

Gainesville Regional Utilities

Interim Financial Statements - Unaudited

For the Period Ended March 31, 2017



**Gainesville Regional Utilities
Financial Statements - Unaudited
For the Period Ended March 31, 2017**

Contents

Overview and Basis of Accounting	2
Management’s Discussion and Analysis	4
Financial Statements	
Statements of Net Position -Unaudited	10
Statements of Revenues, Expenses, and Changes in Net Position-Unaudited	13
Statements of Cash Flows – Unaudited	14
Schedules of Combined Net Revenues in Accordance with Bond Resolution-Unaudited	15
Electric Revenue Fund - Schedules of Net Revenues in Accordance with Bond Resolution-Unaudited	18
Water Revenue Fund - Schedules of Net Revenues in Accordance with Bond Resolution-Unaudited	19
Wastewater Revenue Fund - Schedules of Net Revenues in Accordance with Bond Resolution-Unaudited	20
Gas Revenue Fund - Schedules of Net Revenues in Accordance with Bond Resolution-Unaudited	21
Telecommunications Revenue Fund – Schedule of Net Revenues in Accordance with Bond Resolution-Unaudited	22
Supplementary Information	
Fuel Adjustment Levelization	24
Purchased Gas Adjustment (PGA) Levelization	25

Overview and Basis of Accounting

Gainesville Regional Utilities Financial Statements - Unaudited For the Period Ended March 31, 2017

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, 2017.

Basis of Accounting

GRU is required to follow the provisions in the Amended and Restated Utilities System Revenue Bond Resolution (Resolution) adopted by the City on January 30, 2003. GRU's electric and gas accounts are maintained substantially in accordance with the Uniform System of Accounts of the Federal Energy Regulatory Commission (FERC), as required by the Resolution, and in conformity with accounting principles generally accepted in the United States of America using the accrual basis of accounting, including the application of regulatory accounting as described in Governmental Accounting Standards Board (GASB) Statement No. 62 - *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

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

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

Management's Discussion and Analysis

Gainesville Regional Utilities
Financial Statements - Unaudited
For the Period Ended March 31, 2017

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, 2017. It should be read in conjunction with the unaudited financial statements that follow this section.

Financial Highlights – Overall

- Operating cash and investments increased \$3.7 million or 7.9% due to normal operations and contributions to and from rate stabilization cash and investments.
- Fuel inventories decreased \$11.1 million or 57.7% due to management's decision to reduce coal inventory in favor of the use of less expensive natural gas and purchased power for electric generation. As coal is consumed, inventory is not being replenished.
- Construction fund cash and investments decreased \$21.5 million or 59.4% due to expected construction of capital assets. Commercial paper of \$5 million was issued in February 2017 for capital construction projects in the water and wastewater systems. Management is currently evaluating current and future capital needs which will be funded by commercial paper in late fiscal year 2017 and followed by a debt issuance in early fiscal year 2018.
- Net costs recoverable in future years increased \$15.6 million or 40.4% due to capital lease transactional activity.
- Construction work in progress (CWIP) decreased \$77.5 million and Utility Plant in Service increased \$158.3 million due to a Utility wide effort to capitalize assets placed into service. This effort was driven by the reimplementation of the SAP software project and changes in business processes.
- Accumulated decrease in fair value of hedging derivatives decreased \$16.6 million or 21.1% due primarily to a decrease in the unrealized loss on interest rate swaps.
- Fuel adjustment levelization balance decreased \$12 million or 83.8% due to a combination of the following factors: a decrease in the fuel adjustment rate in May 2016; a reduction in the usage of the more expensive Gainesville Renewable Energy Center (GREC) biomass power; and an increase in lower cost natural gas and other lower cost purchased power usage.

Currently, GRU is in arbitration with GREC regarding various matters related to the Power Purchase Agreement (PPA) with GREC. As of March 31, 2017, the amount in dispute totaled \$7.8 million. If GRU is not successful in its arbitration claim, the Utility will be required to expense this amount, thereby reducing the fuel adjustment levelization balance by \$7.8 million. The effect at March 31, 2017, would have resulted in a fuel adjustment levelization balance of negative \$5.3 million.

- Current portion of utilities system revenue bonds increased \$90.6 million due to the reclassification of \$90 million of 2008 Series B revenue bonds whose liquidity facility

Gainesville Regional Utilities
Financial Statements - Unaudited
For the Period Ended March 31, 2017

expires this year, in addition to normally scheduled principal payments. Management intends to renew or replace the liquidity facility.

- Current portion of commercial paper notes increased \$8.3 million due to the reclassification of \$8 million of Series D notes whose liquidity facility expires this year, in addition to normally scheduled principal payments. Management intends to renew or replace the liquidity facility.
- The pension liability decreased \$4.7 million and related deferred inflow of resources for pension costs increased 5.7 million due to updated actuarial calculations at September 30, 2016. The actuarial calculations and resulting balances are completed at the City of Gainesville level with the appropriate percentage applied to the Utility's financial statements.
- Certain 2016 amounts have been reclassified to conform to the 2017 presentation.

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

Combined Systems

- Total revenues decreased \$1.1 million or 0.5% due primarily to a decrease in wastewater, gas and telecommunication revenues.
- Total expenses increased \$1.5 million or 1.1% due primarily to an increase in operation and maintenance and administrative and general expenses in the electric, water, and wastewater systems.
- The combined systems withdrew \$4.6 million from rate stabilization for the period ended March 31, 2017, including budgeted transfers to and from rate stabilization.

