

Gainesville Regional Utilities

Interim Financial Statements - Unaudited

For the Year Ended September 30, 2017



**Gainesville Regional Utilities
Financial Statements - Unaudited
For the Year Ended September 30, 2017**

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Overview and Basis of Accounting

Gainesville Regional Utilities

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For the Year Ended September 30, 2017

Overview

Gainesville Regional Utilities (GRU or the Utility) is a combined municipal utility system operating electric, water, wastewater, natural gas, and telecommunications (GRUCom) systems. GRU is a utility enterprise of the City of Gainesville, Florida (City) and is reported as an enterprise fund in the comprehensive annual financial report of the City. GRU is required to follow the provisions in the Amended and Restated Utilities System Revenue Bond Resolution (Resolution) adopted by the City on January 30, 2003.

We offer readers these unaudited utility system financial statements for the year ended September 30, 2017.

Basis of Accounting

GRU is required to follow the provisions in the Amended and Restated Utilities System Revenue Bond Resolution (Resolution) adopted by the City on January 30, 2003. GRU's electric and gas accounts are maintained substantially in accordance with the Uniform System of Accounts of the Federal Energy Regulatory Commission (FERC), as required by the Resolution, and in conformity with accounting principles generally accepted in the United States of America using the accrual basis of accounting, including the application of regulatory accounting as described in Governmental Accounting Standards Board (GASB) Statement No. 62 - *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

GRU prepares its financial statements in accordance with GASB Statement No. 62, *paragraphs 476-500, Regulated Operations*, and records various regulatory assets and liabilities. For a government to report under GASB Statement No. 62, its rates must be designed to recover its costs of providing services, and the utility must be able to collect those rates from customers. If it were determined, whether due to regulatory action or competition, that these standards no longer applied, GRU could be required to expense its regulatory assets and liabilities. Management believes that GRU currently meets the criteria for continued application of GASB Statement No. 62, but will continue to evaluate significant changes in the regulatory and competitive environment to assess continuing applicability of the criteria.

The Resolution specifies the flow of funds from revenues and the requirements for the use of certain restricted and unrestricted assets. Under the Resolution, rates are designed to cover operation and maintenance expenses, rate stabilization, debt service requirements, utility plant improvement fund contributions and for any other lawful purpose. The flow of funds excludes depreciation expense and other noncash revenue and expense items. This method of rate setting results in costs being included in the determination of rates in different periods than when these costs are recognized for financial statement purposes. The effects of these differences are recognized in the determination of operating income in the period that they occur, in accordance with GRU's accounting policies.

Management's Discussion and Analysis

Gainesville Regional Utilities

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Management's Discussion and Analysis

We offer readers of GRU's financial statements this management's discussion and analysis of the financial activities of GRU for the year ended September 30, 2017. It should be read in conjunction with the unaudited financial statements that follow this section.

Financial Highlights – Overall

- Cash and cash equivalents decreased \$12.9 million or 26.1% due to normal operations and contributions to and from rate stabilization cash.
- Fuel adjustment levelization balance decreased \$19.1 million or 131.9% to a negative \$4.7 million. The electric fuel adjustment balance decreased \$18.5 million due to a combination of the following factors: a decrease in the fuel adjustment rate in May 2016; use of more expensive biomass power from Gainesville Renewable Energy Center (GREC) due to Deerhaven repairs related to the dry scrubber failure and an upward trend in the cost of natural gas.

At September 30, 2017, GRU was in arbitration regarding various matters related to the Power Purchase Agreement (PPA) with GREC and the amount in dispute totaled \$8.5 million. GRU purchased the plant in November 2017 for \$750 million and the amount in dispute was settled at that time. GRU has renamed the plant to Deerhaven Renewables and incorporated it into the Utility's generating portfolio.

- Short term investments decreased by \$44.5 million or 37.3% due primarily to expiring investments that were not renewed and subsequently used to fund capital expenditures.
- Net costs recoverable in future years increased \$15.2 million or 32.6% due to capital lease transactional activity.
- Construction in progress decreased \$17.6 million and Utility Plant in Service increased \$97.9 million due to a Utility wide effort to capitalize assets placed into service. This effort was driven by the reimplementation of the SAP software project and changes in business processes.
- Accumulated decrease in fair value of hedging derivatives decreased \$23.7 million or 29.1% due primarily to a decrease in the unrealized loss on interest rate swaps.
- Accounts payable and accrued liabilities increased \$8.7 million or 28.5% due to increased expenses in September related to storm damage from Hurricane Irma.
- The pension costs - regulatory asset, deferred outflow of resources - pension costs, pension liability and deferred inflow of resources - pension costs have not been adjusted for year-end. Final entries will be made prior to issuance of the audited financial statements for the year ended September 30, 2017.
- Certain 2016 amounts have been reclassified to conform to the 2017 presentation.

Gainesville Regional Utilities
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Financial Highlights – Schedules of Net Revenues in Accordance with Bond Resolution

Combined Systems

- Total revenues increased \$6.4 million or 1.5% due primarily to an increase in electric, water and wastewater revenues. These increases were offset by decreases in gas and telecommunication revenues.
- Total expenses increased \$10.9 million or 2.8% due primarily to an increase in electric fuel expense of \$6.7 million and \$5.6 million of expenses resulting from damage incurred during Hurricane Irma. A reimbursement request will be submitted to the Federal Emergency Management Agency (FEMA) during fiscal year 2018.
- The combined systems withdrew \$4 million from rate stabilization for the year ended September 30, 2017, including budgeted transfers to and from rate stabilization.

Electric System

- Total revenues increased by \$3.9 million or 1.3% over the prior year due primarily to an increase in the fuel adjustment and non-residential revenues offset by lower residential revenue.
- Fuel adjustment revenue increased \$6.7 million or 4.3% over the prior year due primarily to higher fuel expenses. The fuel adjustment rate was lowered from 73 mills to 70 mills in May 2016.

