Gainesville Regional Utilities

2012 audit results

March 26, 2013

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Members of the Audit, Finance and Legislative Committee
Gainesville Regional Utilities

March 26, 2013

Dear Members of the Audit, Finance and Legislative Committee,

We are pleased to present the results of our audit of the financial statements of Gainesville Regional Utilities (GRU).

Our audit was designed to express an opinion on the 2012 financial statements as of September 30, 2012. We continue to receive the full support and assistance of GRU's personnel in conducting our audit. Open and candid dialogue with you, as members of the Audit, Finance and Legislative Committee, is a critical step in the audit process, and in the overall corporate governance process and we appreciate this opportunity to share the insights from our audit with you.

At Ernst & Young, we continually evaluate the quality of our professionals' work in order to provide you with audit services of the highest quality that will meet or exceed your expectations, and we encourage you to participate in our Assessment of Service Quality (ASQ) process to provide your input on our performance. The ASQ process is a critical tool that enables us to monitor and improve the quality of our audit services to GRU.

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

We look forward to meeting with you to discuss the contents of this report and answer any questions you may have about these or any other audit-related matters.

Very truly yours,

Mike Pattillo

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2012 Ernst & Young services

	Services and deliverables
Audit and audit-related services	‣ Express opinions on, and report to the Audit, Finance and Legislative Committee the results of our audit of: – The financial statements of GRU ‣ Issue a written communication to: – Report on internal control over financial reporting and compliance with certain provisions of laws, regulations, contracts and grants and other matters – Provide our recommendations regarding internal controls and opportunities for improvement or efficiency to management, the Audit, Finance and Legislative Committee
Other Services	‣ Issue a summary results report to the Audit, Finance and Legislative Committee ‣ Provide comfort and consent letters for bond offerings

Executive summary

Significant 2012 considerations

- Revenue recognition – unbilled revenue and receivables
- Allowance for doubtful accounts
- Capital assets
- Investments
- Regulatory assets and liabilities
- Derivative and hedging instruments

Key audit results matters

Status

- The 2012 audit is complete, we issued an unqualified opinion on the financial statements.

Scope

- Our audit scope is consistent with what was planned, as communicated in July 2012; we continuously reassessed for changes in risk during the audit.

Results

- GRU's analysis for significant accounting matters is appropriate.
- Reasonable judgments and consistency have been used by management to account for significant accounting estimates.
- One uncorrected misstatement was identified.
- Entity level controls and other internal controls over financial reporting that was subject to testing appear to be designed and operating effectively.
- Outstanding cooperation and communication occurred between GRU and Ernst & Young.

2012 audit results

Areas of audit emphasis

Our audit procedures emphasized testing areas with the highest potential for risk of misstatement (e.g., those accounts, contracts or transactions where we believed there was the greatest potential for risk of material misstatement to the financial statements, whether due to error or fraud, including disclosure items). We considered the effects of current market risk factors on GRU, and also placed emphasis on those areas requiring subjective determinations by management. Accordingly, our audit procedures at GRU focused on the following areas:

Key issue/risk area	Summary of procedures and findings
Revenue recognition – unbilled revenue and receivables	▸ GRU estimates unbilled revenue and related receivables utilizing a percentage of unbilled based on the number of days billed in the subsequent billing cycle related to the prior month. Billing cycles typically span across two months. This process assumes that consumption is equal throughout the billing cycle, however, management also takes into consideration weather effects to adjust for any significant differences in usage over the billing cycle. ▸ We tested the calculation for unbilled revenue as of September 30, 2012 and validated the unbilled percentage used by obtaining the query of October actual billings and recalculating the unbilled percentage based on service dates. We factored in considerations for the impact of weather on consumption during the month of September versus October. ▸ Based on the procedures performed, we believe unbilled revenue and related receivables are fairly stated in all material respects.
Allowance for doubtful accounts	▸ GRU calculates the allowance for doubtful accounts by applying historical write-off percentages to certain aged receivables. ▸ We obtained the detail calculation and clerically tested it. Using audit software, we re-aged the accounts receivable detail to ensure the percentages were applied to the correct aging balances. We reviewed support for historical write-off percentages and reviewed assumptions made by management in light of current economic trends. We performed a hindsight analytic to determine the reasonableness of management's estimation process. ▸ Based on the procedures performed, we believe the allowance for doubtful accounts is fairly stated in all material respects.

