

Gainesville Regional Utilities

Interim Financial Statements - Unaudited

For the Year Ended September 30, 2018



**Gainesville Regional Utilities
Financial Statements - Unaudited
For the Year Ended September 30, 2018**

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Overview and Basis of Accounting

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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.

We offer readers these unaudited utility system financial statements for the year ended September 30, 2018.

Basis of Accounting

GRU is required to follow the provisions in the Second Amended and Restated Utilities System Revenue Bond Resolution (Resolution) adopted by the City on September 21, 2017. GRU's electric and gas accounts are maintained substantially in accordance with the Uniform System of Accounts of the Federal Energy Regulatory Commission (FERC), as required by the Resolution, and in conformity with accounting principles generally accepted in the United States of America using the accrual basis of accounting, including the application of regulatory accounting as described in Governmental Accounting Standards Board (GASB) Statement No. 62 - *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

GRU prepares its financial statements in accordance with GASB Statement No. 62, *paragraphs 476-500, Regulated Operations*, and records various regulatory assets and liabilities. For a government to report under GASB Statement No. 62, its rates must be designed to recover its costs of providing services, and the utility must be able to collect those rates from customers. If it were determined, whether due to regulatory action or competition, that these standards no longer applied, GRU could be required to expense its regulatory assets and liabilities. Management believes that GRU currently meets the criteria for continued application of GASB Statement No. 62, but will continue to evaluate significant changes in the regulatory and competitive environment to assess continuing applicability of the criteria.

The Resolution specifies the flow of funds from revenues and the requirements for the use of certain restricted and unrestricted assets. Under the Resolution, rates are designed to cover operation and maintenance expenses, rate stabilization, debt service requirements, utility plant improvement fund contributions and for any other lawful purpose. The flow of funds excludes depreciation expense and other noncash revenue and expense items. This method of rate setting results in costs being included in the determination of rates in different periods than when these costs are recognized for financial statement purposes. The effects of these differences are recognized in the determination of operating income in the period that they occur, in accordance with GRU's accounting policies.

Management's Discussion and Analysis

Gainesville Regional Utilities

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Management's Discussion and Analysis

We offer readers of GRU's financial statements this management's discussion and analysis of the financial activities of GRU for the year ended September 30, 2018. It should be read in conjunction with the unaudited financial statements that follow this section.

Financial Highlights – Overall

- The Utility purchased a biomass plant in November of 2017. Various items in the financial statements were impacted and are addressed below as applicable.
- Cash and investments decreased \$23.7 million or 46.9% due to normal operations and contributions to and from rate stabilization cash, increases in inventories and supplies and a reduction in fuel adjustment collections.
- Fuel inventories increased \$8.4 million or 108.9% due primarily to an increase in the purchase of coal and the addition of biomass fuel.
- Materials and supplies increased \$4.6 million or 59.5% due to the purchase of the Deerhaven Renewable Generating Station (DHR) in November 2017.
- Debt service cash and investments increased \$16.9 million or 40% due to the issuance of the 2017 Series bonds to purchase DHR, which resulted in increased debt service payments.
- Construction fund cash and investments increased \$26.4 million or 298.7% due to the issuance of \$40 million in commercial paper in July 2018 in conjunction with normal construction expenditures.
- Utility plant improvement fund cash and investments decreased \$20.7 million or 58.4% due to expected usage for construction of capital assets.
- Net costs recoverable in future years decreased \$61.6 million or 100% due to the cancellation of the Power Purchase Agreement (PPA) with Gainesville Renewable Energy Center (GREC) and the concurrent purchase of DHR.
- Unamortized debt issuance costs increased \$3.2 million or 55.6% due to the issuance of the 2017 Series bonds to purchase DHR in conjunction with normal amortization.
- Pension costs – regulatory asset and related deferred outflows of resources for pension costs will change when updated actuarial calculations become available for September 30, 2018. Final numbers will be provided in the audited financial statements.
- Utility plant in service increased \$799.8 million or 40.1% due primarily to the purchase of DHR, as well as other items placed into service.
- Capital lease decreased by \$1 billion or 100% due to the cancellation of the PPA with GREC and the concurrent purchase of DHR.

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- Construction in progress increased \$8 million or 8.7% due primarily to wastewater, electric supply, electric distribution and water projects.
- Accumulated decrease in fair value of hedging derivatives decreased \$20.8 million or 36% due primarily to a decrease in the unrealized loss on interest rate swaps.
- Accounts payable and accrued liabilities decreased \$8.1 million or 27.4% due to decreased liabilities compared to the prior year as a result of Hurricane Irma storm damage.
- Fuels payable decreased \$8.5 million or 64.2% due to a decrease in available and provided power costs from GREC once the plant was purchased.
- Current portion of the capital lease and the long-term portion of the capital lease decreased \$19.3 million and \$922 million, respectively, or 100% due to the cancellation of the PPA with GREC and the concurrent purchase of DHR.
- Current portion of utilities system revenue bonds increased \$9.8 million or 53.9% due to the issuance of the 2017 Series A Bonds, 2017 Series B Bonds and 2017 Series C Bonds, in addition to normally scheduled principal payments.
- Current portion of commercial paper notes decreased \$5.9 million due to normally scheduled principal payments in the prior year compared to no scheduled principal payments this year.
- Accrued interest payable increased \$11.4 million or 63.3% due primarily to the issuance of the 2017 Series A Bonds, 2017 Series B Bonds and 2017 Series C Bonds.
- Utilities system revenue bonds increased \$653 million due primarily to the issuance of the 2017 Series A Bonds, 2017 Series B Bonds and 2017 Series C Bonds to fund the purchase of DHR, offset by normally scheduled principal payments.
- Unamortized bond premium/discount increased \$66.9 million due primarily to \$73.2 million premium received with the issuance of the 2017 Series A Bonds to partially fund the purchase of DHR, offset by normally scheduled amortization.
- The pension liability will change and related deferred inflows of resources for pension costs will change when updated actuarial calculations are available for September 30, 2018. Final numbers will be provided in the audited financial statements.
- Certain 2017 amounts have been reclassified to conform to the 2018 presentation.

