

Gainesville Regional Utilities

Financial Statements - Unaudited

For the Year Ended September 30, 2015



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For the Year Ended September 30, 2015

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Overview and Basis of Accounting

Gainesville Regional Utilities Financial Statements - Unaudited For the Year Ended September 30, 2015

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 abbreviated unaudited utility system financial statements for the year ended September 30, 2015.

Basis of Accounting

GRU's electric 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 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 competition or regulatory action, 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 operating and maintenance expense, rate stabilization, debt service, and other revenue requirements, which exclude depreciation expense and other noncash 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

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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, 2015. It should be read in conjunction with the unaudited financial statements that follow this section.

Financial Highlights

Overall

- Operating cash and investments decreased \$11.2 million or 17.3% due to normal operations and an overall contribution from operating cash and investments to rate stabilization of \$7.7 million.
- Construction fund cash and investments increased \$22.1 million or 76% due to the issuance of utilities system revenue bonds and commercial paper in December 2014 offset by payments for capital asset construction.
- Utility plant improvement fund cash and investments increased \$15.7 million or 40% due to scheduled contributions from operating cash and investments and a reduction in expected capital asset construction.
- Net costs recoverable in future years increased \$16.7 million or 121.8% due to capital lease transactional activity.
- Fuel adjustment levelization balance increased \$2.8 million or 17.8% due to an increase in the fuel adjustment rate offset by a midyear decrease in the purchased gas adjustment rate.
- Long-term debt increased \$22.8 million or 2.4% due to issuance of \$69 million in new utility system revenue bonds and \$8 million in new commercial paper in December 2014 which retired \$32.6 million of higher interest rate utility system revenue bonds issued in 2005 and 2008. The funds will be utilized in accordance with GRU's capital improvement plan.
- Unamortized bond premium/discount increased \$8.8 million or 86.5% due to \$10 million of premium paid with the issuance of the \$69 million in new utility system revenue bonds and normal amortization.
- The combined systems contributed \$7.7 million to rate stabilization for the year ended September 30, 2015.

Electric System

- Residential sales were \$3.2 million or 6.3% less than the prior year due to reductions in base rates implemented in October 2014 offset by a 3% increase in usage.

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- Non-residential sales were \$3.4 million or 5.4% less than the prior year due to reductions in base rates implemented in October 2014.
- Fuel adjustment revenue increased \$15.6 million or 11% over the prior year primarily due to the purchase of power from the Gainesville Renewable Energy Center (GREC) biomass plant. 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 increased \$4.6 million or 128.9% over the prior year due to the dissolution of the Employees' Disability Pension Fund which was administered by the City, the sale of the Energy System Control Center, revenue accruals and reimbursement of Crystal River Unit No. 3 operations & maintenance expenses.
- Retail and purchased power fuel expenses increased \$15.6 million or 11% over the prior year due primarily to the contracted purchase of GREC biomass power and payment of \$7.8 million in property taxes in accordance with the GREC Purchased Power Agreement. 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.
- Steam power generation expenses increased \$1.3 million or 5.6% over the prior year due to planned maintenance at Deerhaven Unit 2.
- Other power generation expenses were lower by \$1.4 million or 69.1% due to planned maintenance expenses at the John R. Kelly Generating Station incurred in the prior year.
- The electric system contributed \$2.3 million to rate stabilization for the year ended September 30, 2015.

Water System

- Total revenues increased \$697,000 or 2.2% due to an increase in sales to residential customers, a distribution from the Water Infrastructure Fund administered by the City and the dissolution of the Employees' Disability Pension Fund offset by an increase in contributions to rate stabilization.
- The water system contributed \$2.4 million to rate stabilization for the year ended September 30, 2015.

Wastewater System

- Total revenues increased \$2.2 million or 6.1% due to an increase in residential and non-residential sales, a distribution from the Wastewater Infrastructure Fund administered by the City and the dissolution of the Employees' Disability Pension Fund.

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For the Year Ended September 30, 2015

- The wastewater system contributed \$2.9 million to rate stabilization for the year ended September 30, 2015.

Gas System

- Total revenues decreased \$1.7 million or 6.6% due to the decrease in Purchased Gas Adjustment (PGA) and an increase in the transfer to rate stabilization.
- PGA revenue was \$1.2 million or 10.9% lower this year than the prior year due primarily to lower purchased gas prices. Lower purchased gas prices in the early part of the fiscal year resulted in a \$0.16 per therm decrease in the PGA rate to \$0.30 per therm effective May 1, 2015. PGA revenue is adjusted monthly based on purchased gas expenses for that month. If PGA revenue is greater than purchased gas expenses, the PGA revenue amounts over collected are deferred in the purchased gas levelization balance and, if PGA revenue is less than purchased gas expenses, amounts are drawn down from the purchased gas levelization balance.
- Other gas sales increased \$551,000 or 45.6% over the prior year due to the sale of tax credits applicable to the manufactured gas plant (MGP) cleanup obligation assumed with the purchase of the natural gas system and a 10% increase in the MGP recovery rate in the current year.
- Other revenues increased \$482,000 over the prior year due to the dissolution of the Employees' Disability Pension Fund.
- Purchased gas expenses decreased \$1.2 million or 10.9% compared to the prior year due primarily to lower purchased gas prices.
- The gas system contributed \$1.6 million to rate stabilization for the year ended September 30, 2015.

