

Gainesville Regional Utilities

Interim Financial Statements - Unaudited

For the Period Ended December 31, 2015



**Gainesville Regional Utilities
Financial Statements - Unaudited
For the Period Ended December 31, 2015**

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Overview and Basis of Accounting

Gainesville Regional Utilities Financial Statements - Unaudited For the Period Ended December 31, 2015

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, 2015.

Basis of Accounting

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

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

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

Management's Discussion and Analysis

Gainesville Regional Utilities
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For the Period Ended December 31, 2015

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, 2015. It should be read in conjunction with the unaudited financial statements that follow this section.

Financial Highlights

Overall

- Total revenues increased \$2.4 million due to revenue increases in water, wastewater and telecommunications systems offset by revenue decreases in the electric and gas systems.
- Total expenses decreased \$1.3 million or 2% due primarily to reduced fuel expenses offset by an increase in administrative and general expense.
- Operating cash and investments decreased \$12.2 million or 20% due to normal operations and an overall contribution from operating cash and investments to rate stabilization cash and investments of \$13 million. A primary driver of the contribution to rate stabilization was receipt of a cash settlement of \$10.2 million for the sale of GRU's ownership interest in the Crystal River Unit No. 3 (CR3) nuclear power plant to Duke Energy in October 2015.
- Rate stabilization cash and investments increased \$17.1 million or 26.7% due to the CR3 settlement of \$10.2 million and budgeted transfers in.
- Construction fund cash and investments decreased \$21.7 million or 33% due to payments for capital asset construction.
- Utility plant improvement fund cash and investments increased \$10.1 million or 23.2% due to scheduled contributions from operating cash and investments.
- Decommissioning reserve decreased \$13.1 million or 100% due to the transfer of the decommissioning funds as part of the sale of GRU's ownership interest in the CR3 nuclear power plant to Duke Energy in October 2015 as part of a settlement agreement approved by the City Commission in fiscal year 2015.
- Net costs recoverable in future years increased \$16.5 million or 92% due to capital lease transactional activity, current quarter to date to prior quarter to date.
- Fuel adjustment levelization balance increased \$8.9 million or 166% due to an increase in the fuel adjustment rate effective October 2014 and a reduction in fuel expense.
- Long-term debt decreased \$22.2 million or 2.3% due to the payment of scheduled principal amounts.

Gainesville Regional Utilities
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For the Period Ended December 31, 2015

- The combined systems contributed \$13 million to rate stabilization for the period ended December 31, 2015.

Electric System

- Residential sales were \$123,826 higher than the same period last year due to a slight increase in usage.
- Non-residential sales were \$685,757 or 4.5% less than the prior period due to a change in unbilled revenue accruals.
- Fuel adjustment revenue decreased \$1.6 million or 3.8% over the prior period primarily due to lower fuel expenses. Fuel adjustment revenue is matched to fuel expenses with amounts over collected deferred in the fuel adjustment levelization balance and amounts under collected drawn down from the fuel adjustment levelization balance.
- Other revenues increased \$11.1 million or 1,726.8% over the prior period due to the sale of GRU's ownership interest in the CR3 nuclear power plant to Duke Energy in October 2015.
- Fuel and purchased power expenses decreased \$1.6 million or 3.8% over the prior period due primarily to the reduced use of the Gainesville Renewable Energy Center (GREC) biomass power and coal offset by an increase in natural gas and other purchased power. Fuel expenses are matched to fuel revenue with amounts over collected deferred in the fuel adjustment levelization balance and amounts under collected drawn down from the fuel adjustment levelization balance.
- The electric system contributed \$79,856 to rate stabilization for the period ended December 31, 2015, in addition to budgeted transfers to and from rate stabilization.

Water System

- Total revenues increased \$1.2 million or 16.1% due to an increase in sales to residential and non-residential customers and an increase in connection and meter installation charges offset by a slight decrease in water sales to the University of Florida.
- The water system contributed \$1.3 million to rate stabilization for the period ended December 31, 2015, in addition to budgeted transfers to and from rate stabilization.

Wastewater System

- Total revenues increased \$2.7 million or 31.3% due to an increase in residential and non-residential sales and an increase in plant connection charges.

Gainesville Regional Utilities
Financial Statements - Unaudited
For the Period Ended December 31, 2015

- The wastewater system contributed \$2.3 million to rate stabilization for the period ended December 31, 2015, in addition to budgeted transfers to and from rate stabilization.

Gas System

- Total revenues decreased \$1.3 million or 18.7% due to the decrease in Purchased Gas Adjustment (PGA) and a decrease in sales to residential customers.
- PGA revenue was \$1.4 million or 41.7% lower this period than the prior period due primarily to lower purchased gas prices. PGA revenue is adjusted monthly based on purchased gas expenses for that month. If PGA revenue is greater than purchased gas expenses, the PGA revenue amounts over collected are deferred in the purchased gas levelization balance and, if PGA revenue is less than purchased gas expenses, amounts are drawn down from the purchased gas levelization balance.
- Purchased gas expenses decreased \$1.4 million or 41.7% compared to the prior period due primarily to lower purchased gas prices.
- The gas system withdrew \$348,186 from rate stabilization for the period ended December 31, 2015, in addition to budgeted transfers to and from rate stabilization.

Telecommunications (GRUCom) System

- Total revenues increased \$440,864 or 14.8% due to an increase in tower lease revenue offset by a decrease in telecommunication revenue.
- The telecommunications system contributed \$788,134 to rate stabilization for the period ended December 31, 2015, in addition to budgeted transfers to and from rate stabilization.