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For the Year Ended September 30, 2018

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

Combined Systems

- Total revenues decreased \$29.1 million or 6.8% due primarily to a decrease in electric, gas and telecommunications revenues which included a decrease in fuel adjustment revenues of \$63.2 million. These decreases were offset by increases in water and wastewater.
- Total expenses decreased \$56.4 million or 21.2%. Factors include: a reduction in electric fuel expenses of \$63.2 million, an increase in electric operation and maintenance expenses from the purchase and operation of DHR, and other increases in water, wastewater, and gas system expenses.
- The combined systems withdrew \$3.8 million from rate stabilization for the year ended September 30, 2018, including budgeted transfers to and from rate stabilization.

Electric System

- Total revenues decreased by \$31.9 million or 10.1% over last year due primarily to a decrease in fuel adjustment revenue, offset by an increase in residential and non-residential revenue. This decrease was substantially passed on to customers. The increase in base rates and decrease in fuel rates was a result of the purchase of DHR and the termination of the GREC PPA. The combination resulted in an 8% decrease in residential bills and a 10% decrease in commercial bills for average usage.
- Fuel adjustment revenue and the related fuel expense decreased \$63.2 million or 38.9% over the prior year also due to the cancellation of the PPA with GREC and the concurrent purchase of DHR. The Utility has realized much more efficient use of the biomass plant and procurement of fuel costs than what was experienced under the PPA. In addition, the Utility has been able to incorporate the plant seamlessly into its generation fleet.

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.

- Power production increased \$16.2 million or 55.3% while administrative and general decreased \$12 million or 49.2%. The implementation of SAP software and managerial cost accounting is allocating costs appropriately to power production expense and transmission and distribution expense rather than administrative and general expense.
- The electric system withdrew \$7.2 million from rate stabilization for the year ended September 30, 2018, including budgeted transfers from rate stabilization.

Gainesville Regional Utilities
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Water System

- Total revenues increased \$1.8 million or 5.1% due primarily to a reduction in transfers to rate stabilization from the prior year.
- Transmission, distribution and treatment expenses increased \$1.7 million or 40.7%. The implementation of SAP software and managerial cost accounting is allocating costs appropriately to transmission, distribution and treatment expenses rather than administrative and general expense.
- The water system contributed \$437,706 to rate stabilization for the year ended September 30, 2018, including budgeted transfers to rate stabilization.

Wastewater System

- Total revenues increased \$2 million or 4.5% due primarily to an increase in non-residential revenue.
- Collection and treatment expenses increased \$2.6 million or 39.9%. The implementation of SAP software and managerial cost accounting is allocating costs appropriately to collection and treatment expenses rather than administrative and general expense.
- The wastewater system withdrew \$1.1 million from rate stabilization for the year ended September 30, 2018, including budgeted transfers from rate stabilization.

Gas System

- Total revenues decreased \$645,570 or 2.9% due to an increase in transfers to rate stabilization offset by an increase in residential and non-residential revenue.
- Purchased gas, operation and maintenance expenses increased \$1.4 million or 34.6%. The implementation of SAP software and managerial cost accounting is allocating costs appropriately to purchased gas, operation and maintenance expenses rather than administrative and general expense.
- The gas system contributed \$3.9 million to rate stabilization for the year ended September 30, 2018, including budgeted transfers to rate stabilization.

Telecommunications System

- Total revenues decreased \$239,732 or 2.1% due primarily to a reduction in transfers from rate stabilization offset by an increase in tower leasing and other sales.
- Operation and maintenance expense increased \$384,197 or 7.3%. The implementation of SAP software and managerial cost accounting is allocating costs appropriately to operation and maintenance expense rather than administrative and general expense.
- The telecommunications system contributed \$138,160 to rate stabilization for the year ended September 30, 2018.