Electric System

- Total revenues increased slightly by \$276,390 or 0.2% over the same period last year. Overall sales of electricity were down \$1.2 million due primarily to a reduction in residential and non-residential sales.
- Fuel adjustment revenue decreased \$170,383 or 0.2% over the prior period due primarily to lower fuel expenses and a reduction in the fuel adjustment rate. The fuel adjustment rate was lowered from 73 mills to 70 mills in May 2016.

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. Management is currently evaluating an increase to the fuel adjustment rate due to various factors including increased fuel costs.

Gainesville Regional Utilities
Financial Statements - Unaudited
For the Period Ended March 31, 2017

- Other revenues decreased \$10.3 million and the transfer from/to rate stabilization increased \$11.5 million from the prior period due primarily to the release of GRU's ownership interest in the CR3 nuclear power plant to Duke Energy in the prior year.
- Fuel and purchased power expenses decreased \$170,383 or 0.2% over the prior period due primarily to a reduction in the use of the higher cost GREC biomass power offset by an increase in lower cost natural gas usage and other lower cost purchased power usage.

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 \$559,413 due primarily to GREC arbitration costs related to interpretations of the PPA.
- The electric system withdrew \$6.7 million from rate stabilization for the period ended March 31, 2017, in addition to budgeted transfers from rate stabilization.

Water System

- Total revenues increased \$804,294 or 4.7% due to an overall rate increase of 3% offset by a decrease in other revenues.
- Other revenues decreased \$904,351 due to a reduction in connection and other charges. Fiscal year 2016 had significant commercial construction activities which increased connection charge fees.
- The water system contributed \$1.1 million to rate stabilization for the period ended March 31, 2017, in addition to budgeted transfers to rate stabilization.

Wastewater System

- Total revenues decreased \$1.5 million or 6.2% due to a decrease in other revenue.
- Other revenues decreased \$2.8 million due to a reduction in connection and other charges. Fiscal year 2016 had significant commercial construction activities which drove an increase in connection charges.
- The wastewater system contributed \$763,928 to rate stabilization for the period ended March 31, 2017, in addition to budgeted transfers from rate stabilization.

Gas System

- Total revenues decreased \$219,841 or 1.6% due to an overall increase in gas rates of 9% offset by increased transfers to rate stabilization.

Gainesville Regional Utilities
Financial Statements - Unaudited
For the Period Ended March 31, 2017

- Purchased gas revenues and the related fuel expense increased \$531,324 due to an increase in the usage of natural gas. Fuel expenses are matched to fuel adjustment levelization balance and amounts under collected drawn down from the fuel adjustment levelization balance.
- Administrative and general expenses decreased \$764,773 due to a reduction in various categories. The largest decrease was due a higher amount of operations and maintenance expense due to lower capital projects than expected in the prior year.
- The gas system contributed \$798,354 to rate stabilization for the period ended March 31, 2017, in addition to budgeted transfers to rate stabilization.

Telecommunications System

- Total revenues decreased \$482,792 or 8.3% due primarily to timing of recognition of tower lease revenue.
- The telecommunications system withdrew \$565,647 from rate stabilization for the period ended March 31, 2017.

This page is intentionally left blank

Financial Statements

Gainesville Regional Utilities
Statements of Net Position - Unaudited
March 31, 2017 and 2016

	<u>March 31, 2017</u>	March 31, 2016	<u>Change (\$)</u>	<u>Change (%)</u>
Assets				
Current assets:				
Cash and investments	\$ 50,380,578	\$ 46,688,248	\$ 3,692,330	7.9%
Accounts receivable, net of allowance for uncollectible accounts of \$1,168,208 and \$1,216,229, respectively	39,160,049	39,662,961	(502,912)	(1.3%)
Inventories:				
Fuel	8,124,335	19,221,922	(11,097,587)	(57.7%)
Materials and supplies	7,140,590	7,191,701	(51,111)	(0.7%)
Other assets and regulatory assets	1,431,598	3,531,448	(2,099,850)	(59.5%)
Total current assets	<u>106,237,150</u>	<u>116,296,280</u>	<u>(10,059,130)</u>	<u>(8.6%)</u>
Restricted and internally designated assets:				
Utility deposits – cash and investments	10,204,118	9,776,527	427,591	4.4%
Debt service – cash and investments	30,232,834	29,877,483	355,351	1.2%
Rate stabilization – cash and investments	70,003,062	79,199,397	(9,196,335)	(11.6%)
Construction fund – cash and investments	14,675,567	36,128,493	(21,452,926)	(59.4%)
Utility plant improvement fund – cash and investments	50,729,575	59,068,853	(8,339,278)	(14.1%)
Total restricted and internally designated assets	<u>175,845,156</u>	<u>214,050,753</u>	<u>(38,205,597)</u>	<u>(17.8%)</u>
Noncurrent assets:				
Net costs recoverable in future years - regulatory asset	54,102,530	38,543,205	15,559,325	40.4%
Unamortized debt issuance costs - regulatory asset	5,648,701	5,994,162	(345,461)	(5.8%)
Investment in The Energy Authority	2,055,946	2,143,103	(87,157)	(4.1%)
Pollution remediation - regulatory asset	12,220,928	13,182,769	(961,841)	(7.3%)
Other noncurrent assets and regulatory assets	4,821,053	6,568,739	(1,747,686)	(26.6%)
Pension costs - regulatory asset	56,115,877	53,887,756	2,228,121	4.1%
Total noncurrent assets	<u>134,965,035</u>	<u>120,319,734</u>	<u>14,645,301</u>	<u>12.2%</u>
Capital assets:				
Utility plant in service	1,950,677,142	1,792,363,205	158,313,937	8.8%
Capital lease	1,006,808,754	1,006,808,754	-	0.0%
Less: accumulated depreciation and amortization	<u>(883,573,584)</u>	<u>(796,682,403)</u>	<u>(86,891,181)</u>	<u>10.9%</u>
Construction in progress	2,073,912,312	2,002,489,556	71,422,756	3.6%
	63,539,334	140,999,102	(77,459,768)	(54.9%)
Net capital assets	<u>2,137,451,646</u>	<u>2,143,488,658</u>	<u>(6,037,012)</u>	<u>(0.3%)</u>
Total assets	<u>2,554,498,987</u>	<u>2,594,155,425</u>	<u>(39,656,438)</u>	<u>(1.5%)</u>
Deferred outflows of resources:				
Unamortized loss on refundings of bonds	23,069,302	26,463,345	(3,394,043)	(12.8%)
Accumulated decrease in fair value of hedging derivatives	56,794,879	73,384,708	(16,589,829)	(22.6%)
Pension costs	20,954,810	22,174,505	(1,219,695)	(5.5%)
Total deferred outflows of resources	<u>100,818,991</u>	<u>122,022,558</u>	<u>(21,203,567)</u>	<u>(17.4%)</u>
Total assets and deferred outflows of resources	<u>\$ 2,655,317,978</u>	<u>\$ 2,716,177,983</u>	<u>\$ (60,860,005)</u>	<u>(2.2%)</u>

