

Gainesville Regional Utilities

Interim Financial Statements - Unaudited

For the Period Ended December 31, 2017



**Gainesville Regional Utilities
Financial Statements - Unaudited
For the Period Ended December 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	16
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 December 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 December 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 December 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 December 31, 2017. It should be read in conjunction with the unaudited financial statements that follow this section.

Financial Highlights – Overall

- Cash and investments decreased \$17.8 million or 30.8% due to normal operations and contributions to and from rate stabilization cash.
- Materials and supplies increased \$4.2 million or 58% due to the purchase of the Deerhaven Renewable Generating Station (DHR) in November 2017.
- Construction fund cash and investments, and utility plant improvement fund cash and investments decreased \$11.9 million or 66.6% and \$22.2 million or 43.3%, respectively, due to construction of capital assets.
- Net costs recoverable in future years decreased \$50.3 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 \$3.3 million or 56.7% due primarily to the issuance of 2017 Series bonds to fund the purchase of DHR.
- Pension costs – regulatory asset increased \$17 million or 30.3% and related deferred outflow of resources for pension costs increased \$6.9 million or 33.1% due to updated actuarial calculations at September 30, 2017.
- Utility plant in service increased \$871.8 million or 46.6% due primarily to the purchase of DHR.
- Capital lease decreased by \$1 billion or 100% due to the cancellation of the PPA with GREC and the concurrent purchase of DHR.
- Construction in progress decreased \$44.8 million or 30.6% 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 \$23.3 million or 28.7% due primarily to a decrease in the unrealized loss on interest rate swaps.
- Fuels payable decreased \$9.8 million or 73.9% due to a decrease in payables to GREC resulting from the cancellation of the PPA and concurrent purchase of DHR, and an overall decrease in the usage of natural gas.
- Current portion of the capital lease and the long-term portion of the capital lease decreased \$13.9 million and \$941.3 million, respectively, or 100% due to the cancellation of the PPA with GREC and the concurrent purchase of DHR.

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

- Fuel adjustment levelization balance decreased \$9.3 million or 94.6% due to the use of more expensive biomass power from GREC during Deerhaven's dry scrubber repair along with an increase in the use of natural gas and purchased power in the prior period.
- Current portion of utilities system revenue bonds decreased \$80.2 million due to the reclassification in the prior year of \$90 million of 2008 Series B revenue bonds whose liquidity facility was set to expire that year, in addition to normally scheduled principal payments. Management replaced the liquidity facility in the prior year.
- Current portion of commercial paper notes decreased \$13.9 million due to the reclassification in the prior year of \$8 million of Series D notes whose liquidity facility was set to expire that year, in addition to normally scheduled principal payments. Management replaced the liquidity facility in the prior year.
- Utilities system revenue bonds increased \$743 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, in addition to normally scheduled principal payments.
- Unamortized bond premium/discount increased \$71.8 million due primarily to the \$73.2 million premium received with the issuance of the 2017 Series A Bonds to partially fund the purchase of DHR, in addition to normally scheduled amortization.
- Fair value of derivative instruments decreased \$26 million or 29.8% due to a decrease in the unrealized loss on interest rate swaps.
- The pension liability increased \$11.4 million and related deferred inflow of resources for pension costs increased \$12.6 million due to updated actuarial calculations at September 30, 2017.
- Certain 2016 amounts have been reclassified to conform to the 2017 presentation.

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

Combined Systems

- Total revenues decreased \$6.4 million or 6.3% due primarily to a decrease in electric, water and gas revenues. These decreases were offset by increases in wastewater and telecommunication revenues.
- Total expenses decreased \$8 million or 8.1% due primarily to a decrease in electric fuel expense of \$8.6 million.
- The combined systems contributed \$149,449 to rate stabilization for the period ended December 31, 2017, including budgeted transfers to and from rate stabilization.

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

Electric System

- Total revenues decreased by \$7.4 million or 10.1% over the same period last year due primarily to a decrease in fuel adjustment revenue, offset by an increase in residential and non-residential revenue.
- Fuel adjustment revenue and the related fuel expense decreased \$8.5 million or 22.3% 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.

- Power production increased \$2.7 million or 46.2% while administrative and general decreased \$3.6 million or 54.3% due primarily to a change in business processes resulting from the reimplementation of the SAP software program and the addition of the DHR generating plant.
- The electric system withdrew \$3.1 million from rate stabilization for the period ended December 31, 2017, in addition to budgeted transfers from rate stabilization.

