

Gainesville Regional Utilities

Interim Financial Statements - Unaudited

For the Period Ended March 31, 2016



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

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Overview and Basis of Accounting

Gainesville Regional Utilities

Financial Statements - Unaudited

For the Period Ended March 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 March 31, 2016.

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

Financial Highlights

Overall

- Total revenues increased \$963,060 due to revenue increases in water, wastewater and telecommunications systems offset by revenue decreases in the electric and gas systems.
- Total expenses increased \$2.5 million or 1.9% due primarily to reduced fuel expenses offset by an increase in administrative and general expense.
- Operating cash and investments decreased \$7.6 million or 14% due to normal operations and contributions to and from rate stabilization cash and investments.
- Rate stabilization cash and investments increased \$15.4 million or 24.2% due to a cash settlement of \$10.2 million for the release of GRU's ownership interest in the Crystal River Unit No. 3 (CR3) nuclear power plant to Duke Energy in October 2015 in addition to budgeted transfers to and from rate stabilization. The settlement agreement for this release was approved by the City Commission during fiscal year 2015.
- Construction fund cash and investments decreased \$27.7 million or 43.4% due to construction of capital assets.
- Utility plant improvement fund cash and investments increased \$7.7 million or 15% due to scheduled contributions from operating cash and investments.
- Decommissioning reserve cash and investments decreased \$13.2 million or 100% due to the transfer of the decommissioning funds as part of the release of GRU's ownership interest in the CR3 nuclear power plant to Duke Energy.
- Net costs recoverable in future years increased \$16.3 million or 73.7% due to capital lease transactional activity.
- Fuel adjustment levelization balance increased \$7.6 million or 114% 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.
- The combined systems withdrew \$2.4 million from rate stabilization for the period ended March 31, 2016 including budgeted transfers to and from rate stabilization.

**Gainesville Regional Utilities
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Electric System

- Residential sales were \$177,428 lower than the same period last year due to a slight decrease in usage.
- Non-residential sales were \$357,098 or 1.3% less than the prior period due to a reduction in unbilled revenue accruals.
- Interchange sales were \$1.1 million less than the prior period due to reduced demand and an increase in the supply of power.
- Fuel adjustment revenue decreased \$3.6 million or 4.5% 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 \$10.6 million or 437.1% over the prior period due to the release of GRU's ownership interest in the CR3 nuclear power plant to Duke Energy in October 2015.
- Fuel and purchased power expenses decreased \$3.6 million or 4.5% 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 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.
- Administrative and general expenses increased \$4.4 million or 55.4% due to a reduction in expected capital asset construction activities.
- The electric system withdrew \$6.7 million from rate stabilization for the period ended March 31, 2016, in addition to transfers to rate stabilization.

Water System

- Total revenues increased \$2.2 million or 14.9% 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.
- Administrative and general expenses increased \$715,359 or 38% due to a reduction in expected capital asset construction activities.
- The water system contributed \$919,881 to rate stabilization for the period ended March 31, 2016, in addition to budgeted transfers to rate stabilization.

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

Wastewater System

- Total revenues increased \$4.7 million or 25.4% due to an increase in residential and non-residential sales and an increase in plant connection charges.
- Administrative and general expenses increased \$655,188 or 32.4% due to a reduction in expected capital asset construction activities.
- The wastewater system contributed \$3 million to rate stabilization for the period ended March 31, 2016, in addition to budgeted transfers to rate stabilization.

Gas System

- Total revenues decreased \$2.1 million or 13.4% due to a decrease in Purchased Gas Adjustment (PGA) and a decrease in sales to residential customers.
- PGA revenue was \$2 million or 30.4% 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 \$2 million or 30.4% compared to the prior period due primarily to lower purchased gas prices.
- Administrative and general expenses increased \$1.1 million or 133.4% due to a reduction in expected capital asset construction activities.
- The gas system contributed \$496,459 to rate stabilization for the period ended March 31, 2016, in addition to budgeted transfers from rate stabilization.