Continued on next page.

Gainesville Regional Utilities
Statements of Net Position - Unaudited (concluded)
March 31, 2017 and 2016

	<u>March 31, 2017</u>	<u>March 31, 2016</u>	<u>Change (\$)</u>	<u>Change (%)</u>
Liabilities				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 12,072,198	\$ 12,045,805	\$ 26,393	0.2%
Fuels payable	12,914,837	9,518,417	3,396,420	35.7%
Due to other funds of the City	4,008,595	3,671,098	337,497	9.2%
Capital lease – current portion	9,308,242	8,899,428	408,814	4.6%
Fuel adjustment	2,321,558	14,297,013	(11,975,455)	(83.8%)
Other liabilities and regulatory liabilities	1,334,377	2,609,898	(1,275,521)	(48.9%)
Total current liabilities	<u>41,959,807</u>	<u>51,041,659</u>	<u>(9,081,852)</u>	<u>(17.8%)</u>
Payable from restricted assets:				
Utility deposits	10,206,593	9,779,277	427,316	4.4%
Construction fund:				
Accounts payable and accrued liabilities	4,356,007	74,030	4,281,977	5784.1%
Utilities system revenue bonds – current portion	108,120,000	17,535,000	90,585,000	516.6%
Commercial paper notes – current portion	13,900,000	5,600,000	8,300,000	148.2%
Accrued interest payable	17,981,254	18,354,982	(373,728)	(2.0%)
Total payable from restricted assets	<u>154,563,854</u>	<u>51,343,289</u>	<u>103,220,565</u>	<u>201.0%</u>
Long-term debt:				
Utilities system revenue bonds	763,420,000	871,540,000	(108,120,000)	(12.4%)
Commercial paper notes	45,000,000	53,900,000	(8,900,000)	(16.5%)
Capital lease	941,269,071	959,678,852	(18,409,781)	(1.9%)
Unamortized bond premium/discount	17,446,297	18,534,119	(1,087,822)	(5.9%)
Fair value of derivative instruments	60,756,967	77,042,767	(16,285,800)	(21.1%)
Total long-term debt	<u>1,827,892,335</u>	<u>1,980,695,738</u>	<u>(152,803,403)</u>	<u>(7.7%)</u>
Noncurrent liabilities				
Reserve for insurance claims	3,337,000	3,337,000	–	0.0%
Reserve for environmental liability	266,000	266,000	–	0.0%
Pension liability	71,325,377	76,062,261	(4,736,884)	(6.2%)
Total noncurrent liabilities	<u>74,928,377</u>	<u>79,665,261</u>	<u>(4,736,884)</u>	<u>(5.9%)</u>
Total liabilities	<u>2,099,344,373</u>	<u>2,162,745,947</u>	<u>(63,401,574)</u>	<u>(2.9%)</u>
Deferred inflows of resources:				
Rate stabilization	70,061,776	79,304,123	(9,242,347)	(11.7%)
Pension costs	5,745,310	–	5,745,310	0.0%
Total deferred inflows of resources	<u>75,807,086</u>	<u>79,304,123</u>	<u>(3,497,037)</u>	<u>(4.4%)</u>
Net position				
Net investment in capital assets	284,597,826	282,686,684	1,911,142	0.7%
Restricted	62,919,966	71,299,030	(8,379,064)	(11.8%)
Unrestricted	132,648,727	120,142,199	12,506,528	10.4%
Total net position	<u>480,166,519</u>	<u>474,127,913</u>	<u>6,038,606</u>	<u>1.3%</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 2,655,317,978</u>	<u>\$ 2,716,177,983</u>	<u>\$ (60,860,005)</u>	<u>(2.2%)</u>

This page is intentionally left blank

Gainesville Regional Utilities
Statements of Revenues, Expenses, and Changes in Net Position-Unaudited
For the Periods Ended March 31, 2017 and 2016