Financial Statements

Gainesville Regional Utilities
Combined Utility Systems
Schedules of Combined Net Revenues in Accordance with Bond Resolution - Unaudited
For the Periods Ended December 31, 2015 and 2014

| | <u>December 31, 2015</u> | <u>December 31, 2014</u> | <u>Change (\$)</u> | <u>Change (%)</u> |
|---|---------------------------|---------------------------|---------------------------|----------------------|
| REVENUES: | | | | |
| Sales of electricity | \$ 30,204,880 | \$ 30,721,143 | \$ (516,263) | (1.7) |
| Interchange sales | 317,991 | 286,297 | 31,694 | 11.1 |
| Fuel adjustment | 41,091,427 | 42,723,155 | (1,631,728) | (3.8) |
| Other revenues | 11,767,217 | 644,150 | 11,123,067 | 1,726.8 |
| Transfer from/(to) rate stabilization | (8,373,923) | 1,292,873 | (9,666,796) | (747.7) |
| Interest income | 100,954 | 76,080 | 24,874 | 32.7 |
| Build America Bonds interest income | - | - | - | - |
| Total Electric System Revenues | <u>75,108,546</u> | <u>75,743,698</u> | <u>(635,152)</u> | <u>(0.8)</u> |
| Sales of water | 7,858,848 | 7,490,777 | 368,071 | 4.9 |
| Other revenues | 1,106,955 | 493,316 | 613,639 | 124.4 |
| Transfer from/(to) rate stabilization | (295,506) | (519,976) | 224,470 | 43.2 |
| Interest income | 7,779 | 9,104 | (1,325) | (14.6) |
| Build America Bonds interest income | - | - | - | - |
| Total Water System Revenues | <u>8,678,076</u> | <u>7,473,221</u> | <u>1,204,855</u> | <u>16.1</u> |
| Sales of wastewater services | 9,330,681 | 8,701,264 | 629,417 | 7.2 |
| Other revenues | 2,154,883 | 353,454 | 1,801,429 | 509.7 |
| Transfer from/(to) rate stabilization | (172,109) | (449,878) | 277,769 | 61.7 |
| Interest income | 3,403 | 11,986 | (8,583) | (71.6) |
| Build America Bonds interest income | - | - | - | - |
| Total Wastewater System Revenues | <u>11,316,858</u> | <u>8,616,826</u> | <u>2,700,032</u> | <u>31.3</u> |
| Sales of gas | 3,091,889 | 3,285,301 | (193,412) | (5.9) |
| Purchased gas adjustment | 1,921,631 | 3,294,123 | (1,372,492) | (41.7) |
| Other revenues | 296,972 | 278,310 | 18,662 | 6.7 |
| Transfer from/(to) rate stabilization | 196,080 | (75,333) | 271,413 | 360.3 |
| Interest income | 15,483 | 11,883 | 3,600 | 30.3 |
| Build America Bonds interest income | - | - | - | - |
| Total Gas System Revenues | <u>5,522,055</u> | <u>6,794,284</u> | <u>(1,272,229)</u> | <u>(18.7)</u> |
| Sales of services | 3,651,432 | 2,934,656 | 716,776 | 24.4 |
| Other revenues | 266 | 241 | 25 | 10.4 |
| Transfer from/(to) rate stabilization | (238,048) | 40,206 | (278,254) | (692.1) |
| Interest income | 6,803 | 4,486 | 2,317 | 51.6 |
| Total Telecommunications System Revenues | <u>3,420,453</u> | <u>2,979,589</u> | <u>440,864</u> | <u>14.8</u> |
| TOTAL REVENUES | <u>104,045,988</u> | <u>101,607,618</u> | <u>2,438,370</u> | <u>2.4</u> |

Gainesville Regional Utilities
Combined Utility Systems
Schedules of Combined Net Revenues in Accordance with Bond Resolution - Unaudited
For the Periods Ended December 31, 2015 and 2014