Fuel adjustment revenue is matched to fuel expenses with amounts over collected deferred in the fuel adjustment levelization balance and amounts under collected drawn down from the fuel adjustment levelization balance.

- Other revenues decreased \$8.9 million and the transfer from rate stabilization increased \$8.8 million from the prior year due primarily to the release of GRU's ownership interest in the CR3 nuclear power plant to Duke Energy that occurred in fiscal year 2016.
- Fuel and purchased power expenses increased \$6.7 million or 4.3% over the prior year due primarily to increased natural gas cost and an increase in the use of higher cost biomass power due to a shutdown of Deerhaven unit 2 for repairs.

Fuel expenses are matched to fuel revenue with amounts over collected deferred in the fuel adjustment levelization balance and amounts under collected drawn down from the fuel adjustment levelization balance.

- Transmission and distribution expenses increased \$4.9 million or 34.5% primarily due to \$4.2 million in damages to the electrical system resulting from Hurricane Irma. A reimbursement request will be submitted to FEMA during fiscal year 2018.
- The electric system withdrew \$6 million from rate stabilization for the year ended September 30, 2017, in addition to budgeted transfers from rate stabilization.

Gainesville Regional Utilities
Financial Statements - Unaudited
For the Year Ended September 30, 2017

Water System

- Total revenues increased \$2.8 million or 8.3% due to an overall rate increase of 3% offset by a decrease in other revenues and other income/expenses.
- Other revenues decreased \$724,249 or 23.6% due to a reduction in connection and other charges. Fiscal year 2016 had significant commercial construction activities with increased connection charge fees.
- Other income (expense) decreased by \$1 million primarily due to an \$802,273 loss on the disposal of water meters and associated connections as part of a water meter upgrade plan.
- The water system contributed \$1.5 million to rate stabilization for the year ended September 30, 2017, in addition to budgeted transfers to rate stabilization.

Wastewater System

- Total revenues increased \$2.9 million or 6.8% due to an increase in residential revenue offset by a decrease in other revenue.
- Other revenues decreased \$1.2 million or 24.2% due to a reduction in connection and other charges. Fiscal year 2016 had significant commercial construction activities with increased connection charges.
- Wastewater collection expenses increased \$2.7 million or 74.5% primarily due to increased labor expenses, electric usage and pumping expenses associated with Hurricane Irma. A reimbursement request will be submitted to FEMA during fiscal year 2018.
- The wastewater system contributed \$1 million to rate stabilization for the year ended September 30, 2017, in addition to budgeted transfers from rate stabilization.

Gas System

- Total revenues decreased \$2.2 million or 9% due to the combination of a reduction in sales volume and increased transfers to rate stabilization offset by an overall increase in gas rates of 9%.
- Purchased gas fuel adjustment and the related fuel expense increased \$273,287 or 4.0% due to an increase in the usage of natural gas. Purchased gas adjustment revenue is matched to fuel expenses with amounts over collected deferred in the purchased gas adjustment levelization balance and amounts under collected drawn down from the purchased gas adjustment levelization balance.

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For the Year Ended September 30, 2017

- Administrative and general expenses decreased \$2.4 million or 41.6%. In fiscal year 2016, the gas system expensed work that had been originally classified as capital yet was not able to be placed into service.
- The gas system contributed \$197,230 to rate stabilization for the year ended September 30, 2017, in addition to budgeted transfers to rate stabilization.

Telecommunications System

- Total revenues decreased \$1 million or 8.6% due primarily to a planned withdrawal of rate stabilization revenues that did not occur when funds were exhausted in the previous year.

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Financial Statements

Gainesville Regional Utilities
Statements of Net Position - Unaudited
September 30, 2017 and 2016

| | September 30, 2017 | September 30, 2016 | Change (\$) | Change (%) |
|---|-------------------------|-------------------------|------------------------|----------------|
| Assets | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | \$ 36,491,757 | \$ 49,373,171 | \$ (12,881,414) | (26.1%) |
| Accounts receivable, net of allowance for uncollectible accounts of \$711,612 and \$837,332, respectively | 52,423,319 | 49,351,371 | 3,071,948 | 6.2% |
| Inventories: | | | | |
| Fuel | 7,697,011 | 8,162,677 | (465,666) | (5.7%) |
| Materials and supplies | 7,754,117 | 6,946,095 | 808,022 | 11.6% |
| Fuel adjustment | 4,729,317 | (14,831,564) | 19,560,881 | (131.9%) |
| Other assets and regulatory assets | 1,989,600 | 1,822,993 | 166,607 | 9.1% |
| Short term investments | 74,823,398 | 119,338,969 | (44,515,571) | (37.3%) |
| Total current assets | 185,908,519 | 220,163,712 | (34,255,193) | (15.6%) |
| Noncurrent assets: | | | | |
| Net costs recoverable in future years - regulatory assets | 61,574,434 | 46,423,923 | 15,150,511 | 32.6% |
| Unamortized debt issuance costs - regulatory assets | 5,475,971 | 5,821,432 | (345,461) | (5.9%) |
| Investment in The Energy Authority | 2,093,983 | 2,102,681 | (8,698) | (0.4%) |
| Pollution remediation - regulatory asset | 11,734,159 | 12,826,026 | (1,091,867) | (8.5%) |
| Other noncurrent assets and regulatory assets | 4,409,469 | 7,156,828 | (2,747,359) | (38.4%) |
| Long term investments | 98,343,474 | 96,841,404 | 1,502,070 | 1.6% |
| Pension costs - regulatory asset | 56,115,877 | 56,115,877 | - | 0.0% |
| Total noncurrent assets | 239,747,367 | 227,288,171 | 12,459,196 | 5.5% |
| Capital assets: | | | | |
| Utility plant in service | 1,964,548,996 | 1,866,654,212 | 97,894,784 | 5.2% |
| Capital lease | 1,006,808,754 | 1,006,808,754 | - | 0.0% |
| Less: accumulated depreciation and amortization | (939,133,366) | (838,225,820) | (100,907,546) | 12.0% |
| | 2,032,224,384 | 2,035,237,146 | (3,012,762) | (0.1%) |
| Construction in progress | 92,098,075 | 109,692,217 | (17,594,142) | (16.0%) |
| Net capital assets | 2,124,322,459 | 2,144,929,363 | (20,606,904) | (1.0%) |
| Total assets | 2,549,978,345 | 2,592,381,246 | (42,402,901) | (1.6%) |
| Deferred outflows of resources: | | | | |
| Unamortized loss on refunding of bonds | 21,372,280 | 24,766,323 | (3,394,043) | (13.7%) |
| Accumulated decrease in fair value of hedging derivatives | 57,652,361 | 81,362,499 | (23,710,138) | (29.1%) |
| Pension costs | 20,954,810 | 20,954,810 | - | 0.0% |
| Total deferred outflows of resources | 99,979,451 | 127,083,632 | (27,104,181) | (21.3%) |
| Total assets and deferred outflows of resources | \$ 2,649,957,796 | \$ 2,719,464,878 | \$ (69,507,082) | (2.6%) |

