

Gainesville Regional Utilities

Interim Financial Statements - Unaudited

For the Period Ended June 30, 2016



Gainesville Regional Utilities
Financial Statements - Unaudited
For the Period Ended June 30, 2016

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Overview and Basis of Accounting

Gainesville Regional Utilities Financial Statements - Unaudited For the Period Ended June 30, 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 June 30, 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

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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 June 30, 2016. It should be read in conjunction with the unaudited financial statements that follow this section.

Financial Highlights

Overall

- Operating cash and investments decreased \$4.8 million or 8.6% due to normal operations and contributions to and from rate stabilization cash and investments.
- Rate stabilization cash and investments increased \$14.4 million or 22.8% 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 \$24.9 million or 45.2% due to construction of capital assets.
- Utility plant improvement fund cash and investments increased \$9.8 million or 18.8% due to a combination of scheduled contributions from operating cash and investments partially offset by the use of construction funds for capital projects.
- 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 \$16.2 million or 61.3% due to capital lease transactional activity.
- Fuel adjustment levelization balance increased \$6.5 million or 67.3% due to a combination of the following factors: an increase in the fuel adjustment rate effective October 2014 and a reduction in the 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 usage. GRU is currently in arbitration over a dispute with GREC in the amount of \$5.9 million that has not been recorded in fuel expense.
- Long-term debt liabilities decreased due to the scheduled principal payment in October 2015.
- The liability for the fair value of derivative instruments increased \$36.8 million or 66.8% due to an increase in the unrealized loss on interest rate swaps.

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Combined Systems

- Total revenues decreased \$2 million or 0.7% due primarily to a decrease in electric and gas fuel adjustment revenues offset by revenue increases in the water and wastewater systems.
- Total expenses increased \$3.8 million or 2.0% due primarily to an increase in operation and maintenance expenses and administrative and general expenses offset by a decrease in fuel expenses.
- The combined systems withdrew \$504,196 from rate stabilization for the period ended June 30, 2016 including budgeted transfers to and from rate stabilization.

Electric System

- Total revenues decreased \$6.3 million or 2.9% over the same period last year due primarily to a decrease in fuel adjustment revenue.
- Residential sales were \$1.8 million or 5.7% higher than the same period last year due to a slight increase in usage resulting from warmer summer temperatures.
- Interchange sales were \$1.2 million less than the prior period due to reduced demand and an increase in the supply of power.
- Fuel adjustment revenue decreased \$6.3 million or 5.5% over the prior period due primarily 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 \$8.1 million or 147.1% 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 \$6.3 million or 5.5% over the prior period due primarily to a reduction in the use of the 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 \$4.7 million or 40.1% over the prior period due to a reduction in expected capital asset construction activities that increased expenses in this category; increased expenses from the SAP financial management system reimplementation and increased GREC arbitration costs.

**Gainesville Regional Utilities
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- The electric system withdrew \$5.0 million from rate stabilization for the period ended June 30, 2016, in addition to transfers to rate stabilization.

Water System

- Total revenues increased \$2.3 million or 9.9% due to an average rate increase of 3.8% 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.
- Total expenses increased \$650,382 or 6.9% due primarily to a reduction in expected capital asset construction activities that increased administrative and general expenses and increased expenses from the SAP financial management system reimplementation.
- The water system contributed \$2.1 million to rate stabilization for the period ended June 30, 2016, in addition to budgeted transfers to rate stabilization.

Wastewater System

- Total revenues increased \$4.6 million or 16.2% due to an average rate increase of 4.9% to residential and non-residential customers and an increase in plant connection charges.
- Total expenses increased \$2.2 million or 22.6% due to a reduction in expected capital asset construction activities that increased administrative and general expenses, an increase in operation and maintenance expenses and increased expenses from the SAP financial management system reimplementation.
- The wastewater system contributed \$2.7 million to rate stabilization for the period ended June 30, 2016, in addition to budgeted transfers to rate stabilization.

Gas System

- Total revenues decreased \$2.2 million or 10.6% due to a decrease in the purchased gas adjustment (PGA) and a decrease in sales to residential customers offset by an increase in sales to nonresidential customers.
- PGA revenue was \$2.3 million or 28.1% 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 \$2.3 million or 28.1% compared to the prior period due primarily to lower purchased gas prices.

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For the Period Ended June 30, 2016

- Total expenses decreased \$684,995 or 5.7% due to a reduction in the purchased gas expense offset by a reduction in expected capital asset construction activities that increased administrative and general expenses and increased expenses from the SAP financial management system reimplementation.
- The gas system withdrew \$54,810 from rate stabilization for the period ended June 30, 2016, in addition to budgeted transfers from rate stabilization.