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| | <u>December 31, 2015</u> | <u>December 31, 2014</u> | <u>Change (\$)</u> | <u>Change (%)</u> |
|--|--------------------------|--------------------------|---------------------|-------------------|
| OPERATION, MAINTENANCE AND ADMINISTRATIVE EXPENSES: | | | | |
| Electric System: | | | | |
| Fuel Expense: | | | | |
| Fuel and Purchased Power | 41,091,427 | 42,723,155 | (1,631,728) | (3.8) |
| Interchange | 99,372 | 237,005 | (137,633) | (58.1) |
| Total Fuel Expenses | 41,190,799 | 42,960,160 | (1,769,361) | (4.1) |
| Operation and Maintenance | 8,420,999 | 8,388,906 | 32,093 | 0.4 |
| Administrative and General | 6,214,030 | 5,147,147 | 1,066,883 | 20.7 |
| Total Electric System Expenses | 55,825,828 | 56,496,213 | (670,385) | (1.2) |
| Water System: | | | | |
| Operation and Maintenance | 1,667,369 | 1,764,328 | (96,959) | (5.5) |
| Administrative and General | 1,335,574 | 1,243,809 | 91,765 | 7.4 |
| Total Water System Expenses | 3,002,943 | 3,008,137 | (5,194) | (0.2) |
| Wastewater System: | | | | |
| Operation and Maintenance | 1,975,327 | 1,791,626 | 183,701 | 10.3 |
| Administrative and General | 1,239,138 | 1,146,659 | 92,479 | 8.1 |
| Total Wastewater System Expenses | 3,214,465 | 2,938,285 | 276,180 | 9.4 |
| Gas System: | | | | |
| Fuel Expense - Purchased Gas | 1,921,631 | 3,294,123 | (1,372,492) | (41.7) |
| Operation and Maintenance | 378,228 | 337,357 | 40,871 | 12.1 |
| Administrative and General | 1,243,445 | 916,975 | 326,470 | 35.6 |
| Total Gas System Expenses | 3,543,304 | 4,548,455 | (1,005,151) | (22.1) |
| Telecommunications System: | | | | |
| Operation and Maintenance | 970,176 | 968,221 | 1,955 | 0.2 |
| Administrative and General | 615,772 | 553,567 | 62,205 | 11.2 |
| Total Telecommunications System Expenses | 1,585,948 | 1,521,788 | 64,160 | 4.2 |
| TOTAL EXPENSES | 67,172,488 | 68,512,878 | (1,340,390) | (2.0) |
| NET REVENUES IN ACCORDANCE WITH BOND RESOLUTION: | | | | |
| Total Electric System | 19,282,718 | 19,247,485 | 35,233 | 0.2 |
| Total Water System | 5,675,133 | 4,465,084 | 1,210,049 | 27.1 |
| Total Wastewater System | 8,102,393 | 5,678,541 | 2,423,852 | 42.7 |
| Total Gas System | 1,978,751 | 2,245,829 | (267,078) | (11.9) |
| Total Telecommunications System | 1,834,505 | 1,457,801 | 376,704 | 25.8 |
| TOTAL NET REVENUES IN ACCORDANCE WITH BOND RESOLUTION | 36,873,500 | 33,094,740 | 3,778,760 | 11.4 |
| LESS: | | | | |
| Debt Service | 12,941,640 | 12,710,927 | 230,713 | 1.8 |
| Debt Service - UPIF | - | (337,500) | 337,500 | 100.0 |
| UPIF Contributions | 10,944,535 | 10,901,350 | 43,185 | 0.4 |
| Transfer to City of Gainesville General Fund | 8,864,015 | 8,723,106 | 140,909 | 1.6 |
| NET IMPACT TO RATE STABILIZATION - ADDITION (REDUCTION) | \$ 4,123,310 | \$ 1,096,857 | \$ 3,026,453 | 275.9 |

Gainesville Regional Utilities
Electric Utility System
Schedules of Net Revenues in Accordance with Bond Resolution - Unaudited
For the Periods Ended December 31, 2015 and 2014

| | <u>December 31, 2015</u> | <u>December 31, 2014</u> | <u>Change (\$)</u> | <u>Change (%)</u> |
|---|--------------------------|--------------------------|---------------------|-------------------|
| REVENUES: | | | | |
| Residential | \$ 10,349,484 | \$ 10,225,658 | \$ 123,826 | 1.2 |
| Non-residential | 14,467,169 | 15,152,926 | (685,757) | (4.5) |
| Fuel Adjustment | 41,091,427 | 42,723,155 | (1,631,728) | (3.8) |
| Interchange Sales | 317,991 | 286,297 | 31,694 | 11.1 |
| Utility Surcharge | 670,365 | 673,118 | (2,753) | (0.4) |
| Other Electric Sales | 4,717,862 | 4,669,441 | 48,421 | 1.0 |
| Total Sales of Electricity | <u>71,614,298</u> | <u>73,730,595</u> | <u>(2,116,297)</u> | <u>(2.9)</u> |
| Other Revenues | 11,767,217 | 644,150 | 11,123,067 | 1,726.8 |
| Transfer from/(to) rate stabilization | (8,373,923) | 1,292,873 | (9,666,796) | (747.7) |
| Interest Income | 100,954 | 76,080 | 24,874 | 32.7 |
| Build America Bonds Interest Income | - | - | - | - |
| Total Revenues | <u>75,108,546</u> | <u>75,743,698</u> | <u>(635,152)</u> | <u>(0.8)</u> |
| OPERATION, MAINTENANCE AND ADMINISTRATIVE EXPENSES: | | | | |
| Fuel Expenses: | | | | |
| Fuel and Purchased Power | 41,091,427 | 42,723,155 | (1,631,728) | (3.8) |
| Interchange | 99,372 | 237,005 | (137,633) | (58.1) |
| Total Fuel Expenses | <u>41,190,799</u> | <u>42,960,160</u> | <u>(1,769,361)</u> | <u>(4.1)</u> |
| Steam Power Generation | 5,643,051 | 5,763,506 | (120,455) | (2.1) |
| Other Power Generation | 78,326 | 106,201 | (27,875) | (26.2) |
| System Control & Load Dispatching | 279,993 | 266,065 | 13,928 | 5.2 |
| Total Power Production Expenses | <u>6,001,370</u> | <u>6,135,772</u> | <u>(134,402)</u> | <u>(2.2)</u> |
| Transmission & Distribution Expenses: | | | | |
| Transmission | 327,795 | 345,692 | (17,897) | (5.2) |
| Distribution | 2,091,834 | 1,907,442 | 184,392 | 9.7 |
| Total Transmission & Distribution Expenses | <u>2,419,629</u> | <u>2,253,134</u> | <u>166,495</u> | <u>7.4</u> |
| Administrative and General Expenses: | | | | |
| Customer Accounts and Sales | 822,653 | 603,373 | 219,280 | 36.3 |
| Administrative and General | 5,391,377 | 4,543,774 | 847,603 | 18.7 |
| Total Administrative & General Expenses | <u>6,214,030</u> | <u>5,147,147</u> | <u>1,066,883</u> | <u>20.7</u> |
| Total Operation, Maintenance and Administrative Expenses | <u>55,825,828</u> | <u>56,496,213</u> | <u>(670,385)</u> | <u>(1.2)</u> |
| TOTAL NET REVENUES IN ACCORDANCE WITH BOND RESOLUTION | <u>19,282,718</u> | <u>19,247,485</u> | <u>35,233</u> | <u>0.2</u> |
| LESS: | | | | |
| Debt Service | 8,099,654 | 8,020,763 | 78,891 | 1.0 |
| Debt Service - UPIF | - | - | - | - |
| UPIF Contributions | 6,183,680 | 5,926,377 | 257,303 | 4.3 |
| Transfer to City of Gainesville General Fund | 4,919,528 | 4,873,825 | 45,703 | 0.9 |
| NET IMPACT TO RATE STABILIZATION - ADDITION (REDUCTION) | <u>\$ 79,856</u> | <u>\$ 426,520</u> | <u>\$ (346,664)</u> | <u>(81.3)</u> |

