

Gainesville Regional Utilities

Interim Financial Statements - Unaudited

For the Period Ended December 31, 2016



**Gainesville Regional Utilities
Financial Statements - Unaudited
For the Period Ended December 31, 2016**

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Overview and Basis of Accounting

Gainesville Regional Utilities Financial Statements - Unaudited For the Period Ended December 31, 2016

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 period ended December 31, 2016.

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

Financial Statements - Unaudited

For the Period Ended December 31, 2016

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 period ended December 31, 2016. It should be read in conjunction with the unaudited financial statements that follow this section.

Financial Highlights – Overall

- Operating cash and investments increased \$10 million or 20.5% due to normal operations and contributions to and from rate stabilization cash and investments.
- Fuel inventories decreased \$12.1 million or 59.8% due to a decision to reduce coal inventory, as a result of reduced coal consumption.
- Construction fund cash and investments decreased \$26.1 million or 59.3% due to construction of capital assets.
- Net costs recoverable in future years increased \$15.8 million or 45.6% due to capital lease transactional activity.
- Fuel adjustment levelization balance decreased \$4.3 million or 30.5% due to a combination of the following factors: a decrease in the fuel adjustment rate during fiscal year 2016 and a reduction in the use of the Gainesville Renewable Energy Center (GREC) biomass power, offset by an increase in lower cost natural gas and other purchased power usage. GRU is currently in arbitration with GREC. As of December 31, 2016, the amount in dispute totaled \$7.2 million. If GRU is not successful in its arbitration claim, the utility will be required to expense this amount, thereby reducing the fuel adjustment levelization balance by \$7.2 million. The effect at December 31, 2016, would have been a fuel levelization balance of \$1.2 million.
- Current portion of utilities system revenue bonds increased \$85 million due to the reclassification of \$90 million of 2008 Series B revenue bonds whose liquidity facility expires this year, in addition to normally scheduled principal payments. Management intends to renew or replace the liquidity facility.
- Current portion of commercial paper notes increased \$8.3 million due to the reclassification of \$8 million of Series D notes whose liquidity facility expires this year, in addition to normally scheduled principal payments. Management intends to renew or replace the liquidity facility.
- Overall, long-term debt liabilities decreased due to the reclassification of utilities system revenue bonds and commercial paper notes of \$98 million to current debt.
- Fair value of derivative instruments increased \$10.1 million or 13.2% due to an increase in the unrealized loss on interest rate swaps.
- Net pension liability decreased \$4.7 million and deferred inflow pension costs increased 5.7 million due to updated actuarial calculations at September 30, 2016.

Gainesville Regional Utilities
Financial Statements - Unaudited
For the Period Ended December 31, 2016

Financial Highlights – Schedules of Net Revenue in Accordance with Bond Resolution

Combined Systems

- Total revenues decreased \$3.3 million or 3.1% due primarily to a decrease in electric, wastewater and telecommunication revenues.
- Total expenses decreased \$1.9 million or 2.8% due primarily to a decrease in fuel expense, offset by an increase in operation and maintenance expenses.
- The combined systems contributed \$2.8 million to rate stabilization for the period ended December 31, 2016, including budgeted transfers to and from rate stabilization.

Electric System

- Total revenues decreased \$2.5 million or 3.3% over the same period last year due primarily to a decrease in fuel adjustment revenue. The fuel adjustment rate was lowered from 73 mills to 70 mills in May 2016.
- Fuel adjustment revenue decreased \$2.9 million or 7.0% over the prior period due primarily to lower fuel expenses and the change in the rate. 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 \$10.9 million and the transfer from/to rate stabilization increased \$10.8 million from the prior period due to the release of GRU's ownership interest in the CR3 nuclear power plant to Duke Energy in October 2015. The revenue was recorded in other revenue and moved immediately into rate stabilization cash and investments.
- Administrative and general expenses increased \$434,665 due to Gainesville Renewable Energy Center (GREC) arbitration costs.
- Fuel and purchased power expenses decreased \$2.8 million or 7.0% over the prior period due primarily to a reduction in the use of the GREC biomass power offset by an increase in lower cost natural gas and other purchased power. 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.
- The electric system withdrew \$434,665 from rate stabilization for the period ended December 31, 2016, in addition to transfers from rate stabilization.

Gainesville Regional Utilities
Financial Statements - Unaudited
For the Period Ended December 31, 2016

Water System

- Total revenues increased \$428,741 or 4.9% due to an overall rate increase of 3%.
- Other revenues decreased \$569,395 due to a reduction in connection and other charges. Fiscal year 2016 had significant commercial construction activities which increased connection charge fees.
- The water system contributed \$1.6 million to rate stabilization for the period ended December 31, 2016, in addition to budgeted transfers to rate stabilization.