Telecommunications (GRUCom) System

- Total revenues increased \$1.7 million or 16% due to an increase in contributions from rate stabilization and revenue from the dissolution of the Employees' Disability Pension Fund offset by a decrease in telecommunication revenue.
- Operation and maintenance expenses increased \$377,000 or 9.4% compared to the prior year due to a shift in labor costs to operation and maintenance expenses from capital asset construction.
- Administrative and general expenses increased \$1.7 million or 81.8% due to a transfer of labor costs to administrative and general expenses from capital asset construction.
- The telecommunications system withdrew \$1.4 million from rate stabilization for the year ended September 30, 2015.

Financial Statements

Gainesville Regional Utilities
Combined Utility Systems
Schedules of Combined Net Revenues in Accordance with Bond Resolution - Unaudited
For the Years Ended September 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>	<u>Change (\$)</u>	<u>Change (%)</u>
REVENUES:				
Sales of electricity	\$ 129,213,852	\$ 135,336,963	\$ (6,123,111)	(4.5)
Interchange sales	2,558,187	2,238,158	320,029	14.3
Fuel adjustment	157,197,363	141,631,915	15,565,448	11.0
Other revenues	8,133,766	3,552,798	4,580,968	128.9
Transfer from/(to) rate stabilization	(2,254,681)	(6,360,338)	4,105,657	64.6
Interest income	1,105,693	1,119,075	(13,382)	(1.2)
Build America Bonds interest income	2,960,079	2,963,272	(3,193)	(0.1)
Total Electric System Revenues	<u>298,914,259</u>	<u>280,481,843</u>	<u>18,432,416</u>	<u>6.6</u>
Sales of water	30,721,119	29,609,803	1,111,316	3.8
Other revenues	3,307,878	1,816,135	1,491,743	82.1
Transfer from/(to) rate stabilization	(2,434,339)	(540,423)	(1,893,916)	(350.5)
Interest income	99,446	110,427	(10,981)	(9.9)
Build America Bonds interest income	829,497	830,392	(895)	(0.1)
Total Water System Revenues	<u>32,523,601</u>	<u>31,826,334</u>	<u>697,267</u>	<u>2.2</u>
Sales of wastewater services	36,507,374	35,229,675	1,277,699	3.6
Other revenues	3,562,876	1,834,281	1,728,595	94.2
Transfer from/(to) rate stabilization	(2,900,758)	(2,084,441)	(816,317)	(39.2)
Interest income	155,474	135,779	19,695	14.5
Build America Bonds interest income	935,912	936,922	(1,010)	(0.1)
Total Wastewater System Revenues	<u>38,260,878</u>	<u>36,052,216</u>	<u>2,208,662</u>	<u>6.1</u>
Sales of gas	14,061,513	12,837,990	1,223,523	9.5
Purchased gas adjustment	9,396,610	10,550,428	(1,153,818)	(10.9)
Other revenues	1,439,273	957,304	481,969	50.3
Transfer from/(to) rate stabilization	(1,552,394)	687,466	(2,239,860)	(325.8)
Interest income	145,879	147,506	(1,627)	(1.1)
Build America Bonds interest income	619,674	620,342	(668)	(0.1)
Total Gas System Revenues	<u>24,110,555</u>	<u>25,801,036</u>	<u>(1,690,481)</u>	<u>(6.6)</u>
Sales of services	10,884,837	11,170,987	(286,150)	(2.6)
Other revenues	197,617	-	197,617	-
Transfer from/(to) rate stabilization	1,438,490	(570,028)	2,008,518	352.4
Interest income	78,794	92,996	(14,202)	(15.3)
Total Telecommunications System Revenues	<u>12,599,738</u>	<u>10,693,955</u>	<u>1,905,783</u>	<u>17.8</u>
TOTAL REVENUES	<u>406,409,031</u>	<u>384,855,384</u>	<u>21,553,647</u>	<u>5.6</u>

