

Gainesville Regional Utilities

Interim Financial Statements - Unaudited

For the Period Ended December 31, 2015



Gainesville Regional Utilities
Financial Statements - Unaudited
For the Period Ended December 31, 2015

Contents

Overview and Basis of Accounting	2
Management’s Discussion and Analysis	4
Financial Statements	
Schedules of Combined Net Revenues in Accordance with Bond Resolution-Unaudited	8
Electric Revenue Fund - Schedules of Net Revenues in Accordance with Bond Resolution-Unaudited	10
Water Revenue Fund - Schedules of Net Revenues in Accordance with Bond Resolution-Unaudited	11
Wastewater Revenue Fund - Schedules of Net Revenues in Accordance with Bond Resolution-Unaudited	12
Gas Revenue Fund - Schedules of Net Revenues in Accordance with Bond Resolution-Unaudited	13
Telecommunications Revenue Fund – Schedule of Net Revenues in Accordance with Bond Resolution-Unaudited	14
Statements of Net Position -Unaudited	15
Statements of Revenues, Expenses, and Changes in Net Position-Unaudited	17
Statements of Cash Flows – Unaudited	18
Supplementary Information	
Fuel Adjustment Levelization	21
Purchased Gas Adjustment (PGA) Levelization	22

Overview and Basis of Accounting

Gainesville Regional Utilities Financial Statements - Unaudited For the Period Ended December 31, 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 unaudited utility system financial statements for the period ended December 31, 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

Gainesville Regional Utilities
Financial Statements - Unaudited
For the Period Ended December 31, 2015

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

Financial Highlights

Overall

- Total revenues increased \$2.4 million due to revenue increases in water, wastewater and telecommunications systems offset by revenue decreases in the electric and gas systems.
- Total expenses decreased \$1.3 million or 2% due primarily to reduced fuel expenses offset by an increase in administrative and general expense.
- Operating cash and investments decreased \$12.2 million or 20% due to normal operations and an overall contribution from operating cash and investments to rate stabilization cash and investments of \$13 million. A primary driver of the contribution to rate stabilization was receipt of a cash settlement of \$10.2 million for the sale of GRU's ownership interest in the Crystal River Unit No. 3 (CR3) nuclear power plant to Duke Energy in October 2015.
- Rate stabilization cash and investments increased \$17.1 million or 26.7% due to the CR3 settlement of \$10.2 million and budgeted transfers in.
- Construction fund cash and investments decreased \$21.7 million or 33% due to payments for capital asset construction.
- Utility plant improvement fund cash and investments increased \$10.1 million or 23.2% due to scheduled contributions from operating cash and investments.
- Decommissioning reserve decreased \$13.1 million or 100% due to the transfer of the decommissioning funds as part of the sale of GRU's ownership interest in the CR3 nuclear power plant to Duke Energy in October 2015 as part of a settlement agreement approved by the City Commission in fiscal year 2015.
- Net costs recoverable in future years increased \$16.5 million or 92% due to capital lease transactional activity, current quarter to date to prior quarter to date.
- Fuel adjustment levelization balance increased \$8.9 million or 166% due to an increase in the fuel adjustment rate effective October 2014 and a reduction in fuel expense.
- Long-term debt decreased \$22.2 million or 2.3% due to the payment of scheduled principal amounts.

Gainesville Regional Utilities
Financial Statements - Unaudited
For the Period Ended December 31, 2015

- The combined systems contributed \$13 million to rate stabilization for the period ended December 31, 2015.

Electric System

- Residential sales were \$123,826 higher than the same period last year due to a slight increase in usage.
- Non-residential sales were \$685,757 or 4.5% less than the prior period due to a change in unbilled revenue accruals.
- Fuel adjustment revenue decreased \$1.6 million or 3.8% over the prior period primarily due to lower fuel expenses. 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 \$11.1 million or 1,726.8% over the prior period due to the sale of GRU's ownership interest in the CR3 nuclear power plant to Duke Energy in October 2015.
- Fuel and purchased power expenses decreased \$1.6 million or 3.8% over the prior period due primarily to the reduced use of the Gainesville Renewable Energy Center (GREC) biomass power and coal offset by an increase in 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 contributed \$79,856 to rate stabilization for the period ended December 31, 2015, in addition to budgeted transfers to and from rate stabilization.

Water System

- Total revenues increased \$1.2 million or 16.1% due to an increase in sales to residential and non-residential customers and an increase in connection and meter installation charges offset by a slight decrease in water sales to the University of Florida.
- The water system contributed \$1.3 million to rate stabilization for the period ended December 31, 2015, in addition to budgeted transfers to and from rate stabilization.

Wastewater System

- Total revenues increased \$2.7 million or 31.3% due to an increase in residential and non-residential sales and an increase in plant connection charges.