Telecommunications (GRUCom) System

- Total sales of services increased \$583,760 or 10.3% due primarily to an increase in tower lease revenue offset by a decrease in telecommunication revenue.
- Administrative and general expenses increased \$421,489 or 36.9% due to a reduction in expected capital asset construction activities.
- The telecommunications system withdrew \$71,175 from rate stabilization for the period ended March 31, 2016, in addition to budgeted transfers to 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 March 31, 2016 and 2015

	<u>March 31, 2016</u>	<u>March 31, 2015</u>	<u>Change (\$)</u>	<u>Change (%)</u>
REVENUES:				
Sales of electricity	\$ 59,892,539	\$ 60,497,693	\$ (605,154)	(1.0)
Interchange sales	542,011	1,625,495	(1,083,484)	(66.7)
Fuel adjustment	75,004,047	78,568,893	(3,564,846)	(4.5)
Other revenues	13,005,981	2,421,492	10,584,489	437.1
Transfer from/(to) rate stabilization	(6,570,416)	2,585,745	(9,156,161)	(354.1)
Interest income	255,022	301,030	(46,008)	(15.3)
Build America Bonds interest income	1,487,568	1,480,039	7,529	0.5
Total Electric System Revenues	143,616,752	147,480,387	(3,863,635)	(2.6)
Sales of water	15,501,064	14,703,999	797,065	5.4
Other revenues	1,820,381	839,719	980,662	116.8
Transfer from/(to) rate stabilization	(591,012)	(1,039,952)	448,940	43.2
Interest income	18,311	24,309	(5,998)	(24.7)
Build America Bonds interest income	416,883	414,749	2,134	0.5
Total Water System Revenues	17,165,627	14,942,824	2,222,803	14.9
Sales of wastewater services	19,439,926	18,293,830	1,146,096	6.3
Other revenues	3,627,457	616,841	3,010,616	488.1
Transfer from/(to) rate stabilization	(344,218)	(899,756)	555,538	61.7
Interest income	23,323	34,352	(11,029)	(32.1)
Build America Bonds interest income	470,399	467,956	2,443	0.5
Total Wastewater System Revenues	23,216,887	18,513,223	4,703,664	25.4
Sales of gas	7,875,955	8,632,188	(756,233)	(8.8)
Purchased gas adjustment	4,482,577	6,436,073	(1,953,496)	(30.4)
Other revenues	561,303	514,763	46,540	9.0
Transfer from/(to) rate stabilization	392,160	(150,666)	542,826	360.3
Interest income	38,222	39,561	(1,339)	(3.4)
Build America Bonds interest income	311,415	309,837	1,578	0.5
Total Gas System Revenues	13,661,632	15,781,756	(2,120,124)	(13.4)
Sales of services	6,246,693	5,662,933	583,760	10.3
Other revenues	266	241	25	10.4
Transfer from/(to) rate stabilization	(476,097)	80,413	(556,510)	(692.1)
Interest income	14,064	20,987	(6,923)	(33.0)
Total Telecommunications System Revenues	5,784,926	5,764,574	20,352	0.4
TOTAL REVENUES	203,445,824	202,482,764	963,060	0.5