Gainesville Regional Utilities
Combined Utility Systems
Schedules of Combined Net Revenues in Accordance with Bond Resolution - Unaudited
For the Years Ended September 30, 2015 and 2014
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	<u>2015</u>	<u>2014</u>	<u>Change (\$)</u>	<u>Change (%)</u>
OPERATION, MAINTENANCE AND ADMINISTRATIVE EXPENSES:				
Electric System:				
Fuel Expense:				
Fuel and Purchased Power	157,197,363	141,631,915	15,565,448	11.0
Interchange	1,694,099	1,565,355	128,744	8.2
Total Fuel Expenses	158,891,462	143,197,270	15,694,192	11.0
Operation and Maintenance	37,223,086	37,638,052	(414,966)	(1.1)
Administrative and General	20,967,375	22,670,262	(1,702,887)	(7.5)
Total Electric System Expenses	217,081,923	203,505,584	13,576,339	6.7
Water System:				
Operation and Maintenance	7,620,989	8,099,553	(478,564)	(5.9)
Administrative and General	5,937,611	5,221,215	716,396	13.7
Total Water System Expenses	13,558,600	13,320,768	237,832	1.8
Wastewater System:				
Operation and Maintenance	8,643,637	8,451,783	191,854	2.3
Administrative and General	5,690,062	5,516,221	173,841	3.2
Total Wastewater System Expenses	14,333,699	13,968,004	365,695	2.6
Gas System:				
Fuel Expense - Purchased Gas	9,396,610	10,550,428	(1,153,818)	(10.9)
Operation and Maintenance	1,352,256	1,337,779	14,477	1.1
Administrative and General	4,569,017	4,838,073	(269,056)	(5.6)
Total Gas System Expenses	15,317,883	16,726,280	(1,408,397)	(8.4)
Telecommunications System:				
Operation and Maintenance	4,406,907	4,029,783	377,124	9.4
Administrative and General	4,052,956	2,462,436	1,590,520	64.6
Total Telecommunications System Expenses	8,459,863	6,492,219	1,967,644	30.3
TOTAL EXPENSES	268,751,968	254,012,855	14,739,113	5.8
NET REVENUES IN ACCORDANCE WITH BOND RESOLUTION:				
Total Electric System	81,832,336	76,976,259	4,856,077	6.3
Total Water System	18,965,001	18,505,566	459,435	2.5
Total Wastewater System	23,927,179	22,084,212	1,842,967	8.3
Total Gas System	8,792,672	9,074,756	(282,084)	(3.1)
Total Telecommunications System	4,139,875	4,201,736	(61,861)	(1.5)
TOTAL NET REVENUES IN ACCORDANCE WITH BOND RESOLUTION	137,657,063	130,842,529	6,814,534	5.2
LESS:				
Debt Service	61,638,702	60,044,994	1,593,708	2.7
Debt Service - UPIF	(1,350,000)	(9,400,000)	8,050,000	85.6
UPIF Contributions	42,475,936	42,880,694	(404,758)	(0.9)
Transfer to City of Gainesville General Fund	34,892,425	37,316,841	(2,424,416)	(6.5)
NET IMPACT TO RATE STABILIZATION - ADDITION (REDUCTION)	\$ -	\$ -	\$ -	-

Gainesville Regional Utilities
Electric Utility System
Schedules of Net Revenues in Accordance with Bond Resolution - Unaudited
For the Years Ended September 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>	<u>Change (\$)</u>	<u>Change (%)</u>
REVENUES:				
Residential	\$ 47,154,370	\$ 50,326,159	\$ (3,171,789)	(6.3)
Non-residential	59,867,164	63,284,868	(3,417,704)	(5.4)
Fuel Adjustment	157,197,363	141,631,915	15,565,448	11.0
Interchange Sales	2,558,187	2,238,158	320,029	14.3
Utility Surcharge	3,058,030	3,281,036	(223,006)	(6.8)
Other Electric Sales	19,134,288	18,444,900	689,388	3.7
Total Sales of Electricity	<u>288,969,402</u>	<u>279,207,036</u>	<u>9,762,366</u>	<u>3.5</u>
Other Revenues	8,133,766	3,552,798	4,580,968	128.9
Transfer from/(to) rate stabilization	(2,254,681)	(6,360,338)	4,105,657	64.6
Interest Income	1,105,693	1,119,075	(13,382)	(1.2)
Build America Bonds Interest Income	2,960,079	2,963,272	(3,193)	(0.1)
Total Revenues	<u>298,914,259</u>	<u>280,481,843</u>	<u>18,432,416</u>	<u>6.6</u>
OPERATION, MAINTENANCE AND ADMINISTRATIVE EXPENSES:				
Fuel Expenses:				
Fuel and Purchased Power	157,197,363	141,631,915	15,565,448	11.0
Interchange	1,694,099	1,565,355	128,744	8.2
Total Fuel Expenses	<u>158,891,462</u>	<u>143,197,270</u>	<u>15,694,192</u>	<u>11.0</u>
Steam Power Generation	24,057,014	22,786,613	1,270,401	5.6
Other Power Generation	644,311	2,086,899	(1,442,588)	(69.1)
System Control & Load Dispatching	1,246,271	1,323,491	(77,220)	(5.8)
Total Power Production Expenses	<u>25,947,596</u>	<u>26,197,003</u>	<u>(249,407)</u>	<u>(1.0)</u>
Transmission & Distribution Expenses:				
Transmission	1,541,525	1,674,663	(133,138)	(8.0)
Distribution	9,733,965	9,766,386	(32,421)	(0.3)
Total Transmission & Distribution Expenses	<u>11,275,490</u>	<u>11,441,049</u>	<u>(165,559)</u>	<u>(1.4)</u>
Administrative and General Expenses:				
Customer Accounts and Sales	3,341,914	3,489,670	(147,756)	(4.2)
Administrative and General	17,625,461	19,180,592	(1,555,131)	(8.1)
Total Administrative & General Expenses	<u>20,967,375</u>	<u>22,670,262</u>	<u>(1,702,887)</u>	<u>(7.5)</u>
Total Operation, Maintenance and Administrative Expenses	<u>217,081,923</u>	<u>203,505,584</u>	<u>13,576,339</u>	<u>6.7</u>
TOTAL NET REVENUES IN ACCORDANCE WITH BOND RESOLUTION	<u>81,832,336</u>	<u>76,976,259</u>	<u>4,856,077</u>	<u>6.3</u>
LESS:				
Debt Service	38,631,525	38,789,717	(158,192)	(0.4)
Debt Service - UPIF	-	(8,500,000)	8,500,000	100.0
UPIF Contributions	23,705,509	24,784,980	(1,079,471)	(4.4)
Transfer to City of Gainesville General Fund	19,495,302	21,901,562	(2,406,260)	(11.0)
NET IMPACT TO RATE STABILIZATION - ADDITION (REDUCTION)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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, 2015 and 2014