Gainesville Regional Utilities
Water Utility System
Schedules of Net Revenues in Accordance with Bond Resolution - Unaudited
For the Periods Ended December 31, 2015 and 2014

| | <u>December 31, 2015</u> | <u>December 31, 2014</u> | <u>Change (\$)</u> | <u>Change (%)</u> |
|---|----------------------------|--------------------------|----------------------------|-----------------------|
| REVENUES: | | | | |
| Residential | \$ 4,894,580 | \$ 4,596,462 | \$ 298,118 | 6.5 |
| Non-residential | 2,050,036 | 1,936,441 | 113,595 | 5.9 |
| University of Florida | 328,341 | 433,670 | (105,329) | (24.3) |
| Utility Surcharge | 585,891 | 524,204 | 61,687 | 11.8 |
| Total Sales of Water | <u>7,858,848</u> | <u>7,490,777</u> | <u>368,071</u> | <u>4.9</u> |
| Other Revenues | 1,106,955 | 493,316 | 613,639 | 124.4 |
| Transfer from/(to) rate stabilization | (295,506) | (519,976) | 224,470 | 43.2 |
| Interest Income | 7,779 | 9,104 | (1,325) | (14.6) |
| Build America Bonds interest income | - | - | - | - |
| Total Revenues | <u>8,678,076</u> | <u>7,473,221</u> | <u>1,204,855</u> | <u>16.1</u> |
| OPERATION, MAINTENANCE AND ADMINISTRATIVE EXPENSES: | | | | |
| Pumping and water treatment | 1,208,574 | 1,218,692 | (10,118) | (0.8) |
| Transmission and Distribution | 458,795 | 545,636 | (86,841) | (15.9) |
| Customer Accounts and Sales | 297,533 | 290,399 | 7,134 | 2.5 |
| Administrative and General | 1,038,041 | 953,410 | 84,631 | 8.9 |
| Total Operation, Maintenance and Administrative Expenses | <u>3,002,943</u> | <u>3,008,137</u> | <u>(5,194)</u> | <u>(0.2)</u> |
| TOTAL NET REVENUES IN ACCORDANCE WITH BOND RESOLUTION | <u>5,675,133</u> | <u>4,465,084</u> | <u>1,210,049</u> | <u>27.1</u> |
| LESS: | | | | |
| Debt Service | 1,218,899 | 1,106,751 | 112,148 | 10.1 |
| Debt Service - UPIF | - | - | - | - |
| UPIF Contributions | 1,689,542 | 1,839,224 | (149,682) | (8.1) |
| Transfer to City of Gainesville General Fund | 1,438,187 | 1,406,610 | 31,577 | 2.2 |
| NET IMPACT TO RATE STABILIZATION - ADDITION (REDUCTION) | <u>\$ 1,328,505</u> | <u>\$ 112,499</u> | <u>\$ 1,216,006</u> | <u>1,080.9</u> |

Gainesville Regional Utilities
Wastewater Utility System
Schedules of Net Revenues in Accordance with Bond Resolution - Unaudited
For the Periods Ended December 31, 2015 and 2014

| | <u>December 31, 2015</u> | <u>December 31, 2014</u> | <u>Change (\$)</u> | <u>Change (%)</u> |
|---|--------------------------|--------------------------|---------------------|-------------------|
| REVENUES: | | | | |
| Residential | \$ 6,253,769 | \$ 6,160,590 | \$ 93,179 | 1.5 |
| Non-residential | 2,387,614 | 1,940,483 | 447,131 | 23.0 |
| Utility surcharge | 689,298 | 600,191 | 89,107 | 14.8 |
| Total Sales of Services | <u>9,330,681</u> | <u>8,701,264</u> | <u>629,417</u> | <u>7.2</u> |
| Other revenues | 2,154,883 | 353,454 | 1,801,429 | 509.7 |
| Transfer from/(to) rate stabilization | (172,109) | (449,878) | 277,769 | 61.7 |
| Interest income | 3,403 | 11,986 | (8,583) | (71.6) |
| Build America Bonds interest income | - | - | - | - |
| Total Revenue | <u>11,316,858</u> | <u>8,616,826</u> | <u>2,700,032</u> | <u>31.3</u> |
| OPERATION, MAINTENANCE AND ADMINISTRATIVE EXPENSES: | | | | |
| Collection | 791,169 | 692,061 | 99,108 | 14.3 |
| Treatment | 1,184,158 | 1,099,565 | 84,593 | 7.7 |
| Customer Accounts and Sales | 267,483 | 188,584 | 78,899 | 41.8 |
| Administrative and General | 971,655 | 958,075 | 13,580 | 1.4 |
| Total Operation, Maintenance and Administrative Expenses | <u>3,214,465</u> | <u>2,938,285</u> | <u>276,180</u> | <u>9.4</u> |
| TOTAL NET REVENUES IN ACCORDANCE WITH BOND RESOLUTION | <u>8,102,393</u> | <u>5,678,541</u> | <u>2,423,852</u> | <u>42.7</u> |
| LESS: | | | | |
| Debt Service | 1,594,012 | 1,438,812 | 155,200 | 10.8 |
| Debt Service - UPIF | - | - | - | - |
| UPIF Contributions | 2,334,265 | 2,233,524 | 100,741 | 4.5 |
| Transfer to City of Gainesville General Fund | 1,899,115 | 1,841,386 | 57,729 | 3.1 |
| NET IMPACT TO RATE STABILIZATION - ADDITION (REDUCTION) | <u>\$ 2,275,001</u> | <u>\$ 164,819</u> | <u>\$ 2,110,182</u> | <u>1,280.3</u> |