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Financial Statements

Gainesville Regional Utilities
Statements of Net Position - Unaudited
September 30, 2018 and 2017

	September 30, 2018	September 30, 2017	Change (\$)	Change (%)
Assets				
Current assets:				
Cash and investments	\$ 26,793,426	\$ 50,505,882	\$ (23,712,456)	(46.9%)
Accounts receivable, net of allowance for uncollectible accounts of \$800,551 and \$711,612, respectively	59,977,348	52,423,319	7,554,029	14.4%
Inventories:				
Fuel	16,077,741	7,697,011	8,380,730	108.9%
Materials and supplies	12,370,614	7,754,117	4,616,497	59.5%
Fuel adjustment	2,376,941	4,729,317	(2,352,376)	(49.7%)
Other assets and regulatory assets	2,059,993	1,775,927	284,066	16.0%
Total current assets	119,656,063	124,885,573	(5,229,510)	(4.2%)
Restricted assets:				
Utility deposits - cash and investments	9,078,180	9,998,718	(920,538)	(9.2%)
Debt service - cash and investments	59,269,274	42,322,319	16,946,955	40.0%
Rate stabilization - cash and investments	57,703,806	62,431,906	(4,728,100)	(7.6%)
Construction fund - cash and investments	35,197,090	8,828,762	26,368,328	298.7%
Utility plant improvement fund - cash and investments	14,716,405	35,418,075	(20,701,670)	(58.4%)
Total restricted and internally designated assets	175,964,755	158,999,780	16,964,975	10.7%
Noncurrent assets:				
Net costs recoverable in future years - regulatory assets	-	61,574,434	(61,574,434)	(100.0%)
Unamortized debt issuance costs - regulatory assets	9,056,235	5,821,241	3,234,994	55.6%
Investment in The Energy Authority	2,257,296	2,093,983	163,313	7.8%
Pollution remediation - regulatory asset	10,782,332	12,133,159	(1,350,827)	(11.1%)
Other noncurrent assets and regulatory assets	7,256,068	5,996,524	1,259,544	21.0%
* Pension costs - regulatory asset	73,141,512	73,141,512	-	0.0%
Total noncurrent assets	102,493,443	160,760,853	(58,267,410)	(36.2%)
Capital assets:				
Utility plant in service	2,794,579,603	1,994,737,580	799,842,023	40.1%
Capital lease	-	1,006,808,754	(1,006,808,754)	(100.0%)
Less: accumulated depreciation and amortization	(968,224,349)	(1,010,902,213)	42,677,864	(4.2%)
	1,826,355,254	1,990,644,121	(164,288,867)	(8.3%)
Construction in progress	100,096,678	92,098,075	7,998,603	8.7%
Net capital assets	1,926,451,932	2,082,742,196	(156,290,264)	(7.5%)
Total assets	2,324,566,193	2,527,388,402	(202,822,209)	(8.0%)
Deferred outflows of resources:				
Unamortized loss on refunding of bonds	17,975,551	21,372,280	(3,396,729)	(15.9%)
Accumulated decrease in fair value of hedging derivatives	36,890,504	57,652,361	(20,761,857)	(36.0%)
* Pension costs	27,899,197	27,899,197	-	0.0%
Total deferred outflows of resources	82,765,252	106,923,838	(24,158,586)	(22.6%)
Total assets and deferred outflows of resources	\$ 2,407,331,445	\$ 2,634,312,240	\$ (226,980,795)	(8.6%)

* Pension adjustment will be made after 09/30/2018 actuarial reports completed

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Gainesville Regional Utilities
Statements of Net Position - Unaudited (concluded)
September 30, 2018 and 2017

	September 30, 2018	September 30, 2017	Change (\$)	Change (%)
Liabilities				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 21,380,541	\$ 29,457,057	\$ (8,076,516)	(27.4%)
Fuels payable	4,769,484	13,305,897	(8,536,413)	(64.2%)
Due to other funds of the City	450,832	(873,583)	1,324,415	(151.6%)
Capital lease - current	-	19,255,473	(19,255,473)	(100.0%)
Other liabilities and regulatory liabilities	843,012	584,157	258,855	44.3%
Total current liabilities	27,443,869	61,729,001	(34,285,132)	(55.5%)
Payable from restricted assets:				
Utility deposits	9,078,180	9,532,684	(454,504)	(4.8%)
Accounts payable and accrued liabilities	8,342,554	9,971,787	(1,629,233)	(16.3%)
Utility system revenue bonds - current	27,885,000	18,120,000	9,765,000	53.9%
Commercial paper notes - current	-	5,900,000	(5,900,000)	(100.0%)
Accrued interest payable	29,455,293	18,039,204	11,416,089	63.3%
Other liabilities and regulatory liabilities	11,596	-	11,596	-
Total payable from restricted assets	74,772,623	61,563,675	13,208,948	21.5%
Long-term debt:				
Utility system revenue bonds	1,506,455,000	853,420,000	653,035,000	76.5%
Commercial paper notes	93,000,000	53,000,000	40,000,000	75.5%
Capital lease	-	922,013,598	(922,013,598)	(100.0%)
Unamortized bond premium/discount	83,758,385	16,902,387	66,855,998	395.5%
Fair value of derivative instruments	38,765,287	61,184,080	(22,418,793)	(36.6%)
Total long-term debt	1,721,978,672	1,906,520,065	(184,541,393)	(9.7%)
Noncurrent liabilities:				
Reserve for insurance claims	3,337,000	3,337,000	-	0.0%
Reserve for environmental liability	519,000	665,000	(146,000)	(22.0%)
* Pension liability	82,704,362	82,704,362	-	0.0%
Other noncurrent liabilities and regulatory liabilities	591,378	591,378	-	0.0%
Total noncurrent liabilities	87,151,740	87,297,740	(146,000)	(0.2%)
Total liabilities	1,911,346,904	2,117,110,481	(205,763,577)	(9.7%)
Deferred inflows of resources:				
Rate stabilization	58,529,252	62,369,039	(3,839,787)	(6.2%)
* Pension costs	18,336,347	18,336,347	-	0.0%
Total deferred inflows of resources	76,865,599	80,705,386	(3,839,787)	(4.8%)
Net position				
Net investment in capital assets	270,950,423	226,493,152	44,457,271	19.6%
Restricted	49,588,126	60,230,091	(10,641,965)	(17.7%)
Unrestricted	98,580,393	149,773,130	(51,192,737)	(34.2%)
Total net position	419,118,942	436,496,373	(17,377,431)	(4.1%)
Total liabilities, deferred inflows of resources and net position	\$ 2,407,331,445	\$ 2,634,312,240	\$ (226,980,795)	(8.6%)