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Gainesville Regional Utilities
Statements of Net Position - Unaudited (concluded)
September 30, 2017 and 2016

| | September 30, 2017 | September 30, 2016 | Change (\$) | Change (%) |
|--|-------------------------|-------------------------|------------------------|----------------|
| Liabilities | | | | |
| Current liabilities: | | | | |
| Accounts payable and accrued liabilities | \$ 39,036,087 | \$ 30,368,402 | \$ 8,667,685 | 28.5% |
| Fuels payable | 13,305,897 | 12,170,813 | 1,135,084 | 9.3% |
| Due to other funds of the City | (873,583) | 1,489,944 | (2,363,527) | (158.63%) |
| Capital lease - current | 19,255,473 | 18,409,781 | 845,692 | 4.6% |
| Other liabilities and regulatory liabilities | (197,847) | 1,899,847 | (2,097,694) | (110.41%) |
| Total current liabilities | <u>70,526,027</u> | <u>64,338,787</u> | <u>6,187,240</u> | <u>9.6%</u> |
| Payable from restricted assets: | | | | |
| Utility deposits | 9,925,443 | 9,879,734 | 45,709 | 0.5% |
| Utilities system revenue bonds - current | 18,120,000 | 107,535,000 | (89,415,000) | (83.1%) |
| Commercial paper notes - current | 5,900,000 | 13,600,000 | (7,700,000) | (56.6%) |
| Accrued interest payable | 18,039,204 | 18,516,765 | (477,561) | (2.6%) |
| Total payable from restricted assets | <u>51,984,647</u> | <u>149,531,499</u> | <u>(97,546,852)</u> | <u>(65.2%)</u> |
| Long-term debt: | | | | |
| Utility system revenue bonds | 853,420,000 | 781,540,000 | 71,880,000 | 9.2% |
| Commercial paper notes | 53,000,000 | 45,900,000 | 7,100,000 | 15.5% |
| Capital lease | 922,013,598 | 941,269,071 | (19,255,473) | (2.0%) |
| Unamortized bond premium/discount | 16,902,387 | 17,990,208 | (1,087,821) | (6.0%) |
| Fair value of derivative instruments | 61,184,080 | 87,180,294 | (25,996,214) | (29.8%) |
| Total long-term debt | <u>1,906,520,065</u> | <u>1,873,879,573</u> | <u>32,640,492</u> | <u>1.7%</u> |
| Noncurrent liabilities: | | | | |
| Reserve for insurance claims | 3,337,000 | 3,337,000 | - | 0.0% |
| Reserve for environmental liability | 266,000 | 266,000 | - | 0.0% |
| Pension liability | 71,325,377 | 71,325,377 | - | 0.0% |
| Total noncurrent liabilities | <u>74,928,377</u> | <u>74,928,377</u> | <u>-</u> | <u>0.0%</u> |
| Total liabilities | <u>2,103,959,116</u> | <u>2,162,678,236</u> | <u>(58,719,120)</u> | <u>(2.7%)</u> |
| Deferred inflows of resources: | | | | |
| Rate stabilization | 66,046,164 | 74,077,388 | (8,031,224) | (10.8%) |
| Pension costs | 5,745,310 | 5,745,310 | - | 0.0% |
| Total deferred inflows of resources | <u>71,791,474</u> | <u>79,822,698</u> | <u>(8,031,224)</u> | <u>(10.1%)</u> |
| Net position | | | | |
| Net investment in capital assets | 275,624,484 | 265,322,741 | 10,301,743 | 3.9% |
| Restricted | 74,948,542 | 82,186,093 | (7,237,551) | (8.8%) |
| Unrestricted | 123,634,180 | 129,455,110 | (5,820,930) | (4.5%) |
| Total net position | <u>474,207,206</u> | <u>476,963,944</u> | <u>(2,756,738)</u> | <u>(0.6%)</u> |
| Total liabilities, deferred inflows of resources and net position | <u>\$ 2,649,957,796</u> | <u>\$ 2,719,464,878</u> | <u>\$ (69,507,082)</u> | <u>(2.6%)</u> |