Gainesville Regional Utilities
Combined Utility Systems
Schedules of Combined Net Revenues in Accordance with Bond Resolution - Unaudited
For the Periods Ended March 31, 2016 and 2015
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	<u>March 31, 2016</u>	<u>March 31, 2015</u>	<u>Change (\$)</u>	<u>Change (%)</u>
OPERATION, MAINTENANCE AND ADMINISTRATIVE EXPENSES:				
Electric System:				
Fuel Expense:				
Fuel and Purchased Power	75,004,047	78,568,893	(3,564,846)	(4.5)
Interchange	109,831	1,376,063	(1,266,232)	(92.0)
Total Fuel Expenses	<u>75,113,878</u>	<u>79,944,956</u>	<u>(4,831,078)</u>	<u>(6.0)</u>
Operation and Maintenance	19,628,068	17,818,417	1,809,651	10.2
Administrative and General	14,308,663	9,974,235	4,334,428	43.5
Total Electric System Expenses	<u>109,050,609</u>	<u>107,737,608</u>	<u>1,313,001</u>	<u>1.2</u>
Water System:				
Operation and Maintenance	3,474,214	3,665,128	(190,914)	(5.2)
Administrative and General	3,259,643	2,543,140	716,503	28.2
Total Water System Expenses	<u>6,733,857</u>	<u>6,208,268</u>	<u>525,589</u>	<u>8.5</u>
Wastewater System:				
Operation and Maintenance	4,467,248	3,942,432	524,816	13.3
Administrative and General	3,260,928	2,539,660	721,268	28.4
Total Wastewater System Expenses	<u>7,728,176</u>	<u>6,482,092</u>	<u>1,246,084</u>	<u>19.2</u>
Gas System:				
Fuel Expense - Purchased Gas	4,482,577	6,436,073	(1,953,496)	(30.4)
Operation and Maintenance	869,959	689,850	180,109	26.1
Administrative and General	2,941,035	2,095,677	845,358	40.3
Total Gas System Expenses	<u>8,293,571</u>	<u>9,221,600</u>	<u>(928,029)</u>	<u>(10.1)</u>
Telecommunications System:				
Operation and Maintenance	2,081,140	2,073,284	7,856	0.4
Administrative and General	1,589,815	1,219,262	370,553	30.4
Total Telecommunications System Expenses	<u>3,670,955</u>	<u>3,292,546</u>	<u>378,409</u>	<u>11.5</u>
TOTAL EXPENSES	<u>135,477,168</u>	<u>132,942,114</u>	<u>2,535,054</u>	<u>1.9</u>
NET REVENUES IN ACCORDANCE WITH BOND RESOLUTION:				
Total Electric System	34,566,143	39,742,779	(5,176,636)	(13.0)
Total Water System	10,431,770	8,734,556	1,697,214	19.4
Total Wastewater System	15,488,711	12,031,131	3,457,580	28.7
Total Gas System	5,368,061	6,560,156	(1,192,095)	(18.2)
Total Telecommunications System	2,113,971	2,472,028	(358,057)	(14.5)
TOTAL NET REVENUES IN ACCORDANCE WITH BOND RESOLUTION	<u>67,968,656</u>	<u>69,540,650</u>	<u>(1,571,994)</u>	<u>(2.3)</u>
LESS:				
Debt Service	30,729,978	30,498,395	231,583	0.8
Debt Service - UPIF	-	(675,000)	675,000	100.0
UPIF Contributions	21,889,069	21,802,700	86,369	0.4
Transfer to City of Gainesville General Fund	17,728,030	17,446,213	281,817	1.6
NET IMPACT TO RATE STABILIZATION - ADDITION (REDUCTION)	<u>\$ (2,378,421)</u>	<u>\$ 468,342</u>	<u>\$ (2,846,763)</u>	<u>(607.8)</u>

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

	<u>March 31, 2016</u>	<u>March 31, 2015</u>	<u>Change (\$)</u>	<u>Change (%)</u>
REVENUES:				
Residential	\$ 21,074,651	\$ 21,252,079	\$ (177,428)	(0.8)
Non-residential	28,104,766	28,461,864	(357,098)	(1.3)
Fuel Adjustment	75,004,047	78,568,893	(3,564,846)	(4.5)
Interchange Sales	542,011	1,625,495	(1,083,484)	(66.7)
Utility Surcharge	1,347,422	1,368,610	(21,188)	(1.5)
Other Electric Sales	9,365,700	9,415,140	(49,440)	(0.5)
Total Sales of Electricity	<u>135,438,597</u>	<u>140,692,081</u>	<u>(5,253,484)</u>	<u>(3.7)</u>
Other Revenues	13,005,981	2,421,492	10,584,489	437.1
Transfer from/(to) rate stabilization	(6,570,416)	2,585,745	(9,156,161)	(354.1)
Interest Income	255,022	301,030	(46,008)	(15.3)
Build America Bonds Interest Income	1,487,568	1,480,039	7,529	0.5
Total Revenues	<u>143,616,752</u>	<u>147,480,387</u>	<u>(3,863,635)</u>	<u>(2.6)</u>
OPERATION, MAINTENANCE AND ADMINISTRATIVE EXPENSES:				
Fuel Expenses:				
Fuel and Purchased Power	75,004,047	78,568,893	(3,564,846)	(4.5)
Interchange	109,831	1,376,063	(1,266,232)	(92.0)
Total Fuel Expenses	<u>75,113,878</u>	<u>79,944,956</u>	<u>(4,831,078)</u>	<u>(6.0)</u>
Steam Power Generation	13,082,792	11,814,356	1,268,436	10.7
Other Power Generation	189,336	381,272	(191,936)	(50.3)
System Control & Load Dispatching	566,391	590,162	(23,771)	(4.0)
Total Power Production Expenses	<u>13,838,519</u>	<u>12,785,790</u>	<u>1,052,729</u>	<u>8.2</u>
Transmission & Distribution Expenses:				
Transmission	743,292	776,165	(32,873)	(4.2)
Distribution	5,046,257	4,256,462	789,795	18.6
Total Transmission & Distribution Expenses	<u>5,789,549</u>	<u>5,032,627</u>	<u>756,922</u>	<u>15.0</u>
Administrative and General Expenses:				
Customer Accounts and Sales	2,040,659	2,081,153	(40,494)	(1.9)
Administrative and General	12,268,004	7,893,082	4,374,922	55.4
Total Administrative & General Expenses	<u>14,308,663</u>	<u>9,974,235</u>	<u>4,334,428</u>	<u>43.5</u>
Total Operation, Maintenance and Administrative Expenses	<u>109,050,609</u>	<u>107,737,608</u>	<u>1,313,001</u>	<u>1.2</u>
TOTAL NET REVENUES IN ACCORDANCE WITH BOND RESOLUTION	<u>34,566,143</u>	<u>39,742,779</u>	<u>(5,176,636)</u>	<u>(13.0)</u>
LESS:				
Debt Service	19,081,984	18,981,126	100,858	0.5
UPIF Contributions	12,367,360	11,852,754	514,606	4.3
Transfer to City of Gainesville General Fund	9,839,056	9,747,651	91,405	0.9
NET IMPACT TO RATE STABILIZATION - ADDITION (REDUCTION)	<u>\$ (6,722,257)</u>	<u>\$ (838,752)</u>	<u>\$ (5,883,505)</u>	<u>(701.5)</u>