* Pension adjustment will be made after 09/30/2018 actuarial reports completed

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Gainesville Regional Utilities
Statements of Revenues, Expenses, and Changes in Net Position - Unaudited
For the Years Ended September 30, 2018 and 2017

	<u>September 30, 2018</u>	<u>September 30, 2017</u>
Operating revenues:		
Sales and service charges	\$ 383,202,896	\$ 401,190,960
Transfers from (to) rate stabilization	3,839,787	11,708,349
Amounts to be recovered from future revenue	3,449,252	33,560,292
Other operating revenue	12,062,184	14,081,125
Total operating revenues	<u>402,554,119</u>	<u>460,540,726</u>
Operating expenses:		
Operation and maintenance	210,340,751	250,632,067
Administrative and general	24,515,688	40,667,600
Depreciation and amortization	94,080,133	105,402,712
Total operating expenses	<u>328,936,572</u>	<u>396,702,379</u>
Operating income	<u>73,617,547</u>	<u>63,838,347</u>
Non-operating income (expense):		
Interest income	2,986,003	2,798,693
Interest expense, net of AFUDC	(58,034,716)	(39,714,579)
Other interest related income, BABs	5,259,227	5,308,201
Other expense	(6,016,654)	(2,881,653)
Total non-operating income (expense)	<u>(55,806,140)</u>	<u>(34,489,338)</u>
Income before capital contributions and transfer	<u>17,811,407</u>	<u>29,349,009</u>
Capital contributions:		
Contributions from third parties	1,313,407	7,636,082
Reduction of plant costs recovered through contributions	(123,165)	(58,390)
Net capital contributions	<u>1,190,242</u>	<u>7,577,692</u>
Transfer to City of Gainesville General Fund	<u>(36,379,080)</u>	<u>(35,814,010)</u>
Change in net position	(17,377,431)	1,112,691
Net position - beginning of year	436,496,373	435,383,682
Net position - end of period	<u>\$ 419,118,942</u>	<u>\$ 436,496,373</u>

Gainesville Regional Utilities
Statements of Cash Flows - Unaudited
For the Years Ended September 30, 2018 and 2017

	<u>September 30, 2018</u>	<u>September 30, 2017</u>
Operating activities:		
Cash received from customers	\$ 374,273,824	\$ 397,879,291
Cash payments to suppliers for goods and services	(197,798,403)	(262,733,577)
Cash payments to employees for services	(57,472,298)	(56,733,264)
Cash payments for operating transactions with other funds	(9,644,733)	(7,383,825)
Other operating receipts	15,901,971	28,321,636
Net cash provided by operating activities	<u>125,260,361</u>	<u>99,350,261</u>
Noncapital financing activities:		
Transfer to City of Gainesville General Fund	(36,379,080)	(35,814,010)
Net cash used by noncapital financing activities	<u>(36,379,080)</u>	<u>(35,814,010)</u>
Capital and related financing activities:		
Principal repayments and refunding on long-term debt, net	(24,020,000)	(23,135,000)
Interest paid on long-term debt	(46,618,627)	(40,192,140)
Proceeds from interest rebates, BABs	5,259,227	5,308,201
Acquisition and construction of fixed assets (including allowance for funds used during construction)	(822,636,979)	(69,689,834)
Proceeds from new debt and commercial paper	794,125,458	5,000,000
Other income (expense)	(2,646,033)	3,151,706
Net cash used by capital and related financing activities	<u>(96,536,954)</u>	<u>(119,557,067)</u>
Investing activities:		
Interest received	2,986,003	1,314,281
Purchase of investments	(255,616,354)	(285,349,954)
Investments in The Energy Authority	(7,495,899)	(6,075,313)
Distributions from The Energy Authority	7,332,586	6,084,011
Proceeds from investments	251,189,527	327,003,774
Net cash provided (used) by investing activities	<u>(1,604,137)</u>	<u>42,976,799</u>
Net change in cash and cash equivalents	(9,259,810)	(13,044,016)
Cash and cash equivalents, beginning of year	36,491,757	49,535,773
Cash and cash equivalents, end of period	<u>\$ 27,231,947</u>	<u>\$ 36,491,757</u>

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Gainesville Regional Utilities
Statements of Cash Flows - Unaudited (concluded)
For the Years Ended September 30, 2018 and 2017

