Gainesville Regional Utilities

2008 Financial statement audit results and communications

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March 30, 2009

Gainesville Regional Utilities

The Honorable Mayor and Members of the City Commission,

We are pleased to present the results of our audit of the 30 September 2008 financial statements of Gainesville Regional Utilities (GRU).

The audit is designed to express an opinion on the 2008 financial statements. In accordance with professional standards, we obtained sufficient understanding of internal control to plan and to determine the scope, timing, and extend of tests to be performed. However, we were not engaged to and we did not perform an audit of internal control over financial reporting.

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

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

We appreciate this opportunity to meet 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,

Michael Pattillo

Agenda

- Our client service commitment to GRU
- Deliverables
- Global audit methodology
  - Overview of the audit process
  - Required communications
  - Findings and observations – financial statement accounts and disclosures
  - Fraud considerations and the risk of management override
- Looking ahead
  - Accounting and auditing developments
  - Business and industry risk considerations
- Appendix A – Timing of required communications with audit committees
- Appendix B – Management Representation Letter
- Appendix C – Management Letter
- Appendix D – Credit Crisis Considerations for Audit Committees
- Appendix E – Audit committee trends and key topics

Our client service commitment to GRU

Our service commitment	Ernst & Young is committed to delivering consistent high-quality client service to GRU. Our service commitment is centered on our most critical objective of performing a high-quality audit of GRU's financial statements. Additionally, we strive to provide "Quality In Everything We Do" and recognize that service quality extends well beyond execution of our audit methodology. It is driven by the quality of our team and the effectiveness and value of our communications with management and the audit committee. Our overall service commitment to GRU is depicted above and is aligned with our Ernst & Young Assurance Service Delivery Approach.

Deliverables

	Audit deliverables
Opinions	► Express an opinion on the financial statements of GRU ► Be made in accordance with auditing standards generally accepted in the United States and generally accepted Governmental Auditing Standards as set forth in the U.S. General Accounting Office's (GAO's) *Government Auditing Standards* (January 2007 Revision), and rules of the Auditor General, State of Florida for the form and conduct of audits of Florida local governments.
Internal control communications	► Issue report on internal control over financial reporting and compliance with certain provisions of laws, regulations, contracts, grants, and other matters. ► Report on other matters as required by Chapter 10.550, Rules of the Auditor General. ► Issue a management letter that provides our recommendations regarding internal controls and opportunities for improvement or efficiency, based on observations made during the course of our audit.

Global audit methodology

Overview of the audit process

Important matters for audit committee consideration

- ► Required communications
- ► Findings and observations
- ► Fraud considerations and the risk of management override

Required communications

Area	Comments
Auditors' responsibilities under Generally Accepted Auditing Standards The financial statements are the responsibility of management. Our audit was designed in accordance with auditing standards generally accepted in the United States to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. As part of our audit, we obtained an understanding of internal control sufficient to plan our audit and to determine the nature, timing, and extent of testing performed. However, we were not engaged to and we did not perform an audit of internal control over financial reporting.	As part of our audit, we have obtained a sufficient understanding of internal controls to plan our audit and to determine the nature, timing and extent of testing performed. We have issued an unqualified opinion on GRU's financial statements.
Major issues discussed with management in connection with initial or recurring retention We discuss with the Audit Committee or those charged with governance any major professional issues that were discussed (orally or in writing) with management in connection with the initial or recurring retention of the auditor, including, among other matters, any discussions regarding the application of accounting principles and auditing standards.	None
Significant audit adjustments We provide the Audit Committee or those charged with governance with information about adjustments arising from the audit (whether recorded or not) that could in our judgment, either individually or in the aggregate, have a significant effect on the Company's financial statements. [Note: Our communication includes proposed corrections to interim financial information, as well as significant disclosure items that were addressed principally as a result of the audit.]	None
Unrecorded audit differences considered by management to be immaterial We inform the Audit Committee or those charged with governance about unrecorded audit differences accumulated by us (i.e., adjustments either identified by us or brought to our attention by management) during the current audit and pertaining to the latest period presented that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements as a whole.	None

Required communications

Area	Comments
Our judgments about the quality of the company's accounting principles We discuss our judgments about the quality, not just the acceptability, of the accounting policies as applied in the Company's financial reporting, including the consistency of the accounting policies and their application and the clarity and completeness of the financial statements and related disclosures.	We have provided our views in the following section titled "critical policies, estimates and areas of emphasis."
Disagreements with management We should discuss with the Audit Committee or 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 the auditor's report.	None.
Consultation with other accountants When we are aware that management has consulted with other accountants about auditing or accounting matters, we should discuss with the Audit Committee or those charged with governance our views about significant matters that were the subject of such consultation.	None of which we are aware.
Serious difficulties encountered in dealing with management when performing the audit We inform the Audit Committee or those charged with governance of any significant difficulties encountered in dealing with management related to the performance of the audit.	None.
The adoption of, or a change in an accounting principle We determine that the Audit Committee or those charged with governance is/are informed about the initial selection of, and any changes in, significant accounting principles or their application when the accounting principle or its application, including alternative methods of applying the accounting principle, has a material effect on the financial statements.	During fiscal 2008, GRU adopted the following newly issued standards: ▶ GASB 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues.* ▶ GASB 49, *Accounting and Reporting for Pollution Remediation Obligations*. ▶ GASB 51, *Accounting and Financial Reporting for Intangible Assets*. The effect of adopting these standards did not materially affect the 2008 financial statements. Accordingly, we have not modified our opinion as to consistency.

Required communications

Area	Comments
Methods of accounting for significant unusual transactions and for controversial or emerging areas We determine that the Audit Committee or those charged with governance is/are informed about the methods used to account for significant unusual transactions and the effects of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.	We are not aware of any significant unusual transactions recorded by GRU or of any significant accounting policies used by GRU related to controversial or emerging areas for which there is a lack of authoritative guidance.
Sensitive accounting estimates The preparation of the financial statements requires the use of accounting estimates. Certain estimates are particularly sensitive due to their significance to the financial statements and the possibility that future events may differ significantly from management's current judgments. We determine that the Audit Committee or those charged with governance is/are informed about management's process for formulating particularly sensitive accounting estimates and about the basis for our conclusions regarding the reasonableness of those estimates.	We have provided our views in the following section titled "critical policies, estimates and areas of emphasis."
Fraud and illegal acts We report to the Audit Committee or 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. [Note: In addition, we discuss any misappropriations perpetrated by lower level employees, based on our understanding with the Audit Committee regarding the nature and extent of communications with the committee about such matters.]	We are not aware of any matters that require communication. Refer to the "Fraud considerations" section for more information about our procedures related to the risks of material misstatement due to fraud.
Significant deficiencies and material weaknesses in internal control We communicate all significant deficiencies and material weaknesses in internal control over financial reporting that were identified during the course of our audit.	No material weaknesses were identified.