	<u>March 31, 2017</u>	<u>March 31, 2016</u>
Operating revenue:		
Sales and service charges	\$ 184,414,352	\$ 178,988,113
Transfers (to) from rate stabilization	4,015,612	(7,589,582)
Amounts to be recovered from future revenue	16,780,146	16,780,146
Other operating revenue	<u>10,984,877</u>	<u>16,627,058</u>
Total operating revenues	<u>216,194,987</u>	<u>204,805,735</u>
Operating expenses:		
Operation and maintenance	111,586,751	110,118,733
Administrative and general	26,006,404	26,047,025
Depreciation and amortization	<u>49,866,672</u>	<u>48,167,850</u>
Total operating expenses	<u>187,459,827</u>	<u>184,333,608</u>
Operating income	<u>28,735,160</u>	<u>20,472,127</u>
Non-operating income (expense):		
Investment income (expense)	27,146	(273,488)
Interest expense, net of AFUDC	(18,321,843)	(18,635,630)
Other interest related income, BABs	2,654,101	2,686,265
Other income	<u>607,942</u>	<u>12,391,574</u>
Total non-operating income (expense)	<u>(15,032,654)</u>	<u>(3,831,279)</u>
Income before capital contributions and transfers	<u>13,702,506</u>	<u>16,640,848</u>
Capital contributions:		
Contributions from third parties	7,465,464	120,902
Reduction of plant costs recovered through contributions	<u>(58,390)</u>	<u>(11,423)</u>
Net capital contributions	<u>7,407,074</u>	<u>109,479</u>
Transfer to City of Gainesville General Fund	<u>(17,907,005)</u>	<u>(17,728,030)</u>
Change in net position	<u>3,202,575</u>	<u>(977,703)</u>
Net position – beginning of year	<u>476,963,944</u>	<u>475,105,616</u>
Net position – end of period	<u>\$ 480,166,519</u>	<u>\$ 474,127,913</u>

Gainesville Regional Utilities
Statements of Cash Flows - Unaudited
For the Periods Ended March 31, 2017 and 2016

	<u>March 31, 2017</u>	<u>March 31, 2016</u>
Operating activities:		
Cash received from customers	\$ 195,245,271	\$ 185,119,677
Cash payments to suppliers for goods and services	(123,267,044)	(114,239,892)
Cash payments to employees for services	(26,836,522)	(27,966,238)
Cash payments for operating transactions with other funds	(4,326,979)	(3,886,843)
Other operating receipts	15,000,489	9,037,476
Net cash provided by operating activities	<u>55,815,215</u>	<u>48,064,180</u>
Noncapital financing activities:		
Transfer to City of Gainesville General Fund	(17,907,005)	(17,728,030)
Net cash used by noncapital financing activities	<u>(17,907,005)</u>	<u>(17,728,030)</u>
Capital and related financing activities:		
Principal repayments and refunding on long-term debt, net	(23,135,000)	(22,205,000)
Interest paid on long-term debt	(18,857,354)	(19,086,993)
Proceeds from interest rebates, BABs	2,654,101	2,686,265
Acquisition and construction of fixed assets (including allowance for funds used during construction)	(48,364,828)	(24,499,406)
Proceeds from new debt and commercial paper	5,000,000	-
Other income	607,942	2,479,135
Net cash used by capital and related financing activities	<u>(82,095,139)</u>	<u>(60,625,999)</u>
Investing activities:		
Interest paid (received)	27,146	(180,024)
Purchase of investments	(141,164,000)	(174,197,000)
Investments in The Energy Authority	(7,957,076)	(2,877,389)
Distributions from The Energy Authority	8,003,811	3,296,164
Proceeds from investments	178,246,464	168,307,000
Proceeds from CR3 settlement	-	9,280,429
Net cash provided by investing activities	<u>37,156,345</u>	<u>3,629,180</u>
Net change in cash and cash equivalents	(7,030,584)	(26,660,669)
Cash and cash equivalents, beginning of year	49,535,773	81,595,541
Cash and cash equivalents, end of period	<u>\$ 42,505,189</u>	<u>\$ 54,934,872</u>

Continued on next page.

Gainesville Regional Utilities
Statements of Cash Flows - Unaudited (concluded)
For the Periods Ended March 31, 2017 and 2016

	<u>March 31, 2017</u>	<u>March 31, 2016</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 28,735,160	\$ 20,472,127
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	49,866,672	48,167,850
Net costs to be recovered in future rates	(7,678,607)	(8,078,341)
Change in:		
Accounts receivable	10,191,322	5,084,829
Inventories	(156,153)	(3,593,440)
Other assets and regulatory assets	391,395	(1,279,409)
Restricted and internally designated assets	(6,462,425)	(12,828,299)
Noncurrent assets	2,835,513	738,905
Accounts payable and accrued liabilities	(8,338,755)	(3,896,720)
Due to other funds of the City	2,518,651	(448,968)
Fuel adjustment	(12,510,006)	(4,502,711)
Other liabilities and regulatory liabilities	(201,537)	(407,960)
Utility deposits	639,597	1,046,735
Rate stabilization	(4,015,612)	7,589,582
Net cash provided by operating activities	<u>\$ 55,815,215</u>	<u>\$ 48,064,180</u>
Non-cash capital and related financing activities and investing activities:		
Contribution of capital assets	<u>\$ 7,407,074</u>	<u>\$ 109,479</u>
Change in capital lease liability	<u>\$ (9,101,539)</u>	<u>\$ (8,701,805)</u>
Acquisition of utility plant in service with construction fund payable	<u>\$ (4,857,418)</u>	<u>\$ (4,939,057)</u>
Change in utility plant in service	<u>\$ 84,022,930</u>	<u>\$ 8,693,005</u>
Change in accumulated decrease in fair value of hedging derivatives - interest rate swaps	<u>\$ 24,194,251</u>	<u>\$ -</u>
Change in accumulated decrease in fair value of hedging derivatives - fuel options and futures	<u>\$ 373,369</u>	<u>\$ 265,305</u>
Change in fair value of investments	<u>\$ (350,653)</u>	<u>\$ (134,685)</u>
Change in fair value of derivatives	<u>\$ (26,423,327)</u>	<u>\$ -</u>
Other	<u>\$ (13,280)</u>	<u>\$ (49,948)</u>