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

	<u>March 31, 2016</u>	<u>March 31, 2015</u>	<u>Change (\$)</u>	<u>Change (%)</u>
REVENUES:				
Residential	\$ 9,594,526	\$ 9,038,426	\$ 556,100	6.2
Non-residential	3,999,430	3,781,979	217,451	5.7
University of Florida	772,110	856,885	(84,775)	(9.9)
Utility Surcharge	1,134,998	1,026,709	108,289	10.5
Total Sales of Water	<u>15,501,064</u>	<u>14,703,999</u>	<u>797,065</u>	<u>5.4</u>
Other Revenues	1,820,381	839,719	980,662	116.8
Transfer from/(to) rate stabilization	(591,012)	(1,039,952)	448,940	43.2
Interest Income	18,311	24,309	(5,998)	(24.7)
Build America Bonds interest income	416,883	414,749	2,134	0.5
Total Revenues	<u>17,165,627</u>	<u>14,942,824</u>	<u>2,222,803</u>	<u>14.9</u>
OPERATION, MAINTENANCE AND ADMINISTRATIVE EXPENSES:				
Pumping and water treatment	2,457,249	2,499,121	(41,872)	(1.7)
Transmission and Distribution	1,016,965	1,166,007	(149,042)	(12.8)
Customer Accounts and Sales	661,734	660,590	1,144	0.2
Administrative and General	2,597,909	1,882,550	715,359	38.0
Total Operation, Maintenance and Administrative Expenses	<u>6,733,857</u>	<u>6,208,268</u>	<u>525,589</u>	<u>8.5</u>
TOTAL NET REVENUES IN ACCORDANCE WITH BOND RESOLUTION	<u>10,431,770</u>	<u>8,734,556</u>	<u>1,697,214</u>	<u>19.4</u>
LESS:				
Debt Service	3,256,433	3,065,473	190,960	6.2
UPIF Contributions	3,379,083	3,678,447	(299,364)	(8.1)
Transfer to City of Gainesville General Fund	2,876,373	2,813,220	63,153	2.2
NET IMPACT TO RATE STABILIZATION - ADDITION (REDUCTION)	<u>\$ 919,881</u>	<u>\$ (822,584)</u>	<u>\$ 1,742,465</u>	<u>211.8</u>