Wastewater System

- Total revenues decreased \$731,175 or 6.5% due to a decrease in other revenue.
- Other revenues decreased \$1.7 million due to a reduction in connection and other charges. Fiscal year 2016 had significant commercial construction activities which drove an increase in connection charges.
- The wastewater system contributed \$1.2 million to rate stabilization for the period ended December 31, 2016, in addition from budgeted transfers to rate stabilization.

Gas System

- Total revenues increased \$472,359 or 8.6% due to an overall increase in gas rates of 9%.
- Purchased gas revenues and the related fuel expense increased due to an increase in the usage of natural gas. Fuel expenses are matched to fuel adjustment levelization balance and amounts under collected drawn down from the fuel adjustment levelization balance.
- Administrative and general expenses decreased \$383,369 due to a reduction in various categories. The largest decrease was due to a stabilization of capital work versus the prior year.
- The gas system contributed \$425,724 to rate stabilization for the period ended December 31, 2016, in addition to budgeted transfers from rate stabilization.

Telecommunications System

- Total revenues decreased \$941,537 or 27.5% due primarily to timing of tower lease revenue.
- The telecommunications system contributed \$78,941 to rate stabilization for the period ended December 31, 2016.

Financial Statements

Gainesville Regional Utilities
Statements of Net Position - Unaudited
December 31, 2016 and 2015

	December 31, 2016	December 31, 2015	Change (\$)	Change (%)
Assets				
Current assets:				
Cash and investments	\$ 58,978,266	\$ 48,963,471	\$ 10,014,795	20.5%
Accounts receivable, net of allowance for uncollectible accounts of \$872,402 and \$988,585, respectively	41,615,147	40,728,414	886,733	2.2%
Inventories:				
Fuel	8,094,751	20,155,752	(12,061,001)	(59.8%)
Materials and supplies	7,254,417	7,492,622	(238,205)	(3.2%)
Other assets and regulatory assets	1,431,598	4,384,107	(2,952,509)	(67.3%)
Total current assets	117,374,179	121,724,366	(4,350,187)	(3.6%)
Restricted and internally designated assets:				
Utility deposits – cash and investments	10,028,341	9,646,205	382,136	4.0%
Debt service – cash and investments	13,725,059	12,665,441	1,059,618	8.4%
Rate stabilization – cash and investments	72,146,820	81,182,808	(9,035,988)	(11.1%)
Construction fund – cash and investments	17,878,475	43,952,667	(26,074,192)	(59.3%)
Utility plant improvement fund – cash and investments	51,314,624	53,959,499	(2,644,875)	(4.9%)
Total restricted and internally designated assets	165,093,319	201,406,620	(36,313,301)	(18.0%)
Noncurrent assets:				
Net costs recoverable in future years - regulatory asset	50,288,775	34,528,461	15,760,314	45.6%
Unamortized debt issuance costs - regulatory asset	5,735,066	6,080,527	(345,461)	(5.7%)
Investment in The Energy Authority	2,123,352	2,334,230	(210,878)	(9.0%)
Pollution remediation - regulatory asset	12,534,155	13,613,217	(1,079,062)	(7.9%)
Other noncurrent assets and regulatory assets	7,104,148	6,606,419	497,729	7.5%
Pension regulatory asset	56,115,877	53,887,756	2,228,121	4.1%
Total noncurrent assets	133,901,373	117,050,610	16,850,763	14.4%
Capital assets:				
Utility plant in service	1,869,557,348	1,782,419,105	87,138,243	4.9%
Capital lease	1,006,808,754	1,006,808,754	-	0.0%
Less: accumulated depreciation and amortization	(860,359,642)	(776,509,529)	(83,850,113)	10.8%
	2,016,006,460	2,012,718,330	3,288,130	0.2%
Construction in progress	116,196,620	142,011,302	(25,814,682)	(18.2%)
Net capital assets	2,132,203,080	2,154,729,632	(22,526,552)	(1.0%)
Total assets	2,548,571,951	2,594,911,228	(46,339,277)	(1.8%)
Deferred outflows of resources:				
Unamortized loss on refundings of bonds	23,917,812	27,311,856	(3,394,044)	(12.4%)
Accumulated decrease in fair value of hedging derivatives	81,039,385	73,563,893	7,475,492	10.2%
Pension costs	20,954,810	22,174,505	(1,219,695)	(5.5%)
Total deferred outflows of resources	125,912,007	123,050,254	2,861,753	2.3%
Total assets and deferred outflows of resources	\$ 2,674,483,958	\$ 2,717,961,482	\$ (43,477,524)	(1.6%)

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Gainesville Regional Utilities
Statements of Net Position - Unaudited (concluded)
December 31, 2016 and 2015

