-	-	504,388	1,959,984
<i>Debt Service Funds</i>	-	-	-	499,000	-	499,000
<i>Capital Projects Funds</i>	2,285,170	-	-	-	-	2,285,170
Total Reserves	\$ 3,970,667	\$ 11,447	\$ 4,820,420	\$ 499,000	\$ 3,840,192	\$ 13,141,726

Restricted Net Assets.

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

The composition of net assets “restricted for other purposes”, based on third party external restrictions, at September 30, 2006 is:

Governmental activities

Building Inspection/Codes Enforcement Surplus	\$ 193,919
UF Campus Development Agreement SR 26/26A	303,326
Royal Village	74,550
Total	<u>\$ 571,795</u>

Business-type activities

Ironwood Capital Improvement Surcharge	\$ 59,720
Regional Transit Capital Acquisition Reserve	468,600
Total	<u>\$ 528,320</u>

The government-wide statement of net assets reports \$65,732,249 of restricted net assets, of which \$14,700,660 is restricted by enabling legislation.

CITY OF GAINESVILLE, FLORIDA
Notes to Financial Statements
September 30, 2006

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

In 1986, the City Commission established a formula to determine the amount of Utility System revenues to be transferred to the General Fund of the City from the Enterprise (Utilities System) Funds. The transfer to the General Fund may be made only to the extent such monies are not necessary to pay debt service on the outstanding bonds and subordinated debt or to make other necessary transfers under the Resolution. The transfer to the General Fund for the year ended September 30, 2006 was \$29,431,037.

NOTE 12 - COMMITMENTS AND CONTINGENCIES

Under the Comprehensive Environmental Response Compensation and Liability Act, commonly known as "Superfund", the Utilities System Enterprise Funds (operating as Gainesville Regional Utilities, or GRU) has been named as a potentially responsible party at one hazardous waste site. In addition, in January 1990, GRU purchased the natural gas distribution assets of a company and pursuant to the related purchase agreement, assumed responsibility for the investigation and remediation of environmental impact related to the operation of the former manufactured gas plant. Based upon GRU's analysis of the cost to clean up these sites, GRU has accrued a liability to reflect the costs associated with the cleanup effort. Current fiscal year expenses which reduce the liability balance were \$466,000. When applied against the reserve, it leaves a balance of \$6,465,000 as of September 30, 2006. GRU is recovering the costs of this clean-up through customer charges. A regulatory asset was established as a deferred charge in the accompanying financial statements to represent the balance of customer charges. Current fiscal year billings were \$630,000. This reduced the deferred asset balance to \$6,898,000 as of September 30, 2006. Although some uncertainties associated with environmental assessment and remediation activities remain, GRU believes that the current provision for such costs is adequate and additional costs, if any, will not have a material adverse effect on the City's financial position, results of operations or liquidity.

GRU currently carries a reserve balance of \$2.25 million, primarily for possible liability related to the oil contamination at the Kelly Generating Station. In July of 2006, GRU was notified by the Florida Department of Environmental Protection (FDEP) that provisions of Chapter 62-780, F.A.C. must be complied with on this site. This Rule is currently being utilized to establish a process and time schedule for assessment and remediation of the site. GRU's liability utilizing this Rule is unknown and cannot be reasonably estimated at this time. Therefore, GRU will make no changes to the reserve balance until further information is received and a reasonable estimate can be established.

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

NOTE 13 - LEASE/LEASEBACK TRANSACTION

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

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

CITY OF GAINESVILLE, FLORIDA
Notes to Financial Statements
September 30, 2006

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

Amortization of the net benefit was \$1,775,000 in fiscal year 2006 and was reported as a component of other operating revenue.

On May 17, 2006, President Bush signed into law an act entitled the "Tax Increase Prevention and Reconciliation Act of 2005" (the "Act"). Among other provisions, the Act imposes an excise tax on certain types of leasing transactions entered into by tax-exempt entities, including states and their political subdivisions (including the City). The City is currently evaluating this legislation. At this time, the magnitude of any excise tax that the City may owe under the Act (as a result of having entered into the lease/leaseback transaction) is uncertain because, among other reasons, the Act fails to define important terms relating to the application and measurement of the tax. Accordingly, the City is unable to determine at this time whether the imposition of the excise tax will have a material adverse effect on its results of utility operations or financial condition.

NOTE 14 – INVESTMENT IN THE ENERGY AUTHORITY

In May 2000, GRU became an equity member of The Energy Authority (TEA), a power marketing joint venture. In May, 2002, TEA began trading natural gas on behalf of GRU. As of September 30, 2006 this joint venture was comprised of six municipal utilities across the nation, all of which are participating in the electric marketing and five of which participate in the gas program. GRU's ownership interest was 7.1% in the electric venture and 7.7% in the gas venture, and it accounted for this investment using equity accounting. To become a member, GRU paid an initial capital contribution of \$1,000,000 and a membership fee of \$867,360. The membership fee was amortized over 24 months and, consequently, eliminated at September 30, 2002. GRU has reflected the capital contribution as an investment in TEA. The investment balance has been adjusted for GRU's subsequent share of TEA's net income or loss. In calculating GRU's share of net income or loss, profit on transactions between GRU and TEA have been eliminated. Such transactions primarily relate to purchases and sales of electricity between GRU and TEA.

GRU had electric purchase transactions with TEA of \$21,964,836 and sales transactions of \$3,476,306 in fiscal year 2006. TEA's profit on these transactions has been reflected as a reduction to GRU's reported revenue or expense. As of September 30, 2006, GRU's investment in TEA was \$2,528,440.

GRU provides guarantees to TEA and to TEA's bank to secure letters of credit issued by the bank to cover purchase and sale contracts for electric energy, natural gas and related transmission. In accordance with the membership agreement between GRU and its joint venture members and with the executed guaranties delivered to TEA and to TEA's bank, GRU's aggregate obligation for electric energy marketing transactions entered into by TEA on behalf of its members is \$9,600,000 as of September 30, 2006. GRU's aggregate obligation for TEA's natural gas marketing transactions, under similar agreements and executed guaranties, is \$18,800,000 as of September 30, 2006.

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

NOTE 15 – UTILITIES' FUTURES AND OPTIONS CONTRACTS

GRU conducts a risk management program with the intent of reducing the impact of fuel price spikes for its customers. The program utilizes futures and options contracts that are traded on the New York Mercantile Exchange (NYMEX) so that prices may be fixed or reduced for given volumes of gas that the utility projects to consume during a given production month.

CITY OF GAINESVILLE, FLORIDA
Notes to Financial Statements
September 30, 2006

Based on feedback and direction from GRU's Risk Oversight Committee, consultation and recommendations from reputable risk management sources, and close monitoring of the market on a daily basis, GRU makes every effort to take reasonable steps to minimize the customers' exposure to fuel spikes while, at the same time, attempting to reduce costs.

The information below provides a summary of results based on GRU's risk management activity during fiscal year 2006.

Deposits	\$ 7,791,350
Unrealized Gain/(Loss)	<u>(5,884,880)</u>
Net Investment in Derivatives	<u>\$ 1,906,470</u>

Gains or losses from hedging transactions are applied to GRU's monthly fuel expenses as an offset to fuel cost when realized. Unrealized gains and losses related to hedging positions are deferred under the rate-setting policy. During fiscal year 2006, GRU recognized losses of \$4.8 million.

NOTE 16 – RESTATEMENTS

In prior years, the City issued various promissory notes to its discretely presented component unit, the Community Redevelopment Agency (CRA). Certain of these notes were funded with the City's General Fund revenues while others were funded through City bond issues. In prior years, those notes funded by bond issues were not shown as long-term receivables by the City. None of the notes were shown as long-term debt by the CRA.

Beginning Net Asset balances have been adjusted in the accompanying financial statements to reflect this correction. Beginning Net Assets for Governmental Activities for the Primary Government have been increased by \$2,973,919. Beginning Fund Balance for the General Fund has also been increased by this amount. This reflects those notes funded by bond issues that were not recorded as long-term receivables by the City.

Beginning Net Assets for the CRA have been decreased by \$4,248,403 which reflects the total amount of promissory notes due from CRA to the City at the end of Fiscal Year 2005.

In addition, the fiscal year 2005 calculation of both employer contributions and the related ending negative net OPEB obligation asset were both understated by \$1,631,725. This represents employer payments of the implicit rate subsidy included in the blended-rate premium for active employees during fiscal year 2005. Beginning Net Assets for Governmental Activities has been increased by this amount for fiscal year 2006. In addition, the trend information and beginning Net OPEB obligation (asset) in Note 3 have been amended for fiscal year 2005 by the amount listed above.

NOTE 17 – CONDUIT DEBT

From time to time, the City has issued Industrial Development Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial facilities deemed to be in the public interest. These bonds are secured by the financed property and are payable solely by the private-sector entity served by the bond issuance.

There is no obligation on the part of the City, County, State, or any political subdivision for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of September 30, 2006, there were five Industrial Revenue bonds outstanding, with an aggregate principal amount payable of \$16,000,000.

CITY OF GAINESVILLE, FLORIDA
Notes to Financial Statements
September 30, 2006

NOTE 18 – SUBSEQUENT EVENT

In connection with a future debt issuance, GRU entered into forward interest rate swap agreements with two different counterparties: Bear Stearns Financial Products, Inc. (BSFP) and JPMorgan Chase Bank (JP). The BSFP swap has a February 1, 2008 effective date for an initial notional amount of \$58,500,000 amortizing down to zero on October 1, 2038. Under the terms of the swap, the City would pay BSFP 4.22% on certain payment dates and, in return, BSFP would pay the City the BMA Municipal Swap Index Rate. The JP swap has a February 1, 2008 effective date for an initial notional amount of \$31,500,000 amortizing down to zero on October 1, 2038. Under the terms of this swap, the City would pay JP 4.22% on certain payment dates and, in return, JP would pay the City the BMA Municipal Swap Index Rate.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF GAINESVILLE, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	BUDGETED AMOUNTS		ACTUAL	ENCUMBRANCES	BUDGETARY BASIS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
	ORIGINAL	FINAL				
REVENUES						
Taxes	33,869,409	34,159,409	34,316,334	\$ -	\$ 34,316,334	\$ 156,925
Licenses and Permits	2,669,098	2,669,098	3,073,214	-	3,073,214	404,116
Intergovernmental	10,595,079	11,613,731	12,684,311	-	12,684,311	1,070,580
Charges for Services	7,002,886	7,425,942	7,073,022	-	7,073,022	(352,920)
Fines and Forfeitures	1,394,929	1,394,929	1,353,554	-	1,353,554	(41,375)
Miscellaneous	1,052,009	1,395,056	1,314,987	-	1,314,987	(80,069)
TOTAL REVENUES	56,583,410	58,658,165	59,815,422	-	59,815,422	1,157,257
EXPENDITURES						
Current:						
General Government	16,503,370	16,280,136	14,767,695	105,723	14,873,418	1,406,718
Public Safety	42,315,601	44,394,824	45,184,497	22,831	45,207,328	(812,504)
Physical Environment	2,283,901	2,524,201	2,461,271	43,059	2,504,330	19,871
Transportation	8,806,655	8,934,537	9,259,302	36,645	9,295,947	(361,410)
Economic Environment	336,556	339,446	315,833	-	315,833	23,613
Culture and Recreation	4,891,992	5,099,873	4,971,995	21,643	4,993,638	106,235
TOTAL EXPENDITURES	75,138,075	77,573,017	76,960,593	229,901	77,190,494	382,523
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(18,554,665)	(18,914,852)	(17,145,171)	(229,901)	(17,375,072)	1,539,780
OTHER FINANCING SOURCES (USES)						
Transfers In	28,892,294	28,892,294	30,239,674	-	30,239,674	1,347,380
Transfers Out	(10,627,205)	(14,116,611)	(11,973,757)	-	(11,973,757)	2,142,854
TOTAL OTHER FINANCING SOURCES (USES)	18,265,089	14,775,683	18,265,917	-	18,265,917	3,490,234
NET CHANGE IN FUND BALANCES	(289,576)	(4,139,169)	1,120,746	\$ (229,901)	\$ 890,845	\$ 5,030,014

CITY OF GAINESVILLE, FLORIDA
NOTES TO SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
GENERAL FUND
SEPTEMBER 30, 2006

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

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

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

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

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

As illustrated on the previous page, on the budgetary basis, total expenditures were \$382,523 less than the final budget. Revenues were recognized in an amount \$1,157,257 in excess of the final budget. Including other financing sources and uses, which exceeded the budget in total by \$3,490,234, General Fund fund balances increased by \$5,030,014 more than was budgeted.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF GAINESVILLE, FLORIDA
SCHEDULE OF FUNDING PROGRESS
EMPLOYEES' PENSION PLAN
FOR THE YEAR ENDED SEPTEMBER 30, 2006