Gainesville Regional Utilities
Gas Utility System
Schedules of Net Revenues in Accordance with Bond Resolution - Unaudited
For the Periods Ended December 31, 2015 and 2014

| | <u>December 31, 2015</u> | <u>December 31, 2014</u> | <u>Change (\$)</u> | <u>Change (%)</u> |
|---|--------------------------|--------------------------|---------------------|-------------------|
| REVENUES: | | | | |
| Residential | \$ 1,572,342 | \$ 1,776,898 | \$ (204,556) | (11.5) |
| Non-residential | 1,150,654 | 1,093,818 | 56,836 | 5.2 |
| Purchased Gas Adjustment | 1,921,631 | 3,294,123 | (1,372,492) | (41.7) |
| Utility Surcharge | 100,662 | 110,352 | (9,690) | (8.8) |
| Other Gas Sales | 268,231 | 304,233 | (36,002) | (11.8) |
| Total Sales of Gas | <u>5,013,520</u> | <u>6,579,424</u> | <u>(1,565,904)</u> | <u>(23.8)</u> |
| Other Revenues | 296,972 | 278,310 | 18,662 | 6.7 |
| Transfer from/(to) rate stabilization | 196,080 | (75,333) | 271,413 | 360.3 |
| Interest Income | 15,483 | 11,883 | 3,600 | 30.3 |
| Build America Bonds interest income | - | - | - | - |
| Total Revenues | <u>5,522,055</u> | <u>6,794,284</u> | <u>(1,272,229)</u> | <u>(18.7)</u> |
| OPERATION, MAINTENANCE AND ADMINISTRATIVE EXPENSES: | | | | |
| Fuel Expense - Purchased Gas | 1,921,631 | 3,294,123 | (1,372,492) | (41.7) |
| Operation and Maintenance | 378,228 | 337,357 | 40,871 | 12.1 |
| Customer Accounts and Sales | 429,178 | 538,404 | (109,226) | (20.3) |
| Administrative and General | 814,267 | 378,571 | 435,696 | 115.1 |
| Total Operation, Maintenance and Administrative Expenses | <u>3,543,304</u> | <u>4,548,455</u> | <u>(1,005,151)</u> | <u>(22.1)</u> |
| TOTAL NET REVENUES IN ACCORDANCE WITH BOND RESOLUTION | <u>1,978,751</u> | <u>2,245,829</u> | <u>(267,078)</u> | <u>(11.9)</u> |
| LESS: | | | | |
| Debt Service | 1,013,626 | 850,078 | 163,548 | 19.2 |
| Debt Service - UPIF | - | (250,000) | 250,000 | 100.0 |
| UPIF Contributions | 706,126 | 849,965 | (143,839) | (16.9) |
| Transfer to City of Gainesville General Fund | 607,185 | 601,285 | 5,900 | 1.0 |
| NET IMPACT TO RATE STABILIZATION - ADDITION (REDUCTION) | <u>\$ (348,186)</u> | <u>\$ 194,501</u> | <u>\$ (542,687)</u> | <u>(279.0)</u> |

Gainesville Regional Utilities
Telecommunications System
Schedules of Net Revenues in Accordance with Bond Resolution - Unaudited
For the Periods Ended December 31, 2015 and 2014

| | <u>December 31, 2015</u> | <u>December 31, 2014</u> | <u>Change (\$)</u> | <u>Change (%)</u> |
|---|--------------------------|--------------------------|--------------------------|--------------------|
| REVENUES: | | | | |
| Telecommunication | \$ 834,223 | \$ 1,035,721 | \$ (201,498) | (19.5) |
| Trunking radio | 437,309 | 449,087 | (11,778) | (2.6) |
| Tower Lease | 1,851,260 | 948,820 | 902,440 | 95.1 |
| Internet Access | 528,640 | 501,028 | 27,612 | 5.5 |
| Total Sales of Services | <u>3,651,432</u> | <u>2,934,656</u> | <u>716,776</u> | <u>24.4</u> |
| Other Revenues | 266 | 241 | 25 | 10.4 |
| Transfer from/(to) rate stabilization | (238,048) | 40,206 | (278,254) | (692.1) |
| Interest Income | 6,803 | 4,486 | 2,317 | 51.6 |
| Total Revenues | <u>3,420,453</u> | <u>2,979,589</u> | <u>440,864</u> | <u>14.8</u> |
| OPERATION, MAINTENANCE AND ADMINISTRATIVE EXPENSES: | | | | |
| Operation and Maintenance | 970,176 | 968,221 | 1,955 | 0.2 |
| Customer Accounts and Sales | 8,595 | 22,485 | (13,890) | (61.8) |
| Administrative and General | 607,177 | 531,082 | 76,095 | 14.3 |
| Total Operation, Maintenance and Administrative Expenses | <u>1,585,948</u> | <u>1,521,788</u> | <u>64,160</u> | <u>4.2</u> |
| TOTAL NET REVENUES IN ACCORDANCE WITH BOND RESOLUTION | <u>1,834,505</u> | <u>1,457,801</u> | <u>376,704</u> | <u>25.8</u> |
| LESS: | | | | |
| Debt Service | 1,015,449 | 1,294,523 | (279,074) | (21.6) |
| Debt Service - UPIF | - | (87,500) | 87,500 | 100.0 |
| UPIF Contributions | 30,922 | 52,260 | (21,338) | (40.8) |
| NET IMPACT TO RATE STABILIZATION - ADDITION (REDUCTION) | <u>\$ 788,134</u> | <u>\$ 198,518</u> | <u>\$ 589,616</u> | <u>297</u> |