Gainesville Regional Utilities
Financial Statements - Unaudited
For the Period Ended December 31, 2015

- The wastewater system contributed \$2.3 million to rate stabilization for the period ended December 31, 2015, in addition to budgeted transfers to and from rate stabilization.

Gas System

- Total revenues decreased \$1.3 million or 18.7% due to the decrease in Purchased Gas Adjustment (PGA) and a decrease in sales to residential customers.
- PGA revenue was \$1.4 million or 41.7% lower this period than the prior period due primarily to lower purchased gas prices. 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.
- Purchased gas expenses decreased \$1.4 million or 41.7% compared to the prior period due primarily to lower purchased gas prices.
- The gas system withdrew \$348,186 from rate stabilization for the period ended December 31, 2015, in addition to budgeted transfers to and from rate stabilization.

Telecommunications (GRUCom) System

- Total revenues increased \$440,864 or 14.8% due to an increase in tower lease revenue offset by a decrease in telecommunication revenue.
- The telecommunications system contributed \$788,134 to rate stabilization for the period ended December 31, 2015, in addition to budgeted transfers to and from rate stabilization.

Financial Statements

Gainesville Regional Utilities
Combined Utility Systems
Schedules of Combined Net Revenues in Accordance with Bond Resolution - Unaudited
For the Periods Ended December 31, 2015 and 2014

	<u>December 31, 2015</u>	<u>December 31, 2014</u>	<u>Change (\$)</u>	<u>Change (%)</u>
REVENUES:				
Sales of electricity	\$ 30,204,880	\$ 30,721,143	\$ (516,263)	(1.7)
Interchange sales	317,991	286,297	31,694	11.1
Fuel adjustment	41,091,427	42,723,155	(1,631,728)	(3.8)
Other revenues	11,767,217	644,150	11,123,067	1,726.8
Transfer from/(to) rate stabilization	(8,373,923)	1,292,873	(9,666,796)	(747.7)
Interest income	100,954	76,080	24,874	32.7
Build America Bonds interest income	-	-	-	-
Total Electric System Revenues	<u>75,108,546</u>	<u>75,743,698</u>	<u>(635,152)</u>	<u>(0.8)</u>
Sales of water	7,858,848	7,490,777	368,071	4.9
Other revenues	1,106,955	493,316	613,639	124.4
Transfer from/(to) rate stabilization	(295,506)	(519,976)	224,470	43.2
Interest income	7,779	9,104	(1,325)	(14.6)
Build America Bonds interest income	-	-	-	-
Total Water System Revenues	<u>8,678,076</u>	<u>7,473,221</u>	<u>1,204,855</u>	<u>16.1</u>
Sales of wastewater services	9,330,681	8,701,264	629,417	7.2
Other revenues	2,154,883	353,454	1,801,429	509.7
Transfer from/(to) rate stabilization	(172,109)	(449,878)	277,769	61.7
Interest income	3,403	11,986	(8,583)	(71.6)
Build America Bonds interest income	-	-	-	-
Total Wastewater System Revenues	<u>11,316,858</u>	<u>8,616,826</u>	<u>2,700,032</u>	<u>31.3</u>
Sales of gas	3,091,889	3,285,301	(193,412)	(5.9)
Purchased gas adjustment	1,921,631	3,294,123	(1,372,492)	(41.7)
Other revenues	296,972	278,310	18,662	6.7
Transfer from/(to) rate stabilization	196,080	(75,333)	271,413	360.3
Interest income	15,483	11,883	3,600	30.3
Build America Bonds interest income	-	-	-	-
Total Gas System Revenues	<u>5,522,055</u>	<u>6,794,284</u>	<u>(1,272,229)</u>	<u>(18.7)</u>
Sales of services	3,651,432	2,934,656	716,776	24.4
Other revenues	266	241	25	10.4
Transfer from/(to) rate stabilization	(238,048)	40,206	(278,254)	(692.1)
Interest income	6,803	4,486	2,317	51.6
Total Telecommunications System Revenues	<u>3,420,453</u>	<u>2,979,589</u>	<u>440,864</u>	<u>14.8</u>
TOTAL REVENUES	<u>104,045,988</u>	<u>101,607,618</u>	<u>2,438,370</u>	<u>2.4</u>

Gainesville Regional Utilities
Combined Utility Systems
Schedules of Combined Net Revenues in Accordance with Bond Resolution - Unaudited
For the Periods Ended December 31, 2015 and 2014