Water System

- Total revenues decreased \$279,966 or 3.1% due primarily to a decrease in other revenue.
- The water system contributed \$770,540 to rate stabilization for the period ended December 31, 2017, in addition to budgeted transfers to rate stabilization.

Wastewater System

- Total revenues increased \$1.3 million or 12.4% due to an increase in non-residential and other revenue.
- The wastewater system contributed \$1.6 million to rate stabilization for the period ended December 31, 2017, in addition to budgeted transfers from rate stabilization.

Gas System

- Total revenues decreased \$528,714 or 8.8% due to a decrease in fuel adjustment and other revenue.
- Purchased gas revenues and the related fuel expense decreased \$274,560 or 12.5% due to an overall decrease in the usage of natural gas in fiscal year 2018 compared to fiscal year 2017. Purchased gas adjustment revenue is matched to fuel expenses with amounts over collected deferred in the purchased gas adjustment levelization balance and amounts under collected drawn down from the purchased gas adjustment levelization balance.

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

- The gas system contributed \$428,337 to rate stabilization for the period ended December 31, 2017, in addition to budgeted transfers to rate stabilization.

Telecommunications System

- Total revenues increased \$487,535 or 19.7% due primarily to an increase in non-residential revenue.
- The telecommunications system contributed \$442,247 to rate stabilization for the period ended December 31, 2017.

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Financial Statements

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

	December 31, 2017	December 31, 2016	Change (\$)	Change (%)
Assets				
Current assets:				
Cash and investments	\$ 39,915,853	\$ 57,699,940	\$ (17,784,087)	(30.8%)
Accounts receivable, net of allowance for uncollectible accounts of \$515,680 and \$872,402, respectively	44,344,944	41,615,147	2,729,797	6.6%
Inventories:				
Fuel	8,600,894	8,094,751	506,143	6.3%
Materials and supplies	11,463,332	7,254,417	4,208,915	58.0%
Other assets and regulatory assets	3,303,786	2,709,924	593,862	21.9%
Total current assets	107,628,809	117,374,179	(9,745,370)	(8.3%)
Restricted assets:				
Utility deposits - cash and investments	10,164,460	10,028,341	136,119	1.4%
Debt service - cash and investments	16,849,291	13,725,059	3,124,232	22.8%
Rate stabilization - cash and investments	60,614,753	72,146,820	(11,532,067)	(16.0%)
Construction fund - cash and investments	5,965,280	17,878,475	(11,913,195)	(66.6%)
Utility plant improvement fund - cash and investments	29,113,960	51,314,624	(22,200,664)	(43.3%)
Total restricted and internally designated assets	122,707,744	165,093,319	(42,385,575)	(25.7%)
Noncurrent assets:				
Net costs recoverable in future years - regulatory assets	-	50,288,775	(50,288,775)	(100.0%)
Unamortized debt issuance costs - regulatory assets	8,988,832	5,735,066	3,253,766	56.7%
Investment in The Energy Authority	2,058,185	2,123,352	(65,167)	(3.1%)
Pollution remediation - regulatory asset	11,871,373	12,534,155	(662,782)	(5.3%)
Other noncurrent assets and regulatory assets	5,013,718	7,104,148	(2,090,430)	(29.4%)
Pension costs - regulatory asset	73,141,512	56,115,877	17,025,635	30.3%
Total noncurrent assets	101,073,620	133,901,373	(32,827,753)	(24.5%)
Capital assets:				
Utility plant in service	2,741,370,117	1,869,557,348	871,812,769	46.6%
Capital lease	-	1,006,808,754	(1,006,808,754)	(100.0%)
Less: accumulated depreciation and amortization	(904,046,564)	(932,128,489)	28,081,925	(3.0%)
	1,837,323,553	1,944,237,613	(106,914,060)	(5.5%)
Construction in progress	101,606,858	146,385,205	(44,778,347)	(30.6%)
Net capital assets	1,938,930,411	2,090,622,818	(151,692,407)	(7.3%)
Total assets	2,270,340,584	2,506,991,689	(236,651,105)	(9.4%)
Deferred outflows of resources:				
Unamortized loss on refunding of bonds	20,523,769	23,917,812	(3,394,043)	(14.2%)
Accumulated decrease in fair value of hedging derivatives	57,744,216	81,039,385	(23,295,169)	(28.7%)
Pension costs	27,899,197	20,954,810	6,944,387	33.1%
Total deferred outflows of resources	106,167,182	125,912,007	(19,744,825)	(15.7%)
Total assets and deferred outflows of resources	\$ 2,376,507,766	\$ 2,632,903,696	\$ (256,395,930)	(9.7%)