Required communications

Area	Comments
AICPA ethics ruling regarding third-party service providers From time to time and depending upon the circumstances, third-party service providers, independent contractors, and consultants to Ernst & Young may participate in providing professional services. AICPA Ethics Ruling No. 112 under Rule 102, “Integrity and Objectivity,” requires that we inform clients whenever we use a third-party service provider in providing professional services to a client. 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, non US personnel working at Ernst & Young shared service centers.	None provided.
Critical accounting policies and practices We report all critical accounting policies and practices used by the Company in preparing the financial statements and our assessment of the disclosure of such policies.	We have provided our views in the following section titled “critical policies, estimates and areas of emphasis.”
All material alternative accounting treatments discussed with management We report to the Audit Committee all alternative accounting treatments within GAAP for policies and practices related to material items (including recognition, measurement, presentation and disclosure alternatives) that have been discussed with management during the current audit period including: ▸ Ramifications of the use of such alternative disclosures and treatments, including the reasons why the alternative was selected and, if management did not select our preferred alternative, the reasons why it was not selected. ▸ The treatment preferred by us.	None.

Required communications

Area	Comments
Other material written communications with management We determine that the Audit Committee has received copies of all material written communication with management in accordance with Statement on Auditing Standards No. 114.	Material written communications include the following: ► Management Representation Letter: Included as Appendix B is a copy of the management representation letter. ► Management Letter: Included as Appendix C is a copy of the management letter ► Engagement Letter: Previously provided.
Independence We communicate, at least annually, the following to the Audit Committee or those charged with governance: ► Disclose, in writing, all relationships between Ernst & Young and our related entities and the Company and its related entities that, in our professional judgment, may reasonably be thought to bear on independence; ► Confirm in writing that, in our professional judgment, we are independent of the Company within the meaning of the Securities Acts and the applicable rules and regulations adopted by the SEC and PCAOB; and ► Discuss with the Audit Committee any matters that in our professional judgment may reasonably be thought to bear on our independence.	We are not aware of any relationships between Ernst & Young and GRU that, in our professional judgment, may reasonably be thought to bear on our independence. Relating to our audits of the financial statements of GRU as of and for the years ended September 30, 2008 and 2007, we are independent certified public accountants with respect to GRU within the meaning of the applicable published pronouncements of the Independence Standards Board; Rule 101 of the American Institute of Certified Public Accountants' Code of Professional Conduct, its interpretations and rulings; and Government Auditing Standards. Our policies relating to financial interests (e.g. loans and other credit) generally are stricter than the requirements imposed by these regulatory and professional bodies. We have not performed any non-audit services for GRU.

Findings and observations

Financial statement accounts and disclosures

Key issue/risk area	Summary of procedures and findings
Revenue Recognition – Unbilled revenue and receivables	▶ We reviewed the calculation for unbilled revenue as of September 30, 2008 and validated the unbilled percentage used by obtaining a detail by customer of October billings and recalculating the percentage of days from September billed in in October, which approximates the unbilled amount at September 30. We considered the impact of weather on consumption during the month of September vs. October. ▶ Based on the procedures performed, we believe that 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 that the percentages were applied to the correct aging balances. Reviewed support for historical write-off percentages and we reviewed assumptions made by management in light of the current economic trends. We performed a hindsight analytic to determine the reasonableness of management's estimation process. ▶ Based on the procedures performed, we believe that the allowance for doubtful accounts is fairly stated in all material respects.
Regulatory assets/liabilities	▶ GRU's services are rate regulated, with those rates established by the City Commission. GASB 34 permits qualifying enterprise funds to apply the provisions of FASB 71, *Accounting for the Effects of Certain Types of Regulation*, as amended and interpreted. A rate regulated governmental entity should follow applicable GASB and FASB 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 City Commission actions. We reviewed all new regulatory assets/liabilities and traced establishment to approved City Commission actions. We ensured appropriate accounting for regulatory assets/liabilities in accordance with related actions. ▶ Based on the procedures performed, we believe that GRU continues to meet the requirements to apply FASB 71 and that all regulatory assets/liabilities have been accounted for appropriately.

Findings and observations
Financial statement accounts and disclosures

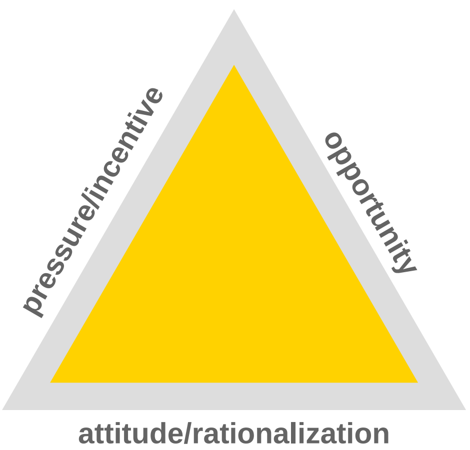
Key issue/risk area	Summary of procedures and findings
Investments, including impairment analysis	► GRU follows the provisions of GASB 31, Certain Investments and External Investment Pools, in applying fair value to certain investments held. ► We reviewed the investments held at September 30, 2008, the GRU investment policy and the provisions of GASB 31 to determine whether any potential indicators of impairment existed at September 30, 2008. ► We tested valuation of investments by tracing investment values to independent pricing sources. ► Based on the procedures performed, we believe that the investment balances in the Statement of Net Assets is fairly stated in all materially respects in accordance with GASB 31.
Derivatives and hedging activities	► GRU follows the provisions of FASB 80, *Accounting for Futures Contracts*, and FASB 71, *Accounting for the Effects of Certain Types of Regulation,* for fuel hedges and GASB technical bulletin 03-1, *Disclosure Requirements for Derivatives Not Reported at Fair Value on the Statement of Net Assets* for its interest rate swaps. ► As the fuel hedge contracts are traded on an active market exchange, we independently tested the fair values by tracing to market quotes as of September 30, 2008. ► For interest rate swaps, we confirmed values with counterparties, we independently tested the fair value of swaps using EY valuation software and by utilizing our EY valuation professionals. ► We ensured all appropriate disclosures were made in accordance with the above mentioned accounting standards.

Fraud considerations and the risk of management override

We are responsible for planning and performing the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error or by fraud (SAS No. 99, *Consideration of Fraud in a Financial Statement Audit*).

Our audit procedures will encompass the requirements of SAS 99: brainstorming, gathering information to facilitate the identification of and response to fraud risks and performing mandatory procedures to address the risk of management override (including examining journal entries, reviewing accounting estimates and evaluating the business rationale of significant unusual transactions).