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Gainesville Regional Utilities
Statements of Revenues, Expenses, and Changes in Net Position - Unaudited
For the Years Ended September 30, 2017 and 2016

| | <u>September 30, 2017</u> | <u>September 30, 2016</u> |
|--|---------------------------|---------------------------|
| Operating revenues: | | |
| Sales and service charges | \$ 390,065,083 | \$ 379,830,526 |
| Transfers (to) from rate stabilization | 8,031,224 | (2,362,847) |
| Amounts to be recovered from future revenue | 33,560,292 | 33,560,292 |
| Other operating revenue | 25,207,002 | 22,789,836 |
| Total operating revenues | <u>456,863,601</u> | <u>433,817,807</u> |
| Operating expenses: | | |
| Operation and maintenance | 250,632,067 | 230,128,599 |
| Administrative and general | 41,012,871 | 50,506,178 |
| Depreciation and amortization | 108,054,395 | 99,343,149 |
| Total operating expenses | <u>399,699,333</u> | <u>379,977,926</u> |
| Operating income | <u>57,164,268</u> | <u>53,839,881</u> |
| Non-operating income (expense): | | |
| Interest expense, net of AFUDC | (37,062,896) | (37,811,533) |
| Other interest related income, BABs | 5,308,201 | 5,372,529 |
| Other income (expense) | 70,008 | 13,987,579 |
| Total non-operating income (expense) | <u>(31,684,687)</u> | <u>(18,451,425)</u> |
| Income before capital contributions and transfers | <u>25,479,581</u> | <u>35,388,456</u> |
| Capital contributions: | | |
| Contributions from third parties | 7,636,081 | 1,659,399 |
| Reduction of plant costs recovered through contributions | (58,390) | (194,936) |
| Net capital contributions | <u>7,577,691</u> | <u>1,464,463</u> |
| Transfer to City of Gainesville General Fund | <u>(35,814,010)</u> | <u>(34,994,591)</u> |
| Change in net position | <u>(2,756,738)</u> | <u>1,858,328</u> |
| Net position - beginning of year | 476,963,944 | 475,105,616 |
| Net position - end of period | <u>\$ 474,207,206</u> | <u>\$ 476,963,944</u> |

Gainesville Regional Utilities
Statements of Cash Flows - Unaudited
For the Years Ended September 30, 2017 and 2016

| | <u>September 30, 2017</u> | <u>September 30, 2016</u> |
|---|---------------------------|---------------------------|
| Operating activities: | | |
| Cash received from customers | \$ 386,384,590 | \$ 379,135,491 |
| Cash payments to suppliers for goods and services | (239,372,333) | (202,870,326) |
| Cash payments to employees for services | (56,733,264) | (54,591,582) |
| Cash payments for operating transactions with other funds | (7,383,825) | (6,629,986) |
| Other operating receipts | 36,361,766 | 20,426,989 |
| Net cash provided by operating activities | <u>119,256,934</u> | <u>135,470,586</u> |
| Noncapital financing activities: | | |
| Transfer to City of Gainesville General Fund | (35,814,010) | (34,994,591) |
| Net cash used by noncapital financing activities | <u>(35,814,010)</u> | <u>(34,994,591)</u> |
| Capital and related financing activities: | | |
| Principal repayments and refunding on long-term debt, net | (23,135,000) | (22,205,000) |
| Interest paid on long-term debt | (37,540,457) | (38,101,113) |
| Proceeds from interest rebates, BABs | 5,308,201 | 5,372,529 |
| Acquisition and construction of fixed assets (including allowance for funds used during construction) | (92,248,190) | (77,099,955) |
| Proceeds from new debt and commercial paper | 5,000,000 | - |
| Other income | 3,151,706 | 3,149,084 |
| Net cash used by capital and related financing activities | <u>(139,463,740)</u> | <u>(128,884,455)</u> |
| Investing activities: | | |
| Interest paid (received) | 1,314,281 | 661,066 |
| Purchase of investments | (285,349,954) | (390,235,264) |
| Investments in The Energy Authority | (6,075,313) | (6,787,229) |
| Distributions from The Energy Authority | 6,084,011 | 7,246,426 |
| Proceeds from investments | 327,003,774 | 375,286,264 |
| Proceeds from CR3 settlement | - | 10,177,429 |
| Net cash provided (used) by investing activities | <u>42,976,799</u> | <u>(3,651,308)</u> |
| Net change in cash and cash equivalents | (13,044,016) | (32,059,768) |
| Cash and cash equivalents, beginning of year | 49,535,773 | 81,595,541 |
| Cash and cash equivalents, end of period | <u>\$ 36,491,757</u> | <u>\$ 49,535,773</u> |

Continued on next page.

Gainesville Regional Utilities
Statements of Cash Flows - Unaudited (concluded)
For the Years Ended September 30, 2017 and 2016

| | <u>September 30, 2017</u> | <u>September 30, 2016</u> |
|--|---------------------------|---------------------------|
| Reconciliation of operating income to net cash provided by operating activities: | | |
| Operating income | \$ 57,164,268 | \$ 53,839,881 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | |
| Depreciation and amortization | 108,054,395 | 99,343,149 |
| Net costs recoverable in future years | (15,150,511) | (15,959,059) |
| Change in: | | |
| Accounts receivable | (3,071,948) | (1,957,090) |
| Inventories | (342,356) | 7,711,411 |
| Other assets and regulatory assets | (166,607) | 429,046 |
| Payable from restricted assets | (22,946,888) | (11,964,460) |
| Noncurrent assets | 1,091,867 | 998,220 |
| Accounts payable and accrued liabilities | 14,214,320 | 7,864,848 |
| Due to other funds of the City | (2,363,527) | (2,630,122) |
| Fuel adjustment | (8,384,773) | (3,968,160) |
| Other liabilities and regulatory liabilities | (201,537) | (1,861,980) |
| Utility deposits | (608,545) | 1,262,055 |
| Rate stabilization | (8,031,224) | 2,362,847 |
| Net cash provided by operating activities | <u>\$ 119,256,934</u> | <u>\$ 135,470,586</u> |
| Non-cash capital and related financing activities and investing activities: | | |
| Contribution of capital assets | <u>\$ 7,577,691</u> | <u>\$ 1,464,463</u> |
| Net costs recoverable in future years | <u>\$ (15,150,511)</u> | <u>\$ (15,959,059)</u> |
| Change in capital lease liability | <u>\$ (18,409,781)</u> | <u>\$ (17,601,233)</u> |
| Acquisition of utility plant in service with construction fund payable | <u>\$ (4,411,551)</u> | <u>\$ 4,200,338</u> |
| Change in ineffective portion of hedging derivatives | <u>\$ 2,536,638</u> | <u>\$ (693,448)</u> |
| Change in accumulated decrease in fair value of hedging derivatives - interest rate swaps | <u>\$ 23,459,575</u> | <u>\$ (9,444,078)</u> |
| Change in accumulated decrease in fair value of hedging derivatives - fuel options and futures | <u>\$ 250,563</u> | <u>\$ 1,731,592</u> |
| Change in fair value of investments | <u>\$ (1,179,432)</u> | <u>\$ 215,968</u> |
| Change in fair value of derivatives | <u>\$ (25,996,214)</u> | <u>\$ 10,137,527</u> |
| Other | <u>\$ (716,725)</u> | <u>\$ (2,303,123)</u> |