Gainesville Regional Utilities
Statements of Net Position - Unaudited
For the Periods Ended December 31, 2015 and 2014

| | December 31, 2015 | December 31, 2014 | Change (\$) | Change (%) |
|---|-------------------------|-------------------------|----------------------|---------------|
| Assets | | | | |
| Current assets: | | | | |
| Cash and investments | \$ 48,963,471 | \$ 61,187,534 | \$ (12,224,063) | -20.0% |
| Accounts receivable, net of allowance for uncollectible accounts of \$988,585 for 2015 and \$1,561,364 for 2014 | 40,728,414 | 37,994,010 | 2,734,404 | 7.2% |
| Inventories: | | | | |
| Fuel | 20,155,752 | 12,968,188 | 7,187,564 | 55.4% |
| Materials and supplies | 7,492,622 | 6,677,196 | 815,426 | 12.2% |
| Other assets and regulatory assets | 4,384,107 | 1,527,253 | 2,856,854 | 187.1% |
| Total current assets | 121,724,366 | 120,354,181 | 1,370,185 | 1.1% |
| Restricted and internally designated assets: | | | | |
| Utility deposits – cash and investments | 9,646,205 | 8,322,368 | 1,323,837 | 15.9% |
| Debt service – cash and investments | 12,665,441 | 11,595,607 | 1,069,834 | 9.2% |
| Rate stabilization – cash and investments | 81,182,808 | 64,052,796 | 17,130,012 | 26.7% |
| Construction fund – cash and investments | 43,952,667 | 65,667,875 | (21,715,208) | -33.1% |
| Utility plant improvement fund – cash and investments | 53,959,499 | 43,810,300 | 10,149,199 | 23.2% |
| Decommissioning reserve – cash and investments | – | 13,051,935 | (13,051,935) | -100.0% |
| Total restricted and internally designated assets | 201,406,620 | 206,500,881 | (5,094,261) | -2.5% |
| Noncurrent assets: | | | | |
| Net costs recoverable in future years - regulatory asset | 34,528,461 | 17,986,380 | 16,542,081 | 92.0% |
| Unamortized debt issuance costs - regulatory asset | 6,080,527 | 6,169,499 | (88,972) | -1.4% |
| Investment in The Energy Authority | 2,334,230 | 2,749,030 | (414,800) | -15.1% |
| Pollution remediation - regulatory asset | 13,613,217 | 15,808,529 | (2,195,312) | -13.9% |
| Other noncurrent assets and regulatory assets | 6,606,419 | 6,133,194 | 473,225 | 7.7% |
| Pension costs - regulatory asset | 53,887,756 | – | 53,887,756 | – |
| Total noncurrent assets | 117,050,610 | 48,846,632 | 68,203,978 | 139.6% |
| Capital assets: | | | | |
| Utility plant in service | 1,782,419,105 | 1,727,133,968 | 55,285,137 | 3.2% |
| Capital lease | 1,006,808,754 | 1,006,808,754 | – | – |
| Less: accumulated depreciation and amortization | (776,509,529) | (698,507,512) | (78,002,017) | 11.2% |
| | 2,012,718,330 | 2,035,435,210 | (22,716,880) | -1.1% |
| Construction in progress | 142,011,302 | 149,181,432 | (7,170,130) | -4.8% |
| Net capital assets | 2,154,729,632 | 2,184,616,642 | (29,887,010) | -1.4% |
| Total assets | 2,594,911,228 | 2,560,318,336 | 34,592,892 | 1.4% |
| Deferred outflows of resources: | | | | |
| Unamortized loss on refundings of bonds | 27,311,856 | 30,678,230 | (3,366,374) | -11.0% |
| Accumulated decrease in fair value of hedging derivatives | 73,563,893 | 52,570,983 | 20,992,910 | 39.9% |
| Pension costs | 22,174,505 | – | 22,174,505 | – |
| Total deferred outflows of resources | 123,050,254 | 83,249,213 | 39,801,041 | 47.8% |
| Total assets and deferred outflows of resources | \$ 2,717,961,482 | \$ 2,643,567,549 | \$ 74,393,933 | 2.8% |

Gainesville Regional Utilities
Statements of Net Position - Unaudited (concluded)
For the Periods Ended December 31, 2015 and 2014