Page 2

	<u>December 31, 2015</u>	<u>December 31, 2014</u>	<u>Change (\$)</u>	<u>Change (%)</u>
OPERATION, MAINTENANCE AND ADMINISTRATIVE EXPENSES:				
Electric System:				
Fuel Expense:				
Fuel and Purchased Power	41,091,427	42,723,155	(1,631,728)	(3.8)
Interchange	99,372	237,005	(137,633)	(58.1)
Total Fuel Expenses	41,190,799	42,960,160	(1,769,361)	(4.1)
Operation and Maintenance	8,420,999	8,388,906	32,093	0.4
Administrative and General	6,214,030	5,147,147	1,066,883	20.7
Total Electric System Expenses	55,825,828	56,496,213	(670,385)	(1.2)
Water System:				
Operation and Maintenance	1,667,369	1,764,328	(96,959)	(5.5)
Administrative and General	1,335,574	1,243,809	91,765	7.4
Total Water System Expenses	3,002,943	3,008,137	(5,194)	(0.2)
Wastewater System:				
Operation and Maintenance	1,975,327	1,791,626	183,701	10.3
Administrative and General	1,239,138	1,146,659	92,479	8.1
Total Wastewater System Expenses	3,214,465	2,938,285	276,180	9.4
Gas System:				
Fuel Expense - Purchased Gas	1,921,631	3,294,123	(1,372,492)	(41.7)
Operation and Maintenance	378,228	337,357	40,871	12.1
Administrative and General	1,243,445	916,975	326,470	35.6
Total Gas System Expenses	3,543,304	4,548,455	(1,005,151)	(22.1)
Telecommunications System:				
Operation and Maintenance	970,176	968,221	1,955	0.2
Administrative and General	615,772	553,567	62,205	11.2
Total Telecommunications System Expenses	1,585,948	1,521,788	64,160	4.2
TOTAL EXPENSES	67,172,488	68,512,878	(1,340,390)	(2.0)
NET REVENUES IN ACCORDANCE WITH BOND RESOLUTION:				
Total Electric System	19,282,718	19,247,485	35,233	0.2
Total Water System	5,675,133	4,465,084	1,210,049	27.1
Total Wastewater System	8,102,393	5,678,541	2,423,852	42.7
Total Gas System	1,978,751	2,245,829	(267,078)	(11.9)
Total Telecommunications System	1,834,505	1,457,801	376,704	25.8
TOTAL NET REVENUES IN ACCORDANCE WITH BOND RESOLUTION	36,873,500	33,094,740	3,778,760	11.4
LESS:				
Debt Service	12,941,640	12,710,927	230,713	1.8
Debt Service - UPIF	-	(337,500)	337,500	100.0
UPIF Contributions	10,944,535	10,901,350	43,185	0.4
Transfer to City of Gainesville General Fund	8,864,015	8,723,106	140,909	1.6
NET IMPACT TO RATE STABILIZATION - ADDITION (REDUCTION)	\$ 4,123,310	\$ 1,096,857	\$ 3,026,453	275.9

Gainesville Regional Utilities
Electric Utility System
Schedules of Net Revenues in Accordance with Bond Resolution - Unaudited
For the Periods Ended December 31, 2015 and 2014

	<u>December 31, 2015</u>	<u>December 31, 2014</u>	<u>Change (\$)</u>	<u>Change (%)</u>
REVENUES:				
Residential	\$ 10,349,484	\$ 10,225,658	\$ 123,826	1.2
Non-residential	14,467,169	15,152,926	(685,757)	(4.5)
Fuel Adjustment	41,091,427	42,723,155	(1,631,728)	(3.8)
Interchange Sales	317,991	286,297	31,694	11.1
Utility Surcharge	670,365	673,118	(2,753)	(0.4)
Other Electric Sales	4,717,862	4,669,441	48,421	1.0
Total Sales of Electricity	<u>71,614,298</u>	<u>73,730,595</u>	<u>(2,116,297)</u>	<u>(2.9)</u>
Other Revenues	11,767,217	644,150	11,123,067	1,726.8
Transfer from/(to) rate stabilization	(8,373,923)	1,292,873	(9,666,796)	(747.7)
Interest Income	100,954	76,080	24,874	32.7
Build America Bonds Interest Income	-	-	-	-
Total Revenues	<u>75,108,546</u>	<u>75,743,698</u>	<u>(635,152)</u>	<u>(0.8)</u>
OPERATION, MAINTENANCE AND ADMINISTRATIVE EXPENSES:				
Fuel Expenses:				
Fuel and Purchased Power	41,091,427	42,723,155	(1,631,728)	(3.8)
Interchange	99,372	237,005	(137,633)	(58.1)
Total Fuel Expenses	<u>41,190,799</u>	<u>42,960,160</u>	<u>(1,769,361)</u>	<u>(4.1)</u>
Steam Power Generation	5,643,051	5,763,506	(120,455)	(2.1)
Other Power Generation	78,326	106,201	(27,875)	(26.2)
System Control & Load Dispatching	279,993	266,065	13,928	5.2
Total Power Production Expenses	<u>6,001,370</u>	<u>6,135,772</u>	<u>(134,402)</u>	<u>(2.2)</u>
Transmission & Distribution Expenses:				
Transmission	327,795	345,692	(17,897)	(5.2)
Distribution	2,091,834	1,907,442	184,392	9.7
Total Transmission & Distribution Expenses	<u>2,419,629</u>	<u>2,253,134</u>	<u>166,495</u>	<u>7.4</u>
Administrative and General Expenses:				
Customer Accounts and Sales	822,653	603,373	219,280	36.3
Administrative and General	5,391,377	4,543,774	847,603	18.7
Total Administrative & General Expenses	<u>6,214,030</u>	<u>5,147,147</u>	<u>1,066,883</u>	<u>20.7</u>
Total Operation, Maintenance and Administrative Expenses	<u>55,825,828</u>	<u>56,496,213</u>	<u>(670,385)</u>	<u>(1.2)</u>
TOTAL NET REVENUES IN ACCORDANCE WITH BOND RESOLUTION	<u>19,282,718</u>	<u>19,247,485</u>	<u>35,233</u>	<u>0.2</u>
LESS:				
Debt Service	8,099,654	8,020,763	78,891	1.0
Debt Service - UPIF	-	-	-	-
UPIF Contributions	6,183,680	5,926,377	257,303	4.3
Transfer to City of Gainesville General Fund	4,919,528	4,873,825	45,703	0.9
NET IMPACT TO RATE STABILIZATION - ADDITION (REDUCTION)	<u>\$ 79,856</u>	<u>\$ 426,520</u>	<u>\$ (346,664)</u>	<u>(81.3)</u>