	September 30, 2018	September 30, 2017
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 73,617,547	\$ 63,838,347
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	94,080,133	105,402,712
Net costs recoverable in future years	(3,449,252)	(15,150,511)
Change in:		
Accounts receivable	(7,554,029)	(3,071,948)
Inventories	(12,997,227)	(342,356)
Other assets and regulatory assets	58,087	(166,934)
Noncurrent assets	1,285,303	101,488
Payables and accrued liabilities	(16,612,929)	9,437,164
Due to other funds of the City	1,324,415	(2,363,527)
Fuel adjustment	2,352,376	(19,560,881)
Payable from restricted assets	(1,629,233)	(26,624,013)
Other liabilities and regulatory liabilities	-	(201,210)
Utility deposits	(1,375,043)	(239,721)
Rate stabilization	(3,839,787)	(11,708,349)
Net cash provided by operating activities	\$ 125,260,361	\$ 99,350,261
Non-cash capital and related financing activities and investing activities:		
Contribution of capital assets	\$ 1,190,242	\$ 7,577,692
Net costs recoverable in future years	\$ 61,574,434	\$ (15,150,511)
Change in capital lease liability	\$ (941,269,071)	\$ (18,409,781)
Change in utility plant in service	\$ (44,262,837)	\$ 758,362
Change in ineffective portion of hedging derivatives	\$ 1,587,824	\$ 2,536,638
Change in accumulated decrease in fair value of hedging derivatives - interest rate swaps	\$ 20,830,970	\$ 23,459,575
Change in accumulated decrease in fair value of hedging derivatives - fuel options and futures	\$ (69,113)	\$ 250,563
Change in fair value of investments	\$ (2,004,408)	\$ (1,179,432)
Change in fair value of derivatives	\$ (22,418,793)	\$ (25,996,214)
Other	\$ (1,205,405)	\$ 273,653

Gainesville Regional Utilities
Combined Utility Systems
Schedules of Combined Net Revenues in Accordance with Bond Resolution - Unaudited
For the Years Ended September 30, 2018 and 2017

	<u>September 30, 2018</u>	<u>September 30, 2017</u>	<u>Change (\$)</u>	<u>Change (%)</u>
Revenues:				
Electric system:				
Sales of electricity	\$ 166,988,085	\$ 126,533,345	\$ 40,454,740	32.0
Fuel adjustment	99,281,397	162,490,201	(63,208,804)	(38.9)
Sales for resale	6,041,922	4,042,864	1,999,058	49.4
Transfer from/(to) rate stabilization	7,206,070	15,548,835	(8,342,765)	(53.7)
Other revenue	5,062,778	6,022,825	(960,047)	(15.9)
Other income (expense)	(1,763,862)	70,159	(1,834,021)	(2,614.1)
Build America Bonds	2,903,975	2,935,564	(31,589)	(1.1)
Total electric system revenues	<u>285,720,365</u>	<u>317,643,793</u>	<u>(31,923,428)</u>	<u>(10.1)</u>
Water system:				
Sales of water	34,665,428	35,307,646	(642,218)	(1.8)
Transfer from/(to) rate stabilization	(437,706)	(2,517,293)	2,079,587	82.6
Other revenue	1,911,099	2,338,143	(427,044)	(18.3)
Other income (expense)	(89,225)	(862,300)	773,075	89.7
Build America Bonds	817,966	824,619	(6,653)	(0.8)
Total water system revenues	<u>36,867,562</u>	<u>35,090,815</u>	<u>1,776,747</u>	<u>5.1</u>
Wastewater system:				
Sales of wastewater	40,785,747	40,105,516	680,231	1.7
Transfer from/(to) rate stabilization	1,097,355	(849,983)	1,947,338	229.1
Other revenue	3,436,618	3,874,344	(437,726)	(11.3)
Other income (expense)	(93,845)	122,122	(215,967)	(176.8)
Build America Bonds	929,061	933,336	(4,275)	(0.5)
Total wastewater system revenues	<u>46,154,936</u>	<u>44,185,335</u>	<u>1,969,601</u>	<u>4.5</u>
Gas system:				
Sales of gas	16,235,282	14,497,751	1,737,531	12.0
Purchased gas adjustment	7,842,044	7,025,104	816,940	11.6
Transfer from/(to) rate stabilization	(3,887,772)	(1,058,123)	(2,829,649)	(267.4)
Other revenue	367,576	918,597	(551,021)	(60.0)
Other income (expense)	113,919	(73,167)	187,086	255.7
Build America Bonds	608,225	614,682	(6,457)	(1.1)
Total gas system revenues	<u>21,279,274</u>	<u>21,924,844</u>	<u>(645,570)</u>	<u>(2.9)</u>
Telecommunications system:				
Sales of services	11,362,989	11,189,423	173,566	1.6
Transfer from/(to) rate stabilization	(138,160)	584,913	(723,073)	(123.6)
Other revenue	14,536	11,562	2,974	25.7
Other income (expense)	(29,030)	(335,831)	306,801	91.4
Total telecommunications system revenues	<u>11,210,335</u>	<u>11,450,067</u>	<u>(239,732)</u>	<u>(2.1)</u>
Total revenues	<u>401,232,472</u>	<u>430,294,854</u>	<u>(29,062,382)</u>	<u>(6.8)</u>