Telecommunications System

- Total sales of services increased \$579,554 or 7.1% due primarily to an increase in tower lease revenue offset by a decrease in telecommunication revenue.
- Total expenses increased \$448,460 or 9.4% due to a reduction in expected capital asset construction activities that increased administrative and general expenses and increased expenses from the SAP financial management system reimplementation.
- The telecommunications system withdrew \$285,297 from rate stabilization for the period ended June 30, 2016, in addition to budgeted transfers to rate stabilization.

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Financial Statements

Gainesville Regional Utilities
Statements of Net Position - Unaudited
For the Periods Ended June 30, 2016 and 2015

	June 30, 2016	June 30, 2015	Change (\$)	Change (%)
Assets				
Current assets:				
Cash and investments	\$ 51,023,777	\$ 55,823,312	\$ (4,799,535)	(8.6%)
Accounts receivable, net of allowance for uncollectible accounts of \$1,366,670 and \$1,831,293, respectively	46,195,612	42,046,494	4,149,118	9.9%
Inventories:				
Fuel	14,381,583	15,154,301	(772,718)	(5.1%)
Materials and supplies	7,148,308	6,674,394	473,914	7.1%
Other assets and regulatory assets	2,673,112	999,780	1,673,332	167.4%
Total current assets	121,422,392	120,698,281	724,111	0.6%
Restricted and internally designated assets:				
Utility deposits – cash and investments	9,858,356	9,087,718	770,638	8.5%
Debt service – cash and investments	24,452,561	23,572,337	880,224	3.7%
Rate stabilization – cash and investments	77,905,283	63,463,610	14,441,673	22.8%
Construction fund – cash and investments	30,180,807	55,066,485	(24,885,678)	(45.2%)
Utility plant improvement fund – cash and investments	61,892,059	52,099,785	9,792,274	18.8%
Decommissioning reserve – cash and investments	–	13,167,002	(13,167,002)	(100.0%)
Total restricted and internally designated assets	204,289,066	216,456,936	(12,167,870)	(5.6%)
Noncurrent assets:				
Net costs recoverable in future years - regulatory asset	42,508,545	26,352,959	16,155,586	61.3%
Unamortized debt issuance costs - regulatory asset	5,907,797	6,260,519	(352,722)	(5.6%)
Investment in The Energy Authority	2,140,717	2,495,595	(354,878)	(14.2%)
Pollution remediation - regulatory asset	12,990,004	14,547,635	(1,557,631)	(10.7%)
Other noncurrent assets and regulatory assets	7,463,847	6,051,273	1,412,574	23.3%
Pension costs - regulatory asset	53,887,756	–	53,887,756	-
Total noncurrent assets	124,898,666	55,707,981	69,190,685	124.2%
Capital assets:				
Utility plant in service	1,799,056,203	1,732,906,126	66,150,077	3.8%
Capital lease	1,006,808,754	1,006,808,754	–	0.0%
Less: accumulated depreciation and amortization	(816,151,602)	(739,368,711)	(76,782,891)	10.4%
	1,989,713,355	2,000,346,169	(10,632,814)	(0.5%)
Construction in progress	147,168,928	170,396,103	(23,227,175)	(13.6%)
Net capital assets	2,136,882,283	2,170,742,272	(33,859,989)	(1.6%)
Total assets	2,587,492,407	2,563,605,470	23,886,937	0.9%
Deferred outflows of resources:				
Unamortized loss on refundings of bonds	25,614,834	29,008,878	(3,394,044)	(11.7%)
Accumulated decrease in fair value of hedging derivatives	85,885,678	52,056,342	33,829,336	65.0%
Pension costs	22,174,505	–	22,174,505	-
Total deferred outflows of resources	133,675,017	81,065,220	52,609,797	64.9%
Total assets and deferred outflows of resources	\$ 2,721,167,424	\$ 2,644,670,690	\$ 76,496,734	2.9%

Gainesville Regional Utilities
Statements of Net Position - Unaudited (concluded)
For the Periods Ended June 30, 2016 and 2015

