

Gainesville Regional Utilities

Interim Financial Statements - Unaudited

For the Year Ended September 30, 2017



**Gainesville Regional Utilities
Financial Statements - Unaudited
For the Year Ended September 30, 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 Year Ended September 30, 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 year ended September 30, 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 Year Ended September 30, 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 year ended September 30, 2017. It should be read in conjunction with the unaudited financial statements that follow this section.

Financial Highlights – Overall

- Cash and cash equivalents decreased \$12.9 million or 26.1% due to normal operations and contributions to and from rate stabilization cash.
- Fuel adjustment levelization balance decreased \$19.1 million or 131.9% to a negative \$4.7 million. The electric fuel adjustment balance decreased \$18.5 million due to a combination of the following factors: a decrease in the fuel adjustment rate in May 2016; use of more expensive biomass power from Gainesville Renewable Energy Center (GREC) due to Deerhaven repairs related to the dry scrubber failure and an upward trend in the cost of natural gas.

At September 30, 2017, GRU was in arbitration regarding various matters related to the Power Purchase Agreement (PPA) with GREC and the amount in dispute totaled \$8.5 million. GRU purchased the plant in November 2017 for \$750 million and the amount in dispute was settled at that time. GRU has renamed the plant to Deerhaven Renewables and incorporated it into the Utility's generating portfolio.

- Short term investments decreased by \$44.5 million or 37.3% due primarily to expiring investments that were not renewed and subsequently used to fund capital expenditures.
- Net costs recoverable in future years increased \$15.2 million or 32.6% due to capital lease transactional activity.
- Construction in progress decreased \$17.6 million and Utility Plant in Service increased \$97.9 million due to a Utility wide effort to capitalize assets placed into service. This effort was driven by the reimplemention of the SAP software project and changes in business processes.
- Accumulated decrease in fair value of hedging derivatives decreased \$23.7 million or 29.1% due primarily to a decrease in the unrealized loss on interest rate swaps.
- Accounts payable and accrued liabilities increased \$8.7 million or 28.5% due to increased expenses in September related to storm damage from Hurricane Irma.
- The pension costs - regulatory asset, deferred outflow of resources - pension costs, pension liability and deferred inflow of resources - pension costs have not been adjusted for year-end. Final entries will be made prior to issuance of the audited financial statements for the year ended September 30, 2017.
- Certain 2016 amounts have been reclassified to conform to the 2017 presentation.

Gainesville Regional Utilities
Financial Statements - Unaudited
For the Year Ended September 30, 2017

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

Combined Systems

- Total revenues increased \$6.4 million or 1.5% due primarily to an increase in electric, water and wastewater revenues. These increases were offset by decreases in gas and telecommunication revenues.
- Total expenses increased \$10.9 million or 2.8% due primarily to an increase in electric fuel expense of \$6.7 million and \$5.6 million of expenses resulting from damage incurred during Hurricane Irma. A reimbursement request will be submitted to the Federal Emergency Management Agency (FEMA) during fiscal year 2018.
- The combined systems withdrew \$4 million from rate stabilization for the year ended September 30, 2017, including budgeted transfers to and from rate stabilization.

Electric System

- Total revenues increased by \$3.9 million or 1.3% over the prior year due primarily to an increase in the fuel adjustment and non-residential revenues offset by lower residential revenue.
- Fuel adjustment revenue increased \$6.7 million or 4.3% over the prior year due primarily to higher fuel expenses. 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.

- Other revenues decreased \$8.9 million and the transfer from rate stabilization increased \$8.8 million from the prior year due primarily to the release of GRU's ownership interest in the CR3 nuclear power plant to Duke Energy that occurred in fiscal year 2016.
- Fuel and purchased power expenses increased \$6.7 million or 4.3% over the prior year due primarily to increased natural gas cost and an increase in the use of higher cost biomass power due to a shutdown of Deerhaven unit 2 for repairs.

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.

- Transmission and distribution expenses increased \$4.9 million or 34.5% primarily due to \$4.2 million in damages to the electrical system resulting from Hurricane Irma. A reimbursement request will be submitted to FEMA during fiscal year 2018.
- The electric system withdrew \$6 million from rate stabilization for the year ended September 30, 2017, in addition to budgeted transfers from rate stabilization.

Gainesville Regional Utilities
Financial Statements - Unaudited
For the Year Ended September 30, 2017

Water System

- Total revenues increased \$2.8 million or 8.3% due to an overall rate increase of 3% offset by a decrease in other revenues and other income/expenses.
- Other revenues decreased \$724,249 or 23.6% due to a reduction in connection and other charges. Fiscal year 2016 had significant commercial construction activities with increased connection charge fees.
- Other income (expense) decreased by \$1 million primarily due to an \$802,273 loss on the disposal of water meters and associated connections as part of a water meter upgrade plan.
- The water system contributed \$1.5 million to rate stabilization for the year ended September 30, 2017, in addition to budgeted transfers to rate stabilization.