Gainesville Regional Utilities
Combined Utility Systems
Schedules of Combined Net Revenues in Accordance with Bond Resolution - Unaudited
For the Years Ended September 30, 2018 and 2017
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	<u>September 30, 2018</u>	<u>September 30, 2017</u>	<u>Change (\$)</u>	<u>Change (%)</u>
OPERATION, MAINTENANCE AND ADMINISTRATIVE EXPENSES:				
Electric system:				
Fuel expenses	99,281,397	162,490,201	(63,208,804)	(38.9)
Operation and maintenance	65,969,401	48,572,781	17,396,620	35.8
Administrative and general	12,435,985	24,461,966	(12,025,981)	(49.2)
Total Electric System Expenses	<u>177,686,783</u>	<u>235,524,948</u>	<u>(57,838,165)</u>	<u>(24.6)</u>
Water system:				
Operation and maintenance	11,627,273	9,944,066	1,683,207	16.9
Administrative and general	4,615,006	5,519,450	(904,444)	(16.4)
Total Water System Expenses	<u>16,242,279</u>	<u>15,463,516</u>	<u>778,763</u>	<u>5.0</u>
Wastewater system:				
Operation and maintenance	15,650,012	13,078,881	2,571,131	19.7
Administrative and general	4,563,011	5,973,307	(1,410,296)	(23.6)
Total Wastewater System Expenses	<u>20,213,023</u>	<u>19,052,188</u>	<u>1,160,835</u>	<u>6.1</u>
Gas system:				
Fuel expense and purchased gas	7,842,044	7,025,104	816,940	11.6
Operation and maintenance	3,082,310	2,505,904	576,406	23.0
Administrative and general	2,068,498	3,370,550	(1,302,052)	(38.6)
Total Gas System Expenses	<u>12,992,852</u>	<u>12,901,558</u>	<u>91,294</u>	<u>0.7</u>
Telecommunications system:				
Operation and maintenance	5,669,793	5,285,596	384,197	7.3
Administrative and general	832,773	1,823,125	(990,352)	(54.3)
Total Telecommunications System Expenses	<u>6,502,566</u>	<u>7,108,721</u>	<u>(606,155)</u>	<u>(8.5)</u>
TOTAL EXPENSES	<u>233,637,503</u>	<u>290,050,931</u>	<u>(56,413,428)</u>	<u>(21.2)</u>
NET REVENUES IN ACCORDANCE WITH BOND RESOLUTION:				
Total electric system	108,033,582	82,118,845	25,914,737	31.6
Total water system	20,625,283	19,627,299	997,984	5.1
Total wastewater system	25,941,913	25,133,147	808,766	3.2
Total gas system	8,286,422	9,023,286	(736,864)	(8.2)
Total telecommunications system	4,707,769	4,341,346	366,423	8.4
TOTAL NET REVENUES IN ACCORDANCE WITH BOND RESOLUTION	<u>167,594,969</u>	<u>140,243,923</u>	<u>27,351,046</u>	<u>19.5</u>
LESS:				
Debt service	90,095,336	62,571,817	27,523,519	44.0
Debt service - UPIF	(5,000,000)	(5,000,000)	-	-
UPIF contributions	46,120,553	46,858,096	(737,543)	(1.6)
Transfer to City of Gainesville General Fund	36,379,080	35,814,010	565,070	1.6
NET IMPACT TO RATE STABILIZATION - ADDITION (REDUCTION)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>

Gainesville Regional Utilities
Electric Utility System
Schedules of Net Revenues in Accordance with Bond Resolution - Unaudited
For the Years Ended September 30, 2018 and 2017

	<u>September 30, 2018</u>	<u>September 30, 2017</u>	<u>Change (\$)</u>	<u>Change (%)</u>
REVENUES:				
Residential	\$ 64,742,786	\$ 47,236,704	\$ 17,506,082	37.1
Non-residential	79,577,373	61,748,151	17,829,222	28.9
Fuel adjustment	99,281,397	162,490,201	(63,208,804)	(38.9)
Sales for resale	6,041,922	4,042,864	1,999,058	49.4
Utility surcharge	3,641,223	2,979,234	661,989	22.2
Other electric sales	19,026,703	14,569,256	4,457,447	30.6
Total Sales of Electricity	<u>272,311,404</u>	<u>293,066,410</u>	<u>(20,755,006)</u>	<u>(7.1)</u>
Transfer from/(to) rate stabilization	7,206,070	15,548,835	(8,342,765)	(53.7)
Other revenue	5,062,778	6,022,825	(960,047)	(15.9)
Other income (expense)	(1,763,862)	70,159	(1,834,021)	(2,614.1)
Build America Bonds	2,903,975	2,935,564	(31,589)	(1.1)
Total Revenues	<u>285,720,365</u>	<u>317,643,793</u>	<u>(31,923,428)</u>	<u>(10.1)</u>
OPERATION, MAINTENANCE AND ADMINISTRATIVE EXPENSES:				
Fuel expenses	99,281,397	162,490,201	(63,208,804)	(38.9)
Power production	45,575,265	29,340,502	16,234,763	55.3
Transmission and distribution	20,394,136	19,232,279	1,161,857	6.0
Administrative and general	12,435,985	24,461,966	(12,025,981)	(49.2)
Total Operation, Maintenance and Administrative Expenses	<u>177,686,783</u>	<u>235,524,948</u>	<u>(57,838,165)</u>	<u>(24.6)</u>
TOTAL NET REVENUES IN ACCORDANCE WITH BOND RESOLUTION	<u>108,033,582</u>	<u>82,118,845</u>	<u>25,914,737</u>	<u>31.6</u>
LESS:				
Debt service	66,107,727	38,978,216	27,129,511	69.6
Debt service - UPIF	(5,000,000)	(5,000,000)	-	-
UPIF contributions	25,498,577	27,046,177	(1,547,600)	(5.7)
Transfer to City of Gainesville General Fund	21,427,278	21,094,452	332,826	1.6
NET IMPACT TO RATE STABILIZATION - ADDITION (REDUCTION)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>