	June 30, 2016	June 30, 2015	Change (\$)	Change (%)
Liabilities				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 11,385,194	\$ 9,313,457	\$ 2,071,737	22.2%
Fuels payable	12,447,469	12,637,521	(190,052)	(1.5%)
Due to other funds of the City	2,819,373	3,801,130	(981,757)	(25.8%)
Capital lease – current portion	4,474,695	4,278,168	196,527	4.6%
Fuel adjustment	16,168,556	9,664,799	6,503,757	67.3%
Other liabilities and regulatory liabilities	1,282,765	4,353,518	(3,070,753)	(70.5%)
Total current liabilities	48,578,052	44,048,593	4,529,459	10.3%
Payable from restricted assets:				
Utility deposits	9,860,606	9,089,968	770,638	8.5%
Construction fund:				
Accounts payable and accrued liabilities	1,234,956	824,653	410,303	49.8%
Debt payable – current portion	23,135,000	22,205,000	930,000	4.2%
Accrued interest payable	6,899,089	6,407,045	492,044	7.7%
Total payable from restricted assets	41,129,651	38,526,666	2,602,985	6.8%
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	18,262,163	19,349,984	(1,087,821)	(5.6%)
Fair value of derivative instruments	91,937,638	55,103,515	36,834,123	66.8%
Total long-term debt	1,995,318,653	2,000,308,584	(4,989,931)	(0.2%)
Noncurrent liabilities				
Reserve for insurance claims	3,337,000	3,337,000	–	0.0%
Reserve for decommissioning CR3	–	11,373,002	(11,373,002)	(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	14,877,002	64,788,259	435.5%
Total liabilities	2,164,691,617	2,097,760,845	66,930,772	3.2%
Deferred inflows of resources:				
Rate stabilization	78,010,200	63,253,583	14,756,617	23.3%
Total deferred inflows of resources	78,010,200	63,253,583	14,756,617	23.3%
Net position				
Net investment in capital assets	273,442,262	296,852,380	(23,410,118)	(7.9%)
Restricted	79,338,364	71,266,853	8,071,511	11.3%
Unrestricted	125,684,981	115,537,029	10,147,952	8.8%
Total net position	478,465,607	483,656,262	(5,190,655)	(1.1%)
Total liabilities, deferred inflows of resources and net position	\$ 2,721,167,424	\$ 2,644,670,690	\$ 76,496,734	2.9%

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Gainesville Regional Utilities
Statements of Revenues, Expenses, and Changes in Net Position-Unaudited
For the Periods Ended June 30, 2016 and 2015

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Operating revenue:		
Sales and service charges	\$ 270,945,464	\$ 278,950,474
Transfers (to) from rate stabilization	(6,295,659)	863,677
Amounts to be recovered from future revenue	25,170,219	25,170,219
Other operating revenue	19,189,370	18,647,791
Total operating revenues	<u>309,009,394</u>	<u>323,632,161</u>
Operating expenses:		
Operation and maintenance	162,075,163	167,343,758
Administrative and general	36,028,868	28,713,680
Depreciation and amortization	71,964,765	69,890,924
Total operating expenses	<u>270,068,796</u>	<u>265,948,362</u>
Operating income	<u>38,940,598</u>	<u>57,683,799</u>
Non-operating income (expense):		
Investment income (expense)	41,993	25,031
Interest expense, net of AFUDC	(25,770,099)	(25,712,574)
Other interest related income, BABs	2,686,265	2,672,581
Other income (expense)	12,493,875	1,280,378
Total non-operating expense	<u>(10,547,966)</u>	<u>(21,734,584)</u>
Income before contributions, transfer, and extraordinary item	<u>28,392,632</u>	<u>35,949,215</u>
Capital contributions:		
Contributions from third parties	1,660,651	217,223
Reduction of plant costs recovered through contributions	(101,247)	—
Net capital contributions	<u>1,559,404</u>	<u>217,223</u>
Transfer to City of Gainesville General Fund	<u>(26,592,045)</u>	<u>(26,169,319)</u>
Change in net position	3,359,991	9,997,120
Net position – beginning of year	475,105,616	473,659,142
Net position – end of period	<u><u>\$ 478,465,607</u></u>	<u><u>\$ 483,656,262</u></u>

Gainesville Regional Utilities
Statements of Cash Flows - Unaudited
For the Periods Ended June 30, 2016 and 2015