- We evaluate the risk of management override using the fraud triangle and consider the actions management has taken to respond to those risks.
- We consider, among other things:
  - Code of conduct/ethics
  - Effective and independent oversight by audit committee (consider AICPA Antifraud Paper for Audit Committees — January 2005)
  - Process for dealing with whistle-blower allegations
  - Adequacy of internal audit activity
  - Entity's risk assessment processes
- Role and oversight responsibilities of the audit committee:
  - Management's assessment of the risks of fraud
  - Programs and controls to mitigate the risk of fraud
  - Process for monitoring multiple locations for fraud
  - Management communication to employees on its views on business practices and ethical behavior



Occupational Fraud and Abuse, by Joseph T. Wells, CPA, CFR (Obsidian Publishing Co, 1997); *Fraud Examination*, by W. Steve Albrecht (Thomson South-Western Publishing, 2003)

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Looking ahead

Accounting and auditing developments

Accounting and auditing developments	Summary	Effect on the company
GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*	► Addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. ► Improves financial reporting by requiring governments to measure derivative instruments, with the exception of SGICs that are fully benefit-responsive, at fair value in their economic resources measurement focus financial statements. ► Changes in fair value will be recognized in the reporting period to which they relate. The changes in fair value of hedging derivative instruments do not affect investment revenue but are reported as deferrals. The changes in fair value of investment derivative instruments (which include ineffective hedging derivative instruments) are reported as part of investment revenue in the current reporting period. ► The disclosures provide a summary of the government's derivative instrument activity and the information necessary to assess the government's objectives for derivative instruments, their significant terms, and the risks associated with the derivative instruments.	This statement will required that GRU's interest rate swaps be recognized in the Statement of Net Assets, hedge effectiveness be measured and changes in fair value be recognized as deferrals or as part of investment income or interest expense based on the effectiveness of the swap. The requirements of this statement are effective for periods beginning after June 15, 2009. For GRU, implementation will be necessary in the 2010 fiscal year.

Business and industry risk considerations

	Considerations	Risks	Audit considerations
Credit and liquidity issues	The current credit crisis continues to affect the economy. What began as a deterioration of credit quality in the subprime mortgage sector has rapidly spread, causing adverse conditions throughout the mortgage banking industry, the broader US housing market and the global markets. But the impact of these adverse developments is not limited to financial services; all industry sectors are potentially affected.	Difficult market conditions may have a potential impact on the Company's accounting in the following areas: ▸ Determination of fair value ▸ Effect on customers and potential bad debts ▸ Debt covenants and classifications ▸ Financial instrument classification ▸ Impairment considerations Debt modifications and obtaining financing Financial statement disclosure areas where the Company may need to increase its focus include, but are not limited to: ▸ The description of GRU's business, including the extent of GRU's potential exposure in the current environment; current risk factors; qualitative and quantitative aspects of market risk ▸ Management's discussion and analysis ▸ Critical accounting policies and estimates ▸ Liquidity and capital resources ▸ Notes to the financial statements	▸ Consider whether certain significant financial statement accounts and disclosures may now have a higher inherent risk, for example: ▸ Cash and cash equivalents ▸ Investments ▸ Debt, including derivative instruments ▸ Pension assets ▸ The complexity and professional judgment involved in the evaluation of significant accounting, auditing and financial reporting matters may necessitate timely consultation with Ernst & Young auditing and valuation specialists and accounting subject matter experts. ▸ Market conditions are currently very fluid and many indicators suggest continued credit, valuation and liquidity turmoil. As media focus remains high, companies continue to evaluate actual and possible consequences, and investors further adjust their risk profile. In this environment, GRU may face business disruption, liquidity constraints and other negative consequences that could affect our consideration of whether GRU has the ability to continue as a going concern.

Business and industry risk considerations

	Considerations	Risks	Audit considerations
Regulatory and Political Issues	Regulatory matters related to environmental issues, work environment, site remediation, abandonment, and licenses/concessions continue to have a significant effect on capital investments, operating costs, product re-configuration, recoverability of intangibles and compliance with laws and regulations. There have also been significant political and regulatory influences on the systematic risk faced by utility shareholders. Public utilities are generally regulated by a periodic rate setting process to determine the rates they are allowed to charge customers for services. To establish these rates, regulators must determine what returns are appropriate on the capital employed by utilities. In an election year the regulatory and political issues facing GRU may come under greater focus by parties at interest.	Because of the regulatory and political environment, there is a level of risk inherent in investment in the equity of regulated utilities. Recoverability and classification of incurred costs, unproved properties, abandonment provisions, environmental requirements, customs, VAT and Excise Tax requirements and compliance with Foreign Corrupt Practices Act are also risks. Regulatory concerns and policies will continue to focus on competition and price increases which may negatively impact shareholder returns.	► Understand GRU's risk assessment and monitoring activities and decisions related to the effect of regulatory, political and other legal matters. ► Continue to evaluate management's controls over compliance with laws and regulations that have a direct effect on financial reporting (e.g., environmental, regulatory accounting matters, tax laws and regulations). ► Continue discussions with GRU's operational and regulatory departments may be necessary to understand and evaluate the Company's risk management process most effectively. ► Continue to evaluate the appropriateness of GRU's significant and subjective estimation processes (e.g., impairment, provisions for abandonment, and environmental liabilities).

Business and industry risk considerations

	Considerations	Risks	Audit considerations
Environmental Issues	With significant public attention on global warming and the Energy industry's footprint on the environment, there is increasing regulatory scrutiny on air emissions and the total footprint of a utility. Although the Bush administration's Clear Skies package was not enacted, the Environmental Protection Agency has issued the Clean Air Interstate, Mercury and Visibility rules, which seek to reduce SO2, Knox, mercury and other emissions from power plants. Additionally, several states have initiated action to force generators to reduce greenhouse gas (GHG) emissions and Congress is gaining momentum on the issue of GHG emissions and regulations. President elect Obama has stated goals for 10% of all electricity to come from renewable sources by 2012 and 25% by 2025. Has agenda to implement an economy wide cap-and-trade program to reduce greenhouse gas emissions 80% by 2050, develop and deploy clean coal technology, promote safe and secure nuclear energy use, and improve energy efficiency standards. There is growing political and global pressure on the Energy industry to pursue a strategy of growth and technological advances to address minimizing societies footprint on the environment.	Significant fines could be levied in the event of noncompliance with these new and emerging emissions standards. Recoverability of compliance and remediation costs as well as fines through rate base adjustments may be in question. Proper management of capital spending projects is essential to provide state regulators with adequate support that all costs were prudent. Additional monitoring or operating costs imposed by renewable resource programs may not be cost efficient or recoverable from customers in the short-term. This may impose additional working capital needs on the organization. A utilities growth plans may be evaluated by financing partners for investment in cost-effective demand reduction programs, renewable energy production, and reliability subjecting the Company to even greater oversight.	► Assess recovery of the regulatory assets that have been recorded. ► Long-lived or intangible asset values may be impaired. ► Liabilities may exist for which adequate reserves may not have been established.