2012 audit results

Areas of audit emphasis

Key issue/risk area	Summary of procedures and findings
Capital assets	▸ GRU capitalizes assets which exceed $2,500 and records capital assets at cost. The costs include material, labor, vehicle and equipment usage, related overhead items, capitalized interest, and certain administrative and general expenses. ▸ We selected a sample of assets capitalized during the current year and tested to determine the assets were capitalized in a timely manner. We tested a sample of cost additions to CWIP to determine costs were appropriate to be capitalized. We tested the capital asset roll forward and tested the reasonableness of depreciation expense. We tested the data provided by GRU's specialist in connection with the depreciation study completed in September 2011 and implemented in the current fiscal year. ▸ Based on the procedures performed, we believe the capital assets and depreciation are fairly stated in all material respects.
Investments	▸ GRU follows the provisions of GASB No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, in applying fair value to certain investments held. ▸ We confirmed account balances. We reviewed management's analysis of changes in market conditions that would impact the valuation or related disclosure of investments and tested the fair value of investments as of the fiscal year-end. ▸ Based on the procedures performed, we believe investments are fairly stated in all material respects.

2012 audit results

Areas of audit emphasis

Key issue/risk area	Summary of procedures and findings
Regulatory assets and liabilities	▸ GRU's services are rate regulated, with those rates established by its Board. GASB 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, permits qualifying enterprise funds to apply the provisions of GASB 62, *Regulated Operations*. A rate regulated governmental entity should follow applicable GASB pronouncements for measurement and recognition unless its regulator has provided alternative measurement or recognition requirements. ▸ GRU has established certain regulatory assets/liabilities as a result of management approval and City Commission actions. We tested all new regulatory assets/liabilities and traced establishment to approval. We ensured appropriate accounting for regulatory assets/liabilities in accordance with related actions. ▸ Based on the procedures performed, we believe GRU continues to meet the requirements to apply GASB No. 62 and all regulatory assets/liabilities have been accounted for appropriately.
Derivatives and hedging activities	▸ Changes in the fair value derivatives instruments are deferred and the effect of any ineffective hedges are accounted for based on the Regulated Operations sections of GASB No. 62. ▸ For interest rate swaps, we confirmed values with counterparties and independently tested the fair value of swaps by utilizing our EY valuation specialists. We independently tested the hedges effectiveness in accordance with GASB No. 53. ▸ As fuel hedge contracts are traded on an active market exchange, we independently tested the fair values by agreeing to market quotes as of September 30, 2011. We evaluated the hedges for effectiveness in accordance with GASB No. 53. ▸ Based on the procedures performed, we believe the deferred outflow and inflow amounts are recorded in the Balance Sheet and disclosures are fairly stated in all material respects.

Uncorrected and corrected misstatements

During the course of our audit, we accumulate differences between the amount, classification, presentation and disclosure of a financial statement item recorded or reported by GRU and the amount, classification or presentation and disclosure that we believe is required to be recorded or reported under US GAAP.

Attached is a summary of those misstatements we have identified through the date of this report that have not been corrected by GRU. These uncorrected misstatements, individually and in the aggregate, are not material to GRU's financial statements.

Summary of audit differences

Summary of Audit Differences

Client: Gainesville Regional Utilities **Audit date:** 30-Sep-2012 **Currency:** USD

All identified misstatements above nominal amount			Analysis of misstatements Debit/(Credit)						
		Account	Assets Current	Assets Non-current	Liabilities Current	Liabilities Non-current	Income Effect of Correcting the Balance		Other -
No.	W/P ref.	(misstatements are recorded as journal entries and description of the entry)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Current period Debit/(Credit)	Non Taxable	Debit/(Credit)
Uncorrected misstatements:									
Factual misstatements:									
11	D03	Rate Stabilization Investments	98,020						
		UPIF Investments	89,883						
		Gain/Loss on Fair Value					(187,903)	X	
		EY proposed entry for recording investments at fair value.							
		Balance sheet totals	187,903	0	0	0			0
		Financial statement amounts	117,346,986	1,595,688,770	45,608,555	1,177,482,992			489,944,209
		Effect of uncorrected misstatements on F/S amounts	**0.16%**	**0.00%**	**0.00%**	**0.00%**			**0.00%**
		Income effect of uncorrected misstatements (before tax)					(187,903)		
		Memo: Non-taxable items (marked 'X' above)					*(187,903)*		
		Less: Tax effect at current year marginal rate	0.00%				0		
		Cumulative effect of uncorrected misstatements before turnaround effect				-1.09%	(187,903)		
		Current year net income					17,254,176		

Required communications with those charged with governance

Summary of required communications

Provided below is a summary of required communications between the audit team and those charged with governance.