	December 31, 2016	December 31, 2015	Change (\$)	Change (%)
Liabilities				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 9,030,756	\$ 11,797,772	\$ (2,767,016)	(23.5%)
Fuels payable	13,289,910	11,146,983	2,142,927	19.2%
Due to other funds of the City	4,268,782	2,667,311	1,601,471	60.0%
Capital lease – current portion	13,884,560	13,274,757	609,803	4.6%
Fuel adjustment	9,869,594	14,191,181	(4,321,587)	(30.5%)
Other liabilities and regulatory liabilities	1,333,144	2,789,825	(1,456,681)	(52.2%)
Total current liabilities	<u>51,676,746</u>	<u>55,867,829</u>	<u>(4,191,083)</u>	<u>(7.5%)</u>
Payable from restricted assets:				
Utility deposits	10,030,591	9,645,651	384,940	4.0%
Construction fund:				
Accounts payable and accrued liabilities	1,041,516	435,536	605,980	139.1%
Utilities system revenue bonds – current portion	108,120,000	17,535,000	90,585,000	516.6%
Commercial paper notes – current portion	13,900,000	5,600,000	8,300,000	148.2%
Accrued interest payable	6,807,360	6,754,720	52,640	0.8%
Total payable from restricted assets	<u>139,899,467</u>	<u>39,970,907</u>	<u>99,928,560</u>	<u>250.0%</u>
Long-term debt:				
Utilities system revenue bonds	763,420,000	871,540,000	(108,120,000)	(12.4%)
Commercial paper notes	40,000,000	53,900,000	(13,900,000)	(25.8%)
Capital lease	941,269,071	959,678,852	(18,409,781)	(1.9%)
Unamortized bond premium/discount	17,718,253	18,806,074	(1,087,821)	(5.8%)
Fair value of derivative instruments	87,180,294	77,042,767	10,137,527	13.2%
Total long-term debt	<u>1,849,587,618</u>	<u>1,980,967,693</u>	<u>(131,380,075)</u>	<u>(6.6%)</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%
Net pension liability	71,325,377	76,062,261	(4,736,884)	(6.2%)
Total noncurrent liabilities	<u>74,928,377</u>	<u>79,665,261</u>	<u>(4,736,884)</u>	<u>(5.9%)</u>
Total liabilities	<u>2,116,092,208</u>	<u>2,156,471,690</u>	<u>(40,379,482)</u>	<u>(1.9%)</u>
Deferred inflows of resources:				
Rate stabilization	72,069,582	80,598,047	(8,528,465)	(10.6%)
Pension costs	5,745,310	–	5,745,310	0.0%
Total deferred inflows of resources	<u>77,814,892</u>	<u>80,598,047</u>	<u>(2,783,155)</u>	<u>(3.5%)</u>
Net position				
Net investment in capital assets	287,180,122	298,837,153	(11,657,031)	(3.9%)
Restricted	58,307,311	60,455,535	(2,148,224)	(3.6%)
Unrestricted	135,089,425	121,599,057	13,490,368	11.1%
Total net position	<u>480,576,858</u>	<u>480,891,745</u>	<u>(314,887)</u>	<u>(0.1%)</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 2,674,483,958</u>	<u>\$ 2,717,961,482</u>	<u>\$ (43,477,524)</u>	<u>(1.6%)</u>

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Gainesville Regional Utilities
Statements of Revenues, Expenses, and Changes in Net Position-Unaudited
For the Periods Ended December 31, 2016 and 2015

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Operating revenue:		
Sales and service charges	\$ 93,532,287	\$ 90,390,137
Transfers (to) from rate stabilization	2,007,806	(8,883,506)
Amounts to be recovered from future revenue	8,390,073	8,390,073
Other operating revenue	4,761,306	11,084,908
Total operating revenues	<u>108,691,472</u>	<u>100,981,612</u>
Operating expenses:		
Operation and maintenance	54,606,922	56,524,528
Administrative and general	10,965,768	11,108,519
Depreciation and amortization	24,476,947	23,078,837
Total operating expenses	<u>90,049,637</u>	<u>90,711,884</u>
Operating income	<u>18,641,835</u>	<u>10,269,728</u>
Non-operating income (expense):		
Investment (expense)	50,778	(142,555)
Interest expense, net of AFUDC	(6,843,550)	(6,842,759)
Other income	379,333	11,320,728
Total non-operating income (expense)	<u>(6,413,439)</u>	<u>4,335,414</u>
Income before capital contributions and transfers	<u>12,228,396</u>	<u>14,605,142</u>
Capital contributions:		
Contributions from third parties	338,575	46,776
Reduction of plant costs recovered through contributions	(555)	(1,774)
Net capital contributions	<u>338,020</u>	<u>45,002</u>
Transfer to City of Gainesville General Fund	<u>(8,953,502)</u>	<u>(8,864,015)</u>
Change in net position	3,612,914	5,786,129
Net position – beginning of year	476,963,944	475,105,616
Net position – end of period	<u>\$ 480,576,858</u>	<u>\$ 480,891,745</u>