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

	December 31, 2017	December 31, 2016	Change (\$)	Change (%)
Liabilities				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 11,775,267	\$ 9,030,756	\$ 2,744,511	30.4%
Fuels payable	3,475,208	13,289,910	(9,814,702)	(73.85%)
Due to other funds of the City	3,038,794	4,268,782	(1,229,988)	(28.81%)
Capital lease - current	-	13,884,560	(13,884,560)	(100.00%)
Fuel adjustment	535,749	9,869,594	(9,333,845)	(94.57%)
Other liabilities and regulatory liabilities	(346,548)	1,333,144	(1,679,692)	(125.99%)
Total current liabilities	<u>18,478,470</u>	<u>51,676,746</u>	<u>(33,198,276)</u>	<u>(64.2%)</u>
Payable from restricted assets:				
Utility deposits	9,771,465	10,030,591	(259,126)	(2.6%)
Accounts payable and accrued liabilities	1,495,010	1,041,516	453,494	43.5%
Utilities system revenue bonds - current	27,885,000	108,120,000	(80,235,000)	(74.2%)
Commercial paper notes - current	-	13,900,000	(13,900,000)	(100.0%)
Accrued interest payable	9,659,784	6,807,360	2,852,424	41.9%
Total payable from restricted assets	<u>48,811,259</u>	<u>139,899,467</u>	<u>(91,088,208)</u>	<u>(65.1%)</u>
Long-term debt:				
Utility system revenue bonds	1,506,455,000	763,420,000	743,035,000	97.3%
Commercial paper notes	53,000,000	40,000,000	13,000,000	32.5%
Capital lease	-	941,269,071	(941,269,071)	(100.0%)
Unamortized bond premium/discount	89,556,479	17,718,253	71,838,226	405.4%
Fair value of derivative instruments	61,184,080	87,180,294	(25,996,214)	(29.8%)
Total long-term debt	<u>1,710,195,559</u>	<u>1,849,587,618</u>	<u>(139,392,059)</u>	<u>(7.5%)</u>
Noncurrent liabilities:				
Reserve for insurance claims	3,337,000	3,337,000	-	0.0%
Reserve for environmental liability	665,000	266,000	399,000	150.0%
Pension liability	82,704,362	71,325,377	11,378,985	16.0%
Total noncurrent liabilities	<u>86,706,362</u>	<u>74,928,377</u>	<u>11,777,985</u>	<u>15.7%</u>
Total liabilities	<u>1,864,191,650</u>	<u>2,116,092,208</u>	<u>(251,900,558)</u>	<u>(11.9%)</u>
Deferred inflows of resources:				
Rate stabilization	60,695,570	72,069,582	(11,374,012)	(15.8%)
Pension costs	18,336,347	5,745,310	12,591,037	219.2%
Total deferred inflows of resources	<u>79,031,917</u>	<u>77,814,892</u>	<u>1,217,025</u>	<u>1.6%</u>
Net position				
Net investment in capital assets	298,899,344	245,599,860	53,299,484	21.7%
Restricted	36,615,645	58,307,311	(21,691,666)	(37.2%)
Unrestricted	97,769,210	135,089,425	(37,320,215)	(27.6%)
Total net position	<u>433,284,199</u>	<u>438,996,596</u>	<u>(5,712,397)</u>	<u>(1.3%)</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 2,376,507,766</u>	<u>\$ 2,632,903,696</u>	<u>\$ (256,395,930)</u>	<u>(9.7%)</u>