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

	<u>March 31, 2016</u>	<u>March 31, 2015</u>	<u>Change (\$)</u>	<u>Change (%)</u>
REVENUES:				
Residential	\$ 13,246,565	\$ 12,763,141	\$ 483,424	3.8
Non-residential	4,778,196	4,269,305	508,891	11.9
Utility surcharge	1,415,165	1,261,384	153,781	12.2
Total Sales of Services	<u>19,439,926</u>	<u>18,293,830</u>	<u>1,146,096</u>	<u>6.3</u>
Other revenues	3,627,457	616,841	3,010,616	488.1
Transfer from/(to) rate stabilization	(344,218)	(899,756)	555,538	61.7
Interest income	23,323	34,352	(11,029)	(32.1)
Build America Bonds interest income	470,399	467,956	2,443	0.5
Total Revenue	<u>23,216,887</u>	<u>18,513,223</u>	<u>4,703,664</u>	<u>25.4</u>
OPERATION, MAINTENANCE AND ADMINISTRATIVE EXPENSES:				
Collection	1,636,054	1,501,968	134,086	8.9
Treatment	2,831,194	2,440,464	390,730	16.0
Customer Accounts and Sales	581,694	515,614	66,080	12.8
Administrative and General	2,679,234	2,024,046	655,188	32.4
Total Operation, Maintenance and Administrative Expenses	<u>7,728,176</u>	<u>6,482,092</u>	<u>1,246,084</u>	<u>19.2</u>
TOTAL NET REVENUES IN ACCORDANCE WITH BOND RESOLUTION	<u>15,488,711</u>	<u>12,031,131</u>	<u>3,457,580</u>	<u>28.7</u>
LESS:				
Debt Service	4,023,279	3,837,579	185,700	4.8
UPIF Contributions	4,668,530	4,467,048	201,482	4.5
Transfer to City of Gainesville General Fund	3,798,231	3,682,773	115,458	3.1
NET IMPACT TO RATE STABILIZATION - ADDITION (REDUCTION)	<u>\$ 2,998,671</u>	<u>\$ 43,731</u>	<u>\$ 2,954,940</u>	<u>6,757.1</u>

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

	<u>March 31, 2016</u>	<u>March 31, 2015</u>	<u>Change (\$)</u>	<u>Change (%)</u>
REVENUES:				
Residential	\$ 4,290,650	\$ 4,663,511	\$ (372,861)	(8.0)
Non-residential	2,575,534	2,417,612	157,922	6.5
Purchased Gas Adjustment	4,482,577	6,436,073	(1,953,496)	(30.4)
Utility Surcharge	271,105	286,719	(15,614)	(5.4)
Other Gas Sales	738,666	1,264,346	(525,680)	(41.6)
Total Sales of Gas	<u>12,358,532</u>	<u>15,068,261</u>	<u>(2,709,729)</u>	<u>(18.0)</u>
Other Revenues	561,303	514,763	46,540	9.0
Transfer from/(to) rate stabilization	392,160	(150,666)	542,826	360.3
Interest Income	38,222	39,561	(1,339)	(3.4)
Build America Bonds interest income	311,415	309,837	1,578	0.5
Total Revenues	<u>13,661,632</u>	<u>15,781,756</u>	<u>(2,120,124)</u>	<u>(13.4)</u>
OPERATION, MAINTENANCE AND ADMINISTRATIVE EXPENSES:				
Fuel Expense - Purchased Gas	4,482,577	6,436,073	(1,953,496)	(30.4)
Operation and Maintenance	869,959	689,850	180,109	26.1
Customer Accounts and Sales	980,258	1,255,469	(275,211)	(21.9)
Administrative and General	1,960,777	840,208	1,120,569	133.4
Total Operation, Maintenance and Administrative Expenses	<u>8,293,571</u>	<u>9,221,600</u>	<u>(928,029)</u>	<u>(10.1)</u>
TOTAL NET REVENUES IN ACCORDANCE WITH BOND RESOLUTION	<u>5,368,061</u>	<u>6,560,156</u>	<u>(1,192,095)</u>	<u>(18.2)</u>
LESS:				
Debt Service	2,244,980	1,962,137	282,843	14.4
Debt Service - UPIF	-	(500,000)	500,000	100.0
UPIF Contributions	1,412,252	1,699,931	(287,679)	(16.9)
Transfer to City of Gainesville General Fund	1,214,370	1,202,569	11,801	1.0
NET IMPACT TO RATE STABILIZATION - ADDITION (REDUCTION)	<u>\$ 496,459</u>	<u>\$ 2,195,519</u>	<u>\$ (1,699,060)</u>	<u>(77.4)</u>