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded (UAAL) (b) - (a)	Funded ratio (a/b)	Covered Payroll (c)	UAAL as % of covered payroll (b-a)/c
9/30/06	\$ 262,621,476	\$ 274,195,707	\$ 11,574,231	95.78%	\$ 71,106,379	16.28%
9/30/05	246,611,495	249,529,300	2,917,805	98.83%	63,792,144	4.57%
9/30/04	222,092,000	236,067,000	13,975,000	94.08%	67,135,000	20.82%

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF GAINESVILLE, FLORIDA
SCHEDULE OF FUNDING PROGRESS
DISABILITY PENSION PLAN
FOR THE YEAR ENDED SEPTEMBER 30, 2006

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded (UAAL) (b) - (a)	Funded ratio (a/b)	Covered Payroll (c)	UAAL as % of covered payroll (b-a)/c
09/30/06	\$ 4,225,636	\$ 3,160,818	\$ (1,064,818)	133.69%	\$ 71,106,379	-1.50%
09/30/05	3,773,474	3,052,206	(721,268)	123.63%	63,792,144	-1.13%

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

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF GAINESVILLE, FLORIDA
SCHEDULE OF FUNDING PROGRESS
POLICE OFFICERS' AND FIREFIGHTERS' CONSOLIDATED PENSION PLAN
FOR THE YEAR ENDED SEPTEMBER 30, 2006

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded (UAAL) (b) - (a)	Funded ratio (a/b)	Covered Payroll (c)	UAAL as % of covered payroll (b-a)/c
10/1/06	\$ 155,509,178	\$ 157,048,198	\$ 1,539,020	99.02%	\$ 21,579,538	7.13%
10/1/05	144,236,229	147,209,020	2,972,791	97.98%	21,307,037	13.95%
10/1/04	133,518,595	136,712,754	3,194,159	97.66%	20,229,474	15.79%

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF GAINESVILLE, FLORIDA
SCHEDULE OF FUNDING PROGRESS
OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN
FOR THE YEAR ENDED SEPTEMBER 30, 2006

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded (UAAL) (b) - (a)	Funded ratio (a/b)	Covered Payroll (c)	UAAL as % of covered payroll (b-a)/c
9/30/06	\$ 51,805,265	\$ 73,563,260	\$ 21,757,995	70.42%	\$ 99,154,562	21.94%
9/30/05	49,249,956	75,573,136	26,323,180	65.17%	95,340,925	27.61%

CITY OF GAINESVILLE, FLORIDA
NOTES TO SCHEDULES OF FUNDING PROGRESS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	EMPLOYEES' PLAN	DISABILITY PLAN		CONSOLIDATED PLAN		OPEB PLAN	
Valuation Date	10/01/06	10/01/05		10/01/05		10/01/03	
Actuarial Cost Method	Entry Age Normal	Entry Age Normal		Entry Age Normal		Entry Age Normal	
Amortization Method	Level percent	Level percent		Level percent		Level percent	
Asset Valuation Method	5-year smoothed market	Market value		5-year smoothed market		Market value	
Actuarial Assumptions:							
Investment Rate of Return*	9.25% per annum	9.25% per annum		8.50% per annum		9.00% per annum	
Salary Increase Rate*	<u>Years of svc.</u>	<u>Rate</u>	<u>Years of svc.</u>	<u>Rate</u>	<u>Age range</u>	<u>Rate</u>	not applicable
	6 & under	7%	6 & under	7%	Less than 30	7%	
	7 - 11	6	7 - 11	6	30 - 35	6	
	12 - 16	4	12 - 16	4	35 - 40	5	
	Over 16	3.75	Over 16	3.75	40 & older	4	
Health Care Cost Trend Rate	not applicable	not applicable		not applicable		7%	

* Includes inflation of 3.75%.

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

SUPPLEMENTAL INFORMATION

CITY OF GAINESVILLE, FLORIDA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2006

	SPECIAL REVENUE FUNDS				
	COMMUNITY DEVELOP- MENT BLOCK GRANT FUND	URBAN DEVELOP- MENT ACTION GRANT FUND	HOME GRANT FUND	CULTURAL AND NATURE PROJECTS FUND	STATE LAW ENFORCE- MENT CONTRABAND FORFEITURE FUND
ASSETS					
Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -	\$ -
Equity in Pooled Cash and Investments	-	244,407	-	62,011	49,825
Investments	-	-	-	-	-
Receivables	581,774	1,009,696	885,512	70	-
Due from Other Funds	380	-	-	-	-
Assets Held for Evidence	-	-	-	-	82,908
TOTAL ASSETS	\$ 582,154	\$ 1,254,103	\$ 885,512	\$ 62,081	\$ 132,733
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts Payable and Accrued Liabilities	\$ 15,800	\$ -	\$ 861	\$ 4,745	\$ -
Due to Other Funds	359,830	-	666,456	900	-
Deferred Revenue	34,062	1,009,696	119,600	-	82,908
TOTAL LIABILITIES	409,692	1,009,696	786,917	5,645	82,908
FUND BALANCES					
Reserved for Encumbrances	66,523	-	315,081	-	-
Reserved for Legal Restrictions	17,832	-	486,556	-	-
Reserved for Debt Service	-	-	-	-	-
Unreserved:					
Designated for Future Use	-	-	-	56,436	49,825
Undesignated	88,107	244,407	(703,042)	-	-
TOTAL FUND BALANCES	172,462	244,407	98,595	56,436	49,825
TOTAL LIABILITIES AND FUND BALANCES	\$ 582,154	\$ 1,254,103	\$ 885,512	\$ 62,081	\$ 132,733

(CONTINUED)

CITY OF GAINESVILLE, FLORIDA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2006

SPECIAL REVENUE FUNDS (continued)

	FEDERAL LAW EN- FORCEMENT CONTRABAND FORFEITURE FUND	STREET, SIDEWALK AND DITCH IMPROVE- MENT FUND	ECONOMIC DEVELOP- MENT FUND	MISCEL- LANEOUS GIFTS AND GRANTS FUND	TRANSPOR- TATION CONCURRENCY EXCEPTION AREA FUND
ASSETS					
Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -	\$ -
Equity in Pooled Cash and Investments	4,894,181	125,794	161,996	-	527,722
Investments	-	-	-	-	-
Receivables	-	14,161	81,664	2,144,879	-
Due from Other Funds	-	-	-	-	-
Assets Held for Evidence	-	-	-	-	-
TOTAL ASSETS	\$ 4,894,181	\$ 139,955	\$ 243,660	\$ 2,144,879	\$ 527,722
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts Payable and Accrued Liabilities	\$ 303	\$ -	\$ 4,834	\$ 186,314	\$ -
Due to Other Funds	-	339	-	1,811,272	-
Deferred Revenue	-	14,161	-	86,953	-
TOTAL LIABILITIES	303	14,500	4,834	2,084,539	-
FUND BALANCES					
Reserved for Encumbrances	69,801	-	-	636,844	1,891
Reserved for Legal Restrictions	-	-	-	-	-
Reserved for Debt Service	-	-	-	-	-
Unreserved:					
Designated for Future Use	4,824,077	-	-	-	525,831
Undesignated	-	125,455	238,826	(576,504)	-
TOTAL FUND BALANCES	4,893,878	125,455	238,826	60,340	527,722
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,894,181	\$ 139,955	\$ 243,660	\$ 2,144,879	\$ 527,722

(CONTINUED)

CITY OF GAINESVILLE, FLORIDA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2006

SPECIAL REVENUE FUNDS (continued)

	WATER AND WASTEWATER SURCHARGE INFRA- STRUCTURE FUND	SHIP FUND	FEDERAL EMERGENCY MANAGEMENT AGENCY GRANT FUND	SMALL BUSINESS LOAN FUND	MISC- ELLANEOUS SPECIAL REVENUE FUND
ASSETS					
Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -	\$ -
Equity in Pooled Cash and Investments	718,051	2,921,456	203,933	70,148	393,815
Investments	-	-	-	-	-
Receivables	-	-	-	-	37,004
Due from Other Funds	-	-	-	-	-
Assets Held for Evidence	-	-	-	-	-
TOTAL ASSETS	\$ 718,051	\$ 2,921,456	\$ 203,933	\$ 70,148	\$ 430,819
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts Payable and Accrued Liabilities	\$ -	\$ -	\$ 717	\$ -	\$ 38,032
Due to Other Funds	9,798	-	40,181	-	-
Deferred Revenue	-	-	-	-	-
TOTAL LIABILITIES	9,798	-	40,898	-	38,032
FUND BALANCES					
Reserved for Encumbrances	-	136,442	-	-	38,163
Reserved for Legal Restrictions	-	-	-	-	-
Reserved for Debt Service	-	-	-	-	-
Unreserved:					
Designated for Future Use	708,253	2,785,014	163,035	70,148	354,624
Undesignated	-	-	-	-	-
TOTAL FUND BALANCES	708,253	2,921,456	163,035	70,148	392,787
TOTAL LIABILITIES AND FUND BALANCES	\$ 718,051	\$ 2,921,456	\$ 203,933	\$ 70,148	\$ 430,819

(CONTINUED)

CITY OF GAINESVILLE, FLORIDA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2006

SPECIAL REVENUE FUNDS (continued)

	TOURIST DESTINATION ENHANCE- MENT FUND	EVERGREEN CEMETERY TRUST FUND	THOMAS CENTER FUND	SCHOOL CROSSING GUARD TRUST FUND	ART IN PUBLIC PLACES TRUST FUND
ASSETS					
Cash and Cash Equivalents	\$ -	\$ 56,399	\$ -	\$ -	\$ -
Equity in Pooled Cash and Investments	165,675	-	-	-	23,978
Investments	-	1,432,412	-	-	-
Receivables	47,187	527	-	-	-
Due from Other Funds	-	-	-	-	-
Assets Held for Evidence	-	-	-	-	-
TOTAL ASSETS	\$ 212,862	\$ 1,489,338	\$ -	\$ -	\$ 23,978
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts Payable and Accrued Liabilities	\$ 8,917	\$ -	\$ -	\$ -	\$ -
Due to Other Funds	-	10,645	-	13,924	-
Deferred Revenue	-	527	-	-	-
TOTAL LIABILITIES	8,917	11,172	-	13,924	-
FUND BALANCES					
Reserved for Encumbrances	119,521	-	-	-	-
Reserved for Legal Restrictions	-	-	-	-	-
Reserved for Debt Service	-	-	-	-	-
Unreserved:					
Designated for Future Use	84,424	1,478,166	-	-	23,978
Undesignated	-	-	-	(13,924)	-
TOTAL FUND BALANCES	203,945	1,478,166	-	(13,924)	23,978
TOTAL LIABILITIES AND FUND BALANCES	\$ 212,862	\$ 1,489,338	\$ -	\$ -	\$ 23,978

(CONTINUED)

CITY OF GAINESVILLE, FLORIDA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2006

	<u>SPECIAL REVENUE FUNDS (concluded)</u>				<u>DEBT SERVICE FUNDS</u>
	<u>DOWNTOWN REDEVELOPMENT TAX INCREMENT FUND</u>	<u>FIFTH AVENUE TAX INCREMENT FUND</u>	<u>COLLEGE PARK TAX INCREMENT FUND</u>	<u>EASTSIDE TAX INCREMENT FUND</u>	<u>FFGFC SERIES 1996</u>
<u>ASSETS</u>					
Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -	\$ 504,196
Equity in Pooled Cash and Investments	650,603	677,847	2,220,411	345,470	-
Investments	-	-	-	-	-
Receivables	-	1,390	-	-	-
Due from Other Funds	-	-	-	-	-
Assets Held for Evidence	-	-	-	-	-
TOTAL ASSETS	\$ 650,603	\$ 679,237	\$ 2,220,411	\$ 345,470	\$ 504,196
<u>LIABILITIES AND FUND BALANCES</u>					
<u>LIABILITIES</u>					
Accounts Payable and Accrued Liabilities	\$ 5,337	\$ 620	\$ 2,976	\$ 434	\$ -
Due to Other Funds	-	-	324,351	-	-
Deferred Revenue	-	1,390	-	-	-
TOTAL LIABILITIES	5,337	2,010	327,327	434	-
<u>FUND BALANCES</u>					
Reserved for Encumbrances	17,225	7,334	46,771	-	-
Reserved for Legal Restrictions	-	-	-	-	-
Reserved for Debt Service	-	-	-	-	499,000
Unreserved:					
Designated for Future Use	628,041	669,893	1,846,313	345,036	5,196
Undesignated	-	-	-	-	-
TOTAL FUND BALANCES	645,266	677,227	1,893,084	345,036	504,196
TOTAL LIABILITIES AND FUND BALANCES	\$ 650,603	\$ 679,237	\$ 2,220,411	\$ 345,470	\$ 504,196

(CONTINUED)

CITY OF GAINESVILLE, FLORIDA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2006

DEBT SERVICE FUNDS (continued)