	<u>2015</u>	<u>2014</u>	<u>Change (\$)</u>	<u>Change (%)</u>
REVENUES:				
Residential	\$ 18,570,332	\$ 17,792,640	\$ 777,692	4.4
Non-residential	7,928,002	7,729,470	\$ 198,532	2.6
University of Florida	2,033,206	1,894,159	139,047	7.3
Utility Surcharge	2,189,579	2,193,534	(3,955)	(0.2)
Total Sales of Water	<u>30,721,119</u>	<u>29,609,803</u>	<u>1,111,316</u>	<u>3.8</u>
Other Revenues	3,307,878	1,816,135	1,491,743	82.1
Transfer from/(to) rate stabilization	(2,434,339)	(540,423)	(1,893,916)	(350.5)
Interest Income	99,446	110,427	(10,981)	(9.9)
Build America Bonds interest income	829,497	830,392	(895)	(0.1)
Total Revenues	<u>32,523,601</u>	<u>31,826,334</u>	<u>697,267</u>	<u>2.2</u>
OPERATION, MAINTENANCE AND ADMINISTRATIVE EXPENSES:				
Pumping and water treatment	5,315,400	5,473,444	(158,044)	(2.9)
Transmission and Distribution	2,305,589	2,626,109	(320,520)	(12.2)
Customer Accounts and Sales	1,304,831	1,289,339	15,492	1.2
Administrative and General	4,632,780	3,931,876	700,904	17.8
Total Operation, Maintenance and Administrative Expenses	<u>13,558,600</u>	<u>13,320,768</u>	<u>237,832</u>	<u>1.8</u>
TOTAL NET REVENUES IN ACCORDANCE WITH BOND RESOLUTION	<u>18,965,001</u>	<u>18,505,566</u>	<u>459,435</u>	<u>2.5</u>
LESS:				
Debt Service	5,981,667	6,017,752	(36,085)	(0.6)
Debt Service - UPIF	-	-	-	-
UPIF Contributions	7,356,894	6,435,338	921,556	14.3
Transfer to City of Gainesville General Fund	5,626,440	6,052,476	(426,036)	(7.0)
NET IMPACT TO RATE STABILIZATION - ADDITION (REDUCTION)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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, 2015 and 2014

	<u>2015</u>	<u>2014</u>	<u>Change (\$)</u>	<u>Change (%)</u>
REVENUES:				
Residential	\$ 24,923,586	\$ 23,831,343	\$ 1,092,243	4.6
Non-residential	8,943,974	8,521,967	422,007	5.0
Utility Surcharge	2,528,779	2,581,458	(52,679)	(2.0)
Other wastewater revenues	111,035	294,907	(183,872)	(62.3)
Total Sales of Wastewater Services	<u>36,507,374</u>	<u>35,229,675</u>	<u>1,277,699</u>	<u>3.6</u>
Other Revenues	3,562,876	1,834,281	1,728,595	94.2
Transfer from/(to) rate stabilization	(2,900,758)	(2,084,441)	(816,317)	(39.2)
Interest Income	155,474	135,779	19,695	14.5
Build America Bonds interest income	935,912	936,922	(1,010)	(0.1)
Total Revenue	<u>38,260,878</u>	<u>36,052,216</u>	<u>2,208,662</u>	<u>6.1</u>
OPERATION, MAINTENANCE AND ADMINISTRATIVE EXPENSES:				
Collection	3,299,051	3,278,600	20,451	0.6
Treatment	5,344,586	5,173,183	171,403	3.3
Customer Accounts and Sales	851,324	906,474	(55,150)	(6.1)
Administrative and General	4,838,738	4,609,747	228,991	5.0
Total Operation, Maintenance and Administrative Expenses	<u>14,333,699</u>	<u>13,968,004</u>	<u>365,695</u>	<u>2.6</u>
TOTAL NET REVENUES IN ACCORDANCE WITH BOND RESOLUTION	<u>23,927,179</u>	<u>22,084,212</u>	<u>1,842,967</u>	<u>8.3</u>
LESS:				
Debt Service	7,627,537	7,242,053	385,484	5.3
Debt Service - UPIF	-	-	-	-
UPIF Contributions	8,934,097	8,033,310	900,787	11.2
Transfer to City of Gainesville General Fund	7,365,545	6,808,849	556,696	8.2
NET IMPACT TO RATE STABILIZATION - ADDITION (REDUCTION)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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, 2015 and 2014