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

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Operating revenues:		
Sales and service charges	\$ 90,567,168	\$ 96,155,855
Transfers (to) from rate stabilization	1,673,469	2,007,806
Amounts to be recovered from future revenue	3,449,252	8,390,073
Other operating revenue	2,607,051	2,137,738
Total operating revenues	<u>98,296,940</u>	<u>108,691,472</u>
Operating expenses:		
Operation and maintenance	51,667,162	54,606,922
Administrative and general	5,829,226	10,965,768
Depreciation and amortization	24,049,308	23,814,026
Total operating expenses	<u>81,545,696</u>	<u>89,386,716</u>
Operating income	<u>16,751,244</u>	<u>19,304,756</u>
Non-operating income (expense):		
Interest expense, net of AFUDC	(10,688,122)	(7,506,471)
Other income (expense)	(224,283)	430,111
Total non-operating income (expense)	<u>(10,912,405)</u>	<u>(7,076,360)</u>
Income before capital contributions and transfers	<u>5,838,839</u>	<u>12,228,396</u>
Capital contributions:		
Contributions from third parties	43,757	338,575
Reduction of plant costs recovered through contributions	-	(555)
Net capital contributions	<u>43,757</u>	<u>338,020</u>
Transfer to City of Gainesville General Fund	<u>(9,094,770)</u>	<u>(8,953,502)</u>
Change in net position	<u>(3,212,174)</u>	<u>3,612,914</u>
Net position - beginning of year	436,496,373	435,383,682
Net position - end of period	<u>\$ 433,284,199</u>	<u>\$ 438,996,596</u>

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

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Operating activities:		
Cash received from customers	\$ 102,046,953	\$ 101,556,329
Cash payments to suppliers for goods and services	(65,810,413)	(62,411,569)
Cash payments to employees for services	(14,391,686)	(11,820,077)
Cash payments for operating transactions with other funds	(2,241,694)	(1,770,225)
Other operating receipts	4,280,520	6,769,112
Net cash provided by operating activities	<u>23,883,680</u>	<u>32,323,570</u>
Noncapital financing activities:		
Transfer to City of Gainesville General Fund	<u>(9,094,770)</u>	<u>(8,953,502)</u>
Net cash used by noncapital financing activities	<u>(9,094,770)</u>	<u>(8,953,502)</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	(19,067,542)	(18,552,955)
Acquisition and construction of fixed assets (including allowance for funds used during construction)	(698,446,478)	(11,377,762)
Proceeds from new debt and commercial paper	680,920,000	-
Other income	307,432	379,333
Net cash used by capital and related financing activities	<u>(60,306,588)</u>	<u>(52,686,384)</u>
Investing activities:		
Interest paid (received)	240,736	50,778
Purchase of investments	(42,805,949)	(16,244,348)
Investments in The Energy Authority	(2,478,880)	(3,301,864)
Distributions from The Energy Authority	2,514,678	3,281,193
Proceeds from investments	80,890,858	54,722,112
Net cash provided (used) by investing activities	<u>38,361,443</u>	<u>38,507,871</u>
Net change in cash and cash equivalents	(7,156,235)	9,191,555
Cash and cash equivalents, beginning of year	36,491,757	49,535,773
Cash and cash equivalents, end of period	<u>\$ 29,335,522</u>	<u>\$ 58,727,328</u>

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

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 16,751,244	\$ 19,304,756
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	24,049,308	23,814,026
Net costs recoverable in future years	(3,449,252)	(3,864,852)
Change in:		
Accounts receivable	8,078,375	7,736,224
Inventories	(4,613,098)	(240,396)
Other assets and regulatory assets	(1,527,858)	391,395
Noncurrent assets	196,237	291,871
Payables and accrued liabilities	(27,512,479)	(11,005,124)
Due to other funds of the City	3,912,377	2,778,838
Fuel adjustment	5,265,066	(4,961,970)
Payable from restricted assets	1,005,819	-
Other liabilities and regulatory liabilities	-	(201,210)
Utility deposits	3,401,410	287,818
Rate stabilization	(1,673,469)	(2,007,806)
Net cash provided by operating activities	<u>\$ 23,883,680</u>	<u>\$ 32,323,570</u>
Non-cash capital and related financing activities and investing activities:		
Contribution of capital assets	<u>\$ 43,757</u>	<u>\$ 338,020</u>
Net costs recoverable in future years	<u>\$ 61,574,434</u>	<u>\$ (3,864,852)</u>
Change in capital lease liability	<u>\$ (941,269,071)</u>	<u>\$ (4,525,221)</u>
Acquisition of utility plant in service with construction fund payable	<u>\$ (8,476,777)</u>	<u>\$ (8,171,909)</u>
Change in utility plant in service	<u>\$ 776,821,121</u>	<u>\$ 59,550,427</u>
Change in accumulated decrease in fair value of hedging derivatives - fuel options and futures	<u>\$ (91,855)</u>	<u>\$ 323,114</u>
Change in fair value of investments	<u>\$ (510,007)</u>	<u>\$ (350,653)</u>
Other	<u>\$ (16,400)</u>	<u>\$ (14,839)</u>