Gainesville Regional Utilities
Water Utility System
Schedules of Net Revenues in Accordance with Bond Resolution - Unaudited
For the Periods Ended December 31, 2015 and 2014

	<u>December 31, 2015</u>	<u>December 31, 2014</u>	<u>Change (\$)</u>	<u>Change (%)</u>
REVENUES:				
Residential	\$ 4,894,580	\$ 4,596,462	\$ 298,118	6.5
Non-residential	2,050,036	1,936,441	113,595	5.9
University of Florida	328,341	433,670	(105,329)	(24.3)
Utility Surcharge	585,891	524,204	61,687	11.8
Total Sales of Water	<u>7,858,848</u>	<u>7,490,777</u>	<u>368,071</u>	<u>4.9</u>
Other Revenues	1,106,955	493,316	613,639	124.4
Transfer from/(to) rate stabilization	(295,506)	(519,976)	224,470	43.2
Interest Income	7,779	9,104	(1,325)	(14.6)
Build America Bonds interest income	-	-	-	-
Total Revenues	<u>8,678,076</u>	<u>7,473,221</u>	<u>1,204,855</u>	<u>16.1</u>
OPERATION, MAINTENANCE AND ADMINISTRATIVE EXPENSES:				
Pumping and water treatment	1,208,574	1,218,692	(10,118)	(0.8)
Transmission and Distribution	458,795	545,636	(86,841)	(15.9)
Customer Accounts and Sales	297,533	290,399	7,134	2.5
Administrative and General	1,038,041	953,410	84,631	8.9
Total Operation, Maintenance and Administrative Expenses	<u>3,002,943</u>	<u>3,008,137</u>	<u>(5,194)</u>	<u>(0.2)</u>
TOTAL NET REVENUES IN ACCORDANCE WITH BOND RESOLUTION	<u>5,675,133</u>	<u>4,465,084</u>	<u>1,210,049</u>	<u>27.1</u>
LESS:				
Debt Service	1,218,899	1,106,751	112,148	10.1
Debt Service - UPIF	-	-	-	-
UPIF Contributions	1,689,542	1,839,224	(149,682)	(8.1)
Transfer to City of Gainesville General Fund	1,438,187	1,406,610	31,577	2.2
NET IMPACT TO RATE STABILIZATION - ADDITION (REDUCTION)	<u>\$ 1,328,505</u>	<u>\$ 112,499</u>	<u>\$ 1,216,006</u>	<u>1,080.9</u>

Gainesville Regional Utilities
Wastewater Utility System
Schedules of Net Revenues in Accordance with Bond Resolution - Unaudited
For the Periods Ended December 31, 2015 and 2014