	Communicate when event occurs	Communicate on a timely basis, at least annually
Overview of the planned scope and timing of the audit		Page 13
Auditor's responsibility under generally accepted auditing standards, including discussion of the type of auditor's report we are issuing and if there are any events or conditions that cause us to conclude that there is substantial doubt about the entity's ability to continue as a going concern		Page 13
Our views about the qualitative aspects of the entity's significant accounting practices, including:		
‣ Accounting policies		Page 14
‣ Sensitive accounting estimates		Page 15
‣ Financial statement disclosures and related matters		Page 15
‣ Significant unusual transactions	Page 15	
Uncorrected misstatements		Page 16
Material corrected misstatements		Page 16
Significant deficiencies and material weaknesses in internal control	Page 16	Page 16
Our responsibility, any procedures performed and the results relating to other information in documents containing audited financial statements		Page 17
Fraud and illegal acts involving senior management and fraud and illegal acts that cause a material misstatement of the financial statements	Page 17	
Independence matters		Page 17
Representations we are requesting from management		Page 18
Changes to the terms of the audit with no reasonable justification for the change	Page 18	

Summary of required communications

	Communicate when event occurs	Communicate on a timely basis, at least annually
Significant findings and issues arising during the audit relating to related parties	Page 18	
Significant findings or issues, if any, arising from the audit that were discussed, or the subject of correspondence, with management	Page 19	
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AICPA ethics ruling regarding third-party service providers		Page 21
Other findings or issues regarding the oversight of the financial reporting process	Page 21	

Required communications

Area	Comments
Overview of the planned scope and timing of the audit We provide those charged with governance with an overview of our overall audit scope, including the timing of the audit.	Our audit scope is consistent with the plan communicated to management during July 2012.
Auditor's responsibility under generally accepted auditing standards, including discussion of the type of auditor's report we are issuing and if there are any events or conditions that cause us to conclude that there is substantial doubt about the entity's ability to continue as a going concern The financial statements are the responsibility of management as prepared with the oversight of those charged with governance. Our audit was designed in accordance with auditing standards generally accepted in the United States, as established by the American Institute of Certified Public Accountants, to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we will express no such opinion. An audit also includes the evaluation of the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as the evaluation of the overall presentation of the financial statements.	Our responsibilities are included in our audit engagement agreement. A copy of such agreement has previously been provided to you. We issued an unqualified opinion on GRU's financial statements as of and for the year ended September 30, 2012.

Required communications

Area	Comments
Our views about the qualitative aspects of the entity's significant accounting practices, including the accounting policies As part of our discussion about the qualitative aspects of the entity's significant accounting practices, we discuss our views about the entity's application of accounting policies including instances we believe a significant accounting policy, although acceptable under US GAAP, is not appropriate for the particular circumstances of the entity. Our discussion may also include the following: ▸ The initial selection of new, or changes in, significant accounting principles and policies, including the application of new accounting pronouncements. ▸ The effect of the timing and method of adopting a change in accounting policy on current and future earnings of the entity (or expected new accounting pronouncements). ▸ The appropriateness of the accounting policies to the particular circumstances of the entity. ▸ Where acceptable alternative accounting policies exist, the identification of financial statement items that are affected by the implemented significant policies as well as information on accounting policies used by similar entities. ▸ The effect of a significant accounting policy in a controversial or emerging area (or those unique to an industry), particularly when there is a lack of authoritative guidance or consensus.	Management has not selected or changed any significant accounting policies or changed the application of those policies in the current year. We are not aware of any significant accounting policies used by GRU in controversial or emerging areas or for which there is a lack of authoritative guidance. We have included a discussion of significant accounting policies within the section titled "Areas of audit emphasis" on pages 5 – 7.