	FFGFC SERIES 1998	FFGFC SERIES 2001	FFGFC SERIES 2002	FFGFC SERIES 2005	GUARANTEED ENTITLEMENT REVENUE AND REFUNDING BONDS 1994	GUARANTEED ENTITLEMENT REFUNDING BONDS 2004
ASSETS						
Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Equity in Pooled Cash and Investments	2,465	3,672	-	19,712	-	18,785
Investments	-	-	-	-	-	-
Receivables	-	-	-	-	-	-
Due from Other Funds	-	-	-	-	-	-
Assets Held for Evidence	-	-	-	-	-	-
TOTAL ASSETS	\$ 2,465	\$ 3,672	\$ -	\$ 19,712	\$ -	\$ 18,785
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts Payable and Accrued Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to Other Funds	-	-	-	-	-	-
Deferred Revenue	-	-	-	-	-	-
TOTAL LIABILITIES	-	-	-	-	-	-
FUND BALANCES						
Reserved for Encumbrances	-	-	-	-	-	-
Reserved for Legal Restrictions	-	-	-	-	-	-
Reserved for Debt Service	-	-	-	-	-	-
Unreserved:						
Designated for Future Use	2,465	3,672	-	19,712	-	18,785
Undesignated	-	-	-	-	-	-
TOTAL FUND BALANCES	2,465	3,672	-	19,712	-	18,785
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,465	\$ 3,672	\$ -	\$ 19,712	\$ -	\$ 18,785

(CONTINUED)

CITY OF GAINESVILLE, FLORIDA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2006

DEBT SERVICE FUNDS (continued)

	PENSION OBLIGATION BOND SERIES 2003A	PENSION OBLIGATION BOND SERIES 2003B	OTHER POST- EMPLOYMENT (OPEB) BONDS 2005	DEPOT AVE STORM- WATER PARK DEBT SERVICE	CAPITAL IMPROVEMENT REVENUE BOND (CIRB) SERIES 2005
<u>ASSETS</u>					
Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -	\$ -
Equity in Pooled Cash and Investments	51,750	26,136	40,677	26,430	27,803
Investments	-	-	-	-	-
Receivables	8,447	-	-	-	-
Due from Other Funds	-	-	-	-	-
Assets Held for Evidence	-	-	-	-	-
TOTAL ASSETS	\$ 60,197	\$ 26,136	\$ 40,677	\$ 26,430	\$ 27,803
<u>LIABILITIES AND FUND BALANCES</u>					
<u>LIABILITIES</u>					
Accounts Payable and Accrued Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -
Due to Other Funds	-	-	-	-	-
Deferred Revenue	-	-	-	-	-
TOTAL LIABILITIES	-	-	-	-	-
<u>FUND BALANCES</u>					
Reserved for Encumbrances	-	-	-	-	-
Reserved for Legal Restrictions	-	-	-	-	-
Reserved for Debt Service	-	-	-	-	-
Unreserved:					
Designated for Future Use	-	-	40,677	26,430	27,803
Undesignated	60,197	26,136	-	-	-
TOTAL FUND BALANCES	60,197	26,136	40,677	26,430	27,803
TOTAL LIABILITIES AND FUND BALANCES	\$ 60,197	\$ 26,136	\$ 40,677	\$ 26,430	\$ 27,803

(CONTINUED)

CITY OF GAINESVILLE, FLORIDA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2006

DEBT SERVICE FUNDS

(concluded)

CAPITAL PROJECTS FUNDS

	GPD ENERGY CONSERV. MASTER CAPITAL LEASE	GENERAL CAPITAL PROJECTS FUND	PUBLIC IMPROVEMENT CONSTRUCTION FUND	GREENSPACE ACQUISITION FUND	INFORMATION SYSTEMS CAPITAL PROJECTS FUND
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ASSETS

Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -	\$ -
Equity in Pooled Cash and Investments	-	654,524	189,281	28,542	2,891
Investments	-	-	-	-	-
Receivables	-	19,500	-	-	-
Due from Other Funds	-	-	-	-	-
Assets Held for Evidence	-	-	-	-	-
TOTAL ASSETS	\$ -	\$ 674,024	\$ 189,281	\$ 28,542	\$ 2,891

LIABILITIES AND FUND BALANCES

LIABILITIES

Accounts Payable and Accrued Liabilities	\$ -	\$ 5,870	\$ -	\$ -	\$ -
Due to Other Funds	-	-	-	-	-
Deferred Revenue	-	-	-	-	-
TOTAL LIABILITIES	-	5,870	-	-	-

FUND BALANCES

Reserved for Encumbrances	-	428,642	-	-	-
Reserved for Legal Restrictions	-	-	-	-	-
Reserved for Debt Service	-	-	-	-	-
Unreserved:					
Designated for Future Use	-	239,512	189,281	28,542	2,891
Undesignated	-	-	-	-	-
TOTAL FUND BALANCES	-	668,154	189,281	28,542	2,891
TOTAL LIABILITIES AND FUND BALANCES	\$ -	\$ 674,024	\$ 189,281	\$ 28,542	\$ 2,891

(CONTINUED)

CITY OF GAINESVILLE, FLORIDA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2006

CAPITAL PROJECTS FUNDS (continued)

	ROADWAY CONSTRUCTION FUND 96	COMMUNICATION EQUIPMENT PROJECT FUND 98	CAPITAL ACQUISITIONS FROM DEBT REFUNDING 98	COURTHOUSE PARKING GARAGE
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -
Equity in Pooled Cash and Investments	562,511	27,570	30,986	17,849
Investments	-	-	-	-
Receivables	-	-	-	-
Due from Other Funds	-	-	-	-
Assets Held for Evidence	-	-	-	-
TOTAL ASSETS	\$ 562,511	\$ 27,570	\$ 30,986	\$ 17,849
<u>LIABILITIES AND FUND BALANCES</u>				
<u>LIABILITIES</u>				
Accounts Payable and Accrued Liabilities	\$ 21,096	\$ -	\$ -	\$ -
Due to Other Funds	-	-	-	-
Deferred Revenue	-	-	-	-
TOTAL LIABILITIES	21,096	-	-	-
<u>FUND BALANCES</u>				
Reserved for Encumbrances	25,245	6,503	-	15,500
Reserved for Legal Restrictions	-	-	-	-
Reserved for Debt Service	-	-	-	-
Unreserved:				
Designated for Future Use	516,170	21,067	30,986	2,349
Undesignated	-	-	-	-
TOTAL FUND BALANCES	541,415	27,570	30,986	17,849
TOTAL LIABILITIES AND FUND BALANCES	\$ 562,511	\$ 27,570	\$ 30,986	\$ 17,849

(CONTINUED)

CITY OF GAINESVILLE, FLORIDA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2006

CAPITAL PROJECTS FUNDS (continued)

	FLEET ACQUISITION FUND 01	CAPITAL PROJECTS FUND 02	DOWNTOWN PARKING GARAGE FUND 02	FIFTH AVENUE/ PLEASANT ST REHAB PROJ FUND 02	DOWNTOWN PARKING GARAGE SALES TAX FUND
<u>ASSETS</u>					
Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -	\$ -
Equity in Pooled Cash and Investments	3,413	3,002,567	13,984	322,968	33,778
Investments	-	-	-	-	-
Receivables	-	480,000	-	-	-
Due from Other Funds	-	-	-	-	-
Assets Held for Evidence	-	-	-	-	-
TOTAL ASSETS	\$ 3,413	\$ 3,482,567	\$ 13,984	\$ 322,968	\$ 33,778
<u>LIABILITIES AND FUND BALANCES</u>					
<u>LIABILITIES</u>					
Accounts Payable and Accrued Liabilities	\$ -	\$ 7,500	\$ -	\$ -	\$ -
Due to Other Funds	-	2,999	-	13,781	-
Deferred Revenue	-	-	-	-	-
TOTAL LIABILITIES	-	10,499	-	13,781	-
<u>FUND BALANCES</u>					
Reserved for Encumbrances	-	58,772	-	50,138	-
Reserved for Legal Restrictions	-	-	-	-	-
Reserved for Debt Service	-	-	-	-	-
Unreserved:					
Designated for Future Use	3,413	3,413,296	13,984	259,049	33,778
Undesignated	-	-	-	-	-
TOTAL FUND BALANCES	3,413	3,472,068	13,984	309,187	33,778
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,413	\$ 3,482,567	\$ 13,984	\$ 322,968	\$ 33,778

(CONTINUED)

CITY OF GAINESVILLE, FLORIDA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2006

CAPITAL PROJECTS FUNDS (continued)

	FFGFC 05 CAPITAL PROJECTS FUND	DEPOT STORM- WATER PARK STATE REVOLVING LOAN FUND	39TH AVENUE FLEET GARAGE EXPANSION FUND	CAPITAL IMPROVEMENT REVENUE BOND (CIRB) 2005 CIP FUND
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -
Equity in Pooled Cash and Investments	4,222,971	958,004	149,788	21,555,441
Investments	-	-	-	-
Receivables	-	87,605	-	-
Due from Other Funds	-	9,429	-	-
Assets Held for Evidence	-	-	-	-
TOTAL ASSETS	\$ 4,222,971	\$ 1,055,038	\$ 149,788	\$ 21,555,441
<u>LIABILITIES AND FUND BALANCES</u>				
<u>LIABILITIES</u>				
Accounts Payable and Accrued Liabilities	\$ 6,387	\$ -	\$ 36,267	\$ 68,242
Due to Other Funds	15,473	-	-	14,800
Deferred Revenue	-	-	-	-
TOTAL LIABILITIES	21,860	-	36,267	83,042
<u>FUND BALANCES</u>				
Reserved for Encumbrances	88,273	18,926	18,926	1,574,245
Reserved for Legal Restrictions	-	-	-	-
Reserved for Debt Service	-	-	-	-
Unreserved:				
Designated for Future Use	4,112,838	1,036,112	94,595	19,898,154
Undesignated	-	-	-	-
TOTAL FUND BALANCES	4,201,111	1,055,038	113,521	21,472,399
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,222,971	\$ 1,055,038	\$ 149,788	\$ 21,555,441

(CONTINUED)

CITY OF GAINESVILLE, FLORIDA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2006

CAPITAL PROJECTS FUNDS (concluded)

	KENNEDY HOMES ACQUISITION/ DEMOLITION FUND	GPD ENERGY CONSERVATION CAPITAL PROJECT FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ -	\$ -	\$ 560,595
Equity in Pooled Cash and Investments	1,888,151	-	48,339,972
Investments	-	222,845	1,655,257
Receivables	58,500	-	5,457,916
Due from Other Funds	-	-	9,809
Assets Held for Evidence	-	-	82,908
TOTAL ASSETS	\$ 1,946,651	\$ 222,845	\$ 56,106,457
<u>LIABILITIES AND FUND BALANCES</u>			
<u>LIABILITIES</u>			
Accounts Payable and Accrued Liabilities	\$ -	\$ -	\$ 415,252
Due to Other Funds	-	-	3,284,749
Deferred Revenue	-	-	1,349,297
TOTAL LIABILITIES	-	-	5,049,298
<u>FUND BALANCES</u>			
Reserved for Encumbrances	-	-	3,740,766
Reserved for Legal Restrictions	-	-	504,388
Reserved for Debt Service	-	-	499,000
Unreserved:			
Designated for Future Use	1,946,651	222,845	46,823,347
Undesignated	-	-	(510,342)
TOTAL FUND BALANCES	1,946,651	222,845	51,057,159
 TOTAL LIABILITIES AND FUND BALANCES	 \$ 1,946,651	 \$ 222,845	 \$ 56,106,457

(CONCLUDED)

CITY OF GAINESVILLE, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	SPECIAL REVENUE FUNDS					
	COMMUNITY DEVELOP- MENT BLOCK GRANT FUND	URBAN DEVELOP- MENT ACTION GRANT FUND	HOME GRANT FUND	CULTURAL AND NATURE PROJECTS FUND	STATE LAW ENFORCE- MENT CONTRABAND FORFEITURE FUND	FEDERAL LAW ENFORCE- MENT CONTRABAND FORFEITURE FUND
REVENUES						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	1,292,121	-	743,252	-	-	-
Charges for Services	33,767	-	420,221	324,892	-	-
Fines and Forfeitures	-	-	-	-	36,870	133,673
Miscellaneous	41,875	156,750	270,079	29,176	14,622	264,177
TOTAL REVENUES	1,367,763	156,750	1,433,552	353,868	51,492	397,850
EXPENDITURES						
Current:						
General Government	-	-	-	-	-	-
Public Safety	-	-	-	-	72,780	592,706
Physical Environment	52,847	-	-	-	-	-
Transportation	-	-	-	-	-	-
Economic Environment	1,038,128	-	1,068,729	-	-	-
Human Services	245,848	-	-	-	-	-
Culture and Recreation	-	-	-	392,393	-	-
Debt Service:						
Principal	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-
Bond Issuance Costs	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-
TOTAL EXPENDITURES	1,336,823	-	1,068,729	392,393	72,780	592,706
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	30,940	156,750	364,823	(38,525)	(21,288)	(194,856)
OTHER FINANCING SOURCES (USES)						
Debt Issuance	-	-	-	-	-	-
Bond Premium	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-
Transfers Out	(30,940)	-	(364,823)	(2,222)	-	(15,923)
TOTAL OTHER FINANCING SOURCES (USES)	(30,940)	-	(364,823)	(2,222)	-	(15,923)
NET CHANGE IN FUND BALANCES	-	156,750	-	(40,747)	(21,288)	(210,779)
FUND BALANCES, October 1	172,462	87,657	98,595	97,183	71,113	5,104,657
FUND BALANCES, September 30	\$ 172,462	\$ 244,407	\$ 98,595	\$ 56,436	\$ 49,825	\$ 4,893,878