Appendix A

Timing of required communications with audit committees

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Timing of required communications

	Communicate when event occurs	Communicate on a timely basis, at least annually
Communications required on all audits		
Our responsibility under GAAS standards, including other information in documents containing audited financial statements		X
Major issues discussed with management in connection with initial or recurring retention	X	
Significant audit adjustments		X
Unrecorded audit differences considered by management to be immaterial		X
Our judgments about the quality of the company's accounting principles		X
Disagreements with management	X	
Consultations with other accountants	X	
Serious difficulties encountered in dealing with management when performing the audit	X	
The adoption of, or a change in, an accounting principle	X	
Methods of accounting for significant unusual transactions and for controversial or emerging areas	X	
Sensitive accounting estimates		X
Fraud and illegal acts involving senior management and fraud and illegal acts that cause a material misstatement of the financial statements	X	
Significant deficiencies and material weaknesses identified during audit of internal control		X
AICPA ethics ruling regarding third-party service providers	X	
Additional communications required under GAS		X

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Appendix B

Management Representation Letter

GRU
More than Energy

GAINESVILLE REGIONAL UTILITIES

Finance Department

February 10, 2009

Ernst & Young
390 North Orange Avenue
Suite 1700
Orlando, FL 32801

In connection with your audit of the balance sheets, statements of revenues, expenses and changes in net assets, and cash flows of Gainesville Regional Utilities (GRU) as of September 30, 2008 and 2007 and for the years then ended, we recognize that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion whether the financial statements present fairly, in all material respects, the financial position, changes in financial position, and cash flows of GRU in conformity with U.S. generally accepted accounting principles.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief:

Management's Responsibilities

We recognize that, as members of management of GRU, we are responsible for the fair presentation of its financial statements. We believe the statements of financial position, changes in financial position, and cash flows are fairly presented in conformity with U.S. generally accepted accounting principles in the United States applied on a basis consistent with that of the preceding periods.

We have made available to your representatives all financial records and related data.

We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.

Unrecorded Audit Differences

There are no unrecorded audit differences identified during the current audit and pertaining to the latest period presented.

We recognize that we are responsible for GRU's compliance with the laws, regulations, and contracts that are applicable to it. We have identified and disclosed to your representatives all laws and regulations that have a direct and material effect on the determination of financial statement amounts.

Minutes and Contracts

We have made available to you all significant contracts and agreements and all minutes of the meetings of the City Commission and committees of commissioners or summaries of actions of recent meetings for which minutes have not yet been prepared. We also have made available to you all significant contracts and agreements. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

Internal Control

There are no transactions of a material nature, individually or in the aggregate, that have not been properly recorded in the accounting records underlying the financial statements.

We are not aware of any significant deficiencies or material weaknesses in the design or operation of internal control over financial reporting. All significant deficiencies and material weaknesses identified and communicated by you to the audit committee during your previous audit engagements have been remediated or otherwise eliminated prior to September 30, 2008.

Risks and Uncertainties

There are no risks and uncertainties related to significant estimates and current vulnerabilities due to material concentrations that have not been disclosed in accordance with AICPA Statement of Position 94-6, *Disclosure of Certain Significant Risks and Uncertainties*.

Environmental Liabilities

We have disclosed to you all significant environmental matters and have made available to you all significant relevant information related to them. The environmental liabilities included in the balance sheets represent our best estimate of the potential losses using assumptions that we believe represent the expected outcomes of the uncertainties. The disclosures of environmental matters in the financial statements are adequate. Any deferred charges related to environmental liabilities have been approved by the City Commission and are fully recoverable pursuant to FASB 71.

Ownership and Pledging of Assets

GRU has satisfactory title to all assets appearing in the balance sheets. No security agreements have been executed under the provisions of the Uniform Commercial Code, and there are no liens or encumbrances on assets, nor has any asset been pledged. All assets to which GRU has satisfactory title appear in the balance sheet.

Receivables

Receivables represent valid claims against the debtors indicated and do not include amounts for goods shipped or services provided subsequent to the balance sheet dates, goods shipped on consignment or approval, or other types of arrangements not constituting sales. All revenue recognized as of the balance sheet date has been realized and earned. Revenue has not been recognized before (1) persuasive evidence of an arrangement exists, (2) goods have been delivered or services rendered, (3) consideration to be received is fixed or determinable, and (4) collectibility is reasonably assured.

Adequate provision has been made for losses, costs, and expenses that may be incurred subsequent to the balance sheet dates in respect of sales and services rendered prior to those dates and for uncollectible accounts, discounts, returns, and allowances, etc., that may be incurred in the collection of receivables at those dates.

We have adequately disclosed a description of our major revenue generating products and services, the types of arrangements including multiple-element arrangements) used to deliver these products or services, and a description of the revenue recognition policies applicable to these products or services.

We have disclosed to you all sales terms, including all rights of return or price adjustments and warranty provisions. We have made available to you all significant contracts, communications (either written or oral), and other relevant information pertaining to arrangements with our customers, including distributors and resellers.

Inventories

Inventories, fuel and supplies, are stated at cost. Goods that are defective, slow-moving, obsolete, or unusable, are stated at amounts not in excess of their estimated net realizable values.

Physical counts and measurements of inventories were made by competent employees under the supervision of management, and book records were appropriately adjusted after giving recognition to cut-off for materials received and issued.

Financial Instruments and Deposits

GRU has properly reported its investments at their fair values, based on quoted market prices, in accordance with GASB Statement No. 31, and all applicable disclosures required by GASB Statement No.40 have been made. GRU has complied with Section 218.415, Florida Statutes, related to the investment of public funds. Deposits and investment securities are properly classified in category of custodial credit risk.

Deferred Charges

We believe that all material expenditures that have been deferred to future periods will be recoverable through utility rates. In addition, the City Commission, as the rate setting authority, has approved the GRU budget which includes the material regulatory assets and liabilities related to environmental claims.

Fuel Contracts

We believe that the value of the outstanding fuels contracts (options and futures) as of September 30, 2008 and 2007 is accurate and properly disclosed and recorded. All derivative financial instruments to which GRU is a party, except for interest rate swap contracts, are reported at their fair values in the financial statements. Any derivatives that are not recorded at fair value are subject to the disclosure requirements of GASB Technical Bulletin 2003-1.

Investment in The Energy Authority (TEA)

We have disclosed our equity interest in TEA in accordance with applicable GASB pronouncements and properly accounted for GRU's share of the net income of TEA for the periods ended September 30, 2008 and 2007. We have also disclosed GRU's commitments to TEA through trade guarantees, and believe that GRU's exposure to credit and/or transaction risk is limited to the guarantee amount disclosed in the notes to the financial statements.

Although not common stock in legal form, GRU's investment in TEA has risk and reward characteristics that are substantially similar to that entity's common stock.

Lease/Leaseback

We believe that the initial recording of this transaction is in accordance with generally accepted accounting principles and the asset and corresponding liability are amortized over useful lives that are consistent with those used for similar balances based on the lease terms. Information related to this transaction is properly disclosed in the financial statements.

Long-Lived Assets, Including Amortizable Intangible Assets

No events or changes in circumstances have occurred that indicate the carrying amounts of long-lived assets to be held and used, including intangible assets that are subject to amortization, may not be recoverable.

Short-Term Debt Expected to Be Refinanced

GRU has excluded certain short-term obligations, including commercial paper and variable rate demand bonds, from current liabilities because it intends to refinance the obligations on a long-term basis, and has long-term credit facilities in place at the balance sheet dates to support the disclosure of these liabilities as long-term debt.

Related Party Transactions

Transactions with related parties, as defined in Statement of Financial Accounting Standards No. 57, and related amounts receivable or payable, including sales, purchases, loans, transfers, leasing arrangements, and guarantees, have been properly recorded or disclosed in the financial statements.

Arrangements with Financial Institutions

Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances and line-of-credit or similar arrangements have been properly recorded or disclosed in the financial statements.

Events of Default under Debt Agreements

No events of default have occurred with respect to any of GRU's debt agreements.