Gainesville Regional Utilities
Combined Utility Systems
Schedules of Combined Net Revenues in Accordance with Bond Resolution - Unaudited
For the Periods Ended March 31, 2017 and 2016

	<u>March 31, 2017</u>	<u>March 31, 2016</u>	<u>Change (\$)</u>	<u>Change (%)</u>
REVENUES:				
Sales of electricity	\$ 57,627,271	\$ 58,506,125	\$ (878,854)	(1.5)
Sales for resale	1,791,563	1,928,425	(136,862)	(7.1)
Fuel adjustment	74,833,664	75,004,047	(170,383)	(0.2)
Other revenues	2,726,145	13,005,981	(10,279,836)	(79.0)
Transfer from/(to) rate stabilization	4,906,729	(6,570,416)	11,477,145	174.7
Interest income	539,988	255,022	284,966	111.7
Build America Bonds interest income	1,467,782	1,487,568	(19,786)	(1.3)
Total Electric System Revenues	<u>143,893,142</u>	<u>143,616,752</u>	<u>276,390</u>	<u>0.2</u>
Sales of water	17,073,989	15,501,064	1,572,925	10.1
Other revenues	916,030	1,820,381	(904,351)	(49.7)
Transfer from/(to) rate stabilization	(490,679)	(591,012)	100,333	17.0
Interest income	58,271	18,311	39,960	218.2
Build America Bonds interest income	412,310	416,883	(4,573)	(1.1)
Total Water System Revenues	<u>17,969,921</u>	<u>17,165,627</u>	<u>804,294</u>	<u>4.7</u>
Sales of wastewater services	20,246,247	19,439,926	806,321	4.1
Other revenues	831,408	3,627,457	(2,796,049)	(77.1)
Transfer from/(to) rate stabilization	149,520	(344,218)	493,738	143.4
Interest income	73,267	23,323	49,944	214.1
Build America Bonds interest income	466,668	470,399	(3,731)	(0.8)
Total Wastewater System Revenues	<u>21,767,110</u>	<u>23,216,887</u>	<u>(1,449,777)</u>	<u>(6.2)</u>
Sales of gas	8,061,068	7,875,955	185,113	2.4
Purchased gas adjustment	5,013,901	4,482,577	531,324	11.9
Other revenues	546,785	561,303	(14,518)	(2.6)
Transfer from/(to) rate stabilization	(549,959)	392,160	(942,119)	(240.2)
Interest income	62,655	38,222	24,433	63.9
Build America Bonds interest income	307,341	311,415	(4,074)	(1.3)
Total Gas System Revenues	<u>13,441,791</u>	<u>13,661,632</u>	<u>(219,841)</u>	<u>(1.6)</u>
Sales of services	5,285,411	6,246,693	(961,282)	(15.4)
Other revenues	332	266	66	24.8
Transfer from/(to) rate stabilization	-	(476,097)	476,097	100.0
Interest income	16,391	14,064	2,327	16.5
Total Telecommunications System Revenues	<u>5,302,134</u>	<u>5,784,926</u>	<u>(482,792)</u>	<u>(8.3)</u>
TOTAL REVENUES	<u>202,374,098</u>	<u>203,445,824</u>	<u>(1,071,726)</u>	<u>(0.5)</u>

Gainesville Regional Utilities
Combined Utility Systems
Schedules of Combined Net Revenues in Accordance with Bond Resolution - Unaudited
For the Periods Ended March 31, 2017 and 2016