| | <u>December 31, 2015</u> | <u>December 31, 2014</u> | <u>Change (\$)</u> | <u>Change (%)</u> |
|--|--------------------------|--------------------------|----------------------|-------------------|
| Liabilities | | | | |
| Current liabilities: | | | | |
| Accounts payable and accrued liabilities | \$ 11,797,772 | \$ 11,052,158 | \$ 745,614 | 6.7% |
| Fuels payable | 11,146,983 | 12,206,028 | (1,059,045) | -8.7% |
| Due to other funds of the City | 2,667,311 | 3,871,923 | (1,204,612) | -31.1% |
| Capital lease – current portion | 13,274,757 | 12,691,735 | 583,022 | 4.6% |
| Fuel adjustment | 14,191,181 | 5,334,707 | 8,856,474 | 166.0% |
| Other liabilities and regulatory liabilities | 2,789,825 | 4,726,140 | (1,936,315) | -41.0% |
| Total current liabilities | <u>55,867,829</u> | <u>49,882,691</u> | <u>5,985,138</u> | <u>12.0%</u> |
| Payable from restricted assets: | | | | |
| Utility deposits | 9,645,651 | 8,659,933 | 985,718 | 11.4% |
| Construction fund: | | | | |
| Accounts payable and accrued liabilities | 435,536 | 1,293,251 | (857,715) | -66.3% |
| Debt payable – current portion | 23,135,000 | 22,205,000 | 930,000 | 4.2% |
| Accrued interest payable | 6,754,720 | 5,822,985 | 931,735 | 16.0% |
| Total payable from restricted assets | <u>39,970,907</u> | <u>37,981,169</u> | <u>1,989,738</u> | <u>5.2%</u> |
| Long-term debt: | | | | |
| Utilities system revenue bonds | 871,540,000 | 889,075,000 | (17,535,000) | -2.0% |
| Commercial paper notes | 53,900,000 | 59,500,000 | (5,600,000) | -9.4% |
| Capital lease | 959,678,852 | 977,280,085 | (17,601,233) | -1.8% |
| Unamortized bond premium/discount | 18,806,074 | 19,874,161 | (1,068,087) | -5.4% |
| Fair value of derivative instruments | 77,042,767 | 55,103,515 | 21,939,252 | 39.8% |
| Total long-term debt | <u>1,980,967,693</u> | <u>2,000,832,761</u> | <u>(19,865,068)</u> | <u>-1.0%</u> |
| Noncurrent liabilities | | | | |
| Reserve for insurance claims | 3,337,000 | 3,337,000 | – | 0.0% |
| Reserve for decommissioning CR3 | – | 11,257,935 | (11,257,935) | -100.0% |
| Reserve for environmental liability | 266,000 | 167,000 | 99,000 | 59.3% |
| Pension liability | 76,062,261 | – | 76,062,261 | – |
| Total noncurrent liabilities | <u>79,665,261</u> | <u>14,761,935</u> | <u>64,903,326</u> | <u>439.7%</u> |
| Total liabilities | <u>2,156,471,690</u> | <u>2,103,458,556</u> | <u>53,013,134</u> | <u>2.5%</u> |
| Deferred inflows of resources: | | | | |
| Rate stabilization | 80,598,047 | 63,829,367 | 16,768,680 | 26.3% |
| Total deferred inflows of resources | <u>80,598,047</u> | <u>63,829,367</u> | <u>16,768,680</u> | <u>26.3%</u> |
| Net position | | | | |
| Net investment in capital assets | 298,837,153 | 300,676,738 | (1,839,585) | -0.6% |
| Restricted | 60,455,535 | 60,369,705 | 85,830 | 0.1% |
| Unrestricted | 121,599,057 | 115,233,183 | 6,365,874 | 5.5% |
| Total net position | <u>480,891,745</u> | <u>476,279,626</u> | <u>4,612,119</u> | <u>1.0%</u> |
| Total liabilities, deferred inflows of resources and net position | <u>\$ 2,717,961,482</u> | <u>\$ 2,643,567,549</u> | <u>\$ 74,393,933</u> | <u>2.8%</u> |

Gainesville Regional Utilities
Statements of Revenues, Expenses, and Changes in Net Position-Unaudited
For the Periods Ended December 31, 2015 and 2014

| | <u>December 31, 2015</u> | <u>December 31, 2014</u> |
|---|------------------------------|------------------------------|
| Operating revenue: | | |
| Sales and service charges | \$ 90,390,137 | \$ 96,961,392 |
| Transfers (to) from rate stabilization | (8,883,506) | 287,892 |
| Amounts to be recovered from future revenue | 8,390,073 | 8,390,073 |
| Other operating revenue | <u>11,084,908</u> | <u>4,671,850</u> |
| Total operating revenues | <u>100,981,612</u> | <u>110,311,207</u> |
| Operating expenses: | | |
| Operation and maintenance | 56,524,528 | 59,557,173 |
| Administrative and general | 11,108,519 | 9,435,784 |
| Depreciation and amortization | <u>23,078,837</u> | <u>23,085,252</u> |
| Total operating expenses | <u>90,711,884</u> | <u>92,078,209</u> |
| Operating income | <u>10,269,728</u> | <u>18,232,998</u> |
| Non-operating income (expense): | | |
| Investment income (expense) | (142,555) | (186,133) |
| Interest expense, net of AFUDC | (6,842,759) | (6,729,152) |
| Other interest related income, BABs | - | - |
| Other income (expense) | <u>11,320,728</u> | <u>(3,280)</u> |
| Total non-operating expense | <u>4,335,414</u> | <u>(6,918,565)</u> |
| Income before contributions, transfer, and extraordinary item | <u>14,605,142</u> | <u>11,314,433</u> |
| Capital contributions: | | |
| Contributions from third parties | 46,776 | 29,157 |
| Reduction of plant costs recovered through contributions | <u>(1,774)</u> | <u>-</u> |
| Net capital contributions | <u>45,002</u> | <u>29,157</u> |
| Transfer to City of Gainesville General Fund | <u>(8,864,015)</u> | <u>(8,723,106)</u> |
| Change in net position | 5,786,129 | 2,620,484 |
| Net position – beginning of year | 475,105,616 | 473,659,142 |
| Net position – end of period | <u>\$ 480,891,745</u> | <u>\$ 476,279,626</u> |