	<u>2015</u>	<u>2014</u>	<u>Change (\$)</u>	<u>Change (%)</u>
REVENUES:				
Residential	\$ 7,420,044	\$ 6,935,407	\$ 484,637	7.0
Non-residential	4,421,237	4,282,709	138,528	3.2
Purchased Gas Adjustment	9,396,610	10,550,428	(1,153,818)	(10.9)
Utility Surcharge	460,432	411,414	49,018	11.9
Other Gas Sales	1,759,800	1,208,460	551,340	45.6
Total Sales of Gas	<u>23,458,123</u>	<u>23,388,418</u>	<u>69,705</u>	<u>0.3</u>
Other Revenues	1,439,273	957,304	481,969	50.3
Transfer from/(to) rate stabilization	(1,552,394)	687,466	(2,239,860)	(325.8)
Interest Income	145,879	147,506	(1,627)	(1.1)
Build America Bonds interest income	619,674	620,342		
Total Revenues	<u>24,110,555</u>	<u>25,801,036</u>	<u>(1,690,481)</u>	<u>(6.6)</u>
OPERATION, MAINTENANCE AND ADMINISTRATIVE EXPENSES:				
Fuel Expense - Purchased Gas	9,396,610	10,550,428	(1,153,818)	(10.9)
Operation and Maintenance	1,352,256	1,337,779	14,477	1.1
Customer Accounts and Sales	2,483,375	2,197,580	285,795	13.0
Administrative and General	2,085,642	2,640,493	(554,851)	(21.0)
Total Operation, Maintenance and Administrative Expenses	<u>15,317,883</u>	<u>16,726,280</u>	<u>(1,408,397)</u>	<u>(8.4)</u>
TOTAL NET REVENUES IN ACCORDANCE WITH BOND RESOLUTION	<u>8,792,672</u>	<u>9,074,756</u>	<u>(282,084)</u>	<u>(3.1)</u>
LESS:				
Debt Service	3,987,672	3,727,649	260,023	7.0
Debt Service - UPIF	(1,000,000)	-	(1,000,000)	-
UPIF Contributions	3,399,862	2,793,153	606,709	21.7
Transfer to City of Gainesville General Fund	2,405,138	2,553,954	(148,816)	(5.8)
NET IMPACT TO RATE STABILIZATION - ADDITION (REDUCTION)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>-</u></u>

Gainesville Regional Utilities
Telecommunications System
Schedules of Net Revenues in Accordance with Bond Resolution - Unaudited
For the Years Ended September 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>	<u>Change (\$)</u>	<u>Change (%)</u>
REVENUES:				
Telecommunication	\$ 4,832,418	\$ 5,154,169	\$ (321,751)	(6.2)
Trunking radio	1,772,257	1,831,502	(59,245)	(3.2)
Tower Lease	2,244,525	2,248,849	(4,324)	(0.2)
Internet Access	2,035,637	1,936,467	99,170	5.1
Total Sales of Services	<u>10,884,837</u>	<u>11,170,987</u>	<u>(286,150)</u>	<u>(2.6)</u>
Other Revenues	197,617	-	197,617	-
Transfer from/(to) rate stabilization	1,438,490	(570,028)	2,008,518	352.4
Interest Income	78,794	92,996	(14,202)	(15.3)
Total Revenues	<u>12,599,738</u>	<u>10,693,955</u>	<u>1,708,166</u>	<u>16.0</u>
OPERATION, MAINTENANCE AND ADMINISTRATIVE EXPENSES:				
Operation and Maintenance	4,406,907	4,029,783	377,124	9.4
Customer Accounts and Sales	253,783	372,958	(119,175)	(32.0)
Administrative and General	3,799,173	2,089,478	1,709,695	81.8
Total Operation, Maintenance and Administrative Expenses	<u>8,459,863</u>	<u>6,492,219</u>	<u>1,967,644</u>	<u>30.3</u>
TOTAL NET REVENUES IN ACCORDANCE WITH BOND RESOLUTION	<u>4,139,875</u>	<u>4,201,736</u>	<u>(61,861)</u>	<u>(1.5)</u>
LESS:				
Debt Service	5,410,301	4,267,823	1,142,478	26.8
Debt Service - UPIF	(350,000)	(900,000)	550,000	61.1
UPIF (Withdrawal) Contributions	(920,426)	833,913	(1,754,339)	(210.4)
NET IMPACT TO RATE STABILIZATION - ADDITION (REDUCTION)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>