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

	<u>March 31, 2016</u>	<u>March 31, 2015</u>	<u>Change (\$)</u>	<u>Change (%)</u>
REVENUES:				
Telecommunication	\$ 2,080,037	\$ 2,322,265	\$ (242,228)	(10.4)
Trunking radio	868,492	892,749	(24,257)	(2.7)
Tower Lease	2,238,482	1,404,954	833,528	59.3
Internet Access	1,059,682	1,042,965	16,717	1.6
Total Sales of Services	<u>6,246,693</u>	<u>5,662,933</u>	<u>583,760</u>	<u>10.3</u>
Other Revenues	266	241	25	10.4
Transfer from/(to) rate stabilization	(476,097)	80,413	(556,510)	(692.1)
Interest Income	14,064	20,987	(6,923)	(33.0)
Total Revenues	<u>5,784,926</u>	<u>5,764,574</u>	<u>20,352</u>	<u>0.4</u>
OPERATION, MAINTENANCE AND ADMINISTRATIVE EXPENSES:				
Operation and Maintenance	2,081,140	2,073,284	7,856	0.4
Customer Accounts and Sales	25,300	76,236	(50,936)	(66.8)
Administrative and General	1,564,515	1,143,026	421,489	36.9
Total Operation, Maintenance and Administrative Expenses	<u>3,670,955</u>	<u>3,292,546</u>	<u>378,409</u>	<u>11.5</u>
TOTAL NET REVENUES IN ACCORDANCE WITH BOND RESOLUTION	<u>2,113,971</u>	<u>2,472,028</u>	<u>(358,057)</u>	<u>(14.5)</u>
LESS:				
Debt Service	2,123,302	2,652,080	(528,778)	(19.9)
Debt Service - UPIF	-	(175,000)	175,000	100.0
UPIF Contributions	61,844	104,520	(42,676)	(40.8)
NET IMPACT TO RATE STABILIZATION - ADDITION (REDUCTION)	<u>\$ (71,175)</u>	<u>\$ (109,572)</u>	<u>\$ 38,397</u>	<u>35</u>

Gainesville Regional Utilities
Statements of Net Position - Unaudited
For the Periods Ended March 31, 2016 and 2015

	March 31, 2016	March 31, 2015	Change (\$)	Change (%)
Assets				
Current assets:				
Cash and investments	\$ 46,688,248	\$ 54,298,674	\$ (7,610,426)	-14.0%
Accounts receivable, net of allowance for uncollectible accounts of \$1,216,229 and \$1,610,889, respectively	39,662,961	38,019,687	1,643,274	4.3%
Inventories:				
Fuel	19,221,922	11,646,403	7,575,519	65.0%
Materials and supplies	7,191,701	6,974,181	217,520	3.1%
Other assets and regulatory assets	3,531,448	957,502	2,573,946	268.8%
Total current assets	116,296,280	111,896,447	4,399,833	3.9%
Restricted and internally designated assets:				
Utility deposits – cash and investments	9,776,527	8,319,612	1,456,915	17.5%
Debt service – cash and investments	29,877,483	27,928,933	1,948,550	7.0%
Rate stabilization – cash and investments	79,199,397	63,751,502	15,447,895	24.2%
Construction fund – cash and investments	36,128,493	63,866,903	(27,738,410)	-43.4%
Utility plant improvement fund – cash and investments	59,068,853	51,374,344	7,694,509	15.0%
Decommissioning reserve – cash and investments	–	13,188,256	(13,188,256)	-100.0%
Total restricted and internally designated assets	214,050,753	228,429,550	(14,378,797)	-6.3%
Noncurrent assets:				
Net costs recoverable in future years - regulatory asset	38,543,205	22,193,287	16,349,918	73.7%
Unamortized debt issuance costs - regulatory asset	5,994,162	6,310,117	(315,955)	-5.0%
Investment in The Energy Authority	2,143,103	2,429,140	(286,037)	-11.8%
Pollution remediation - regulatory asset	13,182,769	15,203,239	(2,020,470)	-13.3%
Other noncurrent assets and regulatory assets	6,568,739	6,070,832	497,907	8.2%
Pension costs - regulatory asset	53,887,756	–	53,887,756	-
Total noncurrent assets	120,319,734	52,206,615	68,113,119	130.5%
Capital assets:				
Utility plant in service	1,792,363,205	1,727,264,077	65,099,128	3.8%
Capital lease	1,006,808,754	1,006,808,754	–	–
Less: accumulated depreciation and amortization	(796,682,403)	(718,891,661)	(77,790,742)	10.8%
	2,002,489,556	2,015,181,170	(12,691,614)	-0.6%
Construction in progress	140,999,102	161,517,944	(20,518,842)	-12.7%
Net capital assets	2,143,488,658	2,176,699,114	(33,210,456)	-1.5%
Total assets	2,594,155,425	2,569,231,726	24,923,699	1.0%
Deferred outflows of resources:				
Unamortized loss on refundings of bonds	26,463,345	30,099,006	(3,635,661)	-12.1%
Accumulated decrease in fair value of hedging derivatives	73,384,708	52,997,267	20,387,441	38.5%
Pension costs	22,174,505	–	22,174,505	-
Total deferred outflows of resources	122,022,558	83,096,273	38,926,285	46.8%
Total assets and deferred outflows of resources	\$ 2,716,177,983	\$ 2,652,327,999	\$ 63,849,984	2.4%