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Operating activities:		
Cash received from customers	\$ 270,715,520	\$ 283,610,030
Cash payments to suppliers for goods and services	(151,867,847)	(148,198,530)
Cash payments to employees for services	(40,757,279)	(45,992,249)
Cash payments for operating transactions with other funds	(5,301,854)	(6,285,578)
Other operating receipts	12,893,713	19,511,468
Net cash provided by operating activities	<u>85,682,253</u>	<u>102,645,140</u>
Noncapital financing activities:		
Transfer to City of Gainesville General Fund	(26,592,045)	(26,169,319)
Net cash used by noncapital financing activities	<u>(26,592,045)</u>	<u>(26,169,319)</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	(37,677,355)	(37,846,330)
Proceeds from interest rebates, BABs	2,686,265	2,672,581
Acquisition and construction of fixed assets (including allowance for funds used during construction)	(40,891,802)	(26,032,439)
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	2,596,320	1,280,378
Net cash used by capital and related financing activities	<u>(95,491,572)</u>	<u>(29,374,515)</u>
Investing activities:		
Interest paid	(450,358)	55,468
Purchase of investments	(303,091,264)	(231,569,203)
Investments in The Energy Authority	(4,657,806)	(3,451,281)
Distributions from The Energy Authority	5,078,967	3,657,285
Proceeds from investments	286,943,264	207,326,896
Proceeds from CR3 settlement	10,177,429	—
Net cash provided (used) by investing activities	<u>(5,999,767)</u>	<u>(23,980,835)</u>
Net change in cash and cash equivalents	(42,401,132)	23,120,471
Cash and cash equivalents, beginning of year	81,595,541	75,559,374
Cash and cash equivalents, end of period	<u>\$ 39,194,409</u>	<u>\$ 98,679,845</u>

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Gainesville Regional Utilities
Statements of Cash Flows - Unaudited (concluded)
For the Periods Ended June 30, 2016 and 2015

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 38,940,598	\$ 57,683,799
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	71,964,765	69,890,924
Net costs to be recovered in future rates	(12,043,681)	(12,620,194)
Change in:		
Accounts receivable	(1,439,835)	3,890,834
Inventories	1,290,292	(3,685,684)
Other assets and regulatory assets	(421,073)	876,436
Restricted and internally designated assets	(13,643,828)	-
Noncurrent assets	834,243	1,483,245
Accounts payable and accrued liabilities	(1,628,279)	(10,329,917)
Fuel adjustment	(2,631,168)	(6,299,089)
Other liabilities and regulatory liabilities	(1,744,640)	1,191,109
Utility deposits	1,209,893	768,722
Rate stabilization	6,295,659	(863,676)
Net cash provided by operating activities	<u>\$ 85,682,253</u>	<u>\$ 102,645,140</u>
Non-cash capital and related financing activities and investing activities:		
Change in capital lease liability	<u>\$ (13,126,538)</u>	<u>\$ (12,550,025)</u>
Acquisition of utility plant in service with construction fund payable	<u>\$ (3,778,131)</u>	<u>\$ (2,861,881)</u>
Change in ineffective portion of hedging derivatives	<u>\$ (947,787)</u>	<u>\$ -</u>
Change in accumulated decrease in fair value of hedging derivatives - interest rate swaps	<u>\$ (13,947,084)</u>	<u>\$ -</u>
Change in accumulated decrease in fair value of hedging derivatives - fuel options and futures	<u>\$ 1,711,419</u>	<u>\$ (2,390,033)</u>
Change in fair value of investments	<u>\$ (134,685)</u>	<u>\$ (697,847)</u>
Change in fair value of derivatives	<u>\$ 14,894,871</u>	<u>\$ -</u>
Unamortized loss on refundings of bonds	<u>\$ -</u>	<u>\$ (242,932)</u>
Other	<u>\$ (48,388)</u>	<u>\$ (7,537)</u>

Gainesville Regional Utilities
Combined Utility Systems
Schedules of Combined Net Revenues in Accordance with Bond Resolution - Unaudited
For the Periods Ended June 30, 2016 and 2015