	<u>December 31, 2015</u>	<u>December 31, 2014</u>	<u>Change (\$)</u>	<u>Change (%)</u>
REVENUES:				
Residential	\$ 6,253,769	\$ 6,160,590	\$ 93,179	1.5
Non-residential	2,387,614	1,940,483	447,131	23.0
Utility surcharge	689,298	600,191	89,107	14.8
Total Sales of Services	<u>9,330,681</u>	<u>8,701,264</u>	<u>629,417</u>	<u>7.2</u>
Other revenues	2,154,883	353,454	1,801,429	509.7
Transfer from/(to) rate stabilization	(172,109)	(449,878)	277,769	61.7
Interest income	3,403	11,986	(8,583)	(71.6)
Build America Bonds interest income	-	-	-	-
Total Revenue	<u>11,316,858</u>	<u>8,616,826</u>	<u>2,700,032</u>	<u>31.3</u>
OPERATION, MAINTENANCE AND ADMINISTRATIVE EXPENSES:				
Collection	791,169	692,061	99,108	14.3
Treatment	1,184,158	1,099,565	84,593	7.7
Customer Accounts and Sales	267,483	188,584	78,899	41.8
Administrative and General	971,655	958,075	13,580	1.4
Total Operation, Maintenance and Administrative Expenses	<u>3,214,465</u>	<u>2,938,285</u>	<u>276,180</u>	<u>9.4</u>
TOTAL NET REVENUES IN ACCORDANCE WITH BOND RESOLUTION	<u>8,102,393</u>	<u>5,678,541</u>	<u>2,423,852</u>	<u>42.7</u>
LESS:				
Debt Service	1,594,012	1,438,812	155,200	10.8
Debt Service - UPIF	-	-	-	-
UPIF Contributions	2,334,265	2,233,524	100,741	4.5
Transfer to City of Gainesville General Fund	1,899,115	1,841,386	57,729	3.1
NET IMPACT TO RATE STABILIZATION - ADDITION (REDUCTION)	<u>\$ 2,275,001</u>	<u>\$ 164,819</u>	<u>\$ 2,110,182</u>	<u>1,280.3</u>

Gainesville Regional Utilities
Gas Utility System
Schedules of Net Revenues in Accordance with Bond Resolution - Unaudited
For the Periods Ended December 31, 2015 and 2014

	<u>December 31, 2015</u>	<u>December 31, 2014</u>	<u>Change (\$)</u>	<u>Change (%)</u>
REVENUES:				
Residential	\$ 1,572,342	\$ 1,776,898	\$ (204,556)	(11.5)
Non-residential	1,150,654	1,093,818	56,836	5.2
Purchased Gas Adjustment	1,921,631	3,294,123	(1,372,492)	(41.7)
Utility Surcharge	100,662	110,352	(9,690)	(8.8)
Other Gas Sales	268,231	304,233	(36,002)	(11.8)
Total Sales of Gas	<u>5,013,520</u>	<u>6,579,424</u>	<u>(1,565,904)</u>	<u>(23.8)</u>
Other Revenues	296,972	278,310	18,662	6.7
Transfer from/(to) rate stabilization	196,080	(75,333)	271,413	360.3
Interest Income	15,483	11,883	3,600	30.3
Build America Bonds interest income	-	-	-	-
Total Revenues	<u>5,522,055</u>	<u>6,794,284</u>	<u>(1,272,229)</u>	<u>(18.7)</u>
OPERATION, MAINTENANCE AND ADMINISTRATIVE EXPENSES:				
Fuel Expense - Purchased Gas	1,921,631	3,294,123	(1,372,492)	(41.7)
Operation and Maintenance	378,228	337,357	40,871	12.1
Customer Accounts and Sales	429,178	538,404	(109,226)	(20.3)
Administrative and General	814,267	378,571	435,696	115.1
Total Operation, Maintenance and Administrative Expenses	<u>3,543,304</u>	<u>4,548,455</u>	<u>(1,005,151)</u>	<u>(22.1)</u>
TOTAL NET REVENUES IN ACCORDANCE WITH BOND RESOLUTION	<u>1,978,751</u>	<u>2,245,829</u>	<u>(267,078)</u>	<u>(11.9)</u>
LESS:				
Debt Service	1,013,626	850,078	163,548	19.2
Debt Service - UPIF	-	(250,000)	250,000	100.0
UPIF Contributions	706,126	849,965	(143,839)	(16.9)
Transfer to City of Gainesville General Fund	607,185	601,285	5,900	1.0
NET IMPACT TO RATE STABILIZATION - ADDITION (REDUCTION)	<u>\$ (348,186)</u>	<u>\$ 194,501</u>	<u>\$ (542,687)</u>	<u>(279.0)</u>

Gainesville Regional Utilities
Telecommunications System
Schedules of Net Revenues in Accordance with Bond Resolution - Unaudited
For the Periods Ended December 31, 2015 and 2014