Contingent Liabilities

There are no unasserted claims or assessments, including those our lawyers have advised us of that are probable of assertion and must be disclosed in accordance with Statement of Financial Accounting Standards No. 5, *Accounting for Contingencies (FAS 5).*

There have been no violations or possible violations of laws or regulations in any jurisdiction whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.

There have been no communications from regulatory agencies or government representatives concerning investigations or allegations of noncompliance with laws or regulations in any jurisdiction, or deficiencies in financial reporting practices or other matters that could have a material effect on the financial statements.

There are no other material liabilities or gain or loss contingencies that are required to be accrued or disclosed by Statement of Financial Accounting Standards No. 5, nor are there any accruals for loss contingencies included in the balance sheets that are not in conformity with the provisions of Statement of Financial Accounting Standards No. 5.

Excise Tax of Lessees in LILO Transaction

The "Tax Increase Prevention and Reconciliation Act of 2005" (the "Act"), signed into law during the prior fiscal year, imposes an excise tax on certain leasing transactions. The City is currently evaluating this legislation and has evaluated the possibility of any excise tax that may be owed in accordance with the standards of FAS 5. Under FAS 5, there is a reasonable possibility that the City would have to pay excise tax, but not a probable liability in our estimation at this point in time. We are not aware of any evidence to the contrary and have not engaged legal or tax representation related to this legislation. Information related to this is properly disclosed in the financial statements.

Oral or Written Guarantees

There are no oral or written guarantees, including guarantees of the debt of others.

Purchase and Sales Commitments and Sales Terms

At September 30, 2008 and 2007, GRU had no purchase commitments for inventories in excess of normal requirements or at prices that were in excess of market at those dates. Provisions have been made for losses to be sustained in fulfilling or our inability to fulfill any sales commitments.

There were no agreements or commitments to repurchase assets previously sold. There were no material commitments outstanding at September 30, 2008, other than the interest rate swap arrangement and fuels contracts positions that are disclosed in the financial statements, as a result of being a party to futures or forwards contracts, short sales, or hedge transactions.

We have provided you with all agreements regarding purchases and sales of electric power and/or fuel. These agreements represent the entire arrangements and are not supplemented by other agreements either written or oral.

Fraud

We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud. We have no knowledge of any fraud or suspected fraud involving management or other employees who have a significant role in GRU's internal control over financial reporting. In addition, we have no knowledge of any fraud or suspected fraud involving other employees where the fraud could have a material effect on the financial statements. We have disclosed to you all allegations of financial improprieties, including fraud or suspected fraud, coming to our attention (regardless of the source or form and including, without limitation, allegations by "whistle-blowers") where such allegations could result in a misstatement of the financial statements or otherwise affect the financial reporting of GRU.

Independence and Conflicts of Interest

We are not aware of any capital lease, material cooperative arrangement, or other business relationship between GRU and Ernst & Young LLP or any other member firm of the global Ernst & Young organization

We are not aware of any reason that Ernst & Young LLP would not be considered to be independent for purposes of GRU's audit.

There are no instances where any officer or employee of GRU has an interest in a company with which GRU does business that would be considered a "conflict of interest." Such an interest would be contrary to GRU's policy.

Required Supplementary Information

The supplementary information (RSI), comprised of management's discussion and analysis, is measured and presented within prescribed guidelines established by the Governmental Accounting Standards Board in GASB Statement No. 34 and 37.

Use of the Work of a Specialist

We agree with the findings of specialists in evaluating the coal inventory aerial survey and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

Net Assets

Net asset components (invested in capital assets, net of related debt; restricted; and unrestricted) are properly classified and, if applicable, approved.

Debt Compliance

GRU is in compliance with all required debt covenants and requirements. GRU is also in compliance with post issuance requirements as specified in the Internal Revenue Code, including but not limited to the areas of arbitrage and private business use, for each of its outstanding bond issues.

Subsequent Events

Subsequent to September 30, 2008, no events or transactions have occurred or are pending that would have a material effect on the financial statements at that date or for the period then ended, or that are of such significance in relation to GRU's affairs to require mention in a note to the financial statements in order to make them not misleading regarding the financial position, changes in financial position, or cash flows of GRU other than the termination payment related to the LILO lease, which has been properly disclosed.

We understand that your audit was conducted in accordance with auditing standards generally accepted in the United States as promulgated by the American Institute of Certified Public Accountants and was, therefore, designed primarily for the purpose of expressing an opinion on the financial statements of GRU taken as a whole, and that your tests of the accounting records and other auditing procedures were limited to those that you considered necessary for that purpose.

Very truly yours,

Robert B. Hunzinger

Robert Hunzinger, General Manager

Jennifer A. Hunt

Jennifer Hunt, Chief Financial Officer

Christine C. Marion

Christine Marion, Accounting Manager

Appendix C
Management Letter

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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 or the Utility) as of and for the year ended September 30, 2008, 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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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

During our audit, we noted the following control deficiencies (as described above) and other matters:

Current Year Recommendations

Accrued Payroll

GRU has not recorded a payroll accrual in prior years, but has consistently recorded 26 pay periods in each year. However, due to the amount of days to be accrued at the end of September 30, 2008 compared to that at September 30, 2007, the difference resulted in an audit difference. We recommend that management consistently record a payroll accrual as a top side entry to the financial statements to accurately reflect payroll expense for the period.

Management Response:

Management agrees with this recommendation. An accrual was recorded as of September 30, 2008 for the resulting difference. Procedures are in place to record a full payroll accrual beginning in FY2009.

Accounts Receivable Credit Balances

During our review of credit balances in accounts receivable at year-end, we noted certain large credit balances due to payments received from developers with no related accounts receivable balances recorded until subsequent to September 30, 2008. This resulted in an audit difference to properly record the accounts receivable and related revenue in the proper period. We recommend that management review significant credit balances in accounts receivable during the financial statement close process to determine proper cut-off and appropriateness of balances.

Management Response:

Management agrees with this recommendation. The New Services department is aware of the need to record receivables timely, and is implementing procedures to ensure this is done appropriately in the future. Additionally, significant credit balances will be reviewed prior to fiscal year close process.

Prior Year Recommendations

Accrual of Liabilities

During the performance of our audit procedures, we noted during the search for unrecorded liabilities that three invoices totaling approximately $5,457,000 related to the current fiscal year should have been accrued. We recommend that the process for determining accruals during the close process be improved with a more thorough review of accruals so that accounting for such items are consistent. Inconsistency with the process could expose GRU to a misstatement in the financial statements because of inconsistent application of policies.

Management's Response:

Management agrees with the recommendation. The invoice accrual process has been revised to include additional procedures. An additional level of oversight has been added to ensure that invoices are properly accrued.

Current Year Update

Additional procedures and oversight have been implemented to ensure all liabilities are properly accrued. However, during the performance of our audit procedures, we noted certain liabilities that were not properly accrued. The differences noted do not cause a material impact to the financial statements, and therefore, the differences indicate that there remains a control deficiency in the accrual of liabilities; however, this control deficiency does not rise to the level of a significant deficiency or material weakness as described above. We recommend that management continue to improve the review of accruals by reviewing all open invoices and those received subsequent to year-end.