Gainesville Regional Utilities
Water Utility System
Schedules of Net Revenues in Accordance with Bond Resolution - Unaudited
For the Years Ended September 30, 2018 and 2017

	<u>September 30, 2018</u>	<u>September 30, 2017</u>	<u>Change (\$)</u>	<u>Change (%)</u>
REVENUES:				
Residential	\$ 21,121,920	\$ 21,876,220	\$ (754,300)	(3.4)
Non-residential	11,044,930	10,832,890	212,040	2.0
Utility surcharge	2,498,578	2,598,536	(99,958)	(3.8)
Total Sales of Water	<u>34,665,428</u>	<u>35,307,646</u>	<u>(642,218)</u>	<u>(1.8)</u>
Transfer from/(to) rate stabilization	(437,706)	(2,517,293)	2,079,587	82.6
Other revenue	1,911,099	2,338,143	(427,044)	(18.3)
Other income (expense)	(89,225)	(862,300)	773,075	89.7
Build America Bonds	817,966	824,619	(6,653)	(0.8)
Total Revenues	<u>36,867,562</u>	<u>35,090,815</u>	<u>1,776,747</u>	<u>5.1</u>
OPERATION, MAINTENANCE AND ADMINISTRATIVE EXPENSES:				
Transmission and distribution	4,279,991	3,281,281	998,710	30.4
Treatment	7,347,282	6,662,785	684,497	10.3
Administrative and general	4,615,006	5,519,450	(904,444)	(16.4)
Total Operation, Maintenance and Administrative Expenses	<u>16,242,279</u>	<u>15,463,516</u>	<u>778,763</u>	<u>5.0</u>
TOTAL NET REVENUES IN ACCORDANCE WITH BOND RESOLUTION	<u>20,625,283</u>	<u>19,627,299</u>	<u>997,984</u>	<u>5.1</u>
LESS:				
Debt service	7,318,225	6,836,438	481,787	7.0
UPIF contributions	7,468,215	7,042,712	425,503	6.0
Transfer to City of Gainesville General Fund	5,838,843	5,748,149	90,694	1.6
NET IMPACT TO RATE STABILIZATION - ADDITION (REDUCTION)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>

Gainesville Regional Utilities
Wastewater Utility System
Schedules of Net Revenues in Accordance with Bond Resolution - Unaudited
For the Years Ended September 30, 2018 and 2017

	<u>September 30, 2018</u>	<u>September 30, 2017</u>	<u>Change (\$)</u>	<u>Change (%)</u>
REVENUES:				
Residential	\$ 26,961,181	\$ 27,090,198	\$ (129,017)	(0.5)
Non-residential	10,936,712	10,157,051	779,661	7.7
Utility surcharge	2,887,854	2,858,267	29,587	1.0
Total Sales of Services	<u>40,785,747</u>	<u>40,105,516</u>	<u>680,231</u>	<u>1.7</u>
Transfer from/(to) rate stabilization	1,097,355	(849,983)	1,947,338	229.1
Other revenue	3,436,618	3,874,344	(437,726)	(11.3)
Other income (expense)	(93,845)	122,122	(215,967)	(176.8)
Build America Bonds	929,061	933,336	(4,275)	(0.5)
Total Revenues	<u>46,154,936</u>	<u>44,185,335</u>	<u>1,969,601</u>	<u>4.5</u>
OPERATION, MAINTENANCE AND ADMINISTRATIVE EXPENSES:				
Collection	8,501,302	6,402,349	2,098,953	32.8
Treatment	7,148,710	6,676,532	472,178	7.1
Administrative and general	4,563,011	5,973,307	(1,410,296)	(23.6)
Total Operation, Maintenance and Administrative Expenses	<u>20,213,023</u>	<u>19,052,188</u>	<u>1,160,835</u>	<u>6.1</u>
TOTAL NET REVENUES IN ACCORDANCE WITH BOND RESOLUTION	<u>25,941,913</u>	<u>25,133,147</u>	<u>808,766</u>	<u>3.2</u>
LESS:				
Debt service	8,756,861	8,466,469	290,392	3.4
UPIF contributions	9,836,478	9,432,248	404,230	4.3
Transfer to City of Gainesville General Fund	7,348,574	7,234,430	114,144	1.6
NET IMPACT TO RATE STABILIZATION - ADDITION (REDUCTION)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>