	June 30, 2016	June 30, 2015	Change (\$)	Change (%)
REVENUES:				
Sales of electricity	\$ 93,232,696	\$ 91,597,048	\$ 1,635,648	1.8
Interchange sales	813,436	1,972,778	(1,159,342)	(58.8)
Fuel adjustment	109,381,555	115,715,755	(6,334,200)	(5.5)
Other revenues	13,607,712	5,506,740	8,100,972	147.1
Transfer from/(to) rate stabilization	(4,766,909)	3,878,618	(8,645,527)	(222.9)
Interest income	691,490	598,539	92,951	15.5
Build America Bonds interest income	1,487,568	1,480,039	7,529	0.5
Total Electric System Revenues	214,447,548	220,749,517	(6,301,969)	(2.9)
Sales of water	24,098,210	22,771,334	1,326,876	5.8
Other revenues	2,317,142	1,984,484	332,658	16.8
Transfer from/(to) rate stabilization	(886,517)	(1,559,928)	673,411	43.2
Interest income	61,354	55,367	5,987	10.8
Build America Bonds interest income	416,883	414,749	2,134	0.5
Total Water System Revenues	26,007,072	23,666,006	2,341,066	9.9
Sales of wastewater services	28,922,174	27,335,149	1,587,025	5.8
Other revenues	4,033,572	1,878,905	2,154,667	114.7
Transfer from/(to) rate stabilization	(516,327)	(1,349,633)	833,306	61.7
Interest income	92,497	73,240	19,257	26.3
Build America Bonds interest income	470,399	467,956	2,443	0.5
Total Wastewater System Revenues	33,002,315	28,405,617	4,596,698	16.2
Sales of gas	10,831,463	11,360,956	(529,493)	(4.7)
Purchased gas adjustment	5,745,802	7,996,445	(2,250,643)	(28.1)
Other revenues	853,000	1,082,341	(229,341)	(21.2)
Transfer from/(to) rate stabilization	588,239	(225,999)	814,238	360.3
Interest income	96,721	81,756	14,965	18.3
Build America Bonds interest income	311,415	309,837	1,578	0.5
Total Gas System Revenues	18,426,640	20,605,336	(2,178,696)	(10.6)
Sales of services	8,782,566	8,203,012	579,554	7.1
Other revenues	266	177,145	(176,879)	(99.8)
Transfer from/(to) rate stabilization	(714,145)	120,620	(834,765)	(692.1)
Interest income	37,669	41,997	(4,328)	(10.3)
Total Telecommunications System Revenues	8,106,356	8,542,774	(436,418)	(5.1)
TOTAL REVENUES	299,989,931	301,969,250	(1,979,319)	(0.7)

Gainesville Regional Utilities
Combined Utility Systems
Schedules of Combined Net Revenues in Accordance with Bond Resolution - Unaudited
For the Periods Ended June 30, 2016 and 2015
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	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>Change (\$)</u>	<u>Change (%)</u>
OPERATION, MAINTENANCE AND ADMINISTRATIVE EXPENSES:				
Electric System:				
Fuel Expense:				
Fuel and Purchased Power	109,381,555	115,715,755	(6,334,200)	(5.5)
Interchange	167,795	1,625,993	(1,458,198)	(89.7)
Total Fuel Expenses	109,549,350	117,341,748	(7,792,398)	(6.6)
Operation and Maintenance	29,617,003	26,254,357	3,362,646	12.8
Administrative and General	19,538,998	13,894,248	5,644,750	40.6
Total Electric System Expenses	158,705,351	157,490,353	1,214,998	0.8
Water System:				
Operation and Maintenance	5,365,529	5,563,913	(198,384)	(3.6)
Administrative and General	4,689,000	3,840,234	848,766	22.1
Total Water System Expenses	10,054,529	9,404,147	650,382	6.9
Wastewater System:				
Operation and Maintenance	7,233,749	6,058,528	1,175,221	19.4
Administrative and General	4,685,611	3,664,567	1,021,044	27.9
Total Wastewater System Expenses	11,919,360	9,723,095	2,196,265	22.6
Gas System:				
Fuel Expense - Purchased Gas	5,745,802	7,996,445	(2,250,643)	(28.1)
Operation and Maintenance	1,462,593	970,621	491,972	50.7
Administrative and General	4,057,776	2,984,100	1,073,676	36.0
Total Gas System Expenses	11,266,171	11,951,166	(684,995)	(5.7)
Telecommunications System:				
Operation and Maintenance	3,099,487	3,006,072	93,415	3.1
Administrative and General	2,134,371	1,779,326	355,045	20.0
Total Telecommunications System Expenses	5,233,858	4,785,398	448,460	9.4
TOTAL EXPENSES	197,179,269	193,354,159	3,825,110	2.0
NET REVENUES IN ACCORDANCE WITH BOND RESOLUTION:				
Total Electric System	55,742,197	63,259,164	(7,516,967)	(11.9)
Total Water System	15,952,543	14,261,859	1,690,684	11.9
Total Wastewater System	21,082,955	18,682,522	2,400,433	12.8
Total Gas System	7,160,469	8,654,170	(1,493,701)	(17.3)
Total Telecommunications System	2,872,498	3,757,376	(884,878)	(23.6)
TOTAL NET REVENUES IN ACCORDANCE WITH BOND RESOLUTION	102,810,662	108,615,091	(5,804,429)	(5.3)
LESS:				
Debt Service	43,889,209	43,533,163	356,046	0.8
Debt Service - UPIF	-	(1,012,500)	1,012,500	100.0
UPIF Contributions	32,833,604	32,704,051	129,553	0.4
Transfer to City of Gainesville General Fund	26,592,045	26,169,320	422,725	1.6
NET IMPACT TO RATE STABILIZATION - ADDITION (REDUCTION)	\$ (504,196)	\$ 7,221,057	\$ (7,725,253)	(107.0)