Gainesville Regional Utilities
Combined Utility Systems
Schedules of Combined Net Revenues in Accordance with Bond Resolution - Unaudited
For the Years Ended September 30, 2017 and 2016

| | <u>September 30, 2017</u> | <u>September 30, 2016</u> | <u>Change (\$)</u> | <u>Change (%)</u> |
|---|---------------------------|---------------------------|---------------------------|---------------------|
| Revenues: | | | | |
| Electric system: | | | | |
| Sales of electricity | \$ 126,565,968 | \$ 128,083,733 | \$ (1,517,765) | (1.2) |
| Fuel adjustment | 162,490,201 | 155,825,143 | 6,665,058 | 4.3 |
| Sales for resale | 4,042,864 | 3,901,063 | 141,801 | 3.6 |
| Transfer from/(to) rate stabilization | 9,813,458 | 1,040,147 | 8,773,311 | 843.5 |
| Other revenue | 6,022,825 | 14,907,556 | (8,884,731) | (59.6) |
| Other income (expense) | 107,954 | 1,338,385 | (1,230,431) | (91.9) |
| Build America Bonds | 2,935,564 | 2,975,136 | (39,572) | (1.3) |
| Total electric system revenues | <u>311,978,834</u> | <u>308,071,163</u> | <u>3,907,671</u> | <u>1.3</u> |
| Water system: | | | | |
| Sales of water | 35,307,646 | 33,048,658 | 2,258,988 | 6.8 |
| Transfer from/(to) rate stabilization | (981,358) | (3,264,403) | 2,283,045 | 69.9 |
| Other revenue | 2,338,143 | 3,062,392 | (724,249) | (23.6) |
| Other income (expense) | (855,050) | 137,904 | (992,954) | (720.0) |
| Build America Bonds | 824,619 | 833,766 | (9,147) | (1.1) |
| Total water system revenues | <u>36,634,000</u> | <u>33,818,317</u> | <u>2,815,683</u> | <u>8.3</u> |
| Wastewater system: | | | | |
| Sales of wastewater | 40,105,516 | 38,220,254 | 1,885,262 | 4.9 |
| Transfer from/(to) rate stabilization | 299,041 | (2,117,697) | 2,416,738 | 114.1 |
| Other revenue | 3,874,344 | 5,111,199 | (1,236,855) | (24.2) |
| Other income (expense) | (7,047) | 191,823 | (198,870) | (103.7) |
| Build America Bonds | 933,336 | 940,799 | (7,463) | (0.8) |
| Total wastewater system revenues | <u>45,205,190</u> | <u>42,346,378</u> | <u>2,858,812</u> | <u>6.8</u> |
| Gas system: | | | | |
| Sales of gas | 14,465,128 | 13,564,930 | 900,198 | 6.6 |
| Purchased gas adjustment | 7,025,104 | 6,751,817 | 273,287 | 4.0 |
| Transfer from/(to) rate stabilization | (1,099,917) | 1,986,508 | (3,086,425) | (155.4) |
| Other revenue | 918,597 | 1,228,825 | (310,228) | (25.2) |
| Other income (expense) | 200,585 | 170,119 | 30,466 | 17.9 |
| Build America Bonds | 614,682 | 622,829 | (8,147) | (1.3) |
| Total gas system revenues | <u>22,124,179</u> | <u>24,325,028</u> | <u>(2,200,849)</u> | <u>(9.0)</u> |
| Telecommunications system: | | | | |
| Sales of services | 11,189,423 | 11,684,200 | (494,777) | (4.2) |
| Transfer from/(to) rate stabilization | - | (7,402) | 7,402 | 100.0 |
| Other revenue | 11,562 | 1,294 | 10,268 | 793.5 |
| Other income (expense) | (462,444) | 66,392 | (528,836) | (796.5) |
| Total telecommunications system revenues | <u>10,738,541</u> | <u>11,744,484</u> | <u>(1,005,943)</u> | <u>(8.6)</u> |
| Total revenues | <u>426,680,744</u> | <u>420,305,370</u> | <u>6,375,374</u> | <u>1.5</u> |

Gainesville Regional Utilities
Combined Utility Systems
Schedules of Combined Net Revenues in Accordance with Bond Resolution - Unaudited
For the Years Ended September 30, 2017 and 2016
Page 2