Gainesville Regional Utilities

Statements of Cash Flows - Unaudited

For the Periods Ended December 31, 2016 and 2015

	December 31, 2016	December 31, 2015
Operating activities:		
Cash received from customers	\$ 101,556,329	\$ 97,838,791
Cash payments to suppliers for goods and services	(62,411,569)	(67,365,758)
Cash payments to employees for services	(11,820,077)	(12,937,724)
Cash payments for operating transactions with other funds	(1,770,225)	(2,546,613)
Other operating receipts	6,769,112	2,201,402
Net cash provided by operating activities	32,323,570	17,190,098
Noncapital financing activities:		
Transfer to City of Gainesville General Fund	(8,953,502)	(8,864,015)
Net cash used by noncapital financing activities	(8,953,502)	(8,864,015)
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	(18,552,955)	(18,894,384)
Acquisition and construction of fixed assets (including allowance for funds used during construction)	(11,377,762)	(10,668,634)
Other income	379,333	1,143,299
Net cash used by capital and related financing activities	(52,686,384)	(50,624,719)
Investing activities:		
Interest paid (received)	50,778	(142,555)
Purchase of investments	(16,244,348)	(95,439,000)
Investments in The Energy Authority	(3,301,864)	2,022,628
Distributions from The Energy Authority	3,281,193	(1,794,980)
Proceeds from investments	54,722,112	105,430,000
Proceeds from CR3 settlement	-	10,177,429
Net cash provided by investing activities	38,507,871	20,253,522
Net change in cash and cash equivalents	9,191,555	(22,045,114)
Cash and cash equivalents, beginning of year	81,595,541	81,595,541
Cash and cash equivalents, end of period	\$ 90,787,096	\$ 59,550,427

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Gainesville Regional Utilities
Statements of Cash Flows - Unaudited (concluded)
For the Periods Ended December 31, 2016 and 2015

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 18,641,835	\$ 10,269,728
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	24,476,947	23,078,837
Net costs to be recovered in future rates	(3,864,852)	(4,063,597)
Change in:		
Accounts receivable	7,736,224	6,665,867
Inventories	(240,396)	(4,828,191)
Other assets and regulatory assets	391,395	(2,132,068)
Restricted and internally designated assets	-	(10,233,185)
Noncurrent assets	291,871	226,030
Accounts payable and accrued liabilities	(11,005,124)	(2,516,187)
Due to other funds of the City	2,778,838	(1,452,755)
Fuel adjustment	(4,961,970)	(4,608,543)
Other liabilities and regulatory liabilities	(201,210)	(2,882,131)
Utility deposits	287,818	782,787
Rate stabilization	(2,007,806)	8,883,506
Net cash provided by operating activities	<u>\$ 32,323,570</u>	<u>\$ 17,190,098</u>
Non-cash capital and related financing activities and investing activities:		
Contribution of capital assets	<u>\$ 338,020</u>	<u>\$ -</u>
Net costs recoverable in future years	<u>\$ (3,864,852)</u>	<u>\$ (4,063,597)</u>
Acquisition of utility plant in service under capital lease	<u>\$ -</u>	<u>\$ (4,326,476)</u>
Change in capital lease liability	<u>\$ (4,525,221)</u>	<u>\$ -</u>
Acquisition of utility plant in service with construction fund payable	<u>\$ (8,171,909)</u>	<u>\$ (4,577,551)</u>
Change in utility plant in service	<u>\$ 59,550,427</u>	<u>\$ -</u>
Change in ineffective portion of hedging derivatives	<u>\$ -</u>	<u>\$ 86,120</u>
Change in accumulated decrease in fair value of hedging derivatives - fuel options and futures	<u>\$ 323,114</u>	<u>\$ -</u>
Change in fair value of investments	<u>\$ (350,653)</u>	<u>\$ (134,685)</u>
Other	<u>\$ (14,839)</u>	<u>\$ (42,341)</u>

Gainesville Regional Utilities
Combined Utility Systems
Schedules of Combined Net Revenues in Accordance with Bond Resolution - Unaudited
For the Periods Ended December 31, 2016 and 2015