Gainesville Regional Utilities
Statements of Net Position - Unaudited (concluded)
For the Periods Ended March 31, 2016 and 2015

	March 31, 2016	March 31, 2015	Change (\$)	Change (%)
Liabilities				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 12,045,805	\$ 10,540,135	\$ 1,505,670	14.3%
Fuels payable	9,518,417	10,938,419	(1,420,002)	-13.0%
Due to other funds of the City	3,671,098	4,149,982	(478,884)	-11.5%
Capital lease – current portion	8,899,428	8,508,569	390,859	4.6%
Fuel adjustment	14,297,013	6,677,498	7,619,515	114.1%
Other liabilities and regulatory liabilities	2,609,898	4,750,039	(2,140,141)	-45.1%
Total current liabilities	51,041,659	45,564,642	5,477,017	12.0%
Payable from restricted assets:				
Utility deposits	9,779,277	8,920,015	859,262	9.6%
Construction fund:				
Accounts payable and accrued liabilities	74,030	1,050,925	(976,895)	-93.0%
Debt payable – current portion	23,135,000	22,205,000	930,000	4.2%
Accrued interest payable	18,354,982	17,598,308	756,674	4.3%
Total payable from restricted assets	51,343,289	49,774,248	1,569,041	3.2%
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	18,534,119	19,680,069	(1,145,950)	-5.8%
Fair value of derivative instruments	77,042,767	55,103,515	21,939,252	39.8%
Total long-term debt	1,980,695,738	2,000,638,669	(19,942,931)	-1.0%
Noncurrent liabilities				
Reserve for insurance claims	3,337,000	3,337,000	–	0.0%
Reserve for decommissioning CR3	–	11,394,256	(11,394,256)	-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	79,665,261	14,898,256	64,767,005	434.7%
Total liabilities	2,162,745,947	2,110,875,815	51,870,132	2.5%
Deferred inflows of resources:				
Rate stabilization	79,304,123	63,541,475	15,762,648	24.8%
Total deferred inflows of resources	79,304,123	63,541,475	15,762,648	24.8%
Net position				
Net investment in capital assets	282,686,684	308,568,614	(25,881,930)	-8.4%
Restricted	71,299,030	63,108,593	8,190,437	13.0%
Unrestricted	120,142,199	106,233,502	13,908,697	13.1%
Total net position	474,127,913	477,910,709	(3,782,796)	-0.8%
Total liabilities, deferred inflows of resources and net position	\$ 2,716,177,983	\$ 2,652,327,999	\$ 63,849,984	2.4%

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

	<u>March 31, 2016</u>	<u>March 31, 2015</u>
Operating revenue:		
Sales and service charges	\$ 178,988,113	\$ 188,500,992
Transfers (to) from rate stabilization	(7,589,582)	575,785
Amounts to be recovered from future revenue	16,780,146	16,780,146
Other operating revenue	16,627,058	9,159,282
Total operating revenues	<u>204,805,735</u>	<u>215,016,205</u>
Operating expenses:		
Operation and maintenance	110,118,733	113,828,839
Administrative and general	26,047,025	18,971,351
Depreciation and amortization	48,167,850	45,553,525
Total operating expenses	<u>184,333,608</u>	<u>178,353,715</u>
Operating income	<u>20,472,127</u>	<u>36,662,490</u>
Non-operating income (expense):		
Investment income (expense)	(273,488)	(175,602)
Interest expense, net of AFUDC	(18,635,630)	(18,649,466)
Other interest related income, BABs	2,686,265	2,672,581
Other income (expense)	12,391,574	1,155,468
Total non-operating expense	<u>(3,831,279)</u>	<u>(14,997,019)</u>
Income before contributions, transfer, and extraordinary item	<u>16,640,848</u>	<u>21,665,471</u>
Capital contributions:		
Contributions from third parties	120,902	32,309
Reduction of plant costs recovered through contributions	(11,423)	—
Net capital contributions	<u>109,479</u>	<u>32,309</u>
Transfer to City of Gainesville General Fund	<u>(17,728,030)</u>	<u>(17,446,213)</u>
Change in net position	(977,703)	4,251,567
Net position – beginning of year	475,105,616	473,659,142
Net position – end of period	<u>\$ 474,127,913</u>	<u>\$ 477,910,709</u>