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

	<u>December 31, 2017</u>	<u>December 31, 2016</u>	<u>Change (\$)</u>	<u>Change (%)</u>
Revenues:				
Electric system:				
Sales of electricity	\$ 31,847,009	\$ 29,933,472	\$ 1,913,537	6.4
Fuel adjustment	29,692,357	38,221,065	(8,528,708)	(22.3)
Sales for resale	1,023,066	920,673	102,393	11.1
Transfer from/(to) rate stabilization	1,851,215	2,453,365	(602,150)	(24.5)
Other revenue	1,014,722	819,303	195,419	23.9
Other income (expense)	(168,558)	263,555	(432,113)	(164.0)
Total electric system revenues	<u>65,259,811</u>	<u>72,611,433</u>	<u>(7,351,622)</u>	<u>(10.1)</u>
Water system:				
Sales of water	8,737,919	8,791,533	(53,614)	(0.6)
Transfer from/(to) rate stabilization	(266,996)	(245,339)	(21,657)	(8.8)
Other revenue	386,470	537,560	(151,090)	(28.1)
Other income (expense)	(30,542)	23,063	(53,605)	(232.4)
Total water system revenues	<u>8,826,851</u>	<u>9,106,817</u>	<u>(279,966)</u>	<u>(3.1)</u>
Wastewater system:				
Sales of wastewater	10,271,564	10,024,437	247,127	2.5
Transfer from/(to) rate stabilization	555,337	74,760	480,577	642.8
Other revenue	1,135,861	455,806	680,055	149.2
Other income (expense)	(59,893)	30,680	(90,573)	(295.2)
Total wastewater system revenues	<u>11,902,869</u>	<u>10,585,683</u>	<u>1,317,186</u>	<u>12.4</u>
Gas system:				
Sales of gas	3,985,513	3,752,777	232,736	6.2
Purchased gas adjustment	1,920,484	2,195,044	(274,560)	(12.5)
Transfer from/(to) rate stabilization	(466,087)	(274,979)	(191,108)	(69.5)
Other revenue	58,975	281,923	(222,948)	(79.1)
Other income (expense)	(33,185)	39,649	(72,834)	(183.7)
Total gas system revenues	<u>5,465,700</u>	<u>5,994,414</u>	<u>(528,714)</u>	<u>(8.8)</u>
Telecommunications system:				
Sales of services	3,089,255	2,466,705	622,550	25.2
Other revenue	11,024	332	10,692	3,220.5
Other income (expense)	(133,828)	11,879	(145,707)	(1,226.6)
Total telecommunications system revenues	<u>2,966,451</u>	<u>2,478,916</u>	<u>487,535</u>	<u>19.7</u>
Total revenues	<u>94,421,682</u>	<u>100,777,263</u>	<u>(6,355,581)</u>	<u>(6.3)</u>

Gainesville Regional Utilities
Combined Utility Systems
Schedules of Combined Net Revenues in Accordance with Bond Resolution - Unaudited
For the Periods Ended December 31, 2017 and 2016
Page 2