Gainesville Regional Utilities
Electric Utility System
Schedules of Net Revenues in Accordance with Bond Resolution - Unaudited
For the Periods Ended June 30, 2016 and 2015

	June 30, 2016	June 30, 2015	Change (\$)	Change (%)
REVENUES:				
Residential	\$ 33,471,226	\$ 31,662,935	\$ 1,808,291	5.7
Non-residential	43,560,846	43,258,379	302,467	0.7
Fuel Adjustment	109,381,555	115,715,755	(6,334,200)	(5.5)
Interchange Sales	813,436	1,972,778	(1,159,342)	(58.8)
Utility Surcharge	2,131,144	2,119,564	11,580	0.5
Other Electric Sales	14,069,480	14,556,170	(486,690)	(3.3)
Total Sales of Electricity	203,427,687	209,285,581	(5,857,894)	(2.8)
Other Revenues	13,607,712	5,506,740	8,100,972	147.1
Transfer from/(to) rate stabilization	(4,766,909)	3,878,618	(8,645,527)	(222.9)
Interest Income	691,490	598,539	92,951	15.5
Build America Bonds Interest Income	1,487,568	1,480,039	7,529	0.5
Total Revenues	214,447,548	220,749,517	(6,301,969)	(2.9)
OPERATION, MAINTENANCE AND ADMINISTRATIVE EXPENSES:				
Fuel Expenses:				
Fuel and Purchased Power	109,381,555	115,715,755	(6,334,200)	(5.5)
Interchange	167,795	1,625,993	(1,458,198)	(89.7)
Total Fuel Expenses	109,549,350	117,341,748	(7,792,398)	(6.6)
Steam Power Generation	19,001,058	17,150,958	1,850,100	10.8
Other Power Generation	601,146	479,445	121,701	25.4
System Control & Load Dispatching	812,882	879,474	(66,592)	(7.6)
Total Power Production Expenses	20,415,086	18,509,877	1,905,209	10.3
Transmission & Distribution Expenses:				
Transmission	1,093,715	1,134,430	(40,715)	(3.6)
Distribution	8,108,202	6,610,050	1,498,152	22.7
Total Transmission & Distribution Expenses	9,201,917	7,744,480	1,457,437	18.8
Administrative and General Expenses:				
Customer Accounts and Sales	3,091,941	2,155,048	936,893	43.5
Administrative and General	16,447,057	11,739,200	4,707,857	40.1
Total Administrative & General Expenses	19,538,998	13,894,248	5,644,750	40.6
Total Operation, Maintenance and Administrative Expenses	158,705,351	157,490,353	1,214,998	0.8
TOTAL NET REVENUES IN ACCORDANCE WITH BOND RESOLUTION	55,742,197	63,259,164	(7,516,967)	(11.9)
LESS:				
Debt Service	27,413,331	27,152,824	260,507	1.0
UPIF Contributions	18,551,041	17,779,132	771,909	4.3
Transfer to City of Gainesville General Fund	14,758,585	14,621,477	137,108	0.9
NET IMPACT TO RATE STABILIZATION - ADDITION (REDUCTION)	\$ (4,980,760)	\$ 3,705,731	\$ (8,686,491)	(234.4)

Gainesville Regional Utilities
Water Utility System
Schedules of Net Revenues in Accordance with Bond Resolution - Unaudited
For the Periods Ended June 30, 2016 and 2015