	<u>December 31, 2016</u>	<u>December 31, 2015</u>	<u>Change (\$)</u>	<u>Change (%)</u>
REVENUES:				
Sales of electricity	\$ 29,933,472	\$ 30,204,880	\$ (271,408)	(0.9)
Sales for resale	920,673	317,991	602,682	189.5
Fuel adjustment	38,221,065	41,091,427	(2,870,362)	(7.0)
Other revenues	819,303	11,767,217	(10,947,914)	(93.0)
Transfer from/(to) rate stabilization	2,453,365	(8,373,923)	10,827,288	129.3
Interest income (expense)	263,555	100,954	162,601	161.1
Total Electric System Revenues	<u>72,611,433</u>	<u>75,108,546</u>	<u>(2,497,113)</u>	<u>(3.3)</u>
Sales of water	8,791,533	7,858,848	932,685	11.9
Other revenues	537,560	1,106,955	(569,395)	(51.4)
Transfer from/(to) rate stabilization	(245,339)	(295,506)	50,167	17.0
Interest income (expense)	23,063	7,779	15,284	196.5
Total Water System Revenues	<u>9,106,817</u>	<u>8,678,076</u>	<u>428,741</u>	<u>4.9</u>
Sales of wastewater services	10,024,437	9,330,681	693,756	7.4
Other revenues	455,806	2,154,883	(1,699,077)	(78.8)
Transfer from/(to) rate stabilization	74,760	(172,109)	246,869	143.4
Interest income (expense)	30,680	3,403	27,277	801.6
Total Wastewater System Revenues	<u>10,585,683</u>	<u>11,316,858</u>	<u>(731,175)</u>	<u>(6.5)</u>
Sales of gas	3,752,777	3,091,889	660,888	21.4
Purchased gas adjustment	2,195,044	1,921,631	273,413	14.2
Other revenues	281,923	296,972	(15,049)	(5.1)
Transfer from/(to) rate stabilization	(274,979)	196,080	(471,059)	(240.2)
Interest income (expense)	39,649	15,483	24,166	156.1
Total Gas System Revenues	<u>5,994,414</u>	<u>5,522,055</u>	<u>472,359</u>	<u>8.6</u>
Sales of services	2,466,705	3,651,432	(1,184,727)	(32.4)
Other revenues	332	266	66	24.8
Transfer from/(to) rate stabilization	-	(238,048)	238,048	100.0
Interest income (expense)	11,879	6,803	5,076	74.6
Total Telecommunications System Revenues	<u>2,478,916</u>	<u>3,420,453</u>	<u>(941,537)</u>	<u>(27.5)</u>
TOTAL REVENUES	<u>\$ 100,777,263</u>	<u>\$ 104,045,988</u>	<u>\$ (3,268,725)</u>	<u>(3.1)</u>

Gainesville Regional Utilities
Combined Utility Systems
Schedules of Combined Net Revenues in Accordance with Bond Resolution - Unaudited
For the Periods Ended December 31, 2016 and 2015

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	<u>December 31, 2016</u>	<u>December 31, 2015</u>	<u>Change (\$)</u>	<u>Change (%)</u>
OPERATION, MAINTENANCE AND ADMINISTRATIVE EXPENSES:				
Electric system:				
Fuel expense:				
Fuel and purchased power	\$ 38,221,065	\$ 41,091,427	\$ (2,870,362)	(7.0)
Interchange	62,365	99,372	(37,007)	(37.2)
Total Fuel Expenses	<u>38,283,430</u>	<u>41,190,799</u>	<u>(2,907,369)</u>	<u>(7.1)</u>
Operation and maintenance	9,008,212	8,420,999	587,213	7.0
Administrative and general	6,662,409	6,214,030	448,379	7.2
Total Electric System Expenses	<u>53,954,051</u>	<u>55,825,828</u>	<u>(1,871,777)</u>	<u>(3.4)</u>
Water system:				
Operation and maintenance	1,696,557	1,667,369	29,188	1.8
Administrative and general	1,305,777	1,335,574	(29,797)	(2.2)
Total Water System Expenses	<u>3,002,334</u>	<u>3,002,943</u>	<u>(609)</u>	<u>(0.0)</u>
Wastewater system:				
Operation and maintenance	2,198,699	1,975,327	223,372	11.3
Administrative and general	1,346,791	1,239,138	107,653	8.7
Total Wastewater System Expenses	<u>3,545,490</u>	<u>3,214,465</u>	<u>331,025</u>	<u>10.3</u>
Gas system:				
Fuel expense and purchased gas	2,195,044	1,921,631	273,413	14.2
Operation and maintenance	390,538	378,228	12,310	3.3
Administrative and general	827,975	1,243,445	(415,470)	(33.4)
Total Gas System Expenses	<u>3,413,557</u>	<u>3,543,304</u>	<u>(129,747)</u>	<u>(3.7)</u>
Telecommunications system:				
Operation and maintenance	834,444	970,176	(135,732)	(14.0)
Administrative and general	530,946	615,772	(84,826)	(13.8)
Total Telecommunications System Expenses	<u>1,365,390</u>	<u>1,585,948</u>	<u>(220,558)</u>	<u>(13.9)</u>
TOTAL EXPENSES	<u>65,280,822</u>	<u>67,172,488</u>	<u>(1,891,666)</u>	<u>(2.8)</u>
NET REVENUES IN ACCORDANCE WITH BOND RESOLUTION:				
Total electric system	18,657,382	19,282,718	(625,336)	(3.2)
Total water system	6,104,483	5,675,133	429,350	7.6
Total wastewater system	7,040,193	8,102,393	(1,062,200)	(13.1)
Total gas system	2,580,857	1,978,751	602,106	30.4
Total telecommunications system	1,113,526	1,834,505	(720,979)	(39.3)
TOTAL NET REVENUES IN ACCORDANCE WITH BOND RESOLUTION	<u>35,496,441</u>	<u>36,873,500</u>	<u>(1,377,059)</u>	<u>(3.7)</u>
LESS:				
Debt service	13,239,835	12,941,640	298,195	2.3
Debt service - UPIF	(1,250,000)	-	(1,250,000)	-
UPIF contributions	11,714,524	10,913,613	800,911	7.3
Transfer to City of Gainesville General Fund	8,953,503	8,894,937	58,566	0.7
NET IMPACT TO RATE STABILIZATION - ADDITION (REDUCTION)	<u>\$ 2,838,579</u>	<u>\$ 4,123,310</u>	<u>\$ (1,284,731)</u>	<u>(31.2)</u>