Gainesville Regional Utilities
Statements of Net Position - Unaudited
For the Years Ended September 30, 2015 and 2014

	September 30, 2015	September 30, 2014	Change (\$)	Change (%)
Assets				
Current assets:				
Cash and investments	\$ 53,539,963	\$ 64,756,240	\$ (11,216,277)	-17.3%
Accounts receivable, net of allowance for uncollectible accounts of \$988,585 and \$1,561,364 respectively	47,394,281	45,937,328	1,456,953	3.2%
Inventories:				
Fuel	15,524,239	11,336,733	4,187,506	36.9%
Materials and supplies	7,295,944	6,806,278	489,666	7.2%
Other assets and regulatory assets	2,252,039	1,876,215	375,824	20.0%
Total current assets	126,006,466	130,712,794	(4,706,328)	-3.6%
Restricted and internally designated assets:				
Utility deposits – cash and investments	9,256,442	8,322,368	934,074	11.2%
Debt service – cash and investments	40,816,148	39,682,742	1,133,406	2.9%
Rate stabilization – cash and investments	72,104,746	64,030,121	8,074,625	12.6%
Construction fund – cash and investments	51,108,130	29,034,046	22,074,084	76.0%
Utility plant improvement fund – cash and investments	55,023,201	39,313,780	15,709,421	40.0%
Decommissioning reserve – cash and investments	12,518,938	13,058,443	(539,505)	-4.1%
Total restricted and internally designated assets	240,827,605	193,441,500	47,386,105	24.5%
Noncurrent assets:				
Net costs recoverable in future years - regulatory asset	30,464,864	13,732,765	16,732,099	121.8%
Unamortized debt issuance costs - regulatory asset	6,166,893	6,214,914	(48,021)	-0.8%
Investment in The Energy Authority	2,561,878	2,701,599	(139,721)	-5.2%
Pollution remediation - regulatory asset	13,839,247	15,808,529	(1,969,282)	-12.5%
Other noncurrent assets and regulatory assets	6,659,099	6,192,539	466,560	7.5%
Pension costs - regulatory asset	53,887,756	-	53,887,756	-
Total noncurrent assets	113,579,737	44,650,346	68,929,391	154.4%
Capital assets:				
Utility plant in service	1,783,670,200	1,724,649,795	59,020,405	3.4%
Capital lease	1,006,808,754	1,006,808,754	-	-
Less: accumulated depreciation and amortization	(755,986,892)	(677,216,550)	(78,770,342)	11.6%
	2,034,492,062	2,054,241,999	(19,749,937)	-1.0%
Construction in progress	131,596,255	141,988,911	(10,392,656)	-7.3%
Net capital assets	2,166,088,317	2,196,230,910	(30,142,593)	-1.4%
Total assets	2,646,502,125	2,565,035,550	81,466,575	3.2%
Deferred outflows of resources:				
Unamortized loss on refundings of bonds	28,160,367	28,765,946	(605,579)	-2.1%
Accumulated decrease in fair value of hedging derivatives	73,650,013	50,748,859	22,901,154	45.1%
Pension	22,174,505	0	22,174,505	-
Total deferred outflows of resources	123,984,885	79,514,805	44,470,080	55.9%
Total assets and deferred outflows of resources	\$ 2,770,487,010	\$ 2,644,550,355	\$ 125,936,655	4.8%

Gainesville Regional Utilities
Statements of Net Position - Unaudited (concluded)
For the Years Ended September 30, 2015 and 2014