Required communications

Area	Comments
Our views about the qualitative aspects of the entity's significant accounting practices: (1) Management's process used to develop particularly sensitive accounting estimates, our conclusions regarding the reasonableness of such estimates and the basis for those conclusions. Our discussion may also include the following: ▸ Risks of material misstatement ▸ Indicators of possible management bias ▸ Disclosure of estimation uncertainty in the financial statements (2) Financial statement disclosures and related matters which may include the following: ▸ The issues involved and related judgments made, in formulating sensitive financial statement disclosures ▸ The overall neutrality, consistency and clarity of financial statement disclosures ▸ The potential effect of significant risks and exposures and uncertainties on the financial statements ▸ The extent to which the financial statements are affected by unusual transactions including nonrecurring amounts recognized ▸ The factors affecting asset and liability carrying value ▸ The selective correction of misstatements (3) Significant unusual transactions (i.e., those outside the normal course of business for the entity or those that appear unusual due to timing, size, or nature) and the policies or practices management has used to account for those transactions.	We have provided our views regarding accounting estimates in the sections titled "Areas of audit emphasis" on pages 5 – 7.

Required communications

Area	Comments
Uncorrected misstatements We discuss with those charged with governance uncorrected misstatements and the effect that they may have on our opinion in the auditor's report. We also discuss the effect of uncorrected misstatements related to prior periods on the significant classes of transactions, account balances or disclosures, and the financial statements as a whole. In addition, we discuss with those charged with governance the implications of a failure to correct known and likely misstatements, if any, considering qualitative as well as quantitative considerations, including the possible implications in relation to future financial statements.	Refer to "Uncorrected and corrected misstatements" section on pages 8 – 9.
Material corrected misstatements We discuss with those charged with governance material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. In addition, we may discuss other corrected immaterial misstatements, such as frequently recurring immaterial misstatements that may indicate a particular bias in the preparation of the financial statements.	No material corrected misstatements were identified in connection with our audit of GRU's financial statements as of and for the year ended September 30, 2012.
Significant deficiencies and material weaknesses in internal control We communicate all significant deficiencies and material weaknesses in internal control that were identified during the course of our audit.	Refer to Appendix A for our communications related to internal control.

Required communications

Area	Comments
Our responsibility, any procedures performed and the results relating to other information in documents containing audited financial statements Our auditor's report on the financial statements relates only to the financial statements and the accompanying notes. If the entity includes other information in documents containing audited financial statements, we review such other information and consider whether such information, or the manner of its presentation, is materially inconsistent with the audited financial statements. If we conclude that a material inconsistency exists, we determine whether the financial statements, our auditor's report, or both require revision. In addition, we notify you if we conclude that there is a material misstatement of fact in the other information.	When it is available, we will review GRUs Annual Report to ensure consistency with the audited financial statements.
Fraud and illegal acts involving senior management and fraud and illegal acts that cause a material misstatement of the financial statements We communicate with those charged with governance fraud and illegal acts involving senior management and fraud and illegal acts (whether caused by senior management or other employees) that cause a material misstatement of the financial statements.	We are not aware of any matters that require communication.
Independence matters Although the auditor's report affirms our independence, in certain situations, we discuss with those charged with governance circumstances of relationships (e.g., financial interests, business or family relationships, or nonaudit services provided or expected to be provided) that in our professional judgment may reasonably be thought to bear on independence and that we gave significant consideration to in reaching the conclusion that independence has not been impaired.	We are not aware of any matters, that in our professional judgment, would impair our independence.

Required communications

Area	Comments
Representations we are requesting from management We discuss with those charged with governance representations we are requesting from management.	We have obtained from management a letter of representations related to the audit and a copy of the letter of representations is available on request.
Changes to the terms of the audit with no reasonable justification for the change We discuss with those charged with governance any changes to the terms of the audit engagement where there is no reasonable justification for the change and we are not permitted by management to continue the original audit.	None.
Significant findings and issues arising during the audit relating to related parties We discuss with those charged with governance any significant findings and issues arising during the audit relating to the entity's related parties. Such matters may include the following: ▸ Non-disclosure (whether intentional or not) by management of related parties or significant related-party transactions ▸ The identification of significant related-party transactions that have not been appropriately authorized and approved ▸ Disagreement with management regarding the accounting for, and disclosure of, significant related-party transactions in accordance with US GAAP ▸ Non-compliance with applicable law or regulations prohibiting or restricting specific types of related-party transactions ▸ Difficulties in identifying the party that ultimately controls the entity	None.