	<u>December 31, 2017</u>	<u>December 31, 2016</u>	<u>Change (\$)</u>	<u>Change (%)</u>
OPERATION, MAINTENANCE AND ADMINISTRATIVE EXPENSES:				
Electric system:				
Fuel expenses	29,692,357	38,283,430	(8,591,073)	(22.4)
Operation and maintenance	12,460,586	9,008,212	3,452,374	38.3
Administrative and general	3,042,430	6,662,409	(3,619,979)	(54.3)
Total Electric System Expenses	<u>45,195,373</u>	<u>53,954,051</u>	<u>(8,758,678)</u>	<u>(16.2)</u>
Water system:				
Operation and maintenance	2,307,800	1,696,557	611,243	36.0
Administrative and general	1,000,986	1,305,777	(304,791)	(23.3)
Total Water System Expenses	<u>3,308,786</u>	<u>3,002,334</u>	<u>306,452</u>	<u>10.2</u>
Wastewater system:				
Operation and maintenance	3,123,677	2,198,699	924,978	42.1
Administrative and general	1,146,107	1,346,791	(200,684)	(14.9)
Total Wastewater System Expenses	<u>4,269,784</u>	<u>3,545,490</u>	<u>724,294</u>	<u>20.4</u>
Gas system:				
Fuel expense and purchased gas	1,920,484	2,195,044	(274,560)	(12.5)
Operation and maintenance	665,809	390,538	275,271	70.5
Administrative and general	482,805	827,975	(345,170)	(41.7)
Total Gas System Expenses	<u>3,069,098</u>	<u>3,413,557</u>	<u>(344,459)</u>	<u>(10.1)</u>
Telecommunications system:				
Operation and maintenance	1,228,715	834,444	394,271	47.2
Administrative and general	188,443	530,946	(342,503)	(64.5)
Total Telecommunications System Expenses	<u>1,417,158</u>	<u>1,365,390</u>	<u>51,768</u>	<u>3.8</u>
TOTAL EXPENSES	<u>57,260,199</u>	<u>65,280,822</u>	<u>(8,020,623)</u>	<u>8.1</u>
NET REVENUES IN ACCORDANCE WITH BOND RESOLUTION:				
Total electric system	20,064,438	18,657,382	1,407,056	7.5
Total water system	5,518,065	6,104,483	(586,418)	(9.6)
Total wastewater system	7,633,085	7,040,193	592,892	8.4
Total gas system	2,396,602	2,580,857	(184,255)	(7.1)
Total telecommunications system	1,549,293	1,113,526	435,767	39.1
TOTAL NET REVENUES IN ACCORDANCE WITH BOND RESOLUTION	<u>37,161,483</u>	<u>35,496,441</u>	<u>1,665,042</u>	<u>4.7</u>
LESS:				
Debt service	17,637,124	13,239,835	4,397,289	33.2
Debt service - UPIF	(1,250,000)	(1,250,000)	-	-
UPIF contributions	11,530,139	11,714,524	(184,385)	(1.6)
Transfer to City of Gainesville General Fund	9,094,771	8,953,503	141,268	1.6
NET IMPACT TO RATE STABILIZATION - ADDITION (REDUCTION)	<u>\$ 149,449</u>	<u>\$ 2,838,579</u>	<u>\$ (2,689,130)</u>	<u>(94.7)</u>

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

	<u>December 31, 2017</u>	<u>December 31, 2016</u>	<u>Change (\$)</u>	<u>Change (%)</u>
REVENUES:				
Residential	\$ 11,630,157	\$ 10,828,751	\$ 801,406	7.4
Non-residential	15,595,738	14,409,750	1,185,988	8.2
Fuel adjustment	29,692,357	38,221,065	(8,528,708)	(22.3)
Sales for resale	1,023,066	920,673	102,393	11.1
Utility surcharge	719,256	688,246	31,010	4.5
Other electric sales	3,901,858	4,006,725	(104,867)	(2.6)
Total Sales of Electricity	<u>62,562,432</u>	<u>69,075,210</u>	<u>(6,512,778)</u>	<u>(9.4)</u>
Transfer from/(to) rate stabilization	1,851,215	2,453,365	(602,150)	(24.5)
Other revenue	1,014,722	819,303	195,419	23.9
Other income (expense)	(168,558)	263,555	(432,113)	(164.0)
Total Revenues	<u>65,259,811</u>	<u>72,611,433</u>	<u>(7,351,622)</u>	<u>(10.1)</u>
OPERATION, MAINTENANCE AND ADMINISTRATIVE EXPENSES:				
Fuel expenses	29,692,357	38,283,430	(8,591,073)	(22.4)
Power production	8,427,564	5,765,940	2,661,624	46.2
Transmission and distribution	4,033,022	3,242,272	790,750	24.4
Administrative and general	3,042,430	6,662,409	(3,619,979)	(54.3)
Total Operation, Maintenance and Administrative Expenses	<u>45,195,373</u>	<u>53,954,051</u>	<u>(8,758,678)</u>	<u>(16.2)</u>
TOTAL NET REVENUES IN ACCORDANCE WITH BOND RESOLUTION	<u>20,064,438</u>	<u>18,657,382</u>	<u>1,407,056</u>	<u>7.5</u>
LESS:				
Debt service	12,638,062	8,306,889	4,331,173	52.1
Debt service - UPIF	(1,250,000)	(1,250,000)	-	-
UPIF contributions	6,374,644	6,761,544	(386,900)	(5.7)
Transfer to City of Gainesville General Fund	5,356,820	5,273,613	83,207	1.6
NET IMPACT TO RATE STABILIZATION - ADDITION (REDUCTION)	<u>\$ (3,055,088)</u>	<u>\$ (434,664)</u>	<u>\$ (2,620,424)</u>	<u>(602.9)</u>