Current Year Management Response:

The invoice accrual process is a very manual process. Management designed processes to identify unrecorded invoices at various levels depending on each stage of the closing process. Management will work closely with the audit team to determine what the appropriate levels should be in the future. We also anticipate this process to be less burdensome with the new financial system implementation.

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.

We would be pleased to discuss the above matters or to respond to any questions, at your convenience.

Ernst & Young LLP

February 10, 2009

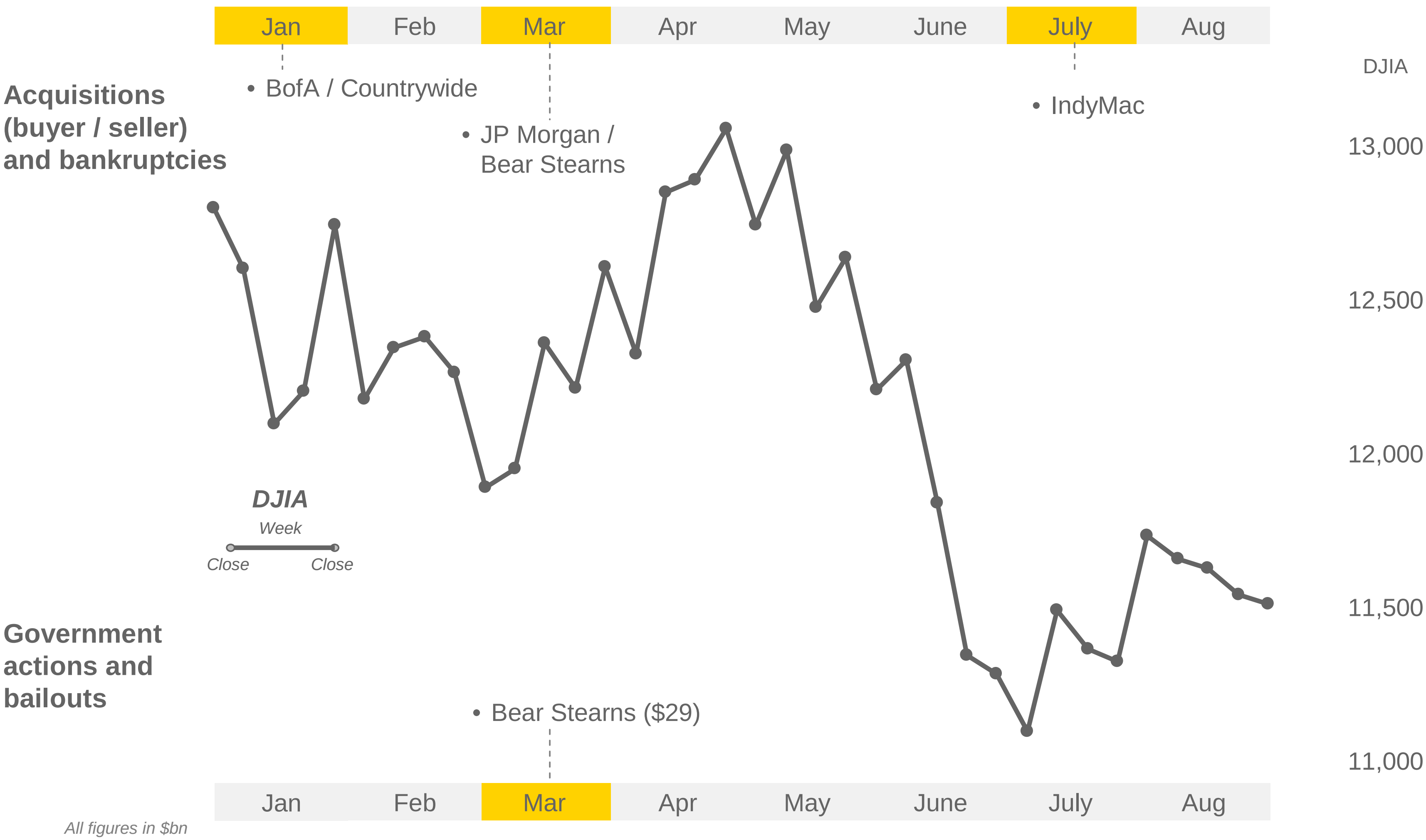
Appendix D

Credit Crisis Considerations for Audit Committees

Background
Factors leading to the credit / liquidity crisis

- Long economic growth period, low interest rates, strong residential real estate market, a lot of liquidity
- Boom in sub-prime originations with risky affordability and non-traditional payment options and terms
- Consumer / corporate debt and leverage expanded significantly
- Rapid growth and widespread use of mortgage-backed securities and other structured vehicles
- Growing investor demand for higher yielding assets
- Housing prices softened; delinquencies and foreclosures rose
- Credit agencies began downgrading certain asset backed securities
- Problems began for sub-prime lenders, spreading to large financial institutions and counter-parties
- Impact:
  - Increased write downs (fair value accounting)
  - Loss of confidence in counter-parties
  - Tightening liquidity
  - Tightening credit availability
  - Closure of the CDO market
- Other problems with consumer credit and securitized products likely still to come

Background
Timeline of key financial events — Jan. to Aug. 2008



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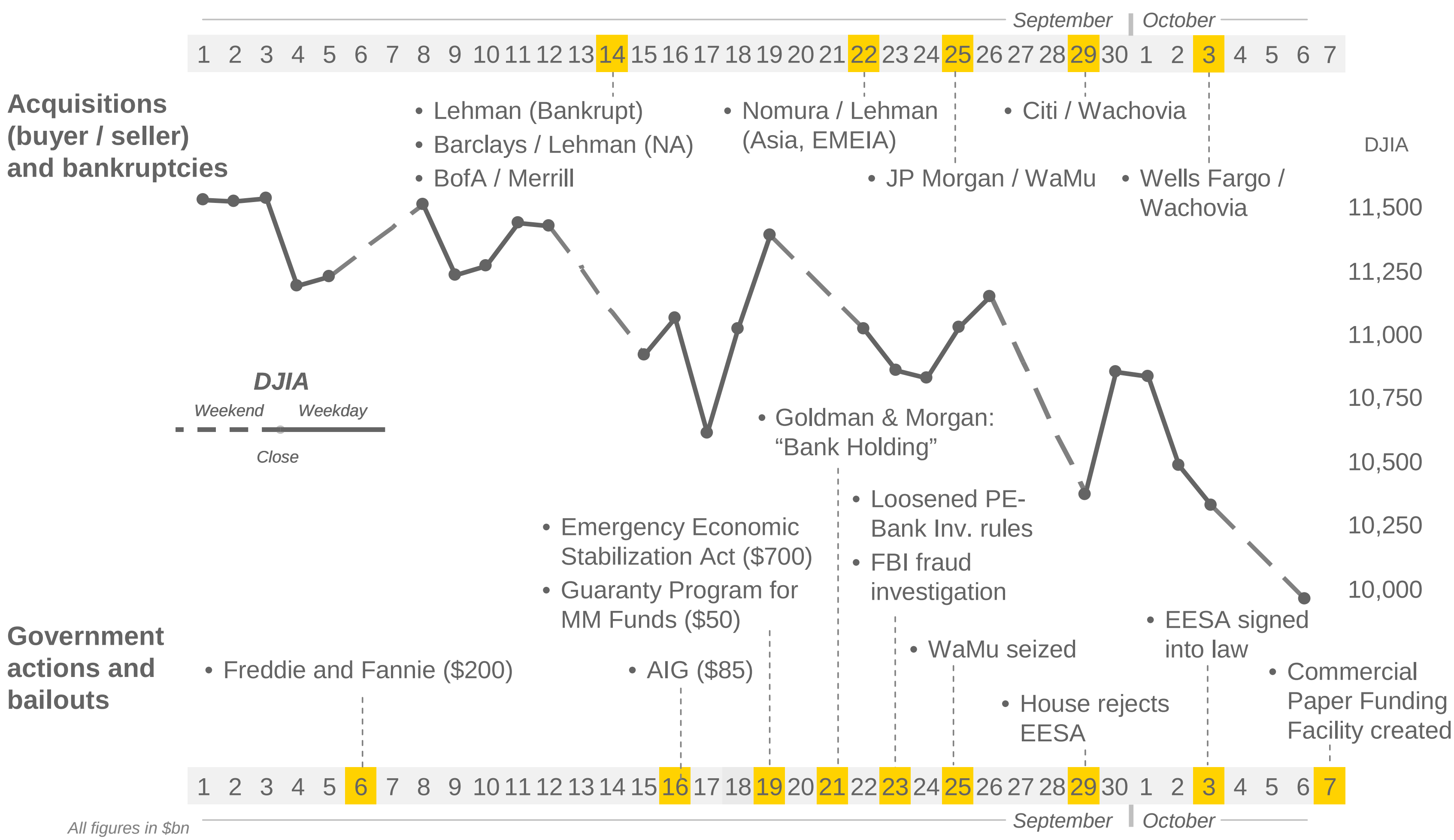
Background