(CONTINUED)

CITY OF GAINESVILLE, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

SPECIAL REVENUE FUNDS (continued)

	STREET, SIDEWALK AND DITCH IMPROVEMENT FUND	ECONOMIC DEVELOP- MENT FUND	MISCEL- LANEOUS GIFTS AND GRANTS FUND	TRANSPORTATION CONCURRENCY EXCEPTION AREA FUND	WATER AND WASTEWATER SURCHARGE INFRASTRUCTURE FUND
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	3,674,752	-	-
Charges for Services	-	550	-	156,776	-
Fines and Forfeitures	-	-	-	-	-
Miscellaneous	8,223	150,761	36,925	19,274	21,313
TOTAL REVENUES	8,223	151,311	3,711,677	176,050	21,313
EXPENDITURES					
Current:					
General Government	-	-	-	-	-
Public Safety	-	-	2,039,327	-	-
Physical Environment	-	-	259,742	-	9,798
Transportation	-	-	827,614	41,498	-
Economic Environment	-	254,261	394,968	-	-
Human Services	-	-	-	-	-
Culture and Recreation	-	-	192,721	-	-
Debt Service:					
Principal	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-
Bond Issuance Costs	-	-	-	-	-
Capital Outlay	-	-	-	-	-
TOTAL EXPENDITURES	-	254,261	3,714,372	41,498	9,798
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	8,223	(102,950)	(2,695)	134,552	11,515
OTHER FINANCING SOURCES (USES)					
Debt Issuance	-	-	-	-	-
Bond Premium	-	-	-	-	-
Transfers In	-	71,075	351,520	-	316,135
Transfers Out	-	-	(316,897)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	71,075	34,623	-	316,135
NET CHANGE IN FUND BALANCES	8,223	(31,875)	31,928	134,552	327,650
FUND BALANCES, October 1	117,232	270,701	28,412	393,170	380,603
FUND BALANCES, September 30	\$ 125,455	\$ 238,826	\$ 60,340	\$ 527,722	\$ 708,253

(CONTINUED)

CITY OF GAINESVILLE, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	SPECIAL REVENUE FUNDS (continued)				
	SHIP FUND	FEDERAL EMERGENCY MANAGEMENT AGENCY GRANT FUND	SMALL BUSINESS LOAN FUND	MISCELLANEOUS SPECIAL REVENUE FUND	TOURIST DESTINATION ENHANCEMENT FUND
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	1,108,235	2,743,314	-	170,944	428,721
Charges for Services	-	-	-	26,403	-
Fines and Forfeitures	-	-	-	53,921	-
Miscellaneous	252,994	6,321	90	725,782	-
TOTAL REVENUES	1,361,229	2,749,635	90	977,050	428,721
EXPENDITURES					
Current:					
General Government	-	-	-	286,764	-
Public Safety	-	-	-	299,520	-
Physical Environment	-	-	-	-	-
Transportation	-	-	-	-	-
Economic Environment	-	-	-	-	-
Human Services	679,534	-	-	106,372	-
Culture and Recreation	-	-	-	176,742	365,564
Debt Service:					
Principal	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-
Bond Issuance Costs	-	-	-	-	-
Capital Outlay	-	-	-	-	-
TOTAL EXPENDITURES	679,534	-	-	869,398	365,564
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	681,695	2,749,635	90	107,652	63,157
OTHER FINANCING SOURCES (USES)					
Debt Issuance	-	-	-	-	-
Bond Premium	-	-	-	-	-
Transfers In	-	-	-	157,117	-
Transfers Out	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	157,117	-
NET CHANGE IN FUND BALANCES	681,695	2,749,635	90	264,769	63,157
FUND BALANCES, October 1	2,239,761	(2,586,600)	70,058	128,018	140,788
FUND BALANCES, September 30	\$ 2,921,456	\$ 163,035	\$ 70,148	\$ 392,787	\$ 203,945

(CONTINUED)

CITY OF GAINESVILLE, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	SPECIAL REVENUE FUNDS (continued)					
	EVERGREEN CEMETERY TRUST FUND	THOMAS CENTER FUND	SCHOOL CROSSING GUARD TRUST FUND	ART IN PUBLIC PLACES TRUST FUND	DOWNTOWN REDEVELOP- MENT TAX INCREMENT FUND	FIFTH AVENUE TAX INCREMENT FUND
REVENUES						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 509,285	\$ 167,242
Intergovernmental	-	-	-	-	-	188,800
Charges for Services	28,975	-	-	-	-	-
Fines and Forfeitures	-	-	37,707	-	-	-
Miscellaneous	122,023	(156)	1,762	1,662	36,510	163,365
TOTAL REVENUES	150,998	(156)	39,469	1,662	545,795	519,407
EXPENDITURES						
Current:						
General Government	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-
Physical Environment	-	-	-	-	-	-
Transportation	-	-	-	-	-	-
Economic Environment	-	-	-	-	691,075	495,004
Human Services	-	-	-	-	-	-
Culture and Recreation	-	-	-	17,711	-	-
Debt Service:						
Principal	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-
Bond Issuance Costs	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-
TOTAL EXPENDITURES	-	-	-	17,711	691,075	495,004
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	150,998	(156)	39,469	(16,049)	(145,280)	24,403
OTHER FINANCING SOURCES (USES)						
Debt Issuance	-	-	-	-	-	-
Bond Premium	-	-	-	-	-	-
Transfers In	-	5,742	-	-	280,046	92,111
Transfers Out	(45,110)	-	(100,000)	(9,000)	(52,828)	-
TOTAL OTHER FINANCING SOURCES (USES)	(45,110)	5,742	(100,000)	(9,000)	227,218	92,111
NET CHANGE IN FUND BALANCES	105,888	5,586	(60,531)	(25,049)	81,938	116,514
FUND BALANCES, October 1	1,372,278	(5,586)	46,807	49,027	563,328	560,713
FUND BALANCES, September 30	\$ 1,478,166	\$ -	\$ (13,924)	\$ 23,978	\$ 645,266	\$ 677,227

(CONTINUED)

CITY OF GAINESVILLE, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	<u>SPECIAL REV FUNDS (concl)</u>		<u>DEBT SERVICE FUNDS</u>			
	<u>COLLEGE PARK TAX INCREMENT FUND</u>	<u>EASTSIDE TAX INCREMENT FUND</u>	<u>FFGFC SERIES 1996</u>	<u>FFGFC SERIES 1998</u>	<u>FFGFC SERIES 2001</u>	<u>FFGFC SERIES 2002</u>
<u>REVENUES</u>						
Taxes	\$ 696,004	\$ 164,675	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-
Fines and Forfeitures	-	-	-	-	-	-
Miscellaneous	98,877	15,466	20,988	6,909	4,292	2,759
TOTAL REVENUES	794,881	180,141	20,988	6,909	4,292	2,759
<u>EXPENDITURES</u>						
Current:						
General Government	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-
Physical Environment	-	-	-	-	-	-
Transportation	-	-	-	-	-	-
Economic Environment	1,109,564	163,430	-	-	-	-
Human Services	-	-	-	-	-	-
Culture and Recreation	-	-	-	-	-	-
Debt Service:						
Principal	-	-	395,000	885,000	600,000	365,000
Interest and Fiscal Charges	-	-	124,694	335,137	24,620	420,346
Bond Issuance Costs	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-
TOTAL EXPENDITURES	1,109,564	163,430	519,694	1,220,137	624,620	785,346
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(314,683)	16,711	(498,706)	(1,213,228)	(620,328)	(782,587)
<u>OTHER FINANCING SOURCES (USES)</u>						
Debt Issuance	-	-	-	-	-	-
Bond Premium	-	-	-	-	-	-
Transfers In	382,278	93,436	420,544	1,215,693	624,000	782,587
Transfers Out	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	382,278	93,436	420,544	1,215,693	624,000	782,587
NET CHANGE IN FUND BALANCES	67,595	110,147	(78,162)	2,465	3,672	-
FUND BALANCES, October 1	1,825,489	234,889	582,358	-	-	-
FUND BALANCES, September 30	\$ 1,893,084	\$ 345,036	\$ 504,196	\$ 2,465	\$ 3,672	\$ -

(CONTINUED)

CITY OF GAINESVILLE, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

DEBT SERVICE FUNDS (continued)						
	FFGFC SERIES 2005	GUARANTEED ENTITLEMENT REVENUE AND REFUNDING BONDS 1994	GUARANTEED ENTITLEMENT REFUNDING BONDS 2004	PENSION OBLIGATION BOND SERIES 2003A	PENSION OBLIGATION BOND SERIES 2003B	OTHER POST- EMPLOYMENT (OPEB) BONDS 2005
REVENUES						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	1,042,313	-	-	1,727,289
Charges for Services	-	-	-	691,348	-	-
Fines and Forfeitures	-	-	-	-	-	-
Miscellaneous	13,848	700	18,385	13,560	26,136	25,076
TOTAL REVENUES	13,848	700	1,060,698	704,908	26,136	1,752,365
EXPENDITURES						
Current:						
General Government	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-
Physical Environment	-	-	-	-	-	-
Transportation	-	-	-	-	-	-
Economic Environment	-	-	-	-	-	-
Human Services	-	-	-	-	-	-
Culture and Recreation	-	-	-	-	-	-
Debt Service:						
Principal	205,000	-	600,000	67,351	134,702	2,325,000
Interest and Fiscal Charges	207,610	-	442,613	1,098,424	2,349,219	1,586,755
Bond Issuance Costs	-	-	-	-	-	4,947
Capital Outlay	-	-	-	-	-	-
TOTAL EXPENDITURES	412,610	-	1,042,613	1,165,775	2,483,921	3,916,702
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(398,762)	700	18,085	(460,867)	(2,457,785)	(2,164,337)
OTHER FINANCING SOURCES (USES)						
Debt Issuance	-	-	-	-	-	-
Bond Premium	-	-	-	-	-	-
Transfers In	218,474	-	700	474,427	2,483,921	2,178,513
Transfers Out	-	(700)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	218,474	(700)	700	474,427	2,483,921	2,178,513
NET CHANGE IN FUND BALANCES	(180,288)	-	18,785	13,560	26,136	14,176
FUND BALANCES, October 1	200,000	-	-	46,637	-	26,501
FUND BALANCES, September 30	\$ 19,712	\$ -	\$ 18,785	\$ 60,197	\$ 26,136	\$ 40,677

(CONTINUED)

CITY OF GAINESVILLE, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	<u>DEBT SERVICE FUNDS (concluded)</u>			<u>CAPITAL PROJECTS FUNDS</u>	
	DEPOT AVE STORM- WATER PARK DEBT SERVICE	CAPITAL IMPROVEMENT REVENUE BOND (CIRB) SERIES 2005	GPD ENERGY CONSERV. MASTER CAPITAL LEASE	GENERAL CAPITAL PROJECTS FUND	PUBLIC IMPROVEMENT CONSTRUCTION FUND
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-
Charges for Services	-	-	-	-	-
Fines and Forfeitures	-	-	-	-	-
Miscellaneous	26,430	18,233	-	161,658	10,299
TOTAL REVENUES	26,430	18,233	-	161,658	10,299
EXPENDITURES					
Current:					
General Government	-	-	-	-	-
Public Safety	-	-	-	-	-
Physical Environment	-	-	-	-	-
Transportation	-	-	-	-	-
Economic Environment	-	-	-	-	-
Human Services	-	-	-	-	-
Culture and Recreation	-	-	-	-	-
Debt Service:					
Principal	-	650,000	-	-	-
Interest and Fiscal Charges	-	833,222	-	-	-
Bond Issuance Costs	-	296,780	-	-	-
Capital Outlay	-	-	-	921,316	24,900
TOTAL EXPENDITURES	-	1,780,002	-	921,316	24,900
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	26,430	(1,761,769)	-	(759,658)	(14,601)
OTHER FINANCING SOURCES (USES)					
Debt Issuance	2,319,485	22,695,000	942,136	-	-
Bond Premium	-	39,168	-	-	-
Transfers In	-	1,457,072	-	702,810	-
Transfers Out	(2,319,485)	(22,401,668)	(942,136)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	1,789,572	-	702,810	-
NET CHANGE IN FUND BALANCES	26,430	27,803	-	(56,848)	(14,601)
FUND BALANCES, October 1	-	-	-	725,002	203,882
FUND BALANCES, September 30	\$ 26,430	\$ 27,803	\$ -	\$ 668,154	\$ 189,281

(CONTINUED)