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

	<u>December 31, 2017</u>	<u>December 31, 2016</u>	<u>Change (\$)</u>	<u>Change (%)</u>
REVENUES:				
Residential	\$ 5,403,049	\$ 5,443,309	\$ (40,260)	(0.7)
Non-residential	2,695,439	2,700,575	(5,136)	(0.2)
Utility surcharge	639,431	647,649	(8,218)	(1.3)
Total Sales of Water	<u>8,737,919</u>	<u>8,791,533</u>	<u>(53,614)</u>	<u>(0.6)</u>
Transfer from/(to) rate stabilization	(266,996)	(245,339)	(21,657)	(8.8)
Other revenue	386,470	537,560	(151,090)	(28.1)
Other income (expense)	(30,542)	23,063	(53,605)	(232.4)
Total Revenues	<u>8,826,851</u>	<u>9,106,817</u>	<u>(279,966)</u>	<u>(3.1)</u>
OPERATION, MAINTENANCE AND ADMINISTRATIVE EXPENSES:				
Transmission and distribution	837,213	528,948	308,265	58.3
Treatment	1,470,587	1,167,609	302,978	25.9
Administrative and general	1,000,986	1,305,777	(304,791)	(23.3)
Total Operation, Maintenance and Administrative Expenses	<u>3,308,786</u>	<u>3,002,334</u>	<u>306,452</u>	<u>10.2</u>
TOTAL NET REVENUES IN ACCORDANCE WITH BOND RESOLUTION	<u>5,518,065</u>	<u>6,104,483</u>	<u>(586,418)</u>	<u>(9.6)</u>
LESS:				
Debt service	1,420,760	1,304,235	116,525	8.9
UPIF contributions	1,867,054	1,760,678	106,376	6.0
Transfer to City of Gainesville General Fund	1,459,711	1,437,037	22,674	1.6
NET IMPACT TO RATE STABILIZATION - ADDITION (REDUCTION)	<u>\$ 770,540</u>	<u>\$ 1,602,533</u>	<u>\$ (831,993)</u>	<u>(51.9)</u>

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

	<u>December 31, 2017</u>	<u>December 31, 2016</u>	<u>Change (\$)</u>	<u>Change (%)</u>
REVENUES:				
Residential	\$ 6,912,251	\$ 6,870,556	\$ 41,695	0.6
Non-residential	2,625,418	2,452,373	173,045	7.1
Utility surcharge	733,895	701,508	32,387	4.6
Total Sales of Services	<u>10,271,564</u>	<u>10,024,437</u>	<u>247,127</u>	<u>2.5</u>
Transfer from/(to) rate stabilization	555,337	74,760	480,577	642.8
Other revenue	1,135,861	455,806	680,055	149.2
Other income (expense)	(59,893)	30,680	(90,573)	(295.2)
Total Revenues	<u>11,902,869</u>	<u>10,585,683</u>	<u>1,317,186</u>	<u>12.4</u>
OPERATION, MAINTENANCE AND ADMINISTRATIVE EXPENSES:				
Collection	1,671,110	834,013	837,097	100.4
Treatment	1,452,567	1,364,686	87,881	6.4
Administrative and general	1,146,107	1,346,791	(200,684)	(14.9)
Total Operation, Maintenance and Administrative Expenses	<u>4,269,784</u>	<u>3,545,490</u>	<u>724,294</u>	<u>20.4</u>
TOTAL NET REVENUES IN ACCORDANCE WITH BOND RESOLUTION	<u>7,633,085</u>	<u>7,040,193</u>	<u>592,892</u>	<u>8.4</u>
LESS:				
Debt service	1,773,408	1,707,478	65,930	3.9
UPIF contributions	2,459,120	2,358,062	101,058	4.3
Transfer to City of Gainesville General Fund	1,837,144	1,808,608	28,536	1.6
NET IMPACT TO RATE STABILIZATION - ADDITION (REDUCTION)	<u>\$ 1,563,413</u>	<u>\$ 1,166,045</u>	<u>\$ 397,368</u>	<u>34.1</u>