Gainesville Regional Utilities

Statements of Cash Flows - Unaudited

For the Periods Ended March 31, 2016 and 2015

	March 31, 2016	March 31, 2015
Operating activities:		
Cash received from customers	\$ 185,119,677	\$ 197,017,402
Cash payments to suppliers for goods and services	(114,239,892)	(107,748,532)
Cash payments to employees for services	(27,966,238)	(31,021,906)
Cash payments for operating transactions with other funds	(3,886,843)	(4,180,860)
Other operating receipts	9,037,476	9,735,067
Net cash provided by operating activities	48,064,180	63,801,171
Noncapital financing activities:		
Transfer to City of Gainesville General Fund	(17,728,030)	(17,446,213)
Net cash used by noncapital financing activities	(17,728,030)	(17,446,213)
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	(19,086,993)	(19,591,959)
Proceeds from interest rebates, BABs	2,686,265	2,672,581
Acquisition and construction of fixed assets (including allowance for funds used during construction)	(24,499,406)	(25,230,109)
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	2,479,135	1,155,467
Net cash used by capital and related financing activities	(60,625,999)	(10,442,725)
Investing activities:		
Interest paid	(180,024)	(159,255)
Purchase of investments	(174,197,000)	(160,013,997)
Investments in The Energy Authority	(2,877,389)	(2,361,259)
Distributions from The Energy Authority	3,296,164	2,633,818
Proceeds from investments	168,307,000	133,025,947
Proceeds from CR3 settlement	9,280,429	—
Net cash provided (used) by investing activities	3,629,180	(26,874,746)
Net change in cash and cash equivalents	(26,660,669)	9,037,487
Cash and cash equivalents, beginning of year	81,595,541	75,559,374
Cash and cash equivalents, end of period	\$ 54,934,872	\$ 84,596,861

Continued on next page.

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

	<u>March 31, 2016</u>	<u>March 31, 2015</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 20,472,127	\$ 36,662,490
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	48,167,850	45,553,525
Net costs to be recovered in future rates	(8,078,341)	(8,450,645)
Change in:		
Accounts receivable	5,084,829	7,917,641
Inventories	(3,593,440)	(477,573)
Other assets and regulatory assets	(1,279,409)	918,713
Restricted and internally designated assets	(12,828,299)	-
Noncurrent assets	738,905	605,470
Accounts payable and accrued liabilities	(3,896,720)	(10,802,341)
Due to other funds of the City	(448,968)	1,007,483
Fuel adjustment	(4,502,711)	(9,286,390)
Other liabilities and regulatory liabilities	(407,960)	129,813
Utility deposits	1,046,735	598,769
Rate stabilization	7,589,582	(575,784)
Net cash provided by operating activities	<u>\$ 48,064,180</u>	<u>\$ 63,801,171</u>
Non-cash capital and related financing activities and investing activities:		
Change in capital lease liability	<u>\$ (8,701,805)</u>	<u>\$ (8,319,624)</u>
Acquisition of utility plant in service with construction fund payable	<u>\$ (4,939,057)</u>	<u>\$ (2,635,609)</u>
Change in hedging derivatives - fuel options and futures	<u>\$ 265,305</u>	<u>\$ 2,072,020</u>
Change in fair value of investments	<u>\$ (134,685)</u>	<u>\$ -</u>
Unamortized loss on refundings of bonds	<u>\$ -</u>	<u>\$ (2,644,150)</u>
Other	<u>\$ (49,948)</u>	<u>\$ -</u>

Supplementary Data

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

	<u>Actual</u>
Fuel Revenues	70,464,584
Fuel Expenses	75,004,047
To (From) Fuel Adjustment Levelization	<u>(4,539,463)</u>
Fuel Adjustment Beginning Balance	16,923,455
To (From) Fuel Adjustment Levelization	<u>(4,539,463)</u>
Fuel Adjustment Ending Balance	<u>12,383,993</u>

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

	<u>Actual</u>
Purchased Gas Revenues	4,519,328
Purchased Gas Expenses	<u>4,482,577</u>
To (From) PGA Levelization	<u>36,751</u>
PGA Beginning Balance	1,876,269
To (From) PGA Levelization	<u>36,751</u>
PGA Ending Balance	<u>1,913,020</u>