Gainesville Regional Utilities
Gas Utility System
Schedules of Net Revenues in Accordance with Bond Resolution - Unaudited
For the Years Ended September 30, 2018 and 2017

	<u>September 30, 2018</u>	<u>September 30, 2017</u>	<u>Change (\$)</u>	<u>Change (%)</u>
REVENUES:				
Residential	\$ 8,532,414	\$ 7,360,771	\$ 1,171,643	15.9
Non-residential	5,782,413	5,484,284	298,129	5.4
Fuel adjustment	7,842,044	7,025,104	816,940	11.6
Utility surcharge	548,417	474,737	73,680	15.5
Other gas sales	1,372,038	1,177,959	194,079	16.5
Total Sales of Gas	<u>24,077,326</u>	<u>21,522,855</u>	<u>2,554,471</u>	<u>11.9</u>
Transfer from/(to) rate stabilization	(3,887,772)	(1,058,123)	(2,829,649)	(267.4)
Other revenue	367,576	918,597	(551,021)	(60.0)
Other income (expense)	113,919	(73,167)	187,086	255.7
Build America Bonds	608,225	614,682	(6,457)	(1.1)
Total Revenues	<u>21,279,274</u>	<u>21,924,844</u>	<u>(645,570)</u>	<u>(2.9)</u>
OPERATION, MAINTENANCE AND ADMINISTRATIVE EXPENSES:				
Fuel Expense - Purchased Gas	7,842,044	7,025,104	816,940	11.6
Operation and maintenance	3,082,310	2,505,904	576,406	23.0
Administrative and general	2,068,498	3,370,550	(1,302,052)	(38.6)
Total Operation, Maintenance and Administrative Expenses	<u>12,992,852</u>	<u>12,901,558</u>	<u>91,294</u>	<u>0.7</u>
TOTAL NET REVENUES IN ACCORDANCE WITH BOND RESOLUTION	<u>8,286,422</u>	<u>9,023,286</u>	<u>(736,864)</u>	<u>(8.2)</u>
LESS:				
Debt service	4,025,315	4,568,628	(543,313)	(11.9)
UPIF contributions	2,878,702	3,093,726	(215,024)	(7.0)
Transfer to City of Gainesville General Fund	1,382,405	1,360,932	21,473	1.6
NET IMPACT TO RATE STABILIZATION - ADDITION (REDUCTION)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>

Gainesville Regional Utilities
Telecommunications System
Schedules of Net Revenues in Accordance with Bond Resolution - Unaudited
For the Years Ended September 30, 2018 and 2017

	<u>September 30, 2018</u>	<u>September 30, 2017</u>	<u>Change (\$)</u>	<u>Change (%)</u>
REVENUES:				
Telecommunications	\$ 7,734,382	\$ 7,721,940	\$ 12,442	0.2
Trunking radio	1,759,037	1,771,755	(12,718)	(0.7)
Tower leasing	1,820,064	1,695,728	124,336	7.3
Other sales	49,506	-	49,506	-
Total Sales of Services	<u>11,362,989</u>	<u>11,189,423</u>	<u>173,566</u>	<u>1.6</u>
Transfer from/(to) rate stabilization	(138,160)	584,913	(723,073)	(123.6)
Other revenue	14,536	11,562	2,974	25.7
Other income (expense)	(29,030)	(335,831)	306,801	91.4
Total Revenues	<u>11,210,335</u>	<u>11,450,067</u>	<u>(239,732)</u>	<u>(2.1)</u>
OPERATION, MAINTENANCE AND ADMINISTRATIVE EXPENSES:				
Operation and maintenance	5,669,793	5,285,596	384,197	7.3
Administrative and general	832,773	1,823,125	(990,352)	(54.3)
Total Operation, Maintenance and Administrative Expenses	<u>6,502,566</u>	<u>7,108,721</u>	<u>(606,155)</u>	<u>(8.5)</u>
TOTAL NET REVENUES IN ACCORDANCE WITH BOND RESOLUTION	<u>4,707,769</u>	<u>4,341,346</u>	<u>366,423</u>	<u>8.4</u>
LESS:				
Debt service	3,887,208	3,722,066	165,142	4.4
UPIF contributions	438,581	243,233	195,348	80.3
Transfer to City of Gainesville General Fund	381,980	376,047	5,933	1.6
NET IMPACT TO RATE STABILIZATION - ADDITION (REDUCTION)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>

Supplementary Data

Gainesville Regional Utilities
Fuel Adjustment Levelization
For the Period Ended September 30, 2018

	Actual
Fuel Revenues	\$ 102,559,336
Fuel Expenses	99,281,397
To (From) Fuel Adjustment Levelization	\$ 3,277,939
Fuel Adjustment Beginning Balance	\$ (5,588,054)
To (From) Fuel Adjustment Levelization	3,277,939
Fuel Adjustment Ending Balance	\$ (2,310,115)

Gainesville Regional Utilities
Purchased Gas Adjustment (PGA) Levelization
For the Period Ended September 30, 2018

	Actual
Purchased Gas Revenues	\$ 6,916,481
Purchased Gas Expenses	7,842,044
To (From) PGA Levelization	\$ (925,563)
PGA Beginning Balance	\$ 858,737
To (From) PGA Levelization	(925,563)
PGA Ending Balance	\$ (66,826)