CITY OF GAINESVILLE, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	CAPITAL PROJECTS FUNDS (continued)				
	GREENSPACE ACQUISITION FUND	INFORMATION SYSTEMS CAPITAL PROJECTS FUND	ROADWAY CONSTRUCTION FUND 96	COMMUNICATION EQUIPMENT PROJECT FUND 98	CAPITAL ACQUISITIONS FROM DEBT REFUNDING 98
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-
Charges for Services	-	-	-	-	-
Fines and Forfeitures	-	-	-	-	-
Miscellaneous	1,415	144	36,409	1,671	2,455
TOTAL REVENUES	1,415	144	36,409	1,671	2,455
EXPENDITURES					
Current:					
General Government	-	-	-	-	-
Public Safety	-	-	-	-	-
Physical Environment	-	-	-	-	-
Transportation	-	-	-	-	-
Economic Environment	-	-	-	-	-
Human Services	-	-	-	-	-
Culture and Recreation	-	-	-	-	-
Debt Service:					
Principal	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-
Bond Issuance Costs	-	-	-	-	-
Capital Outlay	-	-	210,423	5,965	28,361
TOTAL EXPENDITURES	-	-	210,423	5,965	28,361
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,415	144	(174,014)	(4,294)	(25,906)
OTHER FINANCING SOURCES (USES)					
Debt Issuance	-	-	-	-	-
Bond Premium	-	-	-	-	-
Transfers In	-	-	-	-	-
Transfers Out	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-
NET CHANGE IN FUND BALANCES	1,415	144	(174,014)	(4,294)	(25,906)
FUND BALANCES, October 1	27,127	2,747	715,429	31,864	56,892
FUND BALANCES, September 30	\$ 28,542	\$ 2,891	\$ 541,415	\$ 27,570	\$ 30,986

(CONTINUED)

CITY OF GAINESVILLE, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

CAPITAL PROJECTS FUNDS (continued)

	COURTHOUSE PARKING GARAGE	FLEET ACQUISITION FUND 01	CAPITAL PROJECTS FUND 02	DOWNTOWN PARKING GARAGE FUND 02	FIFTH AVENUE/ PLEASANT ST. REHAB. PROJ. FUND 02
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	480,000	-	-
Charges for Services	-	-	-	-	-
Fines and Forfeitures	-	-	-	-	-
Miscellaneous	893	169	175,952	1,419	19,929
TOTAL REVENUES	893	169	655,952	1,419	19,929
EXPENDITURES					
Current:					
General Government	-	-	-	-	-
Public Safety	-	-	-	-	-
Physical Environment	-	-	-	-	-
Transportation	-	-	-	-	-
Economic Environment	-	-	-	-	-
Human Services	-	-	-	-	-
Culture and Recreation	-	-	-	-	-
Debt Service:					
Principal	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-
Bond Issuance Costs	-	-	-	-	-
Capital Outlay	250	-	888,555	18,769	131,309
TOTAL EXPENDITURES	250	-	888,555	18,769	131,309
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	643	169	(232,603)	(17,350)	(111,380)
OTHER FINANCING SOURCES (USES)					
Debt Issuance	-	-	-	-	-
Bond Premium	-	-	-	-	-
Transfers In	-	-	-	-	-
Transfers Out	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-
NET CHANGE IN FUND BALANCES	643	169	(232,603)	(17,350)	(111,380)
FUND BALANCES, October 1	17,206	3,244	3,704,671	31,334	420,567
FUND BALANCES, September 30	\$ 17,849	\$ 3,413	\$ 3,472,068	\$ 13,984	\$ 309,187

(CONTINUED)

CITY OF GAINESVILLE, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

CAPITAL PROJECTS FUNDS (continued)

	DOWNTOWN PARKING GARAGE SALES TAX FUND	FFGFC 05 CAPITAL PROJECTS FUND	DEPOT STORM- WATER PARK STATE REVOLVING LOAN FUND	39TH AVENUE FLEET GARAGE EXPANSION FUND	CAPITAL IMPROVEMENT REVENUE BOND (CIRB) 2005 CIP FUND
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-
Charges for Services	-	-	-	-	-
Fines and Forfeitures	-	-	-	-	-
Miscellaneous	1,992	238,435	1,595	1,958	588,485
TOTAL REVENUES	1,992	238,435	1,595	1,958	588,485
EXPENDITURES					
Current:					
General Government	-	-	-	-	-
Public Safety	-	-	-	-	-
Physical Environment	-	-	-	-	-
Transportation	-	-	-	-	-
Economic Environment	-	-	-	-	-
Human Services	-	-	-	-	-
Culture and Recreation	-	-	-	-	-
Debt Service:					
Principal	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-
Bond Issuance Costs	-	-	-	-	-
Capital Outlay	6,782	998,360	1,266,042	138,437	397,671
TOTAL EXPENDITURES	6,782	998,360	1,266,042	138,437	397,671
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(4,790)	(759,925)	(1,264,447)	(136,479)	190,814
OTHER FINANCING SOURCES (USES)					
Debt Issuance	-	-	-	-	-
Bond Premium	-	-	-	-	-
Transfers In	-	-	2,319,485	250,000	22,401,668
Transfers Out	-	-	-	-	(1,120,083)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	2,319,485	250,000	21,281,585
NET CHANGE IN FUND BALANCES	(4,790)	(759,925)	1,055,038	113,521	21,472,399
FUND BALANCES, October 1	38,568	4,961,036	-	-	-
FUND BALANCES, September 30	\$ 33,778	\$ 4,201,111	\$ 1,055,038	\$ 113,521	\$ 21,472,399

(CONTINUED)

CITY OF GAINESVILLE, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

CAPITAL PROJ FUNDS (concl)

	KENNEDY HOMES ACQUISITION/ DEMOLITION FUND	GPD ENERGY CONSERVATION CAPITAL PROJECT FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
REVENUES			
Taxes	\$ -	\$ -	\$ 1,537,206
Intergovernmental	-	-	13,599,741
Charges for Services	-	-	1,682,732
Fines and Forfeitures	-	-	262,171
Miscellaneous	-	11,391	3,871,456
TOTAL REVENUES	-	11,391	20,953,306
EXPENDITURES			
Current:			
General Government	-	-	286,764
Public Safety	-	-	3,004,333
Physical Environment	-	-	322,387
Transportation	-	-	869,112
Economic Environment	-	-	5,215,159
Human Services	-	-	1,031,754
Culture and Recreation	-	-	1,145,131
Debt Service:			
Principal	-	-	6,227,053
Interest and Fiscal Charges	-	-	7,422,640
Bond Issuance Costs	-	-	301,727
Capital Outlay	33,527	730,682	5,801,349
TOTAL EXPENDITURES	33,527	730,682	31,627,409
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(33,527)	(719,291)	(10,674,103)
OTHER FINANCING SOURCES (USES)			
Debt Issuance	-	-	25,956,621
Bond Premium	-	-	39,168
Transfers In	1,980,178	942,136	40,201,668
Transfers Out	-	-	(27,721,815)
TOTAL OTHER FINANCING SOURCES (USES)	1,980,178	942,136	38,475,642
NET CHANGE IN FUND BALANCES	1,946,651	222,845	27,801,539
FUND BALANCES, October 1	-	-	23,255,620
FUND BALANCES, September 30	\$ 1,946,651	\$ 222,845	\$ 51,057,159

(CONCLUDED)

CITY OF GAINESVILLE, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
COMMUNITY DEVELOPMENT BLOCK GRANT FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006

	<u>ACTUAL</u>	<u>ENCUMBRANCES</u>	<u>BUDGETARY BASIS</u>	<u>BUDGET</u>	<u>VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)</u>
REVENUES					
Intergovernmental	\$ 1,292,121	\$ -	\$ 1,292,121	\$ 2,421,214	\$ (1,129,093)
Charges for Services	33,767	-	33,767	16,644	17,123
Miscellaneous	41,875	-	41,875	41,873	2
TOTAL REVENUES	1,367,763	-	1,367,763	2,479,731	(1,111,968)
EXPENDITURES					
Physical Environment	52,847	14,375	67,222	723,028	655,806
Economic Environment	1,038,128	15,774	1,053,902	1,413,504	359,602
Human Services	245,848	36,374	282,222	312,259	30,037
Total Expenditures	1,336,823	66,523	1,403,346	2,448,791	1,045,445
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	30,940	(66,523)	(35,583)	30,940	(66,523)
OTHER FINANCING USES					
Transfers Out	(30,940)	-	(30,940)	(30,940)	-
NET CHANGE IN FUND BALANCES	\$ -	\$ (66,523)	\$ (66,523)	\$ -	\$ (66,523)

CITY OF GAINESVILLE, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
URBAN DEVELOPMENT ACTION GRANT FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006

	<u>ACTUAL</u>	<u>ENCUMBRANCES</u>	<u>BUDGETARY BASIS</u>	<u>BUDGET</u>	<u>VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)</u>
<u>REVENUES</u>					
Miscellaneous:					
Principal Payments	\$ 124,428	\$ -	\$ 124,428	\$ 124,428	\$ -
Investment Income	<u>32,322</u>	<u>-</u>	<u>32,322</u>	<u>32,322</u>	<u>-</u>
TOTAL REVENUES	156,750	-	156,750	156,750	-
<u>EXPENDITURES</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>50,589</u>	<u>50,589</u>
EXCESS OF REVENUES OVER EXPENDITURES	\$ 156,750	\$ -	\$ 156,750	\$ 106,161	\$ 50,589

CITY OF GAINESVILLE, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
HOME GRANT FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006

	<u>ACTUAL</u>	<u>ENCUMBRANCES</u>	<u>BUDGETARY BASIS</u>	<u>BUDGET</u>	<u>VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)</u>
REVENUES					
Intergovernmental	\$ 743,252	\$ -	\$ 743,252	\$ 1,866,562	\$ (1,123,310)
Charges for Services	420,221	-	420,221	420,221	-
Miscellaneous	270,079	-	270,079	266,615	3,464
TOTAL REVENUES	1,433,552	-	1,433,552	2,553,398	(1,119,846)
EXPENDITURES					
Economic Environment	1,068,729	315,081	1,383,810	2,188,575	804,765
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	364,823	(315,081)	49,742	364,823	(315,081)
OTHER FINANCING USES					
Transfer Out	(364,823)	-	(364,823)	(364,823)	-
NET CHANGE IN FUND BALANCES	\$ -	\$ (315,081)	\$ (315,081)	\$ -	\$ (315,081)

CITY OF GAINESVILLE, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
CULTURAL AND NATURE PROJECTS FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006

	<u>ACTUAL</u>	<u>ENCUMBRANCES</u>	<u>BUDGETARY BASIS</u>	<u>BUDGET</u>	<u>VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)</u>
REVENUES					
Charges for Services:					
Rents and Fees	\$ 324,692	\$ -	\$ 324,692	\$ 416,900	\$ (92,208)
Miscellaneous:					
Investment Income	4,014	-	4,014	6,000	(1,986)
Donations	25,162	-	25,162	101,000	(75,838)
Total Miscellaneous	<u>29,176</u>	<u>-</u>	<u>29,176</u>	<u>107,000</u>	<u>(77,824)</u>
TOTAL REVENUES	353,868	-	353,868	523,900	(170,032)
EXPENDITURES					
Culture and Recreation	<u>392,393</u>	<u>-</u>	<u>392,393</u>	<u>473,024</u>	<u>80,631</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(38,525)	-	(38,525)	50,876	(89,401)
OTHER FINANCING USES					
Transfers Out	<u>(2,222)</u>	<u>-</u>	<u>(2,222)</u>	<u>(12,222)</u>	<u>10,000</u>
NET CHANGE IN FUND BALANCES	\$ (40,747)	\$ -	\$ (40,747)	\$ 38,654	\$ (79,401)

CITY OF GAINESVILLE, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
STATE LAW ENFORCEMENT CONTRABAND FORFEITURE FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006

	<u>ACTUAL</u>	<u>ENCUMBRANCES</u>	<u>BUDGETARY BASIS</u>	<u>BUDGET</u>	<u>VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)</u>
REVENUES					
Fines and Forfeitures:					
Confiscated Property	\$ 36,870	\$ -	\$ 36,870	\$ 20,452	\$ 16,418
Miscellaneous:					
Investment Income	3,631	-	3,631	1,498	2,133
Other Miscellaneous	10,991	-	10,991	7,095	3,896
Total Miscellaneous	14,622	-	14,622	8,593	6,029
TOTAL REVENUES	51,492	-	51,492	29,045	22,447
EXPENDITURES					
Public Safety	72,780	-	72,780	78,328	5,548
EXCESS OF REVENUES UNDER EXPENDITURES	\$ (21,288)	\$ -	\$ (21,288)	\$ (49,283)	\$ 27,995

CITY OF GAINESVILLE, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
FEDERAL LAW ENFORCEMENT CONTRABAND FORFEITURE FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006