| | <u>September 30, 2017</u> | <u>September 30, 2016</u> | <u>Change (\$)</u> | <u>Change (%)</u> |
|--|---------------------------|---------------------------|-----------------------|-------------------|
| OPERATION, MAINTENANCE AND ADMINISTRATIVE EXPENSES: | | | | |
| Electric system: | | | | |
| Fuel expenses | 162,490,201 | 155,825,143 | 6,665,058 | 4.3 |
| Operation and maintenance | 49,551,764 | 42,265,194 | 7,286,570 | 17.2 |
| Administrative and general | 23,828,253 | 27,200,222 | (3,371,969) | (12.4) |
| Total Electric System Expenses | <u>235,870,218</u> | <u>225,290,559</u> | <u>10,579,659</u> | <u>4.7</u> |
| Water system: | | | | |
| Operation and maintenance | 9,944,066 | 7,985,190 | 1,958,876 | 24.5 |
| Administrative and general | 5,519,450 | 6,841,967 | (1,322,517) | (19.3) |
| Total Water System Expenses | <u>15,463,516</u> | <u>14,827,157</u> | <u>636,359</u> | <u>4.3</u> |
| Wastewater system: | | | | |
| Operation and maintenance | 13,078,881 | 10,939,007 | 2,139,874 | 19.6 |
| Administrative and general | 5,973,307 | 6,449,144 | (475,837) | (7.4) |
| Total Wastewater System Expenses | <u>19,052,188</u> | <u>17,388,151</u> | <u>1,664,037</u> | <u>9.6</u> |
| Gas system: | | | | |
| Fuel expense and purchased gas | 7,025,104 | 6,751,817 | 273,287 | 4.0 |
| Operation and maintenance | 2,505,904 | 2,058,670 | 447,234 | 21.7 |
| Administrative and general | 3,370,550 | 5,766,555 | (2,396,005) | (41.6) |
| Total Gas System Expenses | <u>12,901,558</u> | <u>14,577,042</u> | <u>(1,675,484)</u> | <u>(11.5)</u> |
| Telecommunications system: | | | | |
| Operation and maintenance | 5,285,596 | 4,301,929 | 983,667 | 22.9 |
| Administrative and general | 1,823,125 | 3,120,361 | (1,297,236) | (41.6) |
| Total Telecommunications System Expenses | <u>7,108,721</u> | <u>7,422,290</u> | <u>(313,569)</u> | <u>(4.2)</u> |
| TOTAL EXPENSES | <u>290,396,201</u> | <u>279,505,199</u> | <u>10,891,002</u> | <u>2.8</u> |
| NET REVENUES IN ACCORDANCE WITH BOND RESOLUTION: | | | | |
| Total electric system | 76,108,616 | 82,780,604 | (6,671,988) | (8.1) |
| Total water system | 21,170,484 | 18,991,160 | 2,179,324 | 11.5 |
| Total wastewater system | 26,153,002 | 24,958,227 | 1,194,775 | 4.8 |
| Total gas system | 9,222,621 | 9,747,986 | (525,365) | (5.4) |
| Total telecommunications system | 3,629,820 | 4,322,194 | (692,374) | (16.0) |
| TOTAL NET REVENUES IN ACCORDANCE WITH BOND RESOLUTION | <u>136,284,543</u> | <u>140,800,171</u> | <u>(4,515,628)</u> | <u>(3.2)</u> |
| LESS: | | | | |
| Debt service | 62,571,817 | 62,027,441 | 544,376 | 0.9 |
| Debt service - UPIF | (5,000,000) | - | (5,000,000) | - |
| UPIF contributions | 46,858,096 | 43,778,139 | 3,079,957 | 7.0 |
| Transfer to City of Gainesville General Fund | 35,814,010 | 34,994,591 | 819,419 | 2.3 |
| NET IMPACT TO RATE STABILIZATION - ADDITION (REDUCTION) | <u>\$ (3,959,380)</u> | <u>\$ -</u> | <u>\$ (3,959,380)</u> | <u>-</u> |

Gainesville Regional Utilities
Electric Utility System
Schedules of Net Revenues in Accordance with Bond Resolution - Unaudited
For the Years Ended September 30, 2017 and 2016

| | <u>September 30, 2017</u> | <u>September 30, 2016</u> | <u>Change (\$)</u> | <u>Change (%)</u> |
|---|------------------------------|---------------------------|------------------------------|---------------------|
| REVENUES: | | | | |
| Residential | \$ 47,236,704 | \$ 48,414,299 | \$ (1,177,595) | (2.4) |
| Non-residential | 61,748,151 | 60,244,513 | 1,503,638 | 2.5 |
| Fuel adjustment | 162,490,201 | 155,825,143 | 6,665,058 | 4.3 |
| Sales for resale | 4,042,864 | 3,901,063 | 141,801 | 3.6 |
| Utility surcharge | 2,979,234 | 3,049,201 | (69,967) | (2.3) |
| Other electric sales | 14,601,879 | 16,375,720 | (1,773,841) | (10.8) |
| Total Sales of Electricity | <u>293,099,033</u> | <u>287,809,939</u> | <u>5,289,094</u> | <u>1.8</u> |
| Transfer from/(to) rate stabilization | 9,813,458 | 1,040,147 | 8,773,311 | 843.5 |
| Other revenue | 6,022,825 | 14,907,556 | (8,884,731) | (59.6) |
| Other income (expense) | 107,954 | 1,338,385 | (1,230,431) | (91.9) |
| Build America Bonds | 2,935,564 | 2,975,136 | (39,572) | (1.3) |
| Total Revenues | <u>311,978,834</u> | <u>308,071,163</u> | <u>3,907,671</u> | <u>1.3</u> |
| OPERATION, MAINTENANCE AND ADMINISTRATIVE EXPENSES: | | | | |
| Fuel expenses | 162,490,201 | 155,825,143 | 6,665,058 | 4.3 |
| Power production | 29,340,502 | 27,723,441 | 1,617,061 | 5.8 |
| Transmission and distribution | 19,232,279 | 14,296,790 | 4,935,489 | 34.5 |
| Interchange | 978,983 | 244,963 | 734,020 | 299.6 |
| Administrative and general | 23,828,253 | 27,200,222 | (3,371,969) | (12.4) |
| Total Operation, Maintenance and Administrative Expenses | <u>235,870,218</u> | <u>225,290,559</u> | <u>10,579,659</u> | <u>4.7</u> |
| TOTAL NET REVENUES IN ACCORDANCE WITH BOND RESOLUTION | <u>76,108,616</u> | <u>82,780,604</u> | <u>(6,671,988)</u> | <u>(8.1)</u> |
| LESS: | | | | |
| Debt service | 38,922,412 | 38,623,885 | 298,527 | 0.8 |
| Debt service - UPIF | (5,000,000) | - | (5,000,000) | - |
| UPIF contributions | 27,046,177 | 24,734,721 | 2,311,456 | 9.3 |
| Transfer to City of Gainesville General Fund | 21,094,452 | 19,421,998 | 1,672,454 | 8.6 |
| NET IMPACT TO RATE STABILIZATION - ADDITION (REDUCTION) | <u>\$ (5,954,425)</u> | <u>\$ -</u> | <u>\$ (5,954,425)</u> | <u>-</u> |