Gainesville Regional Utilities
Electric Utility System
Schedules of Net Revenues in Accordance with Bond Resolution - Unaudited
For the Periods Ended December 31, 2016 and 2015

	December 31, 2016	December 31, 2015	Change (\$)	Change (%)
REVENUES:				
Residential	\$ 10,828,751	\$ 10,349,484	\$ 479,267	4.6
Non-residential	14,409,750	14,467,169	(57,419)	(0.4)
Fuel adjustment	38,221,065	41,091,427	(2,870,362)	(7.0)
Sales for resale	920,673	317,991	602,682	189.5
Utility surcharge	688,246	670,365	17,881	2.7
Other electric sales	4,006,725	4,717,862	(711,137)	(15.1)
Total Sales of Electricity	69,075,210	71,614,298	(2,539,088)	(3.5)
Other revenues	819,303	11,767,217	(10,947,914)	(93.0)
Transfer from/(to) rate stabilization	2,453,365	(8,373,923)	10,827,288	129.3
Interest income (expense)	263,555	100,954	162,601	161.1
Total Revenues	72,611,433	75,108,546	(2,497,113)	(3.3)
OPERATION, MAINTENANCE AND ADMINISTRATIVE EXPENSES:				
Fuel expenses:				
Fuel and purchased power	38,221,065	41,091,427	(2,870,362)	(7.0)
Interchange	62,365	99,372	(37,007)	(37.2)
Total Fuel Expenses	38,283,430	41,190,799	(2,907,369)	(7.1)
Steam power generation	5,438,141	5,643,051	(204,910)	(3.6)
Other power generation	80,424	78,326	2,098	2.7
System control and load dispatching	247,375	279,993	(32,618)	(11.6)
Total Power Production Expenses	5,765,940	6,001,370	(235,430)	(3.9)
Transmission and distribution expenses:				
Transmission	468,603	327,795	140,808	43.0
Distribution	2,773,669	2,091,834	681,835	32.6
Total Transmission and Distribution Expenses	3,242,272	2,419,629	822,643	34.0
Administrative and general expenses:				
Customer accounts and sales	827,315	822,653	4,662	0.6
Administrative and general	5,835,094	5,391,377	443,717	8.2
Total Administrative and General Expenses	6,662,409	6,214,030	448,379	7.2
Total Operation, Maintenance and Administrative Expenses	53,954,051	55,825,828	(1,871,777)	(3.4)
TOTAL NET REVENUES IN ACCORDANCE WITH BOND RESOLUTION	18,657,382	19,282,718	(625,336)	(3.2)
LESS:				
Debt service	8,306,889	8,099,654	207,235	2.6
Debt Service - UPIF	(1,250,000)	-	(1,250,000)	-
UPIF contributions	6,761,544	6,183,680	577,864	9.3
Transfer to City of Gainesville General Fund	5,273,613	4,919,528	354,085	7.2
NET IMPACT TO RATE STABILIZATION - ADDITION (REDUCTION)	\$ (434,664)	\$ 79,856	\$ (514,520)	(644.3)

Gainesville Regional Utilities
Water Utility System
Schedules of Net Revenues in Accordance with Bond Resolution - Unaudited
For the Periods Ended December 31, 2016 and 2015