	<u>ACTUAL</u>	<u>ENCUMBRANCES</u>	<u>BUDGETARY BASIS</u>	<u>BUDGET</u>	<u>VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)</u>
<u>REVENUES</u>					
Fines and Forfeitures:					
Confiscated Property	\$ 133,673	\$ -	\$ 133,673	\$ 103,685	\$ 29,988
Miscellaneous:					
Investment Income	<u>264,177</u>	<u>-</u>	<u>264,177</u>	<u>91,308</u>	<u>172,869</u>
TOTAL REVENUES	397,850	-	397,850	194,993	202,857
<u>EXPENDITURES</u>					
Public Safety	<u>592,706</u>	<u>69,801</u>	<u>662,507</u>	<u>4,467,249</u>	<u>3,804,742</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(194,856)	(69,801)	(264,657)	(4,272,256)	4,007,599
<u>OTHER FINANCING USES</u>					
Transfers Out	<u>(15,923)</u>	<u>-</u>	<u>(15,923)</u>	<u>(20,916)</u>	<u>4,993</u>
NET CHANGE IN FUND BALANCES	\$ (210,779)	\$ (69,801)	\$ (280,580)	\$ (4,293,172)	\$ 4,012,592

CITY OF GAINESVILLE, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
ECONOMIC DEVELOPMENT FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006

	<u>ACTUAL</u>	<u>ENCUMBRANCES</u>	<u>BUDGETARY BASIS</u>	<u>BUDGET</u>	<u>VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)</u>
<u>REVENUES</u>					
Charges For Services	\$ 550	\$ -	\$ 550	\$ -	\$ 550
Miscellaneous:					
Rental Income	143,225	-	143,225	158,000	(14,775)
Investment Income	7,536	-	7,536	4,500	3,036
Total Miscellaneous Revenue	<u>150,761</u>	<u>-</u>	<u>150,761</u>	<u>162,500</u>	<u>(11,739)</u>
TOTAL REVENUES	151,311	-	151,311	162,500	(11,189)
<u>EXPENDITURES</u>					
Economic Environment	<u>254,261</u>	<u>-</u>	<u>254,261</u>	<u>319,006</u>	<u>64,745</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(102,950)	-	(102,950)	(156,506)	53,556
<u>OTHER FINANCING SOURCES</u>					
Transfers In	<u>71,075</u>	<u>-</u>	<u>71,075</u>	<u>71,075</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	\$ (31,875)	\$ -	\$ (31,875)	\$ (85,431)	\$ 53,556

CITY OF GAINESVILLE, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
EVERGREEN CEMETERY TRUST FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006

	<u>ACTUAL</u>	<u>ENCUMBRANCES</u>	<u>BUDGETARY BASIS</u>	<u>BUDGET</u>	<u>VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)</u>
REVENUES					
Charges for Services	\$ 28,975	\$ -	\$ 28,975	\$ 21,000	\$ 7,975
Miscellaneous:					
Investment Income	<u>122,023</u>	<u>-</u>	<u>122,023</u>	<u>41,674</u>	<u>80,349</u>
TOTAL REVENUES	150,998	-	150,998	62,674	88,324
EXPENDITURES					
Physical Environment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES OVER EXPENDITURES	150,998	-	150,998	62,674	88,324
OTHER FINANCING USES					
Transfers Out	<u>(45,110)</u>	<u>-</u>	<u>(45,110)</u>	<u>(45,110)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	\$ 105,888	\$ -	\$ 105,888	\$ 17,564	\$ 88,324

CITY OF GAINESVILLE, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
SCHOOL CROSSING GUARD TRUST FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006

	<u>ACTUAL</u>	<u>ENCUMBRANCES</u>	<u>BUDGETARY BASIS</u>	<u>BUDGET</u>	<u>VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)</u>
<u>REVENUES</u>					
Fines and Forfeitures	\$ 37,707	\$ -	\$ 37,707	\$ 58,000	\$ (20,293)
Miscellaneous:					
Investment Income	<u>1,762</u>	<u>-</u>	<u>1,762</u>	<u>2,000</u>	<u>(238)</u>
TOTAL REVENUES	39,469	-	39,469	60,000	(20,531)
<u>EXPENDITURES</u>					
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES OVER EXPENDITURES	39,469	-	39,469	60,000	(20,531)
<u>OTHER FINANCING USES</u>					
Transfers Out	<u>(100,000)</u>	<u>-</u>	<u>(100,000)</u>	<u>(100,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	\$ (60,531)	\$ -	\$ (60,531)	\$ (40,000)	\$ (20,531)

CITY OF GAINESVILLE, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
ART IN PUBLIC PLACES TRUST FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006

	<u>ACTUAL</u>	<u>ENCUMBRANCES</u>	<u>BUDGETARY BASIS</u>	<u>BUDGET</u>	<u>VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)</u>
<u>REVENUES</u>					
Miscellaneous:					
Investment Income	\$ 1,662	\$ -	\$ 1,662	\$ -	\$ 1,662
<u>EXPENDITURES</u>					
Culture and Recreation	<u>17,711</u>	<u>-</u>	<u>17,711</u>	<u>40,027</u>	<u>22,316</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(16,049)	-	(16,049)	(40,027)	23,978
<u>OTHER FINANCING USES</u>					
Transfers Out	<u>(9,000)</u>	<u>-</u>	<u>(9,000)</u>	<u>(9,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>\$ (25,049)</u>	<u>\$ -</u>	<u>\$ (25,049)</u>	<u>\$ (49,027)</u>	<u>\$ 23,978</u>

CITY OF GAINESVILLE, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
FFGFC FUND - SERIES 1996
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)</u>
<u>REVENUES</u>			
Miscellaneous:			
Investment Income	\$ 20,988	\$ 36,000	\$ (15,012)
<u>EXPENDITURES</u>			
Debt Service:			
Principal	395,000	395,000	-
Interest and Fiscal Charges	124,694	126,625	1,931
TOTAL EXPENDITURES	519,694	521,625	1,931
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(498,706)	(485,625)	(13,081)
<u>OTHER FINANCING SOURCES</u>			
Transfers In	420,544	420,544	-
NET CHANGE IN FUND BALANCES	\$ (78,162)	\$ (65,081)	\$ (13,081)

CITY OF GAINESVILLE, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
FFGFC FUND - SERIES 1998
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)</u>
<u>REVENUES</u>			
Miscellaneous:			
Investment Income	<u>\$ 6,909</u>	<u>\$ 6,909</u>	<u>\$ -</u>
<u>EXPENDITURES</u>			
Debt Service:			
Principal	885,000	885,000	-
Interest and Fiscal Charges	<u>335,137</u>	<u>337,602</u>	<u>2,465</u>
TOTAL EXPENDITURES	<u>1,220,137</u>	<u>1,222,602</u>	<u>2,465</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,213,228)	(1,215,693)	2,465
<u>OTHER FINANCING SOURCES</u>			
Transfers In	<u>1,215,693</u>	<u>1,215,693</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>\$ 2,465</u>	<u>\$ -</u>	<u>\$ 2,465</u>

CITY OF GAINESVILLE, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
FFGFC FUND - SERIES 2001
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)</u>
<u>REVENUES</u>			
Miscellaneous:			
Investment Income	\$ 4,292	\$ 4,292	\$ -
<u>EXPENDITURES</u>			
Debt Service:			
Principal	600,000	600,000	-
Interest and Fiscal Charges	24,620	28,292	3,672
TOTAL EXPENDITURES	<u>624,620</u>	<u>628,292</u>	<u>3,672</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(620,328)	(624,000)	3,672
<u>OTHER FINANCING SOURCES</u>			
Transfers In	624,000	624,000	-
NET CHANGE IN FUND BALANCES	<u>\$ 3,672</u>	<u>\$ -</u>	<u>\$ 3,672</u>

CITY OF GAINESVILLE, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
FFGFC FUND - SERIES 2002
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)</u>
<u>REVENUES</u>			
Miscellaneous:			
Investment Income	\$ 2,759	\$ 2,759	\$ -
<u>EXPENDITURES</u>			
Debt Service:			
Principal	365,000	365,000	-
Interest	420,346	420,346	-
TOTAL EXPENDITURES	<u>785,346</u>	<u>785,346</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(782,587)	(782,587)	-
<u>OTHER FINANCING SOURCES</u>			
Transfers In	<u>782,587</u>	<u>782,587</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF GAINESVILLE, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
FFGFC FUND - SERIES 2005
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)</u>
<u>REVENUES</u>			
Miscellaneous:			
Investment Income	\$ 13,848	\$ 13,848	\$ -
<u>EXPENDITURES</u>			
Debt Service:			
Principal	205,000	205,000	-
Interest and Fiscal Charges	207,610	207,610	-
TOTAL EXPENDITURES	412,610	412,610	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(398,762)	(398,762)	-
<u>OTHER FINANCING SOURCES</u>			
Transfers In	218,474	218,474	-
NET CHANGE IN FUND BALANCES	\$ (180,288)	\$ (180,288)	\$ -

CITY OF GAINESVILLE, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
GUARANTEED ENTITLEMENT REVENUE AND REFUNDING BONDS 1994
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)</u>
<u>REVENUES</u>			
Miscellaneous:			
Investment Income	\$ 700	\$ 700	\$ -
<u>EXPENDITURES</u>			
	-	-	-
EXCESS OF REVENUES OVER EXPENDITURES	700	700	-
<u>OTHER FINANCING USES</u>			
Transfers Out	(700)	(700)	-
NET CHANGE IN FUND BALANCES	\$ -	\$ -	\$ -

CITY OF GAINESVILLE, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
GUARANTEED ENTITLEMENT REVENUE AND REFUNDING BONDS 2004
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)</u>
<u>REVENUES</u>			
Intergovernmental:			
State Revenue Sharing	\$ 1,042,313	\$ 1,042,313	\$ -
Miscellaneous:			
Investment Income	<u>18,385</u>	<u>22,150</u>	<u>(3,765)</u>
TOTAL REVENUES	<u>1,060,698</u>	<u>1,064,463</u>	<u>(3,765)</u>
<u>EXPENDITURES</u>			
Debt Service:			
Principal	600,000	600,000	-
Interest and Fiscal Charges	<u>442,613</u>	<u>443,313</u>	<u>700</u>
TOTAL EXPENDITURES	<u>1,042,613</u>	<u>1,043,313</u>	<u>700</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	18,085	21,150	(3,065)
<u>OTHER FINANCING SOURCES</u>			
Transfers In	<u>700</u>	<u>700</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>\$ 18,785</u>	<u>\$ 21,850</u>	<u>\$ (3,065)</u>

CITY OF GAINESVILLE, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
PENSION OBLIGATION BOND SERIES 2003A
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)</u>
<u>REVENUES</u>			
Charges for Services:			
Charges to GACRAA	\$ 2,896	\$ 2,896	\$ -
Charges to GRU	683,144	683,144	-
Other Charges	5,308	5,308	-
Miscellaneous:			
Investment Income	<u>13,560</u>	<u>-</u>	<u>13,560</u>
TOTAL REVENUES	<u>704,908</u>	<u>691,348</u>	<u>13,560</u>
<u>EXPENDITURES</u>			
Debt Service:			
Principal	67,351	67,351	-
Interest & Fiscal Charges	<u>1,098,424</u>	<u>1,098,424</u>	<u>-</u>
TOTAL EXPENDITURES	<u>1,165,775</u>	<u>1,165,775</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(460,867)	(474,427)	13,560
<u>OTHER FINANCING SOURCES</u>			
Transfers In	<u>474,427</u>	<u>474,427</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>\$ 13,560</u>	<u>\$ -</u>	<u>\$ 13,560</u>

CITY OF GAINESVILLE, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
PENSION OBLIGATION BOND SERIES 2003B
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)</u>
<u>REVENUES</u>			
Miscellaneous:			
Investment Income	<u>\$ 26,136</u>	<u>\$ 1,000</u>	<u>\$ 25,136</u>
<u>EXPENDITURES</u>			
Debt Service:			
Principal	134,702	135,702	1,000
Interest & Fiscal Charges	<u>2,349,219</u>	<u>2,349,219</u>	<u>-</u>
TOTAL EXPENDITURES	<u>2,483,921</u>	<u>2,484,921</u>	<u>1,000</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(2,457,785)	(2,483,921)	26,136
<u>OTHER FINANCING SOURCES</u>			
Transfers In	<u>2,483,921</u>	<u>2,483,921</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>\$ 26,136</u>	<u>\$ -</u>	<u>\$ 26,136</u>

CITY OF GAINESVILLE, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
OTHER POST EMPLOYMENT (OPEB) BONDS 2005
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)</u>
<u>REVENUES</u>			
Intergovernmental:			
Local Cost Sharing	\$ 1,727,289	\$ 1,727,177	\$ 112
Miscellaneous:			
Investment Income	<u>25,076</u>	<u>25,076</u>	<u>-</u>
TOTAL REVENUES	<u>1,752,365</u>	<u>1,752,253</u>	<u>112</u>
<u>EXPENDITURES</u>			
Debt Service:			
Principal	2,325,000	2,325,000	-
Interest and Fiscal Charges	1,586,755	1,586,755	-
Bond Issuance Costs	<u>4,947</u>	<u>4,947</u>	<u>-</u>
TOTAL EXPENDITURES	<u>3,916,702</u>	<u>3,916,702</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(2,164,337)	(2,164,449)	112
<u>OTHER FINANCING SOURCES</u>			
Transfers In	<u>2,178,513</u>	<u>2,184,578</u>	<u>(6,065)</u>
NET CHANGE IN FUND BALANCES	<u>\$ 14,176</u>	<u>\$ 20,129</u>	<u>\$ (5,953)</u>