Gainesville Regional Utilities
Water Utility System
Schedules of Net Revenues in Accordance with Bond Resolution - Unaudited
For the Years Ended September 30, 2017 and 2016

| | <u>September 30, 2017</u> | <u>September 30, 2016</u> | <u>Change (\$)</u> | <u>Change (%)</u> |
|---|---------------------------|---------------------------|---------------------|-------------------|
| REVENUES: | | | | |
| Residential | \$ 21,876,220 | \$ 20,391,611 | \$ 1,484,609 | 7.3 |
| Non-residential | 10,832,890 | 10,276,880 | 556,010 | 5.4 |
| Utility surcharge | 2,598,536 | 2,380,167 | 218,369 | 9.2 |
| Total Sales of Water | <u>35,307,646</u> | <u>33,048,658</u> | <u>2,258,988</u> | <u>6.8</u> |
| Transfer from/(to) rate stabilization | (981,358) | (3,264,403) | 2,283,045 | 69.9 |
| Other revenue | 2,338,143 | 3,062,392 | (724,249) | (23.6) |
| Other income (expense) | (855,050) | 137,904 | (992,954) | (720.0) |
| Build America Bonds | 824,619 | 833,766 | (9,147) | (1.1) |
| Total Revenues | <u>36,634,000</u> | <u>33,818,317</u> | <u>2,815,683</u> | <u>8.3</u> |
| OPERATION, MAINTENANCE AND ADMINISTRATIVE EXPENSES: | | | | |
| Transmission and distribution | 3,281,281 | 2,512,270 | 769,011 | 30.6 |
| Treatment | 6,662,785 | 5,472,920 | 1,189,865 | 21.7 |
| Administrative and general | 5,519,450 | 6,841,967 | (1,322,517) | (19.3) |
| Total Operation, Maintenance and Administrative Expenses | <u>15,463,516</u> | <u>14,827,157</u> | <u>636,359</u> | <u>4.3</u> |
| TOTAL NET REVENUES IN ACCORDANCE WITH BOND RESOLUTION | <u>21,170,484</u> | <u>18,991,160</u> | <u>2,179,324</u> | <u>11.5</u> |
| LESS: | | | | |
| Debt service | 6,863,138 | 6,555,120 | 308,018 | 4.7 |
| UPIF contributions | 7,042,712 | 6,758,167 | 284,545 | 4.2 |
| Transfer to City of Gainesville General Fund | 5,748,149 | 5,677,873 | 70,276 | 1.2 |
| NET IMPACT TO RATE STABILIZATION - ADDITION (REDUCTION) | <u>\$ 1,516,485</u> | <u>\$ -</u> | <u>\$ 1,516,485</u> | <u>-</u> |

**Gainesville Regional Utilities
Wastewater Utility System
Schedules of Net Revenues in Accordance with Bond Resolution - Unaudited
For the Years Ended September 30, 2017 and 2016**

| | <u>September 30, 2017</u> | <u>September 30, 2016</u> | <u>Change (\$)</u> | <u>Change (%)</u> |
|---|---------------------------|---------------------------|--------------------|-------------------|
| REVENUES: | | | | |
| Residential | \$ 27,090,198 | \$ 26,062,781 | \$ 1,027,417 | 3.9 |
| Non-residential | 10,157,051 | 9,514,192 | 642,859 | 6.8 |
| Utility surcharge | 2,858,267 | 2,643,281 | 214,986 | 8.1 |
| Total Sales of Services | <u>40,105,516</u> | <u>38,220,254</u> | <u>1,885,262</u> | <u>4.9</u> |
| Transfer from/(to) rate stabilization | 299,041 | (2,117,697) | 2,416,738 | 114.1 |
| Other revenue | 3,874,344 | 5,111,199 | (1,236,855) | (24.2) |
| Other income (expense) | (7,047) | 191,823 | (198,870) | (103.7) |
| Build America Bonds | 933,336 | 940,799 | (7,463) | (0.8) |
| Total Revenues | <u>45,205,190</u> | <u>42,346,378</u> | <u>2,858,812</u> | <u>6.8</u> |
| OPERATION, MAINTENANCE AND ADMINISTRATIVE EXPENSES: | | | | |
| Collection | 6,402,349 | 3,669,178 | 2,733,171 | 74.5 |
| Treatment | 6,676,532 | 7,269,829 | (593,297) | (8.2) |
| Administrative and general | 5,973,307 | 6,449,144 | (475,837) | (7.4) |
| Total Operation, Maintenance and Administrative Expenses | <u>19,052,188</u> | <u>17,388,151</u> | <u>1,664,037</u> | <u>9.6</u> |
| TOTAL NET REVENUES IN ACCORDANCE WITH BOND RESOLUTION | <u>26,153,002</u> | <u>24,958,227</u> | <u>1,194,775</u> | <u>4.8</u> |
| LESS: | | | | |
| Debt service | 8,487,003 | 8,123,577 | 363,426 | 4.5 |
| UPIF contributions | 9,432,248 | 9,337,059 | 95,189 | 1.0 |
| Transfer to City of Gainesville General Fund | 7,234,430 | 7,497,591 | (263,161) | (3.5) |
| NET IMPACT TO RATE STABILIZATION - ADDITION (REDUCTION) | <u>\$ 999,321</u> | <u>\$ -</u> | <u>\$ 999,321</u> | <u>-</u> |