	<u>December 31, 2016</u>	<u>December 31, 2015</u>	<u>Change (\$)</u>	<u>Change (%)</u>
REVENUES:				
Residential	\$ 5,443,309	\$ 4,894,580	\$ 548,729	11.2
Non-residential	2,206,043	2,050,036	156,007	7.6
University of Florida	494,532	328,341	166,191	50.6
Utility surcharge	647,649	585,891	61,758	10.5
Total Sales of Water	<u>8,791,533</u>	<u>7,858,848</u>	<u>932,685</u>	<u>11.9</u>
Other revenues	537,560	1,106,955	(569,395)	(51.4)
Transfer from/(to) rate stabilization	(245,339)	(295,506)	50,167	17.0
Interest income (expense)	23,063	7,779	15,284	196.5
Total Revenues	<u>9,106,817</u>	<u>8,678,076</u>	<u>428,741</u>	<u>4.9</u>
OPERATION, MAINTENANCE AND ADMINISTRATIVE EXPENSES:				
Pumping and water treatment	1,167,609	1,208,574	(40,965)	(3.4)
Transmission and distribution	528,948	458,795	70,153	15.3
Customer accounts and sales	290,260	297,533	(7,273)	(2.4)
Administrative and general	1,015,517	1,038,041	(22,524)	(2.2)
Total Operation, Maintenance and Administrative Expenses	<u>3,002,334</u>	<u>3,002,943</u>	<u>(609)</u>	<u>(0.0)</u>
TOTAL NET REVENUES IN ACCORDANCE WITH BOND RESOLUTION	<u>6,104,483</u>	<u>5,675,133</u>	<u>429,350</u>	<u>7.6</u>
LESS:				
Debt service	1,304,235	1,218,899	85,336	7.0
UPIF contributions	1,760,678	1,689,542	71,136	4.2
Transfer to City of Gainesville General Fund	1,437,037	1,438,187	(1,150)	(0.1)
NET IMPACT TO RATE STABILIZATION - ADDITION (REDUCTION)	<u>\$ 1,602,533</u>	<u>\$ 1,328,505</u>	<u>\$ 274,028</u>	<u>20.6</u>

Gainesville Regional Utilities
Wastewater Utility System
Schedules of Net Revenues in Accordance with Bond Resolution - Unaudited
For the Periods Ended December 31, 2016 and 2015

	<u>December 31, 2016</u>	<u>December 31, 2015</u>	<u>Change (\$)</u>	<u>Change (%)</u>
REVENUES:				
Residential	\$ 6,870,556	\$ 6,253,769	\$ 616,787	9.9
Non-residential	2,452,373	2,387,614	64,759	2.7
Utility surcharge	701,508	689,298	12,210	1.8
Total Sales of Services	<u>10,024,437</u>	<u>9,330,681</u>	<u>693,756</u>	<u>7.4</u>
Other revenues	455,806	2,154,883	(1,699,077)	(78.8)
Transfer from/(to) rate stabilization	74,760	(172,109)	246,869	143.4
Interest income (expense)	30,680	3,403	27,277	801.6
Total Revenues	<u>10,585,683</u>	<u>11,316,858</u>	<u>(731,175)</u>	<u>(6.5)</u>
OPERATION, MAINTENANCE AND ADMINISTRATIVE EXPENSES:				
Collection	834,013	791,169	42,844	5.4
Treatment	1,364,686	1,184,158	180,528	15.2
Customer accounts and sales	262,744	267,483	(4,739)	(1.8)
Administrative and general	1,084,047	971,655	112,392	11.6
Total Operation, Maintenance and Administrative Expenses	<u>3,545,490</u>	<u>3,214,465</u>	<u>331,025</u>	<u>10.3</u>
TOTAL NET REVENUES IN ACCORDANCE WITH BOND RESOLUTION	<u>7,040,193</u>	<u>8,102,393</u>	<u>(1,062,200)</u>	<u>(13.1)</u>
LESS:				
Debt service	1,707,478	1,594,012	113,466	7.1
UPIF contributions	2,358,062	2,334,265	23,797	1.0
Transfer to City of Gainesville General Fund	1,808,608	1,899,115	(90,507)	(4.8)
NET IMPACT TO RATE STABILIZATION - ADDITION (REDUCTION)	<u>\$ 1,166,045</u>	<u>\$ 2,275,001</u>	<u>\$ (1,108,956)</u>	<u>(48.7)</u>

Gainesville Regional Utilities
Gas Utility System
Schedules of Net Revenues in Accordance with Bond Resolution - Unaudited
For the Periods Ended December 31, 2016 and 2015