CITY OF GAINESVILLE, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
DEPOT AVENUE STORMWATER PARK DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)</u>
<u>REVENUES</u>			
Miscellaneous:			
Investment Income	\$ 26,430	\$ -	\$ 26,430
<u>EXPENDITURES</u>			
	-	-	-
EXCESS OF REVENUES OVER EXPENDITURES	<u>26,430</u>	<u>-</u>	<u>26,430</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Debt Issuance	2,319,485	4,312,000	(1,992,515)
Transfers Out	<u>(2,319,485)</u>	<u>(4,312,000)</u>	<u>1,992,515</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>\$ 26,430</u>	<u>\$ -</u>	<u>\$ 26,430</u>

CITY OF GAINESVILLE, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
CAPITAL IMPROVEMENT REVENUE BOND (CIRB) - SERIES 2005
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)</u>
<u>REVENUES</u>			
Miscellaneous:			
Investment Income	\$ 18,233	\$ -	\$ 18,233
<u>EXPENDITURES</u>			
Debt Service:			
Principal	650,000	650,000	-
Interest and Fiscal Charges	833,222	807,072	(26,150)
Bond Issuance Costs	296,780	332,500	35,720
TOTAL EXPENDITURES	1,780,002	1,789,572	9,570
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,761,769)	(1,789,572)	27,803
<u>OTHER FINANCING SOURCES (USES)</u>			
Debt Issuance	22,695,000	22,695,000	-
Bond Premium	39,168	39,168	-
Transfers In	1,457,072	1,457,072	-
Transfers Out	(22,401,668)	(22,401,668)	-
TOTAL OTHER FINANCING SOURCES (USES)	1,789,572	1,789,572	-
NET CHANGE IN FUND BALANCES	\$ 27,803	\$ -	\$ 27,803

CITY OF GAINESVILLE, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
GPD ENERGY CONSERVATION MASTER LEASE FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)</u>
<u>REVENUES</u>	\$ -	\$ -	\$ -
<u>EXPENDITURES</u>	-	-	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	-
<u>OTHER FINANCING SOURCES (USES)</u>			
Debt Issuance	942,136	942,136	-
Transfers Out	(942,136)	(942,136)	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-
NET CHANGE IN FUND BALANCES	\$ -	\$ -	\$ -

CITY OF GAINESVILLE, FLORIDA
COMBINING STATEMENT OF NET ASSETS
NONMAJOR ENTERPRISE FUNDS
SEPTEMBER 30, 2006

	REGIONAL TRANSIT SYSTEM FUND	STORMWATER MANAGEMENT UTILITY FUND	IRONWOOD GOLF COURSE FUND
<u>ASSETS</u>			
Current Assets:			
Cash and Cash Equivalents	\$ 1,550	\$ -	\$ 3,400
Equity in Pooled Cash and Investments	-	2,206,308	-
Receivables	3,407,030	-	1,400
Due from Other Funds	-	3,582,321	-
Inventories	<u>529,388</u>	<u>-</u>	<u>34,356</u>
Total Current Assets	<u>3,937,968</u>	<u>5,788,629</u>	<u>39,156</u>
Noncurrent Assets:			
Capital Assets (net of accumulated depreciation):			
Buildings	1,136,221	33,030	573,383
Improvements other than buildings	1,151,669	-	315,642
Machinery and equipment	8,509,265	64,965	69,104
Infrastructure	-	7,608,225	-
Capital Assets (not depreciated):			
Land	434,765	2,752,701	520,265
Construction in progress	<u>401,409</u>	<u>3,676,687</u>	<u>-</u>
Total Noncurrent Assets	<u>11,633,329</u>	<u>14,135,608</u>	<u>1,478,394</u>
TOTAL ASSETS	<u>15,571,297</u>	<u>19,924,237</u>	<u>1,517,550</u>
 <u>LIABILITIES</u>			
Current Liabilities:			
Accounts Payable and Accrued Liabilities	754,874	102,858	17,701
Accounts Payable - Payroll	183,684	47,540	2,197
Due to Other Funds	1,486,309	-	2,097,686
Current Portion of Long-term Debt	<u>10,145</u>	<u>2,363</u>	<u>311</u>
Total Current Liabilities	2,435,012	152,761	2,117,895
Noncurrent Liabilities:			
Long-Term Debt	<u>253,624</u>	<u>59,073</u>	<u>7,771</u>
TOTAL LIABILITIES	<u>2,688,636</u>	<u>211,834</u>	<u>2,125,666</u>
 <u>NET ASSETS</u>			
Invested in capital assets, net of related debt	11,633,329	14,135,608	1,478,394
Restricted for:			
Capital Improvement Surcharge	-	-	59,720
RTS Grant	468,600	-	-
Unrestricted	<u>780,732</u>	<u>5,576,795</u>	<u>(2,146,230)</u>
TOTAL NET ASSETS	<u>\$ 12,882,661</u>	<u>\$ 19,712,403</u>	<u>\$ (608,116)</u>

(CONTINUED)

CITY OF GAINESVILLE, FLORIDA
COMBINING STATEMENT OF NET ASSETS
NONMAJOR ENTERPRISE FUNDS
SEPTEMBER 30, 2006

	SOLID WASTE FUND		TOTAL NONMAJOR ENTERPRISE FUNDS
<u>ASSETS</u>			
Current Assets:			
Cash and Cash Equivalents	\$ -		\$ 4,950
Equity in Pooled Cash and Investments	73,069		2,279,377
Receivables	415,876		3,824,306
Due from Other Funds	304,440		3,886,761
Inventories	-		563,744
Total Current Assets	793,385		10,559,138
Noncurrent Assets:			
Capital Assets (net of accumulated depreciation):			
Buildings	-		1,742,634
Improvements other than buildings	2,641,457		4,108,768
Machinery and equipment	65,672		8,709,006
Infrastructure	-		7,608,225
Capital Assets (not depreciated):			
Land	100,989		3,808,720
Construction in progress	449,606		4,527,702
Total Noncurrent Assets	3,257,724		30,505,055
TOTAL ASSETS	4,051,109		41,064,193
 <u>LIABILITIES</u>			
Current Liabilities:			
Accounts Payable and Accrued Liabilities	1,050,111		1,925,544
Accounts Payable - Payroll	11,244		244,665
Due to Other Funds	-		3,583,995
Current Portion of Long-term Debt	730		13,549
Total Current Liabilities	1,062,085		5,767,753
Noncurrent Liabilities:			
Long-Term Debt	18,253		338,721
TOTAL LIABILITIES	1,080,338		6,106,474
 <u>NET ASSETS</u>			
Invested in capital assets, net of related debt	3,257,724		30,505,055
Restricted for:			
Capital Improvement Surcharge	-		59,720
RTS Grant	-		468,600
Unrestricted	(286,953)		3,924,344
TOTAL NET ASSETS	\$ 2,970,771		\$ 34,957,719

(CONCLUDED)

CITY OF GAINESVILLE, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
NONMAJOR ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006

	REGIONAL TRANSIT SYSTEM FUND	STORMWATER MANAGEMENT UTILITY FUND	IRONWOOD GOLF COURSE FUND	SOLID WASTE FUND	TOTAL NONMAJOR ENTERPRISE FUNDS
OPERATING REVENUES					
Sales and Service Charges	\$ 9,061,565	\$ 5,269,791	\$ 888,908	\$ 7,419,406	\$ 22,639,670
Other Operating Revenues	48,440	-	59,720	-	108,160
TOTAL OPERATING REVENUES	9,110,005	5,269,791	948,628	7,419,406	22,747,830
OPERATING EXPENSES					
Operations and Maintenance	14,286,803	4,670,155	786,541	6,627,839	26,371,338
Administrative and General	900,250	372,114	399,640	-	1,672,004
Depreciation and Amortization	1,588,260	200,326	132,677	25,003	1,946,266
TOTAL OPERATING EXPENSES	16,775,313	5,242,595	1,318,858	6,652,842	29,989,608
OPERATING INCOME (LOSS)	(7,665,308)	27,196	(370,230)	766,564	(7,241,778)
NON OPERATING REVENUES (EXPENSES)					
Investment Income / (Loss)	(44,802)	255,666	(77,651)	59,554	192,767
Gain(Loss) on Disposal of Capital Assets	24,311	(95)	-	-	24,216
Local Option Gas Tax	1,990,000	-	-	-	1,990,000
Other Revenue	-	139,700	-	-	139,700
Operating Grants	3,567,605	-	-	-	3,567,605
TOTAL NON OPERATING REVENUE(EXPENSES)	5,537,114	395,271	(77,651)	59,554	5,914,288
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	(2,128,194)	422,467	(447,881)	826,118	(1,327,490)
Capital Contributions	2,477,108	2,305,805	2,806	-	4,785,719
Transfers In	442,160	-	220,000	-	662,160
Transfers Out	(358,592)	(330,359)	(229,193)	(624,327)	(1,542,471)
CHANGE IN NET ASSETS	432,482	2,397,913	(454,268)	201,791	2,577,918
TOTAL NET ASSETS					
October 1	12,450,179	17,314,490	(153,848)	2,768,980	32,379,801
TOTAL NET ASSETS					
September 30	\$ 12,882,661	\$ 19,712,403	\$ (608,116)	\$ 2,970,771	\$ 34,957,719

CITY OF GAINESVILLE, FLORIDA
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006

	REGIONAL TRANSIT SYSTEM FUND	STORMWATER MANAGEMENT UTILITY FUND	IRONWOOD GOLF COURSE FUND	SOLID WASTE FUND	TOTAL NONMAJOR ENTERPRISE FUNDS
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>					
Cash Received from Customers	\$ 9,078,539	\$ 5,635,051	\$ 888,908	\$ 7,607,192	\$ 23,209,690
Cash Paid to Suppliers	(5,993,755)	(2,469,223)	(934,911)	(5,445,206)	(14,843,095)
Cash Paid to Employees	(8,740,410)	(2,601,281)	(255,999)	(622,237)	(12,219,927)
Other Operating Receipts	-	-	59,720	-	59,720
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(5,655,626)	564,547	(242,282)	1,539,749	(3,793,612)
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>					
Local Option Gas Tax	1,990,000	-	-	-	1,990,000
Operating Grants	3,567,605	-	-	-	3,567,605
Interest Paid	(69,154)	-	(77,651)	-	(146,805)
Interfund Borrowing	1,769,512	(1,846,353)	329,126	-	252,285
Transfers from Other Funds	442,160	-	220,000	-	662,160
Transfers to Other Funds	(358,592)	(330,359)	(229,193)	(624,327)	(1,542,471)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACITIVITES	7,341,531	(2,176,712)	242,282	(624,327)	4,782,774
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>					
Proceeds from Sale of Capital Assets	35,554	-	-	-	35,554
Capital Contributions	-	855,200	-	-	855,200
Acquisition and Construction of Capital Assets	(1,863,876)	(610,309)	-	(2,021,373)	(4,495,558)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(1,828,322)	244,891	-	(2,021,373)	(3,604,804)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>					
Interest Received	-	255,666	-	59,554	315,220
Purchase of Investments	1,550	(1,438,367)	-	(47,636)	(1,484,453)
Proceeds from Investment Maturities	-	2,163,062	-	729,818	2,892,880
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	1,550	980,361	-	741,736	1,723,647
NET INCREASE (DECREASE) IN CASH	(140,867)	(386,913)	-	(364,215)	(891,995)
CASH - OCTOBER 1	142,417	1,154,854	3,400	389,648	1,690,319
CASH - SEPTEMBER 30	\$ 1,550	\$ 767,941	\$ 3,400	\$ 25,433	\$ 798,324

(continued)

CITY OF GAINESVILLE, FLORIDA
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006

	<u>REGIONAL TRANSIT SYSTEM FUND</u>	<u>STORMWATER MANAGEMENT UTILITY FUND</u>	<u>IRONWOOD GOLF COURSE FUND</u>	<u>SOLID WASTE FUND</u>	<u>TOTAL NONMAJOR ENTERPRISE FUNDS</u>
OPERATING INCOME (LOSS)	\$ (7,665,308)	\$ 27,196	\$ (370,230)	\$ 766,564	\$ (7,241,778)
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:					
Depreciation and Amortization	1,588,260	200,326	132,677	25,003	1,946,266
(Increase)/Decrease in Receivables	(31,466)	67,973	-	(20,055)	16,452
(Increase)/Decrease in Due from Other Funds	-	(102,553)	-	207,841	105,288
(Increase)/Decrease in Inventories	(23,844)	-	(7,617)	-	(31,461)
Increase/(Decrease) in Accounts Payable and Accrued Liabilities	470,430	(28,234)	2,888	560,396	1,005,480
Increase/(Decrease) in Due to Other Funds	6,302	399,839	-	-	406,141
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ (5,655,626)	\$ 564,547	\$ (242,282)	\$ 1,539,749	\$ (3,793,612)