	<u>December 31, 2015</u>	<u>December 31, 2014</u>	<u>Change (\$)</u>	<u>Change (%)</u>
REVENUES:				
Telecommunication	\$ 834,223	\$ 1,035,721	\$ (201,498)	(19.5)
Trunking radio	437,309	449,087	(11,778)	(2.6)
Tower Lease	1,851,260	948,820	902,440	95.1
Internet Access	528,640	501,028	27,612	5.5
Total Sales of Services	<u>3,651,432</u>	<u>2,934,656</u>	<u>716,776</u>	<u>24.4</u>
Other Revenues	266	241	25	10.4
Transfer from/(to) rate stabilization	(238,048)	40,206	(278,254)	(692.1)
Interest Income	6,803	4,486	2,317	51.6
Total Revenues	<u>3,420,453</u>	<u>2,979,589</u>	<u>440,864</u>	<u>14.8</u>
OPERATION, MAINTENANCE AND ADMINISTRATIVE EXPENSES:				
Operation and Maintenance	970,176	968,221	1,955	0.2
Customer Accounts and Sales	8,595	22,485	(13,890)	(61.8)
Administrative and General	607,177	531,082	76,095	14.3
Total Operation, Maintenance and Administrative Expenses	<u>1,585,948</u>	<u>1,521,788</u>	<u>64,160</u>	<u>4.2</u>
TOTAL NET REVENUES IN ACCORDANCE WITH BOND RESOLUTION	<u>1,834,505</u>	<u>1,457,801</u>	<u>376,704</u>	<u>25.8</u>
LESS:				
Debt Service	1,015,449	1,294,523	(279,074)	(21.6)
Debt Service - UPIF	-	(87,500)	87,500	100.0
UPIF Contributions	30,922	52,260	(21,338)	(40.8)
NET IMPACT TO RATE STABILIZATION - ADDITION (REDUCTION)	<u>\$ 788,134</u>	<u>\$ 198,518</u>	<u>\$ 589,616</u>	<u>297</u>

Gainesville Regional Utilities
Statements of Net Position - Unaudited
For the Periods Ended December 31, 2015 and 2014

	December 31, 2015	December 31, 2014	Change (\$)	Change (%)
Assets				
Current assets:				
Cash and investments	\$ 48,963,471	\$ 61,187,534	\$ (12,224,063)	-20.0%
Accounts receivable, net of allowance for uncollectible accounts of \$988,585 for 2015 and \$1,561,364 for 2014	40,728,414	37,994,010	2,734,404	7.2%
Inventories:				
Fuel	20,155,752	12,968,188	7,187,564	55.4%
Materials and supplies	7,492,622	6,677,196	815,426	12.2%
Other assets and regulatory assets	4,384,107	1,527,253	2,856,854	187.1%
Total current assets	121,724,366	120,354,181	1,370,185	1.1%
Restricted and internally designated assets:				
Utility deposits – cash and investments	9,646,205	8,322,368	1,323,837	15.9%
Debt service – cash and investments	12,665,441	11,595,607	1,069,834	9.2%
Rate stabilization – cash and investments	81,182,808	64,052,796	17,130,012	26.7%
Construction fund – cash and investments	43,952,667	65,667,875	(21,715,208)	-33.1%
Utility plant improvement fund – cash and investments	53,959,499	43,810,300	10,149,199	23.2%
Decommissioning reserve – cash and investments	–	13,051,935	(13,051,935)	-100.0%
Total restricted and internally designated assets	201,406,620	206,500,881	(5,094,261)	-2.5%
Noncurrent assets:				
Net costs recoverable in future years - regulatory asset	34,528,461	17,986,380	16,542,081	92.0%
Unamortized debt issuance costs - regulatory asset	6,080,527	6,169,499	(88,972)	-1.4%
Investment in The Energy Authority	2,334,230	2,749,030	(414,800)	-15.1%
Pollution remediation - regulatory asset	13,613,217	15,808,529	(2,195,312)	-13.9%
Other noncurrent assets and regulatory assets	6,606,419	6,133,194	473,225	7.7%
Pension costs - regulatory asset	53,887,756	–	53,887,756	–
Total noncurrent assets	117,050,610	48,846,632	68,203,978	139.6%
Capital assets:				
Utility plant in service	1,782,419,105	1,727,133,968	55,285,137	3.2%
Capital lease	1,006,808,754	1,006,808,754	–	–
Less: accumulated depreciation and amortization	(776,509,529)	(698,507,512)	(78,002,017)	11.2%
	2,012,718,330	2,035,435,210	(22,716,880)	-1.1%
Construction in progress	142,011,302	149,181,432	(7,170,130)	-4.8%
Net capital assets	2,154,729,632	2,184,616,642	(29,887,010)	-1.4%
Total assets	2,594,911,228	2,560,318,336	34,592,892	1.4%
Deferred outflows of resources:				
Unamortized loss on refundings of bonds	27,311,856	30,678,230	(3,366,374)	-11.0%
Accumulated decrease in fair value of hedging derivatives	73,563,893	52,570,983	20,992,910	39.9%
Pension costs	22,174,505	–	22,174,505	–
Total deferred outflows of resources	123,050,254	83,249,213	39,801,041	47.8%
Total assets and deferred outflows of resources	\$ 2,717,961,482	\$ 2,643,567,549	\$ 74,393,933	2.8%

Gainesville Regional Utilities
Statements of Net Position - Unaudited (concluded)
For the Periods Ended December 31, 2015 and 2014

