

Gainesville Regional Utilities

Quarterly Financial Statements

2nd Quarter Ending March 31, 2006



Gainesville Regional Utilities
Quarterly Financial Statements
Quarter Ending March 31, 2006

Contents

Management Overview and Analysis

Overview and Basis of Accounting	1
--	---

Financial Statements

Combined Statement of Operating Income	2
Electric System Statement of Operating Income w/ Discussion	4
Gas System Statement of Operating Income w/ Discussion	6
Water System Statement of Operating Income w/ Discussion	8
Wastewater System Statement of Operating Income w/ Discussion	10
GRUCom System Statement of Operating Income w/ Discussion	12
Balance Sheet w/ Discussion	14

Supplemental Data

Electrical Rate Comparison and Fuel Mix Ratios	16
--	----

Definitions and Supplemental Information

Glossary of Terms	18
-------------------------	----

Management Overview and Analysis

Overview

The City of Gainesville, Florida owns and operates a combined utility system doing business as Gainesville Regional Utilities (GRU) which provides five separate utility functions. The utility functions consist of an electric generation, transmission and distribution system (Electric System), water production and distribution system (Water System), wastewater collection and treatment systems (Wastewater System), natural gas distribution system (Gas System) and a telecommunication system (GRUcom). Each of these systems is accounted for internally as a separate enterprise fund but reported as a combined utility system for external financial reporting purposes.

We offer readers of this management discussion and analysis of the utility system's financial statements for the quarter ending March 31, 2006. It should be read in conjunction with the financial statements that follow this section.

Basis of Accounting

The financial statements are presented on the accrual basis of accounting, under Generally Accepted Accounting Principles (GAAP). Under this basis, revenues are recognized in the period earned and expenses are recognized in the period incurred. Additionally, separate financial statements are presented in accordance with the amended and restated Utilities System Revenue Bond Resolution (Bond Resolution). In the Bond Resolution statements, rates are designed to cover operating and maintenance expense, debt service and other uses, which exclude depreciation expense and other non-cash expense items.

The Bond Resolution financial statement method of reporting results in costs being included in the determination of rates in different periods than when these costs are recognized for GAAP financial statement purposes.

Gainesville Regional Utilities has adopted the uniform system of accounts prescribed by the Federal Energy Regulatory Commission (FERC) and the National Association of Regulatory Utility Commissioners (NARUC).