Page 2

	<u>March 31, 2017</u>	<u>March 31, 2016</u>	<u>Change (\$)</u>	<u>Change (%)</u>
OPERATION, MAINTENANCE AND ADMINISTRATIVE EXPENSES:				
Electric system:				
Fuel expense:				
Fuel and purchased power	74,833,664	75,004,047	(170,383)	(0.2)
Interchange	122,587	109,831	12,756	11.6
Total Fuel Expenses	<u>74,956,251</u>	<u>75,113,878</u>	<u>(157,627)</u>	<u>(0.2)</u>
Operation and maintenance	19,739,686	19,628,068	111,618	0.6
Administrative and general	14,868,076	14,308,663	559,413	3.9
Total Electric System Expenses	<u>109,564,013</u>	<u>109,050,609</u>	<u>513,404</u>	<u>0.5</u>
Water system:				
Operation and maintenance	3,741,245	3,474,214	267,031	7.7
Administrative and general	3,354,134	3,259,643	94,491	2.9
Total Water System Expenses	<u>7,095,379</u>	<u>6,733,857</u>	<u>361,522</u>	<u>5.4</u>
Wastewater system:				
Operation and maintenance	4,871,164	4,467,248	403,916	9.0
Administrative and general	3,583,200	3,260,928	322,272	9.9
Total Wastewater System Expenses	<u>8,454,364</u>	<u>7,728,176</u>	<u>726,188</u>	<u>9.4</u>
Gas system:				
Fuel expense and purchased gas	5,013,901	4,482,577	531,324	11.9
Operation and maintenance	975,505	869,959	105,546	12.1
Administrative and general	2,148,393	2,941,035	(792,642)	(27.0)
Total Gas System Expenses	<u>8,137,799</u>	<u>8,293,571</u>	<u>(155,772)</u>	<u>(1.9)</u>
Telecommunications system:				
Operation and maintenance	2,289,002	2,081,140	207,862	10.0
Administrative and general	1,425,926	1,589,815	(163,889)	(10.3)
Total Telecommunications System Expenses	<u>3,714,928</u>	<u>3,670,955</u>	<u>43,973</u>	<u>1.2</u>
TOTAL EXPENSES	<u>136,966,483</u>	<u>135,477,168</u>	<u>1,489,315</u>	<u>1.1</u>
NET REVENUES IN ACCORDANCE WITH BOND RESOLUTION:				
Total electric system	34,329,129	34,566,143	(237,014)	(0.7)
Total water system	10,874,542	10,431,770	442,772	4.2
Total wastewater system	13,312,746	15,488,711	(2,175,965)	(14.0)
Total gas system	5,303,992	5,368,061	(64,069)	(1.2)
Total telecommunications system	1,587,206	2,113,971	(526,765)	(24.9)
TOTAL NET REVENUES IN ACCORDANCE WITH BOND RESOLUTION	<u>65,407,615</u>	<u>67,968,656</u>	<u>(2,561,041)</u>	<u>(3.8)</u>
LESS:				
Debt service	31,153,971	30,729,978	423,993	1.4
Debt service - UPIF	(2,500,000)	-	(2,500,000)	-
UPIF contributions	23,429,048	21,889,069	1,539,979	7.0
Transfer to City of Gainesville General Fund	17,907,005	17,728,030	178,975	1.0
NET IMPACT TO RATE STABILIZATION - ADDITION (REDUCTION)	<u>\$ (4,582,409)</u>	<u>\$ (2,378,421)</u>	<u>\$ (2,203,988)</u>	<u>(92.7)</u>

Gainesville Regional Utilities
Electric Utility System
Schedules of Net Revenues in Accordance with Bond Resolution - Unaudited
For the Periods Ended March 31, 2017 and 2016

	<u>March 31, 2017</u>	<u>March 31, 2016</u>	<u>Change (\$)</u>	<u>Change (%)</u>
REVENUES:				
Residential	\$ 20,428,684	\$ 21,074,651	\$ (645,967)	(3.1)
Non-residential	27,822,912	28,104,766	(281,854)	(1.0)
Fuel adjustment	74,833,664	75,004,047	(170,383)	(0.2)
Sales for resale	1,791,563	1,928,425	(136,862)	(7.1)
Utility surcharge	1,302,797	1,347,422	(44,625)	(3.3)
Other electric sales	8,072,878	7,979,286	93,592	1.2
Total Sales of Electricity	<u>134,252,498</u>	<u>135,438,597</u>	<u>(1,186,099)</u>	<u>(0.9)</u>
Other revenues	2,726,145	13,005,981	(10,279,836)	(79.0)
Transfer from/(to) rate stabilization	4,906,729	(6,570,416)	11,477,145	174.7
Interest income	539,988	255,022	284,966	111.7
Build America Bonds interest income	1,467,782	1,487,568	(19,786)	(1.3)
Total Revenues	<u>143,893,142</u>	<u>143,616,752</u>	<u>276,390</u>	<u>0.2</u>
OPERATION, MAINTENANCE AND ADMINISTRATIVE EXPENSES:				
Fuel expenses:				
Fuel and purchased power	74,833,664	75,004,047	(170,383)	(0.2)
Interchange	122,587	109,831	12,756	11.6
Total Fuel Expenses	<u>74,956,251</u>	<u>75,113,878</u>	<u>(157,627)</u>	<u>(0.2)</u>
Steam power generation	11,962,617	13,082,792	(1,120,175)	(8.6)
Other power generation	286,608	189,336	97,272	51.4
System control and load dispatching	543,366	566,391	(23,025)	(4.1)
Total Power Production Expenses	<u>12,792,591</u>	<u>13,838,519</u>	<u>(1,045,928)</u>	<u>(7.6)</u>
Transmission and distribution expenses:				
Transmission	1,009,653	743,292	266,361	35.8
Distribution	5,937,442	5,046,257	891,185	17.7
Total Transmission and Distribution Expenses	<u>6,947,095</u>	<u>5,789,549</u>	<u>1,157,546</u>	<u>20.0</u>
Administrative and general expenses:				
Customer accounts and sales	1,900,162	2,040,659	(140,497)	(6.9)
Administrative and general	12,967,914	12,268,004	699,910	5.7
Total Administrative and General Expenses	<u>14,868,076</u>	<u>14,308,663</u>	<u>559,413</u>	<u>3.9</u>
Total Operation, Maintenance and Administrative Expenses	<u>109,564,013</u>	<u>109,050,609</u>	<u>513,404</u>	<u>0.5</u>
TOTAL NET REVENUES IN ACCORDANCE WITH BOND RESOLUTION	<u>34,329,129</u>	<u>34,566,143</u>	<u>(237,014)</u>	<u>(0.7)</u>
LESS:				
Debt service	19,409,499	19,081,984	327,515	1.7
Debt service - UPIF	(2,500,000)	-	(2,500,000)	-
UPIF contributions	13,523,088	12,367,360	1,155,728	9.3
Transfer to City of Gainesville General Fund	10,547,226	9,839,056	708,170	7.2
NET IMPACT TO RATE STABILIZATION - ADDITION (REDUCTION)	<u>\$ (6,650,684)</u>	<u>\$ (6,722,257)</u>	<u>\$ 71,573</u>	<u>1.1</u>