	<u>December 31, 2015</u>	<u>December 31, 2014</u>	<u>Change (\$)</u>	<u>Change (%)</u>
Liabilities				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 11,797,772	\$ 11,052,158	\$ 745,614	6.7%
Fuels payable	11,146,983	12,206,028	(1,059,045)	-8.7%
Due to other funds of the City	2,667,311	3,871,923	(1,204,612)	-31.1%
Capital lease – current portion	13,274,757	12,691,735	583,022	4.6%
Fuel adjustment	14,191,181	5,334,707	8,856,474	166.0%
Other liabilities and regulatory liabilities	2,789,825	4,726,140	(1,936,315)	-41.0%
Total current liabilities	<u>55,867,829</u>	<u>49,882,691</u>	<u>5,985,138</u>	<u>12.0%</u>
Payable from restricted assets:				
Utility deposits	9,645,651	8,659,933	985,718	11.4%
Construction fund:				
Accounts payable and accrued liabilities	435,536	1,293,251	(857,715)	-66.3%
Debt payable – current portion	23,135,000	22,205,000	930,000	4.2%
Accrued interest payable	6,754,720	5,822,985	931,735	16.0%
Total payable from restricted assets	<u>39,970,907</u>	<u>37,981,169</u>	<u>1,989,738</u>	<u>5.2%</u>
Long-term debt:				
Utilities system revenue bonds	871,540,000	889,075,000	(17,535,000)	-2.0%
Commercial paper notes	53,900,000	59,500,000	(5,600,000)	-9.4%
Capital lease	959,678,852	977,280,085	(17,601,233)	-1.8%
Unamortized bond premium/discount	18,806,074	19,874,161	(1,068,087)	-5.4%
Fair value of derivative instruments	77,042,767	55,103,515	21,939,252	39.8%
Total long-term debt	<u>1,980,967,693</u>	<u>2,000,832,761</u>	<u>(19,865,068)</u>	<u>-1.0%</u>
Noncurrent liabilities				
Reserve for insurance claims	3,337,000	3,337,000	–	0.0%
Reserve for decommissioning CR3	–	11,257,935	(11,257,935)	-100.0%
Reserve for environmental liability	266,000	167,000	99,000	59.3%
Pension liability	76,062,261	–	76,062,261	–
Total noncurrent liabilities	<u>79,665,261</u>	<u>14,761,935</u>	<u>64,903,326</u>	<u>439.7%</u>
Total liabilities	<u>2,156,471,690</u>	<u>2,103,458,556</u>	<u>53,013,134</u>	<u>2.5%</u>
Deferred inflows of resources:				
Rate stabilization	80,598,047	63,829,367	16,768,680	26.3%
Total deferred inflows of resources	<u>80,598,047</u>	<u>63,829,367</u>	<u>16,768,680</u>	<u>26.3%</u>
Net position				
Net investment in capital assets	298,837,153	300,676,738	(1,839,585)	-0.6%
Restricted	60,455,535	60,369,705	85,830	0.1%
Unrestricted	121,599,057	115,233,183	6,365,874	5.5%
Total net position	<u>480,891,745</u>	<u>476,279,626</u>	<u>4,612,119</u>	<u>1.0%</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 2,717,961,482</u>	<u>\$ 2,643,567,549</u>	<u>\$ 74,393,933</u>	<u>2.8%</u>

Gainesville Regional Utilities
Statements of Revenues, Expenses, and Changes in Net Position-Unaudited
For the Periods Ended December 31, 2015 and 2014

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Operating revenue:		
Sales and service charges	\$ 90,390,137	\$ 96,961,392
Transfers (to) from rate stabilization	(8,883,506)	287,892
Amounts to be recovered from future revenue	8,390,073	8,390,073
Other operating revenue	<u>11,084,908</u>	<u>4,671,850</u>
Total operating revenues	<u>100,981,612</u>	<u>110,311,207</u>
Operating expenses:		
Operation and maintenance	56,524,528	59,557,173
Administrative and general	11,108,519	9,435,784
Depreciation and amortization	<u>23,078,837</u>	<u>23,085,252</u>
Total operating expenses	<u>90,711,884</u>	<u>92,078,209</u>
Operating income	<u>10,269,728</u>	<u>18,232,998</u>
Non-operating income (expense):		
Investment income (expense)	(142,555)	(186,133)
Interest expense, net of AFUDC	(6,842,759)	(6,729,152)
Other interest related income, BABs	-	-
Other income (expense)	<u>11,320,728</u>	<u>(3,280)</u>
Total non-operating expense	<u>4,335,414</u>	<u>(6,918,565)</u>
Income before contributions, transfer, and extraordinary item	<u>14,605,142</u>	<u>11,314,433</u>
Capital contributions:		
Contributions from third parties	46,776	29,157
Reduction of plant costs recovered through contributions	<u>(1,774)</u>	<u>-</u>
Net capital contributions	<u>45,002</u>	<u>29,157</u>
Transfer to City of Gainesville General Fund	<u>(8,864,015)</u>	<u>(8,723,106)</u>
Change in net position	5,786,129	2,620,484
Net position – beginning of year	475,105,616	473,659,142
Net position – end of period	<u>\$ 480,891,745</u>	<u>\$ 476,279,626</u>