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

	<u>December 31, 2017</u>	<u>December 31, 2016</u>	<u>Change (\$)</u>	<u>Change (%)</u>
REVENUES:				
Residential	\$ 2,095,706	\$ 1,971,589	\$ 124,117	6.3
Non-residential	1,407,742	1,336,896	70,846	5.3
Fuel adjustment	1,920,484	2,195,044	(274,560)	(12.5)
Utility surcharge	137,237	125,887	11,350	9.0
Other gas sales	344,828	318,405	26,423	8.3
Total Sales of Gas	<u>5,905,997</u>	<u>5,947,821</u>	<u>(41,824)</u>	<u>(0.7)</u>
Transfer from/(to) rate stabilization	(466,087)	(274,979)	(191,108)	(69.5)
Other revenue	58,975	281,923	(222,948)	(79.1)
Other income (expense)	(33,185)	39,649	(72,834)	(183.7)
Total Revenues	<u>5,465,700</u>	<u>5,994,414</u>	<u>(528,714)</u>	<u>(8.8)</u>
OPERATION, MAINTENANCE AND ADMINISTRATIVE EXPENSES:				
Fuel Expense - Purchased Gas	1,920,484	2,195,044	(274,560)	(12.5)
Operation and maintenance	665,809	390,538	275,271	70.5
Administrative and general	482,805	827,975	(345,170)	(41.7)
Total Operation, Maintenance and Administrative Expenses	<u>3,069,098</u>	<u>3,413,557</u>	<u>(344,459)</u>	<u>(10.1)</u>
TOTAL NET REVENUES IN ACCORDANCE WITH BOND RESOLUTION	<u>2,396,602</u>	<u>2,580,857</u>	<u>(184,255)</u>	<u>(7.1)</u>
LESS:				
Debt service	902,988	1,041,468	(138,480)	(13.3)
UPIF contributions	719,676	773,432	(53,756)	(7.0)
Transfer to City of Gainesville General Fund	345,601	340,233	5,368	1.6
NET IMPACT TO RATE STABILIZATION - ADDITION (REDUCTION)	<u>\$ 428,337</u>	<u>\$ 425,724</u>	<u>\$ 2,613</u>	<u>0.6</u>

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

	<u>December 31, 2017</u>	<u>December 31, 2016</u>	<u>Change (\$)</u>	<u>Change (%)</u>
REVENUES:				
Residential	\$ 13,327	\$ 12,666	\$ 661	5.2
Non-residential	3,075,928	2,454,039	621,889	25.3
Total Sales of Services	<u>3,089,255</u>	<u>2,466,705</u>	<u>622,550</u>	<u>25.2</u>
Other revenue	11,024	332	10,692	3,220.5
Other income (expense)	(133,828)	11,879	(145,707)	(1,226.6)
Total Revenues	<u>2,966,451</u>	<u>2,478,916</u>	<u>487,535</u>	<u>19.7</u>
OPERATION, MAINTENANCE AND ADMINISTRATIVE EXPENSES:				
Operation and maintenance	1,228,715	834,444	394,271	47.2
Administrative and general	188,443	530,946	(342,503)	(64.5)
Total Operation, Maintenance and Administrative Expenses	<u>1,417,158</u>	<u>1,365,390</u>	<u>51,768</u>	<u>3.8</u>
TOTAL NET REVENUES IN ACCORDANCE WITH BOND RESOLUTION	<u>1,549,293</u>	<u>1,113,526</u>	<u>435,767</u>	<u>39.1</u>
LESS:				
Debt service	901,906	879,765	22,141	2.5
UPIF contributions	109,645	60,808	48,837	80.3
Transfer to City of Gainesville General Fund	95,495	94,012	1,483	1.6
NET IMPACT TO RATE STABILIZATION - ADDITION (REDUCTION)	<u>\$ 442,247</u>	<u>\$ 78,941</u>	<u>\$ 363,306</u>	<u>460.2</u>

Supplementary Data

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

		<u>Actual</u>
Fuel Revenues	\$	34,953,064
Fuel Expenses		29,692,357
To (From) Fuel Adjustment Levelization	\$	<u>5,260,706</u>
Fuel Adjustment Beginning Balance	\$	(5,588,054)
To (From) Fuel Adjustment Levelization		5,260,706
Fuel Adjustment Ending Balance	\$	<u>(327,348)</u>

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

	Actual
Purchased Gas Revenues	\$ 1,924,844
Purchased Gas Expenses	1,920,484
To (From) PGA Levelization	\$ 4,360
PGA Beginning Balance	\$ 858,737
To (From) PGA Levelization	4,360
PGA Ending Balance	\$ 863,097