Gainesville Regional Utilities
Water Utility System
Schedules of Net Revenues in Accordance with Bond Resolution - Unaudited
For the Periods Ended March 31, 2017 and 2016

	<u>March 31, 2017</u>	<u>March 31, 2016</u>	<u>Change (\$)</u>	<u>Change (%)</u>
REVENUES:				
Residential	\$ 10,580,997	\$ 9,594,526	\$ 986,471	10.3
Non-residential	4,274,289	3,999,430	274,859	6.9
University of Florida	960,810	772,110	188,700	24.4
Utility surcharge	1,257,893	1,134,998	122,895	10.8
Total Sales of Water	<u>17,073,989</u>	<u>15,501,064</u>	<u>1,572,925</u>	<u>10.1</u>
Other revenues	916,030	1,820,381	(904,351)	(49.7)
Transfer from/(to) rate stabilization	(490,679)	(591,012)	100,333	17.0
Interest income	58,271	18,311	39,960	218.2
Build America Bonds interest income	412,310	416,883	(4,573)	(1.1)
Total Revenues	<u>17,969,921</u>	<u>17,165,627</u>	<u>804,294</u>	<u>4.7</u>
OPERATION, MAINTENANCE AND ADMINISTRATIVE EXPENSES:				
Pumping and water treatment	2,562,921	2,457,249	105,672	4.3
Transmission and distribution	1,178,324	1,016,965	161,359	15.9
Customer accounts and sales	658,341	661,734	(3,393)	(0.5)
Administrative and general	2,695,793	2,597,909	97,884	3.8
Total Operation, Maintenance and Administrative Expenses	<u>7,095,379</u>	<u>6,733,857</u>	<u>361,522</u>	<u>5.4</u>
TOTAL NET REVENUES IN ACCORDANCE WITH BOND RESOLUTION	<u>10,874,542</u>	<u>10,431,770</u>	<u>442,772</u>	<u>4.2</u>
LESS:				
Debt service	3,407,472	3,256,433	151,039	4.6
UPIF contributions	3,521,356	3,379,083	142,273	4.2
Transfer to City of Gainesville General Fund	2,874,074	2,876,373	(2,299)	(0.1)
NET IMPACT TO RATE STABILIZATION - ADDITION (REDUCTION)	<u>\$ 1,071,640</u>	<u>\$ 919,881</u>	<u>\$ 151,759</u>	<u>16.5</u>

Gainesville Regional Utilities
Wastewater Utility System
Schedules of Net Revenues in Accordance with Bond Resolution - Unaudited
For the Periods Ended March 31, 2017 and 2016

	<u>March 31, 2017</u>	<u>March 31, 2016</u>	<u>Change (\$)</u>	<u>Change (%)</u>
REVENUES:				
Residential	\$ 13,987,070	\$ 13,246,565	\$ 740,505	5.6
Non-residential	4,794,266	4,778,196	16,070	0.3
Utility surcharge	1,464,911	1,415,165	49,746	3.5
Total Sales of Services	<u>20,246,247</u>	<u>19,439,926</u>	<u>806,321</u>	<u>4.1</u>
Other revenues	831,408	3,627,457	(2,796,049)	(77.1)
Transfer from/(to) rate stabilization	149,520	(344,218)	493,738	143.4
Interest income	73,267	23,323	49,944	214.1
Build America Bonds interest income	466,668	470,399	(3,731)	(0.8)
Total Revenues	<u>21,767,110</u>	<u>23,216,887</u>	<u>(1,449,777)</u>	<u>(6.2)</u>
OPERATION, MAINTENANCE AND ADMINISTRATIVE EXPENSES:				
Collection	1,872,460	1,636,054	236,406	14.4
Treatment	2,998,704	2,831,194	167,510	5.9
Customer accounts and sales	587,442	581,694	5,748	1.0
Administrative and general	2,995,758	2,679,234	316,524	11.8
Total Operation, Maintenance and Administrative Expenses	<u>8,454,364</u>	<u>7,728,176</u>	<u>726,188</u>	<u>9.4</u>
TOTAL NET REVENUES IN ACCORDANCE WITH BOND RESOLUTION	<u>13,312,746</u>	<u>15,488,711</u>	<u>(2,175,965)</u>	<u>(14.0)</u>
LESS:				
Debt service	4,215,479	4,023,279	192,200	4.8
UPIF contributions	4,716,124	4,668,530	47,594	1.0
Transfer to City of Gainesville General Fund	3,617,215	3,798,231	(181,016)	(4.8)
NET IMPACT TO RATE STABILIZATION - ADDITION (REDUCTION)	<u>\$ 763,928</u>	<u>\$ 2,998,671</u>	<u>\$ (2,234,743)</u>	<u>(74.5)</u>

Gainesville Regional Utilities
Gas Utility System
Schedules of Net Revenues in Accordance with Bond Resolution - Unaudited
For the Periods Ended March 31, 2017 and 2016