Gainesville Regional Utilities
Statements of Cash Flows
For the Periods Ended December 31, 2015 and 2014

	<u>December 31,</u> <u>2015</u>	<u>December 31,</u> <u>2014</u>
Operating activities:		
Cash received from customers	\$ 97,838,791	\$ 105,243,397
Cash payments to suppliers for goods and services	(67,365,758)	(69,855,292)
Cash payments to employees for services	(12,937,724)	(12,314,169)
Cash payments for operating transactions with other funds	(2,546,613)	(2,570,109)
Other operating receipts	2,201,402	4,959,742
Net cash provided by operating activities	<u>17,190,098</u>	<u>25,463,569</u>
Noncapital financing activities:		
Transfer to City of Gainesville General Fund	(8,864,015)	(8,723,106)
Net cash used by noncapital financing activities	<u>(8,864,015)</u>	<u>(8,723,106)</u>
Capital and related financing activities:		
Principal repayments and refunding on long-term debt net	(22,205,000)	(20,755,000)
Interest paid on long-term debt	(18,894,384)	(19,446,968)
Acquisition and construction of fixed assets (including allowance for funds used during construction)	(10,668,634)	(10,765,194)
Proceeds from new debt and commercial paper	-	51,306,295
Cash payment for defeasance of bonds	-	(22,681,138)
Cash receipts for defeasance of bonds	-	22,681,138
Other income	1,143,299	(3,280)
Net cash (used) provided by capital and related financing activities	<u>(50,624,719)</u>	<u>335,853</u>
Investing activities:		
Interest received (paid)	(142,555)	(194,290)
Purchase of investments	(95,439,000)	(14,853,381)
Investments in The Energy Authority	2,022,628	(1,170,582)
Distributions from The Energy Authority	(1,794,980)	1,218,013
Proceeds from CR3 settlement	10,177,429	-
Proceeds from investments	105,430,000	-
Net cash provided (used) by investing activities	<u>20,253,522</u>	<u>(15,000,240)</u>
Net change in cash and cash equivalents	(22,045,114)	2,076,076
Cash and cash equivalents, beginning of year	81,595,541	75,559,374
Cash and cash equivalents, end of period	<u>\$ 59,550,427</u>	<u>\$ 77,635,450</u>

Continued on next page.

Gainesville Regional Utilities
Statements of Cash Flows (concluded)
For the Periods Ended December 31, 2015 and 2014

	December 31, 2015	December 31, 2014
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 10,269,728	\$ 18,232,998
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	23,078,837	23,085,252
Net costs to be recovered in future rates	(4,063,597)	(4,253,615)
Change in:		
Accounts receivable	6,665,867	7,943,318
Net cash used by noncapital financing activities	(4,828,191)	(1,502,373)
Other assets and regulatory assets	(2,132,068)	348,962
Restricted and internally designated assets	(10,233,185)	-
Noncurrent assets	226,030	18,055
Accounts payable and accrued liabilities	(2,516,187)	(9,022,709)
Due to other funds of the City	(1,452,755)	729,424
Fuel adjustment	(4,608,543)	(10,629,181)
Other liabilities and regulatory liabilities	(2,882,131)	462,643
Utility deposits	782,787	338,687
Rate stabilization	8,883,506	(287,892)
Net cash provided by operating activities	\$ 17,190,098	\$ 25,463,569
Non-cash capital and related financing activities, Net cash (used) provided by capital and related		
Net costs recoverable in future years	\$ (4,063,597)	\$ -
Acquisition of utility plant in service under long term capital lease obligation	\$ (4,326,476)	\$ (4,136,458)
Acquisition of utility plant in service with construction fund payable	\$ (4,577,551)	\$ (2,393,283)
Change in hedging derivatives - fuel options and futures	\$ 86,120	\$ 1,578,970
Change in fair value of investments	\$ (134,685)	\$ -
Unamortized loss on refundings of bonds	\$ -	\$ (2,644,150)
Other	\$ (42,341)	\$ -

Supplementary Data

Fuel Adjustment Levelization
For the Period Ended December 31, 2015

	<u>Actual</u>
Fuel Revenues	36,737,894
Fuel Expenses	41,092,129
To (From) Fuel Adjustment Levelization	<u>(4,354,235)</u>
Fuel Adjustment Beginning Balance	16,923,455
To (From) Fuel Adjustment Levelization	(4,354,235)
Fuel Adjustment Ending Balance	<u>12,569,221</u>

Purchased Gas Adjustment (PGA) Levelization
For the Period Ended December 31, 2015

	<u>Actual</u>
Purchased Gas Revenues	1,667,322
Purchased Gas Expenses	1,921,631
To (From) PGA Levelization	<u>(254,309)</u>
PGA Beginning Balance	1,876,269
To (From) PGA Levelization	(254,309)
PGA Ending Balance	<u>1,621,960</u>