Gainesville Regional Utilities
Statements of Cash Flows
For the Periods Ended December 31, 2015 and 2014

| | <u>December 31,</u> <u>2015</u> | <u>December 31,</u> <u>2014</u> |
|---|------------------------------------|------------------------------------|
| Operating activities: | | |
| Cash received from customers | \$ 97,838,791 | \$ 105,243,397 |
| Cash payments to suppliers for goods and services | (67,365,758) | (69,855,292) |
| Cash payments to employees for services | (12,937,724) | (12,314,169) |
| Cash payments for operating transactions with other funds | (2,546,613) | (2,570,109) |
| Other operating receipts | 2,201,402 | 4,959,742 |
| Net cash provided by operating activities | <u>17,190,098</u> | <u>25,463,569</u> |
| Noncapital financing activities: | | |
| Transfer to City of Gainesville General Fund | (8,864,015) | (8,723,106) |
| Net cash used by noncapital financing activities | <u>(8,864,015)</u> | <u>(8,723,106)</u> |
| Capital and related financing activities: | | |
| Principal repayments and refunding on long-term debt net | (22,205,000) | (20,755,000) |
| Interest paid on long-term debt | (18,894,384) | (19,446,968) |
| Acquisition and construction of fixed assets (including allowance for funds used during construction) | (10,668,634) | (10,765,194) |
| Proceeds from new debt and commercial paper | - | 51,306,295 |
| Cash payment for defeasance of bonds | - | (22,681,138) |
| Cash receipts for defeasance of bonds | - | 22,681,138 |
| Other income | 1,143,299 | (3,280) |
| Net cash (used) provided by capital and related financing activities | <u>(50,624,719)</u> | <u>335,853</u> |
| Investing activities: | | |
| Interest received (paid) | (142,555) | (194,290) |
| Purchase of investments | (95,439,000) | (14,853,381) |
| Investments in The Energy Authority | 2,022,628 | (1,170,582) |
| Distributions from The Energy Authority | (1,794,980) | 1,218,013 |
| Proceeds from CR3 settlement | 10,177,429 | - |
| Proceeds from investments | 105,430,000 | - |
| Net cash provided (used) by investing activities | <u>20,253,522</u> | <u>(15,000,240)</u> |
| Net change in cash and cash equivalents | (22,045,114) | 2,076,076 |
| Cash and cash equivalents, beginning of year | 81,595,541 | 75,559,374 |
| Cash and cash equivalents, end of period | <u>\$ 59,550,427</u> | <u>\$ 77,635,450</u> |

Continued on next page.

Gainesville Regional Utilities
Statements of Cash Flows (concluded)
For the Periods Ended December 31, 2015 and 2014

| | December 31, 2015 | December 31, 2014 |
|---|------------------------------|----------------------|
| Reconciliation of operating income to net cash provided by operating activities: | | |
| Operating income | \$ 10,269,728 | \$ 18,232,998 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | |
| Depreciation and amortization | 23,078,837 | 23,085,252 |
| Net costs to be recovered in future rates | (4,063,597) | (4,253,615) |
| Change in: | | |
| Accounts receivable | 6,665,867 | 7,943,318 |
| Net cash used by noncapital financing activities | (4,828,191) | (1,502,373) |
| Other assets and regulatory assets | (2,132,068) | 348,962 |
| Restricted and internally designated assets | (10,233,185) | - |
| Noncurrent assets | 226,030 | 18,055 |
| Accounts payable and accrued liabilities | (2,516,187) | (9,022,709) |
| Due to other funds of the City | (1,452,755) | 729,424 |
| Fuel adjustment | (4,608,543) | (10,629,181) |
| Other liabilities and regulatory liabilities | (2,882,131) | 462,643 |
| Utility deposits | 782,787 | 338,687 |
| Rate stabilization | 8,883,506 | (287,892) |
| Net cash provided by operating activities | \$ 17,190,098 | \$ 25,463,569 |
| Non-cash capital and related financing activities, Net cash (used) provided by capital and related | | |
| Net costs recoverable in future years | \$ (4,063,597) | \$ - |
| Acquisition of utility plant in service under long term capital lease obligation | \$ (4,326,476) | \$ (4,136,458) |
| Acquisition of utility plant in service with construction fund payable | \$ (4,577,551) | \$ (2,393,283) |
| Change in hedging derivatives - fuel options and futures | \$ 86,120 | \$ 1,578,970 |
| Change in fair value of investments | \$ (134,685) | \$ - |
| Unamortized loss on refundings of bonds | \$ - | \$ (2,644,150) |
| Other | \$ (42,341) | \$ - |

Supplementary Data

Fuel Adjustment Levelization
For the Period Ended December 31, 2015

| | <u>Actual</u> |
|---|---------------------------|
| Fuel Revenues | 36,737,894 |
| Fuel Expenses | 41,092,129 |
| To (From) Fuel Adjustment Levelization | <u>(4,354,235)</u> |
| | |
| Fuel Adjustment Beginning Balance | 16,923,455 |
| To (From) Fuel Adjustment Levelization | (4,354,235) |
| Fuel Adjustment Ending Balance | <u>12,569,221</u> |

Purchased Gas Adjustment (PGA) Levelization
For the Period Ended December 31, 2015

| | <u>Actual</u> |
|-----------------------------------|-------------------------|
| Purchased Gas Revenues | 1,667,322 |
| Purchased Gas Expenses | 1,921,631 |
| To (From) PGA Levelization | <u>(254,309)</u> |
| | |
| PGA Beginning Balance | 1,876,269 |
| To (From) PGA Levelization | (254,309) |
| PGA Ending Balance | <u>1,621,960</u> |