	September 30, 2015	September 30, 2014	Change (\$)	Change (%)
Liabilities				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 14,819,222	\$ 20,851,891	\$ (6,032,669)	-28.9%
Fuels payable	10,641,720	11,429,004	(787,284)	-6.9%
Due to other funds of the City	4,120,066	3,142,499	977,567	31.1%
Capital lease – current portion	17,601,233	16,828,193	773,040	4.6%
Fuel adjustment	18,799,724	15,963,888	2,835,836	17.8%
Other liabilities and regulatory liabilities	6,745,982	2,678,019	4,067,963	151.9%
Total current liabilities	<u>72,727,947</u>	<u>70,893,494</u>	<u>1,834,453</u>	<u>2.6%</u>
Payable from restricted assets:				
Utility deposits	9,252,627	8,321,246	931,381	11.2%
Construction fund:				
Accounts payable and accrued liabilities	5,013,087	3,686,534	1,326,553	36.0%
Debt payable – current portion	22,205,000	21,480,000	725,000	3.4%
Accrued interest payable	18,806,345	18,540,801	265,544	1.4%
Total payable from restricted assets	<u>55,277,059</u>	<u>52,028,581</u>	<u>3,248,478</u>	<u>6.2%</u>
Long-term debt:				
Utilities system revenue bonds	889,075,000	869,570,000	19,505,000	2.2%
Commercial paper notes	59,500,000	56,900,000	2,600,000	4.6%
Capital lease	959,678,852	977,280,085	(17,601,233)	-1.8%
Unamortized bond premium/discount	19,078,029	10,229,836	8,848,193	86.5%
Fair value of derivative instruments	77,042,767	55,103,515	21,939,252	39.8%
Total long-term debt	<u>2,004,374,648</u>	<u>1,969,083,436</u>	<u>35,291,212</u>	<u>1.8%</u>
Noncurrent liabilities:				
Reserve for insurance claims	3,337,000	3,337,000	–	0.0%
Reserve for decommissioning CR3	11,621,938	11,264,443	357,495	3.2%
Reserve for environmental liability	266,000	167,000	99,000	59.3%
Pension liability	76,062,261	–	76,062,261	–
Total noncurrent liabilities	<u>91,287,199</u>	<u>14,768,443</u>	<u>76,518,756</u>	<u>518.1%</u>
Total liabilities	<u>2,223,666,853</u>	<u>2,106,773,954</u>	<u>116,892,899</u>	<u>5.5%</u>
Deferred inflows of resources:				
Rate stabilization	71,714,541	64,117,259	7,597,282	11.8%
Total deferred inflows of resources	<u>71,714,541</u>	<u>64,117,259</u>	<u>7,597,282</u>	<u>11.8%</u>
Net position				
Net investment in capital assets	287,044,860	298,056,254	(11,011,394)	-3.7%
Restricted	78,324,024	60,369,705	17,954,319	29.7%
Unrestricted	109,736,732	115,233,183	(5,496,451)	-4.8%
Total net position	<u>475,105,616</u>	<u>473,659,142</u>	<u>1,446,474</u>	<u>0.3%</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 2,770,487,010</u>	<u>\$ 2,644,550,355</u>	<u>\$ 125,936,655</u>	<u>4.8%</u>

Gainesville Regional Utilities

Statements of Revenues, Expenses, and Changes in Net Position - Unaudited

For the Years Ended September 30, 2015 and 2014

	<u>September 30, 2015</u>	<u>September 30, 2014</u>
Operating revenues:		
Sales and service from/(to)	\$ 378,901,113	\$ 368,655,555
Transfers (to) from rate stabilization	(7,703,682)	(8,867,764)
Amounts to be recovered from future revenue	33,560,292	26,433,241
Other operating revenue	23,311,395	19,673,582
Total operating revenues	<u>428,069,118</u>	<u>405,894,614</u>
Operating expenses:		
Operation and maintenance	227,535,288	213,305,250
Administrative and general	43,447,535	42,492,252
Depreciation and amortization	95,454,204	84,449,419
Total operating expenses	<u>366,437,027</u>	<u>340,246,921</u>
Operating income	<u>61,632,091</u>	<u>65,647,693</u>
Non-operating income (expense):		
Interest income	606,556	714,408
Interest expense, net of AFUDC	(38,205,243)	(37,815,529)
Other interest related income, BABs	5,345,162	5,350,928
Other income	5,556,073	209,772
Total non-operating expense	<u>(26,697,452)</u>	<u>(31,540,421)</u>
Income before contributions, transfer, and extraordinary item	<u>34,934,639</u>	<u>34,107,272</u>
Capital contributions:		
Contributions from third parties	1,495,813	3,324,503
Reduction of plant costs recovered through contributions	(91,553)	(1,800,000)
Net capital contributions	<u>1,404,260</u>	<u>1,524,503</u>
Transfer to City of Gainesville General Fund	<u>(34,892,425)</u>	<u>(37,316,841)</u>
Change in net position	1,446,474	(1,685,066)
Net position – beginning of year	473,659,142	475,344,208
Net position – end of year	<u>\$ 475,105,616</u>	<u>\$ 473,659,142</u>