Timeline of key financial events — 9/1/08 – 10/6/08



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Highlights of Emergency Economic Stabilization Act of 2008

Tranches and oversight	► Authorizes Treasury to establish Troubled Asset Relief Program (TARP) to purchase US residential / commercial mortgages and related instruments originated or issued on or before March 14, 2008 (up to $700bn): ► $250bn available immediately ► $100bn upon President's request ► $350bn subject to congressional joint resolution ► Establishes Financial Stability Oversight Board (Fed Chair, Treasury secretary, FHFA Director, SEC Chair, HUD secretary) for the program
Mark-to-market	► Reaffirms SEC's authority to suspend mark-to-market accounting (FAS 157) ► Requires the SEC, Fed and Treasury to conduct a study on mark-to-market
Equity warrants	► Government to take equity ownership in companies that sell $100M+ of their bad assets to the government (non voting warrants or senior debt instruments)
Insurance	► Treasury secretary to establish a program to guarantee troubled assets, funding by risk-based premiums ► Raises FDIC deposit insurance coverage to $250K from $100K per account
Executive comp	► Treasury takes a stake in a company, top 5 executives subject to compensation limits ► Companies who sell $300M+ in securities to Government through auction cannot make "golden parachute payments" to departing executives
Tax credits	► Middle–class tax credits (e.g., delay from higher tax rates under AMT) ► Tax credits and tax breaks for alternative energy programs (individuals and businesses)

Market implications

- ▶Virtually all industries are or will be impacted
  - ▶ Lack of available credit for businesses and the supply chain
  - ▶ Declining asset valuations (including pension and benefit plans)
  - ▶ Defaults continue to rise (residential and commercial)
- ▶Unemployment rate rising—increase in layoffs
- ▶Energy and commodity price increases
- ▶Extraordinary volatility in global stock markets and currencies
- ▶Economic slowdown affecting global markets
- ▶Tightening credit availability for individuals

Audit Committee considerations

Area	Considerations	Potential issues
Risk management	▶ Review management's risk management strategy in light of current market events. Understand any changes undertaken to the strategy and whether appropriate internal controls are in place to support those changes. ▶ Review management's assessment of the performance of internal controls during recent market events. ▶ Assist in developing and overseeing, as needed, GRU's plan to address the identified financial, operational or strategic exposures. ▶ Understand to what extent GRU is susceptible to the financial, operational or strategic exposures related to the growing set of credit, liquidity and valuation issues.	▶ Consider whether new or increased risks: ▶ Affect the process of evaluating the effectiveness of disclosure controls and procedures ▶ Affect the valuation of financial instruments

Audit Committee considerations

Area	Considerations	Potential issues
Liquidity and capital resources	▶ Review management's analysis of liquidity and capital resources, including compliance with debt covenants or other contractual commitments or provisions. ▶ Understand what debt is expected to be refinanced and how. ▶ Understand if current conditions could affect the company's ability to continue as a going concern.	▶ Companies with long-term debt that is expected to be refinanced (including debt subject to remarketing agreements), or short-term debt (including commercial paper programs, factoring programs, lines of credit, demand notes etc.) that is expected to be refinanced or replaced with long-term borrowings, may encounter issues accessing capital or face a higher cost of capital as financial institutions tighten their lending practices. These risks may be heightened for companies that are highly leveraged, operate in an industry experiencing a market decline, or that have experienced a decline in their results of operations. ▶ Companies dependent upon debt or equity financing to sustain operations for a least one year beyond the date of the financial statements, if adversely affected by the current conditions in the credit markets, may find obtaining of such financing or capital restricted, or on terms and conditions that may not be sustainable. This could raise additional doubts regarding the company's ability to continue as a going concern.

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Audit Committee considerations

Area	Considerations	Potential issues
Fair value measurements	► Review management's methodology for determining fair value, particularly for complex or illiquid securities. ► Understand whether there have been any changes to that methodology. Understand whether the changes were appropriate, and if no changes have been made, whether that methodology is appropriate in light of the current environment. ► Understand key assumptions and how changes in those assumptions have affected and could affect the company in the future. ► Understand whether more items have been valued using internal-only models and how assumptions and results were corroborated.	► Complex valuation considerations may unknowingly exist for certain investment types thought not to be affected by the current conditions in the credit markets. ► For many instruments, evidence supporting the determination of fair value does not come from trading in active primary or secondary markets. Further, the number of factors influencing the determination of fair value can be extensive, and can vary both by type of instrument or within instrument types. ► Given that the market for many instrument types has become more illiquid, fair value quotations received from dealers may not be able to be obtained as in the past. Further, companies may need to perform more due diligence on any dealer quotes that are obtained to understand the sources of information used to develop the quote in order to assess its reasonableness.