	<u>December 31, 2016</u>	<u>December 31, 2015</u>	<u>Change (\$)</u>	<u>Change (%)</u>
REVENUES:				
Residential	\$ 1,971,589	\$ 1,572,342	\$ 399,247	25.4
Non-residential	1,336,896	1,150,654	186,242	16.2
Purchased gas adjustment	2,195,044	1,921,631	273,413	14.2
Utility surcharge	125,887	100,662	25,225	25.1
Other gas sales	318,405	268,231	50,174	18.7
Total Sales of Gas	<u>5,947,821</u>	<u>5,013,520</u>	<u>934,301</u>	<u>18.6</u>
Other revenues	281,923	296,972	(15,049)	(5.1)
Transfer from/(to) rate stabilization	(274,979)	196,080	(471,059)	(240.2)
Interest income (expense)	39,649	15,483	24,166	156.1
Total Revenues	<u>5,994,414</u>	<u>5,522,055</u>	<u>472,359</u>	<u>8.6</u>
OPERATION, MAINTENANCE AND ADMINISTRATIVE EXPENSES:				
Fuel expense and purchased gas	2,195,044	1,921,631	273,413	14.2
Operation and maintenance	390,538	378,228	12,310	3.3
Customer accounts and sales	397,077	429,178	(32,101)	(7.5)
Administrative and general	430,898	814,267	(383,369)	(47.1)
Total Operation, Maintenance and Administrative Expenses	<u>3,413,557</u>	<u>3,543,304</u>	<u>(129,747)</u>	<u>(3.7)</u>
TOTAL NET REVENUES IN ACCORDANCE WITH BOND RESOLUTION	<u>2,580,857</u>	<u>1,978,751</u>	<u>602,106</u>	<u>30.4</u>
LESS:				
Debt service	1,041,468	1,013,626	27,842	2.7
UPIF contributions	773,432	706,126	67,306	9.5
Transfer to City of Gainesville General Fund	340,233	607,185	(266,952)	(44.0)
NET IMPACT TO RATE STABILIZATION - ADDITION (REDUCTION)	<u>\$ 425,724</u>	<u>\$ (348,186)</u>	<u>\$ 773,910</u>	<u>222.3</u>

**Gainesville Regional Utilities
Telecommunications System
Schedules of Net Revenues in Accordance with Bond Resolution - Unaudited
For the Periods Ended December 31, 2016 and 2015**

	<u>December 31, 2016</u>	<u>December 31, 2015</u>	<u>Change (\$)</u>	<u>Change (%)</u>
REVENUES:				
Telecommunication	\$ 1,201,776	\$ 834,223	\$ 367,553	44.1
Trunking radio	369,052	437,309	(68,257)	(15.6)
Tower lease	304,329	1,851,260	(1,546,931)	(83.6)
Internet access	591,548	528,640	62,908	11.9
Total Sales of Services	<u>2,466,705</u>	<u>3,651,432</u>	<u>(1,184,727)</u>	<u>(32.4)</u>
Other revenues	332	266	66	24.8
Transfer from/(to) rate stabilization	-	(238,048)	238,048	100.0
Interest income (expense)	11,879	6,803	5,076	74.6
Total Revenues	<u>2,478,916</u>	<u>3,420,453</u>	<u>(941,537)</u>	<u>(27.5)</u>
OPERATION, MAINTENANCE AND ADMINISTRATIVE EXPENSES:				
Operation and maintenance	834,444	970,176	(135,732)	(14.0)
Customer accounts and sales	6,540	8,595	(2,055)	(23.9)
Administrative and general	524,406	607,177	(82,771)	(13.6)
Total Operation, Maintenance and Administrative Expenses	<u>1,365,390</u>	<u>1,585,948</u>	<u>(220,558)</u>	<u>(13.9)</u>
TOTAL NET REVENUES IN ACCORDANCE WITH BOND RESOLUTION	<u>1,113,526</u>	<u>1,834,505</u>	<u>(720,979)</u>	<u>(39.3)</u>
LESS:				
Debt service	879,765	1,015,449	(135,684)	(13.4)
UPIF contributions	60,808	-	60,808	-
Transfer to City of Gainesville General Fund	94,012	30,922	63,090	204.0
NET IMPACT TO RATE STABILIZATION - ADDITION (REDUCTION)	<u>\$ 78,941</u>	<u>\$ 788,134</u>	<u>\$ (709,193)</u>	<u>(90)</u>

Supplementary Data

Gainesville Regional Utilities
Fuel Adjustment Levelization
For the Period Ended December 31, 2016

	Actual
Fuel Revenues	\$ 33,698,481
Fuel Expenses	38,221,065
To (From) Fuel Adjustment Levelization	\$ (4,522,584)
Fuel Adjustment Beginning Balance	\$ 12,902,279
To (From) Fuel Adjustment Levelization	(4,522,584)
Fuel Adjustment Ending Balance	\$ 8,379,695

Gainesville Regional Utilities
Purchased Gas Adjustment (PGA) Levelization
For the Period Ended December 31, 2016

	Actual
Purchased Gas Revenues	\$ 1,759,651
Purchased Gas Expenses	2,195,044
To (From) PGA Levelization	\$ (435,392)
PGA Beginning Balance	\$ 1,929,285
To (From) PGA Levelization	(435,392)
PGA Ending Balance	\$ 1,493,893