Gainesville Regional Utilities

Statements of Cash Flows - Unaudited

For the Years Ended September 30, 2015 and 2014

	<u>September 30, 2015</u>	<u>September 30, 2014</u>
Operating activities:		
Cash received from customers	\$ 378,309,615	\$ 369,172,437
Cash payments to suppliers for goods and services	(192,523,782)	(156,891,922)
Cash payments to employees for services	(54,469,560)	(55,973,131)
Cash payments for operating transactions with other funds	(6,767,533)	(10,517,970)
Other operating receipts	15,607,712	7,696,733
Net cash provided by operating activities	<u>140,156,453</u>	<u>153,486,147</u>
Noncapital financing activities:		
Transfer to City of Gainesville General Fund	(34,892,425)	(37,316,841)
Net cash used in noncapital financing activities	<u>(34,892,425)</u>	<u>(37,316,841)</u>
Capital and related financing activities:		
Principal repayments	(21,480,000)	(26,845,000)
Interest paid on long-term debt	(37,939,699)	(38,589,064)
Proceeds from interest rebates, BABs	5,345,162	5,350,928
Acquisition and construction of fixed assets (including allowance for funds used during construction)	(64,402,846)	(56,990,480)
Proceeds from new debt and commercial paper	51,306,295	-
Cash payment for defeasance of bonds	(22,681,138)	-
Cash receipt for defeasance of bonds	22,681,138	-
Other income	5,556,073	209,774
Net cash used in capital and related financing activities	<u>(61,615,015)</u>	<u>(116,863,842)</u>
Investing activities:		
Interest received	589,783	706,251
Purchase of investments	(387,266,056)	(295,386,535)
Investments in The Energy Authority	4,696,789	5,403,728
Distributions from The Energy Authority	(4,557,068)	(5,845,309)
Proceeds from investments	348,923,707	325,999,310
Net cash provided (used) by investing activities	<u>(37,612,845)</u>	<u>30,877,445</u>
Net change in cash and cash equivalents	6,036,167	30,182,909
Cash and cash equivalents, beginning of year	75,559,374	45,376,465
Cash and cash equivalents, end of year	<u>\$ 81,595,541</u>	<u>\$ 75,559,374</u>

Continued on next page.

Gainesville Regional Utilities
Statements of Cash Flows - Unaudited (concluded)
For the Years Ended September 30, 2015 and 2014

	September 30, 2015	September 30, 2014
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 61,632,091	\$ 65,647,693
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	95,454,204	84,449,419
Net costs to be recovered in future rates	(16,732,099)	(13,732,765)
Change in:		
Accounts receivable	(1,456,953)	518,004
Inventories	(4,677,172)	3,043,202
Other assets and regulatory assets	74,176	(711,437)
Restricted and internally designated assets	(6,108,253)	(3,109,085)
Noncurrent assets	1,969,282	879,007
Accounts payable and accrued liabilities	(6,819,953)	12,665,268
Due to other funds of the City	977,567	171,036
Fuel adjustment	2,835,836	(5,442,608)
Other liabilities and regulatory liabilities	4,544,991	241,771
Utility deposits	865,455	(1,122)
Rate stabilization	7,597,282	8,867,764
Net cash provided by operating activities	<u>\$ 140,156,453</u>	<u>\$ 153,486,147</u>
Non-cash capital and related financing activities and investing activities:		
Acquisition of utility plant in service under capital lease	<u>\$ -</u>	<u>\$ (1,006,809,754)</u>
Acquisition of utility plant in service under long term capital lease obligation	<u>\$ (16,828,193)</u>	<u>\$ 994,108,278</u>
Acquisition of utility plant in service with construction fund payable	<u>\$ 1,326,553</u>	<u>\$ 5,093,605</u>
Change in utility plant in service	<u>\$ -</u>	<u>\$ (4,999,956)</u>
Change in ineffective portion of hedging derivatives	<u>\$ (660,507)</u>	<u>\$ (838,440)</u>
Change in hedging derivatives - interest rate swaps	<u>\$ (21,278,744)</u>	<u>\$ (10,515,189)</u>
Change in hedging derivatives - fuel options and futures	<u>\$ (1,622,410)</u>	<u>\$ (114,952)</u>
Change in fair value of investments	<u>\$ 832,532</u>	<u>\$ (235,808)</u>
Change in fair value of derivatives	<u>\$ 21,939,252</u>	<u>\$ (11,353,627)</u>
Other	<u>\$ (1,453,466)</u>	<u>\$ 150,326</u>

Supplementary Data

Gainesville Regional Utilities
Fuel Adjustment Levelization
For the Year Ended September 30, 2015

	<u>Actual</u>
Fuel Revenues	158,822,423
Fuel Expenses	157,197,363
To (From) Fuel Adjustment Levelization	<u>1,625,060</u>
Fuel Adjustment Beginning Balance	15,298,395
To (From) Fuel Adjustment Levelization	1,625,060
Fuel Adjustment Ending Balance	<u>16,923,455</u>

Gainesville Regional Utilities
Purchased Gas Adjustment (PGA) Levelization
For the Year Ended September 30, 2015

	Actual
Purchased Gas Revenues	10,607,386
Purchased Gas Expenses	9,396,610
To (From) PGA Levelization	1,210,776
PGA Beginning Balance	665,493
To (From) PGA Levelization	1,210,776
PGA Ending Balance	1,876,269