	<u>March 31, 2017</u>	<u>March 31, 2016</u>	<u>Change (\$)</u>	<u>Change (%)</u>
REVENUES:				
Residential	\$ 4,225,667	\$ 4,290,650	\$ (64,983)	(1.5)
Non-residential	2,886,439	2,575,534	310,905	12.1
Purchased gas adjustment	5,013,901	4,482,577	531,324	11.9
Utility surcharge	268,231	271,105	(2,874)	(1.1)
Other gas sales	680,731	738,666	(57,935)	(7.8)
Total Sales of Gas	<u>13,074,969</u>	<u>12,358,532</u>	<u>716,437</u>	<u>5.8</u>
Other revenues	546,785	561,303	(14,518)	(2.6)
Transfer from/(to) rate stabilization	(549,959)	392,160	(942,119)	(240.2)
Interest income	62,655	38,222	24,433	63.9
Build America Bonds interest income	307,341	311,415	(4,074)	(1.3)
Total Revenues	<u>13,441,791</u>	<u>13,661,632</u>	<u>(219,841)</u>	<u>(1.6)</u>
OPERATION, MAINTENANCE AND ADMINISTRATIVE EXPENSES:				
Fuel expense and purchased gas	5,013,901	4,482,577	531,324	11.9
Operation and maintenance	975,505	869,959	105,546	12.1
Customer accounts and sales	952,389	980,258	(27,869)	(2.8)
Administrative and general	1,196,004	1,960,777	(764,773)	(39.0)
Total Operation, Maintenance and Administrative Expenses	<u>8,137,799</u>	<u>8,293,571</u>	<u>(155,772)</u>	<u>(1.9)</u>
TOTAL NET REVENUES IN ACCORDANCE WITH BOND RESOLUTION	<u>5,303,992</u>	<u>5,368,061</u>	<u>(64,069)</u>	<u>(1.2)</u>
LESS:				
Debt service	2,278,309	2,244,980	33,329	1.5
UPIF contributions	1,546,863	1,412,252	134,611	9.5
Transfer to City of Gainesville General Fund	680,466	1,214,370	(533,904)	(44.0)
NET IMPACT TO RATE STABILIZATION - ADDITION (REDUCTION)	<u><u>\$ 798,354</u></u>	<u><u>\$ 496,459</u></u>	<u><u>\$ 301,895</u></u>	<u><u>60.8</u></u>

**Gainesville Regional Utilities
Telecommunications System
Schedules of Net Revenues in Accordance with Bond Resolution - Unaudited
For the Periods Ended March 31, 2017 and 2016**

	<u>March 31, 2017</u>	<u>March 31, 2016</u>	<u>Change (\$)</u>	<u>Change (%)</u>
REVENUES:				
Telecommunication	\$ 2,453,109	\$ 2,080,037	\$ 373,072	17.9
Trunking radio	883,070	868,492	14,578	1.7
Tower lease	721,730	2,238,482	(1,516,752)	(67.8)
Internet access	1,227,502	1,059,682	167,820	15.8
Total Sales of Services	<u>5,285,411</u>	<u>6,246,693</u>	<u>(961,282)</u>	<u>(15.4)</u>
Other revenues	332	266	66	24.8
Transfer from/(to) rate stabilization	-	(476,097)	476,097	100.0
Interest income	16,391	14,064	2,327	16.5
Total Revenues	<u>5,302,134</u>	<u>5,784,926</u>	<u>(482,792)</u>	<u>(8.3)</u>
OPERATION, MAINTENANCE AND ADMINISTRATIVE EXPENSES:				
Operation and maintenance	2,289,002	2,081,140	207,862	10.0
Customer accounts and sales	38,036	25,300	12,736	50.3
Administrative and general	1,387,890	1,564,515	(176,625)	(11.3)
Total Operation, Maintenance and Administrative Expenses	<u>3,714,928</u>	<u>3,670,955</u>	<u>43,973</u>	<u>1.2</u>
TOTAL NET REVENUES IN ACCORDANCE WITH BOND RESOLUTION	<u>1,587,206</u>	<u>2,113,971</u>	<u>(526,765)</u>	<u>(24.9)</u>
LESS:				
Debt service	1,843,212	2,123,302	(280,090)	(13.2)
UPIF contributions	121,617	61,844	59,773	96.7
Transfer to City of Gainesville General Fund	188,024	-	188,024	-
NET IMPACT TO RATE STABILIZATION - ADDITION (REDUCTION)	<u>\$ (565,647)</u>	<u>\$ (71,175)</u>	<u>\$ (494,472)</u>	<u>(695)</u>

Supplementary Data

Gainesville Regional Utilities
Fuel Adjustment Levelization
For the Period Ended March 31, 2017

	Actual
Fuel Revenues	\$ 63,823,318
Fuel Expenses	74,833,664
To (From) Fuel Adjustment Levelization	(11,010,346)
Fuel Adjustment Beginning Balance	12,902,279
To (From) Fuel Adjustment Levelization	(11,010,346)
Fuel Adjustment Ending Balance	\$ 1,891,933

Gainesville Regional Utilities
Purchased Gas Adjustment (PGA) Levelization
For the Period Ended March 31, 2017

	Actual
Purchased Gas Revenues	\$ 3,514,240
Purchased Gas Expenses	5,013,901
To (From) PGA Levelization	\$ (1,499,660)
PGA Beginning Balance	\$ 1,929,285
To (From) PGA Levelization	(1,499,660)
PGA Ending Balance	\$ 429,625