Required communications

Area	Comments
Significant findings or issues, if any, arising from the audit that were discussed, or the subject of correspondence, with management We discuss with those charged with governance any significant matters that were discussed with, or the subject of correspondence with, management, including: ▸ Business conditions affecting the entity, and business plans and strategies that may affect the risks of material misstatements. ▸ Discussions or correspondence in connection with our initial or recurring retention as the auditor, including, among other matters, any discussions regarding the application of accounting principles and auditing standards, the scope of the audit, financial statement disclosures and the wording of the auditor's report. We communicate those major professional issues we discussed with management, prior to our being hired as the auditors, during the entity's two most recently completed fiscal years and any subsequent interim period.	None.
Significant difficulties encountered during the audit We inform those charged with governance of any significant difficulties encountered in dealing with management related to the performance of the audit which may include such matters as: ▸ Significant delays in management providing required information ▸ An unnecessarily brief time within which to complete the audit ▸ The unavailability of expected information ▸ Restrictions imposed on us by management ▸ Management's unwillingness to provide information about its plans for dealing with the adverse effects of the conditions or events that lead us to believe there is substantial doubt about the entity's ability to continue as a going concern	None.

Required communications

Area	Comments
Disagreements with management We discuss with those charged with governance any disagreements with management, whether or not satisfactorily resolved, about matters that individually or in the aggregate could be significant to the entity's financial statements or our auditor's report. For purposes of this discussion, disagreements do not include differences of opinion based on incomplete facts or preliminary information that are later resolved.	None.
Management's consultations with other accountants When we are aware that management has consulted with other accountants about accounting or auditing matters, we discuss with those charged with governance our views about significant matters that were the subject of such consultation.	None of which we are aware.
Findings regarding external confirmations We discuss with those charged with governance any instances where management has not permitted us to send confirmation requests, or where we cannot obtain relevant and reliable audit evidence from alternative procedures.	None.

Required communications

Area	Comments
AICPA ethics ruling regarding third-party service providers AICPA Ethics Ruling No. 112 under Rule 102, *Integrity and Objectivity*, requires that we inform you whenever we use a third-party service provider in providing professional services to the entity. The Rule has broadly defined "third-party service provider" to include an individual who is not employed by our US firm. Accordingly, third-party service providers might include, but not be limited to, the following examples: non-US personnel who work for Ernst & Young affiliate firms (e.g., Ernst & Young United Kingdom), non-US personnel working in the US on a foreign secondment and non-US personnel working at Ernst & Young shared service centers.	From time to time, and depending on the circumstances, (1) we may subcontract portions of the Audit Services to other Ernst & Young firms, who may deal with GRU or its affiliates directly, although Ernst & Young alone will remain responsible to you for the Audit Services, and (2) personnel (including non-certified public accountants) from an affiliate of Ernst & Young or another Ernst & Young firm or any of their respective affiliates, or from independent third-party service providers (including independent contractors), may participate in providing the Audit Services. In addition, third-party service providers may perform services for Ernst & Young in connection with the Audit Services.
Other findings or issues regarding the oversight of the financial reporting process We communicate other findings or issues, if any, arising from the audit that are, in our professional judgment, significant and relevant to those charged with governance regarding their oversight of the financial reporting process.	There are no other findings or issues arising from the audit that are, in our judgment, significant and relevant to those charged with governance regarding the oversight of the financial reporting process.

Appendix A

Appendix A:
Material written communications

- 2012 Report of Independent Certified Public Accountants on Internal Control Over Financial Reporting and on Compliance and Other Matters based on an Audit of the Financial Statements Performed in Accordance With *Government Auditing Standards*
- 2012 Management letter

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

The Honorable Mayor and
Members of the City Commission
City of Gainesville, FL

We have audited the financial statements of Gainesville Regional Utilities (a department of the City of Gainesville, Florida) as of and for the year ended September 30, 2012, and have issued our report thereon dated February 27, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of Gainesville Regional Utilities is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Gainesville Regional Utilities' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Gainesville Regional Utilities' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Gainesville Regional Utilities' internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

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

Ernst & Young LLP

February 27, 2013

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Honorable Mayor, Members of the City
Commission, City of Gainesville, Florida and
Gainesville Regional Utilities

In planning and performing our audit of the financial statements of Gainesville Regional Utilities (GRU), a department of the City of Gainesville, Florida, as of and for the year ended September 30, 2012, in accordance with auditing standards generally accepted in the United States, we considered its internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of GRU's internal control. Accordingly, we do not express an opinion on the effectiveness of GRU's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

We have also issued our Report of Independent Certified Public Accountants on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards dated February 27, 2013. Disclosures in that report should be considered in conjunction with this management letter.

This communication is intended solely for the information and use of management, the City Commission of the City of Gainesville, and others within the organization and is not intended to be, and should not be, used by anyone other than these specified parties.

Ernst + Young LLP

February 27, 2013

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