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>Change (\$)</u>	<u>Change (%)</u>
REVENUES:				
Residential	\$ 14,867,089	\$ 13,950,128	\$ 916,961	6.6
Non-residential	6,133,711	5,832,897	300,814	5.2
University of Florida	1,296,027	1,359,582	(63,555)	(4.7)
Utility Surcharge	1,801,383	1,628,727	172,656	10.6
Total Sales of Water	24,098,210	22,771,334	1,326,876	5.8
Other Revenues	2,317,142	1,984,484	332,658	16.8
Transfer from/(to) rate stabilization	(886,517)	(1,559,928)	673,411	43.2
Interest Income	61,354	55,367	5,987	10.8
Build America Bonds interest income	416,883	414,749	2,134	0.5
Total Revenues	26,007,072	23,666,006	2,341,066	9.9
OPERATION, MAINTENANCE AND ADMINISTRATIVE EXPENSES:				
Pumping and water treatment	3,801,116	3,878,738	(77,622)	(2.0)
Transmission and Distribution	1,564,413	1,685,175	(120,762)	(7.2)
Customer Accounts and Sales	1,005,392	925,632	79,760	8.6
Administrative and General	3,683,608	2,914,602	769,006	26.4
Total Operation, Maintenance and Administrative Expenses	10,054,529	9,404,147	650,382	6.9
TOTAL NET REVENUES IN ACCORDANCE WITH BOND RESOLUTION	15,952,543	14,261,859	1,690,684	11.9
LESS:				
Debt Service	4,486,017	4,201,528	284,489	6.8
UPIF Contributions	5,068,625	5,517,671	(449,046)	(8.1)
Transfer to City of Gainesville General Fund	4,314,559	4,219,830	94,729	2.2
NET IMPACT TO RATE STABILIZATION - ADDITION (REDUCTION)	\$ 2,083,342	\$ 322,830	\$ 1,760,512	545.3

Gainesville Regional Utilities
Wastewater Utility System
Schedules of Net Revenues in Accordance with Bond Resolution - Unaudited
For the Periods Ended June 30, 2016 and 2015

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>Change (\$)</u>	<u>Change (%)</u>
REVENUES:				
Residential	\$ 19,622,430	\$ 18,817,603	\$ 804,827	4.3
Non-residential	7,173,971	6,615,113	558,858	8.4
Utility surcharge	2,125,773	1,902,433	223,340	11.7
Total Sales of Services	<u>28,922,174</u>	<u>27,335,149</u>	<u>1,587,025</u>	<u>5.8</u>
Other revenues	4,033,572	1,878,905	2,154,667	114.7
Transfer from/(to) rate stabilization	(516,327)	(1,349,633)	833,306	61.7
Interest income	92,497	73,240	19,257	26.3
Build America Bonds interest income	470,399	467,956	2,443	0.5
Total Revenue	<u>33,002,315</u>	<u>28,405,617</u>	<u>4,596,698</u>	<u>16.2</u>
OPERATION, MAINTENANCE AND ADMINISTRATIVE EXPENSES:				
Collection	2,599,227	2,304,205	295,022	12.8
Treatment	4,634,522	3,754,323	880,199	23.4
Customer Accounts and Sales	884,194	603,747	280,447	46.5
Administrative and General	3,801,417	3,060,820	740,597	24.2
Total Operation, Maintenance and Administrative Expenses	<u>11,919,360</u>	<u>9,723,095</u>	<u>2,196,265</u>	<u>22.6</u>
TOTAL NET REVENUES IN ACCORDANCE WITH BOND RESOLUTION	<u>21,082,955</u>	<u>18,682,522</u>	<u>2,400,433</u>	<u>12.8</u>
LESS:				
Debt Service	5,649,486	5,399,332	250,154	4.6
UPIF Contributions	7,002,794	6,700,573	302,221	4.5
Transfer to City of Gainesville General Fund	5,697,346	5,524,159	173,187	3.1
NET IMPACT TO RATE STABILIZATION - ADDITION (REDUCTION)	<u>\$ 2,733,329</u>	<u>\$ 1,058,458</u>	<u>\$ 1,674,871</u>	<u>158.2</u>

Gainesville Regional Utilities
Gas Utility System
Schedules of Net Revenues in Accordance with Bond Resolution - Unaudited
For the Periods Ended June 30, 2016 and 2015