Gainesville Regional Utilities
Gas Utility System
Schedules of Net Revenues in Accordance with Bond Resolution - Unaudited
For the Years Ended September 30, 2017 and 2016

| | <u>September 30, 2017</u> | <u>September 30, 2016</u> | <u>Change (\$)</u> | <u>Change (%)</u> |
|---|---------------------------|---------------------------|--------------------|-------------------|
| REVENUES: | | | | |
| Residential | \$ 7,360,771 | \$ 7,142,586 | \$ 218,185 | 3.1 |
| Non-residential | 5,484,284 | 4,753,630 | 730,654 | 15.4 |
| Fuel adjustment | 7,025,104 | 6,751,817 | 273,287 | 4.0 |
| Utility surcharge | 474,737 | - | 474,737 | - |
| Other gas sales | 1,145,336 | 1,668,714 | (523,378) | (31.4) |
| Total Sales of Gas | <u>21,490,232</u> | <u>20,316,747</u> | <u>1,173,485</u> | <u>5.8</u> |
| Transfer from/(to) rate stabilization | (1,099,917) | 1,986,508 | (3,086,425) | (155.4) |
| Other revenue | 918,597 | 1,228,825 | (310,228) | (25.2) |
| Other income (expense) | 200,585 | 170,119 | 30,466 | 17.9 |
| Build America Bonds | 614,682 | 622,829 | (8,147) | (1.3) |
| Total Revenues | <u>22,124,179</u> | <u>24,325,028</u> | <u>(2,200,849)</u> | <u>(9.0)</u> |
| OPERATION, MAINTENANCE AND ADMINISTRATIVE EXPENSES: | | | | |
| Fuel Expense - Purchased Gas | 7,025,104 | 6,751,817 | 273,287 | 4.0 |
| Operation and maintenance | 2,505,904 | 2,058,670 | 447,234 | 21.7 |
| Administrative and general | 3,370,550 | 5,766,555 | (2,396,005) | (41.6) |
| Total Operation, Maintenance and Administrative Expenses | <u>12,901,558</u> | <u>14,577,042</u> | <u>(1,675,484)</u> | <u>(11.5)</u> |
| TOTAL NET REVENUES IN ACCORDANCE WITH BOND RESOLUTION | <u>9,222,621</u> | <u>9,747,986</u> | <u>(525,365)</u> | <u>(5.4)</u> |
| LESS: | | | | |
| Debt service | 4,570,733 | 4,526,353 | 44,380 | 1.0 |
| UPIF contributions | 3,093,726 | 2,824,504 | 269,222 | 9.5 |
| Transfer to City of Gainesville General Fund | 1,360,932 | 2,397,129 | (1,036,197) | (43.2) |
| NET IMPACT TO RATE STABILIZATION - ADDITION (REDUCTION) | <u>\$ 197,230</u> | <u>\$ -</u> | <u>\$ 197,230</u> | <u>-</u> |

**Gainesville Regional Utilities
Telecommunications System**
Schedules of Net Revenues in Accordance with Bond Resolution - Unaudited
For the Years Ended September 30, 2017 and 2016

| | <u>September 30, 2017</u> | <u>September 30, 2016</u> | <u>Change (\$)</u> | <u>Change (%)</u> |
|---|---------------------------|---------------------------|---------------------|-------------------|
| REVENUES: | | | | |
| Residential | \$ 46,884 | \$ 52,719 | \$ (5,835) | (11.1) |
| Non-residential | 11,142,539 | 11,631,481 | (488,942) | (4.2) |
| Total Sales of Services | <u>11,189,423</u> | <u>11,684,200</u> | <u>(494,777)</u> | <u>(4.2)</u> |
| Transfer from/(to) rate stabilization | - | (7,402) | 7,402 | 100.0 |
| Other revenue | 11,562 | 1,294 | 10,268 | 793.5 |
| Other income (expense) | (462,444) | 66,392 | (528,836) | (796.5) |
| Total Revenues | <u>10,738,541</u> | <u>11,744,484</u> | <u>(1,005,943)</u> | <u>(8.6)</u> |
| OPERATION, MAINTENANCE AND ADMINISTRATIVE EXPENSES: | | | | |
| Operation and maintenance | 5,285,596 | 4,301,929 | 983,667 | 22.9 |
| Administrative and general | 1,823,125 | 3,120,361 | (1,297,236) | (41.6) |
| Total Operation, Maintenance and Administrative Expenses | <u>7,108,721</u> | <u>7,422,290</u> | <u>(313,569)</u> | <u>(4.2)</u> |
| TOTAL NET REVENUES IN ACCORDANCE WITH BOND RESOLUTION | <u>3,629,820</u> | <u>4,322,194</u> | <u>(692,374)</u> | <u>(16.0)</u> |
| LESS: | | | | |
| Debt service | 3,728,531 | 4,198,506 | (469,975) | (11.2) |
| UPIF contributions | 243,233 | 123,688 | 119,545 | 96.7 |
| Transfer to City of Gainesville General Fund | 376,047 | - | 376,047 | - |
| NET IMPACT TO RATE STABILIZATION - ADDITION (REDUCTION) | <u>\$ (717,991)</u> | <u>\$ -</u> | <u>\$ (717,991)</u> | <u>-</u> |

Supplementary Data

Gainesville Regional Utilities
Fuel Adjustment Levelization
For the Year Ended September 30, 2017

| | Actual |
|---|------------------------|
| Fuel Revenues | \$ 143,999,868 |
| Fuel Expenses | 162,490,201 |
| To (From) Fuel Adjustment Levelization | \$ (18,490,333) |
| | |
| Fuel Adjustment Beginning Balance | \$ 12,902,279 |
| To (From) Fuel Adjustment Levelization | (18,490,333) |
| Fuel Adjustment Ending Balance | \$ (5,588,054) |

Gainesville Regional Utilities
Purchased Gas Adjustment (PGA) Levelization
For the Year Ended September 30, 2017

| | Actual |
|-----------------------------------|-----------------------|
| Purchased Gas Revenues | \$ 5,954,556 |
| Purchased Gas Expenses | 7,025,104 |
| To (From) PGA Levelization | \$ (1,070,548) |
| | |
| PGA Beginning Balance | \$ 1,929,285 |
| To (From) PGA Levelization | (1,070,548) |
| PGA Ending Balance | \$ 858,737 |