**RECONCILIATION OF CASH TO
BALANCE SHEET**

Cash	\$ 1,550	\$ 767,941	\$ 3,400	\$ 25,433	\$ 798,324
Investments	-	1,438,367	-	47,636	1,486,003
TOTAL CASH, EQUITY IN POOL AND INVESTMENTS PER BALANCE SHEET	\$ 1,550	\$ 2,206,308	\$ 3,400	\$ 73,069	\$ 2,284,327

**NONCASH CAPITAL, INVESTING AND
FINANCING ACTIVITIES**

Contribution of Capital Assets	\$ 2,477,108	\$ 1,450,605	\$ 2,806	\$ -	\$ 3,930,519
Change in Fair Value of Investments	2,035	(58,790)	-	(13,993)	(70,748)

(concluded)

CITY OF GAINESVILLE, FLORIDA
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
SEPTEMBER 30, 2006

	GENERAL INSURANCE FUND	EMPLOYEES HEALTH AND ACCIDENT BENEFITS FUND	FLEET MANAGEMENT FUND	TOTALS
<u>ASSETS</u>				
Current Assets:				
Cash and Cash Equivalents	\$ 35,633	\$ 349,345	\$ 85	\$ 385,063
Equity in Pooled Cash and Investments	6,444,559	3,664,831	6,596,201	16,705,591
Receivables	-	-	6,939	6,939
Due from Other Funds	238,286	-	217,530	455,816
Inventories	-	-	113,035	113,035
Prepaid Expenses	48,159	-	-	48,159
Total Current Assets	<u>6,766,637</u>	<u>4,014,176</u>	<u>6,933,790</u>	<u>17,714,603</u>
Noncurrent Assets:				
Capital Assets (net of accumulated depreciation):				
Buildings	-	-	78,147	78,147
Improvements other than Buildings	-	-	27,175	27,175
Machinery and Equipment	3,533	14,811	7,946,421	7,964,765
Capital Assets (non depreciable):				
Land	-	-	146,033	146,033
Construction in Progress	-	-	142,728	142,728
Total Noncurrent Assets	<u>3,533</u>	<u>14,811</u>	<u>8,340,504</u>	<u>8,358,848</u>
TOTAL ASSETS	<u>6,770,170</u>	<u>4,028,987</u>	<u>15,274,294</u>	<u>26,073,451</u>
 <u>LIABILITIES</u>				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	7,645,719	1,265,735	84,363	8,995,817
Accounts Payable - Payroll	14,590	4,067	25,443	44,100
TOTAL LIABILITIES	<u>7,660,309</u>	<u>1,269,802</u>	<u>109,806</u>	<u>9,039,917</u>
 <u>NET ASSETS</u>				
Invested in Capital Assets	3,533	14,811	8,340,504	8,358,848
Unrestricted	(893,672)	2,744,374	6,823,984	8,674,686
TOTAL NET ASSETS	<u>\$ (890,139)</u>	<u>\$ 2,759,185</u>	<u>\$ 15,164,488</u>	<u>\$ 17,033,534</u>

CITY OF GAINESVILLE, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006

	GENERAL INSURANCE FUND	EMPLOYEES HEALTH AND ACCIDENT BENEFITS FUND	FLEET MANAGEMENT FUND	TOTALS
<u>OPERATING REVENUES</u>				
Sales and Service Charges	\$ 7,796,840	\$ 3,649,387	\$ 7,036,081	\$ 18,482,308
Employer Contributions	-	7,659,953	-	7,659,953
Employee Contributions	-	3,779,201	-	3,779,201
Other Operating Revenues	9,032	5,136	171,323	185,491
TOTAL OPERATING REVENUES	7,805,872	15,093,677	7,207,404	30,106,953
<u>OPERATING EXPENSES</u>				
Operations and Maintenance	6,230,765	2,397,628	3,665,898	12,294,291
Administrative and General	1,015,186	265,553	634,869	1,915,608
Depreciation and Amortization	1,397	2,836	1,915,457	1,919,690
Benefits Paid and Other Expenses	-	11,295,239	-	11,295,239
TOTAL OPERATING EXPENSES	7,247,348	13,961,256	6,216,224	27,424,828
OPERATING INCOME	558,524	1,132,421	991,180	2,682,125
<u>NON OPERATING REVENUES</u>				
Interest Revenue	270,237	126,798	294,779	691,814
Gain on Disposal of Capital Assets	-	-	151,263	151,263
TOTAL NON OPERATING REVENUES	270,237	126,798	446,042	843,077
INCOME BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	828,761	1,259,219	1,437,222	3,525,202
Capital Contributions	-	-	35,000	35,000
Transfers Out	(108,107)	(6,585)	(319,730)	(434,422)
CHANGE IN NET ASSETS	720,654	1,252,634	1,152,492	3,125,780
TOTAL NET ASSETS, October 1	(1,610,793)	1,506,551	14,011,996	13,907,754
TOTAL NET ASSETS, September 30	\$ (890,139)	\$ 2,759,185	\$ 15,164,488	\$ 17,033,534

CITY OF GAINESVILLE, FLORIDA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006

	GENERAL INSURANCE FUND	EMPLOYEES HEALTH AND ACCIDENT BENEFITS FUND	FLEET MANAGEMENT FUND	TOTALS
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>				
Cash Received from Customers	\$ 7,889,810	\$ 15,093,677	\$ 7,191,040	\$ 30,174,527
Cash Paid to Suppliers	(6,378,929)	(13,756,136)	(3,021,248)	(23,156,313)
Cash Paid to Employees	(720,797)	(179,980)	(1,473,163)	(2,373,940)
NET CASH PROVIDED BY OPERATING ACTIVITIES	790,084	1,157,561	2,696,629	4,644,274
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>				
Transfers to Other Funds	(108,107)	(6,585)	(319,730)	(434,422)
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>				
Proceeds from Sale of Capital Assets	-	-	151,263	151,263
Capital Contributions	-	-	35,000	35,000
Acquisition and Construction of Capital Assets	-	(9,694)	(2,133,636)	(2,143,330)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	-	(9,694)	(1,947,373)	(1,957,067)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>				
Interest Received	270,237	126,798	294,779	691,814
Purchase of Investments	(4,224,656)	(2,616,977)	(4,300,342)	(11,141,975)
Proceeds from Investment Maturities	3,603,876	1,790,273	3,828,143	9,222,292
NET CASH USED BY INVESTING ACTIVITIES	(350,543)	(699,906)	(177,420)	(1,227,869)
NET INCREASE IN CASH	331,434	441,376	252,106	1,024,916
CASH - OCTOBER 1	1,924,102	955,823	2,043,838	4,923,763
CASH - SEPTEMBER 30	\$ 2,255,536	\$ 1,397,199	\$ 2,295,944	\$ 5,948,679

(continued)

CITY OF GAINESVILLE, FLORIDA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006

	GENERAL INSURANCE FUND	EMPLOYEES HEALTH AND ACCIDENT BENEFITS FUND	FLEET MANAGEMENT FUND	TOTALS
<u>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</u>				
OPERATING INCOME	\$ 558,524	\$ 1,132,421	\$ 991,180	\$ 2,682,125
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Depreciation and Amortization	1,397	2,836	1,915,457	1,919,690
(Increase)/Decrease in Receivables	-	-	(4,201)	(4,201)
(Increase)/Decrease in Due from Other Funds	83,938	-	(12,162)	71,776
(Increase)/Decrease in Inventories	-	-	(7,906)	(7,906)
(Increase)/Decrease in Prepaid Expenses	35,302	-	-	35,302
Increase/(Decrease) in Accounts Payable and Accrued Liabilities	110,923	22,304	(185,739)	(52,512)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 790,084	\$ 1,157,561	\$ 2,696,629	\$ 4,644,274

<u>RECONCILIATION OF CASH TO BALANCE SHEET</u>				
Cash	\$ 2,255,536	\$ 1,397,199	\$ 2,295,944	\$ 5,948,679
Investments	4,224,656	2,616,977	4,300,342	11,141,975
TOTAL CASH AND EQUITY IN POOL PER BALANCE SHEET	\$ 6,480,192	\$ 4,014,176	\$ 6,596,286	\$ 17,090,654

<u>NONCASH CAPITAL, INVESTING AND FINANCING ACTIVITIES</u>				
Change in Fair Value of Investments	\$ (45,094)	\$ (27,512)	\$ (46,850)	\$ (119,456)

(concluded)

CITY OF GAINESVILLE, FLORIDA
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PENSION AND OPEB TRUST FUNDS
SEPTEMBER 30, 2006

	EMPLOYEES PENSION FUND	EMPLOYEES DISABILITY PENSION FUND	POLICE OFFICERS AND FIREFIGHTERS CONSOLIDATED RETIREMENT FUND	OTHER POST- EMPLOYMENT BENEFITS (OPEB) FUND	TOTALS
ASSETS					
Cash and Cash Equivalents	\$ 2,072,894	\$ 130,357	\$ 598,875	\$ 2,165,168	\$ 4,967,294
Equity in Pooled Cash and Investments	-	867,217	6,030,455	203,999	7,101,671
Investments, at fair value:					
Common and Preferred Stock	106,609,527	2,129,443	94,058,678	35,657,073	238,454,721
Mutual Funds	124,346,153	-	58,082,130	-	182,428,283
Real Estate Investment Trust	936,260	-	1,589,203	-	2,525,463
U. S. Treasury Obligations	3,990,873	151,337	2,076,569	1,689,832	7,908,611
Mortgage & Asset Backed Securities	1,706,520	354,190	728,968	2,428,022	5,217,700
Corporate Bonds	28,701,470	-	15,056,779	69,489	43,827,738
Government Agencies	10,119,644	386,884	3,645,701	9,903,907	24,056,136
Total investments, at fair value:	276,410,447	3,021,854	175,238,028	49,748,323	504,418,652
Receivables	697,569	-	396,178	-	1,093,747
Due from Other Funds	33,221	212,898	-	-	246,119
TOTAL ASSETS	279,214,131	4,232,326	182,263,536	52,117,490	517,827,483
LIABILITIES					
Accounts Payable and Accrued Liabilities	4,543	1,564	2,080	308,034	316,221
Due to Other Funds	212,898	-	-	-	212,898
TOTAL LIABILITIES	217,441	1,564	2,080	308,034	529,119
NET ASSETS HELD IN TRUST FOR PENSION AND OPEB BENEFITS	\$ 278,996,690	\$ 4,230,762	\$ 182,261,456	\$ 51,809,456	\$ 517,298,364

CITY OF GAINESVILLE, FLORIDA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PENSION AND OPEB TRUST FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	EMPLOYEES PENSION FUND	EMPLOYEES DISABILITY PENSION FUND	POLICE OFFICERS AND FIREFIGHTERS CONSOLIDATED RETIREMENT FUND	OTHER POST- EMPLOYMENT BENEFITS (OPEB) FUND	TOTALS
ADDITIONS:					
Contributions:					
Employer Contributions:					
Required	\$ 2,489,336	\$ 507,979	\$ 1,555,941	\$ 768,378	\$ 5,321,634
State on Behalf Payments, through General Fund	-	-	1,172,293	-	1,172,293
Total Employer Contributions	2,489,336	507,979	2,728,234	768,378	6,493,927
Employee Contributions	5,472,910	-	3,047,699	1,065,460	9,586,069
Total Contributions	7,962,246	507,979	5,775,933	1,833,838	16,079,996
Investment Income:					
Net Appreciation in Fair Value of Investments	23,279,340	210,448	15,207,091	3,216,007	41,912,886
Dividends & Interest	4,871,053	93,015	3,554,357	1,558,107	10,076,532
Total Investment Income	28,150,393	303,463	18,761,448	4,774,114	51,989,418
Less Investment Expense	1,297,273	19,085	844,957	399,837	2,561,152
Net Investment Income	26,853,120	284,378	17,916,491	4,374,277	49,428,266
TOTAL ADDITIONS	34,815,366	792,357	23,692,424	6,208,115	65,508,262
DEDUCTIONS:					
Benefit Payments	13,923,251	289,906	8,803,775	3,649,387	26,666,319
Refunds of Contributions	3,921,241	-	137,259	-	4,058,500
Administrative Expenses	262,483	45,163	278,546	3,658	589,850
TOTAL DEDUCTIONS	18,106,975	335,069	9,219,580	3,653,045	31,314,669
CHANGE IN NET ASSETS	16,708,391	457,288	14,472,844	2,555,070	34,193,593
NET ASSETS - beginning	262,288,299	3,773,474	167,788,612	49,254,386	483,104,771
NET ASSETS - ending	\$ 278,996,690	\$ 4,230,762	\$ 182,261,456	\$ 51,809,456	\$ 517,298,364