Audit Committee considerations

Area	Considerations	Potential issues
Disclosures	▶ Understand how GRU's disclosures have been enhanced to reflect current market conditions through filings, press releases, company websites, conference calls and other media. ▶ Understand how management has appropriately disclosed GRU's critical accounting policies, market risk, liquidity and capital resources.	▶ GRU should be aware that disclosure requirements, or the expectations for additional or more specific disclosures, could evolve given the breadth and depth of the issues being faced ▶ Financial statement and Management's Discussion and Analysis (MD&A) disclosure areas that GRU may need to increase its focus on include, but are not limited to: ▶ The description of GRU's business, including the extent of GRU's potential exposure in the current environment; current risk factors; qualitative and quantitative aspects of market risk ▶ Critical accounting policies and estimates ▶ Liquidity and capital resources ▶ Risks and uncertainties and concentrations of risk

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Audit Committee considerations

Area	Considerations	Potential issues
Other	► Understand any new or unusual transactions such as sales of assets, new financing structures or transactions with related parties. ► Consult with management, internal audit and the external auditor on the accounting and financial reporting implications of the identified exposures. ► Review changes to key assumptions or estimates in light of current market events and business operations (for example, forecasted results, sales returns, cash flows, cost of capital, asset impairment, allowance for doubtful accounts and inventory obsolescence).	► Customers adversely affected by the current conditions in the credit markets may be subject to increased collectibility risks. These risks may affect whether revenue should be recognized or indicate that accounts receivable related to shipments to customers who may have been adversely affected by current market conditions may be subject to additional valuation considerations. ► Current levels of inventory, even though consistent with historical levels, may give rise to valuation issues in the current environment. In addition, increasing inventory levels may be indicative of demand issues in the market and may be subject to valuation issues. ► A decrease in product demand driven by the current market conditions for companies closely linked to the current adverse market conditions may mark a change in the business climate that is an indicator of, and may result in, asset impairments. ► Companies experiencing liquidity issues may be forced to reduce prices on inventory to move product to raise necessary cash.

Appendix E

Audit committee trends and key topics

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Audit committee trends and key topics

Ernst & Young develops resources on a variety of topics that are of interest to Audit Committee members and management. These topics have been covered in articles that have appeared in our *BoardMatters Quarterly* (BMQ) newsletter, Thought Center Webcasts and publications. Ernst & Young also works with Tapestry Networks to orchestrate private dialogues, including the Audit Committee Leadership Network (ACLN) and area-based Audit Committee Networks (ACN). The ACLN is a group of Audit Committee chairs from some of America's leading companies. For reference purposes, we have provided highlights of the articles and topics that appeared in 2007.

Topic area	Topic/resource
Accounting and auditing	► Audit Committee Alert: Credit, Liquidity, and Valuation Issues in the Financial Markets (BMQ-October) ► Ernst & Young's 2007 Mid-Year Accounting Update (Thought Center Webcast-June) ► Perspectives on FIN 48: What's Next? (Thought Center Webcast-July) ► New Executive Compensation Disclosure Rules: Considerations for Directors and Audit Committee Members (BMQ-March) ► Priorities for the 2007 Proxy Season (Tapestry Networks InSights-March)

Audit committees	► Audit Committee Perspectives, Audit Committee Survey Results and Industry Trends (January)
	► Increasing Audit Committee Effectiveness (Tapestry Networks ViewPoints-October)
	► Shared Responsibility (Tapestry Networks VantagePoint)
	    ► Southeast ACN VantagePoint-March
	    ► Pacific Southwest ACN VantagePoint-March

Business	► Best in Class: How Top Corporations Can Help Transform Public Education (Thought Center Webcast-May) ► Enhancing Trust and Competition in the Global Public Capital Markets (Tapestry Networks ViewPoints-April) ► Industry 360: The Ernst & Young Source for Global Industry Insights, Volume I (September)

Challenging situations	► Four Lessons for Audit Committees from High-Profile Accounting Scandals (Tapestry Networks ViewPoints-April)
	► Navigating Challenging Situations (Tapestry Networks VantagePoint)
	    ► Mid-Atlantic ACN VantagePoint-August
	    ► Canada ACN VantagePoint-August
	    ► North Central ACN VantagePoint-July

Continuing education	► The Importance of Continuing Education (BMQ-July) ► Compliance Education from the Director's Perspective (BMQ-July) ► Continuing Education: One Audit Committee Member's Perspective (BMQ-July) ► Forward View: Audit Committee Continuing Education: Avoid the Classroom! (BMQ-July) ► Regulatory Risks and the Context of Continuing Education (BMQ-July)

Audit committee trends and key topics

Topic area	Topic/resource
Finance	▶ Audit Committee Relationships with the Finance Committee (Tapestry Networks North Central ACN VantagePoint-March)
Fraud	▶ Preventing and Investigating Fraud: the Audit Committee's Role (Tapestry Networks Pacific Southwest ACN VantagePoint-January) ▶ The Foreign Corrupt Practices Act: Charting a Safe Course in the Context of Acquisition (Thought Center Webcast-April)
IFRS	▶ IFRS or US GAAP? (BMQ-October) ▶ IFRS: An Option for US Issuers? (2007 Year-End Corporate Reporting Update, November and Thought Center Webcast-August) ▶ Global Eye on IFRS (Bi-monthly publication: January, March, June, August, October)

Information technology	▶ Information Security (Thought Center Webcast-June)
	▶ Information Security Priorities: A Global View of Risks (BMQ-March)
	▶ Information Technology Governance (Tapestry Networks VantagePoint)
	    ▶ Mid-Atlantic ACN VantagePoint-January
	    ▶ Canada ACN VantagePoint-April
	    ▶ Pacific Southwest ACN VantagePoint-July

Private equity	▶ The Secret of Success for Private Equity: How Do Private Equity Investors Create Value? (Thought Center Webcast-November) ▶ The Rise of Private Equity: Considerations for Public Company Directors (Tapestry Networks InSights-July)
Regulatory	▶ Regulatory Balance: a Dialogue with John White (Tapestry Networks ViewPoints-October) ▶ The Thoughts of Chairman Olson: A Summary of Public Statements by PCAOB Chairman Mark Olson (Tapestry Networks InSights-February)
Risk management	▶ "Strategic Business Risk: 2008 — The Top 10 Risks for Business" (November) ▶ Risk Management Programs: What Does the Audit Committee Need to Know (BMQ-October) ▶ The Personal Liability of Audit Committee Members: How Real is the Risk? (BMQ-October) ▶ Forward View: Technology Risks: What is on the Horizon for Audit Committee Chairs? (BMQ-March) ▶ Forward View: What Audit Committee Chairs Say About Risk Management (BMQ-October) ▶ Privacy Issues for 2007: Managing Risk and Compliance (Thought Center Webcast-February) ▶ “Risk Management in Emerging Markets” (November)

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Audit Committee Trends and Key Topics

Topic Area	Topic/Resource
Section 404	► The New 404 Balancing Act: Assessing Choices, Making the Right Decisions (Thought Center Webcast-July) ► SEC and PCAOB Make Proposals to Improve Implementation of Section 404 (BMQ-March)
Strategic growth	► IPO Success Factors from the “Class of ’06/’07” (Thought Center Webcast-November) ► Keeping Your Options Open: Multi-Tracking Your Way to Capital Infusion (Thought Center Webcast-September) ► US Clean Technology: Policy Developments, Incentives, and Regulations (Thought Center Webcast-September)
Tax	► Tax Risk: Global Strategies in Risk Management (BMQ-March)
XBRL	► XBRL Reporting (2007 Year-End Corporate Reporting Update, November)

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