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>Change (\$)</u>	<u>Change (%)</u>
REVENUES:				
Residential	\$ 5,752,084	\$ 6,021,392	\$ (269,308)	(4.5)
Non-residential	3,719,209	3,448,192	271,017	7.9
Purchased Gas Adjustment	5,745,802	7,996,445	(2,250,643)	(28.1)
Utility Surcharge	367,144	376,566	(9,422)	(2.5)
Other Gas Sales	993,026	1,514,806	(521,780)	(34.4)
Total Sales of Gas	<u>16,577,265</u>	<u>19,357,401</u>	<u>(2,780,136)</u>	<u>(14.4)</u>
Other Revenues	853,000	1,082,341	(229,341)	(21.2)
Transfer from/(to) rate stabilization	588,239	(225,999)	814,238	360.3
Interest Income	96,721	81,756	14,965	18.3
Build America Bonds interest income	311,415	309,837	1,578	0.5
Total Revenues	<u>18,426,640</u>	<u>20,605,336</u>	<u>(2,178,696)</u>	<u>(10.6)</u>
OPERATION, MAINTENANCE AND ADMINISTRATIVE EXPENSES:				
Fuel Expense - Purchased Gas	5,745,802	7,996,445	(2,250,643)	(28.1)
Operation and Maintenance	1,462,593	970,621	491,972	50.7
Customer Accounts and Sales	1,561,010	1,762,487	(201,477)	(11.4)
Administrative and General	2,496,766	1,221,613	1,275,153	104.4
Total Operation, Maintenance and Administrative Expenses	<u>11,266,171</u>	<u>11,951,166</u>	<u>(684,995)</u>	<u>(5.7)</u>
TOTAL NET REVENUES IN ACCORDANCE WITH BOND RESOLUTION	<u>7,160,469</u>	<u>8,654,170</u>	<u>(1,493,701)</u>	<u>(17.3)</u>
LESS:				
Debt Service	3,275,346	2,841,432	433,914	15.3
Debt Service - UPIF		(750,000)	750,000	100.0
UPIF Contributions	2,118,378	2,549,896	(431,518)	(16.9)
Transfer to City of Gainesville General Fund	1,821,555	1,803,854	17,701	1.0
NET IMPACT TO RATE STABILIZATION - ADDITION (REDUCTION)	<u>\$ (54,810)</u>	<u>\$ 2,208,988</u>	<u>\$ (2,263,798)</u>	<u>(102.5)</u>

Gainesville Regional Utilities
Telecommunications System
Schedules of Net Revenues in Accordance with Bond Resolution - Unaudited
For the Periods Ended June 30, 2016 and 2015

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>Change (\$)</u>	<u>Change (%)</u>
REVENUES:				
Telecommunication	\$ 3,287,043	\$ 3,589,575	\$ (302,532)	(8.4)
Trunking radio	1,301,797	1,332,920	(31,123)	(2.3)
Tower Lease	2,589,785	1,764,904	824,881	46.7
Internet Access	1,603,941	1,515,613	88,328	5.8
Total Sales of Services	<u>8,782,566</u>	<u>8,203,012</u>	<u>579,554</u>	<u>7.1</u>
Other Revenues	266	177,145	(176,879)	(99.8)
Transfer from/(to) rate stabilization	(714,145)	120,620	(834,765)	(692.1)
Interest Income	37,669	41,997	(4,328)	(10.3)
Total Revenues	<u>8,106,356</u>	<u>8,542,774</u>	<u>(436,418)</u>	<u>(5.1)</u>
OPERATION, MAINTENANCE AND ADMINISTRATIVE EXPENSES:				
Operation and Maintenance	3,099,487	3,006,072	93,415	3.1
Customer Accounts and Sales	47,014	186,424	(139,410)	(74.8)
Administrative and General	2,087,357	1,592,902	494,455	31.0
Total Operation, Maintenance and Administrative Expenses	<u>5,233,858</u>	<u>4,785,398</u>	<u>448,460</u>	<u>9.4</u>
TOTAL NET REVENUES IN ACCORDANCE WITH BOND RESOLUTION	<u>2,872,498</u>	<u>3,757,376</u>	<u>(884,878)</u>	<u>(23.6)</u>
LESS:				
Debt Service	3,065,029	3,938,047	(873,018)	(22.2)
Debt Service - UPIF		(262,500)	262,500	100.0
UPIF Contributions	92,766	156,779	(64,013)	(40.8)
NET IMPACT TO RATE STABILIZATION - ADDITION (REDUCTION)	<u>\$ (285,297)</u>	<u>\$ (74,950)</u>	<u>\$ (210,347)</u>	<u>(281)</u>

Supplementary Data

Gainesville Regional Utilities
Fuel Adjustment Levelization
For the Period Ended June 30, 2016

	<u>Actual</u>
Fuel Revenues	106,747,654
Fuel Expenses	<u>109,381,555</u>
To (From) Fuel Adjustment Levelization	<u>(2,633,901)</u>
Fuel Adjustment Beginning Balance	16,923,455
To (From) Fuel Adjustment Levelization	<u>(2,633,901)</u>
Fuel Adjustment Ending Balance	<u>14,289,554</u>

Gainesville Regional Utilities
Purchased Gas Adjustment (PGA) Levelization
For the Period Ended June 30, 2016

	<u>Actual</u>
Purchased Gas Revenues	5,748,534
Purchased Gas Expenses	<u>5,745,802</u>
To (From) PGA Levelization	<u>2,732</u>
PGA Beginning Balance	1,876,269
To (From) PGA Levelization	<u>2,732</u>
PGA Ending Balance	<u>1,879,001</u>