Wastewater System

- Total revenues increased \$2.9 million or 6.8% due to an increase in residential revenue offset by a decrease in other revenue.
- Other revenues decreased \$1.2 million or 24.2% due to a reduction in connection and other charges. Fiscal year 2016 had significant commercial construction activities with increased connection charges.
- Wastewater collection expenses increased \$2.7 million or 74.5% primarily due to increased labor expenses, electric usage and pumping expenses associated with Hurricane Irma. A reimbursement request will be submitted to FEMA during fiscal year 2018.
- The wastewater system contributed \$1 million to rate stabilization for the year ended September 30, 2017, in addition to budgeted transfers from rate stabilization.

Gas System

- Total revenues decreased \$2.2 million or 9% due to the combination of a reduction in sales volume and increased transfers to rate stabilization offset by an overall increase in gas rates of 9%.
- Purchased gas fuel adjustment and the related fuel expense increased \$273,287 or 4.0% due to an increase in the usage of natural gas. 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 Year Ended September 30, 2017

- Administrative and general expenses decreased \$2.4 million or 41.6%. In fiscal year 2016, the gas system expensed work that had been originally classified as capital yet was not able to be placed into service.
- The gas system contributed \$197,230 to rate stabilization for the year ended September 30, 2017, in addition to budgeted transfers to rate stabilization.

Telecommunications System

- Total revenues decreased \$1 million or 8.6% due primarily to a planned withdrawal of rate stabilization revenues that did not occur when funds were exhausted in the previous year.

This page is intentionally left blank

Financial Statements

Gainesville Regional Utilities
Statements of Net Position - Unaudited
September 30, 2017 and 2016

	September 30, 2017	September 30, 2016	Change (\$)	Change (%)
Assets				
Current assets:				
Cash and cash equivalents	\$ 36,491,757	\$ 49,373,171	\$ (12,881,414)	(26.1%)
Accounts receivable, net of allowance for uncollectible accounts of \$711,612 and \$837,332, respectively	52,423,319	49,351,371	3,071,948	6.2%
Inventories:				
Fuel	7,697,011	8,162,677	(465,666)	(5.7%)
Materials and supplies	7,754,117	6,946,095	808,022	11.6%
Fuel adjustment	4,729,317	(14,831,564)	19,560,881	(131.9%)
Other assets and regulatory assets	1,989,600	1,822,993	166,607	9.1%
Short term investments	74,823,398	119,338,969	(44,515,571)	(37.3%)
Total current assets	185,908,519	220,163,712	(34,255,193)	(15.6%)
Noncurrent assets:				
Net costs recoverable in future years - regulatory assets	61,574,434	46,423,923	15,150,511	32.6%
Unamortized debt issuance costs - regulatory assets	5,475,971	5,821,432	(345,461)	(5.9%)
Investment in The Energy Authority	2,093,983	2,102,681	(8,698)	(0.4%)
Pollution remediation - regulatory asset	11,734,159	12,826,026	(1,091,867)	(8.5%)
Other noncurrent assets and regulatory assets	4,409,469	7,156,828	(2,747,359)	(38.4%)
Long term investments	98,343,474	96,841,404	1,502,070	1.6%
Pension costs - regulatory asset	56,115,877	56,115,877	-	0.0%
Total noncurrent assets	239,747,367	227,288,171	12,459,196	5.5%
Capital assets:				
Utility plant in service	1,964,548,996	1,866,654,212	97,894,784	5.2%
Capital lease	1,006,808,754	1,006,808,754	-	0.0%
Less: accumulated depreciation and amortization	(939,133,366)	(838,225,820)	(100,907,546)	12.0%
	2,032,224,384	2,035,237,146	(3,012,762)	(0.1%)
Construction in progress	92,098,075	109,692,217	(17,594,142)	(16.0%)
Net capital assets	2,124,322,459	2,144,929,363	(20,606,904)	(1.0%)
Total assets	2,549,978,345	2,592,381,246	(42,402,901)	(1.6%)
Deferred outflows of resources:				
Unamortized loss on refunding of bonds	21,372,280	24,766,323	(3,394,043)	(13.7%)
Accumulated decrease in fair value of hedging derivatives	57,652,361	81,362,499	(23,710,138)	(29.1%)
Pension costs	20,954,810	20,954,810	-	0.0%
Total deferred outflows of resources	99,979,451	127,083,632	(27,104,181)	(21.3%)
Total assets and deferred outflows of resources	\$ 2,649,957,796	\$ 2,719,464,878	\$ (69,507,082)	(2.6%)

Continued on next page.

Gainesville Regional Utilities
Statements of Net Position - Unaudited (concluded)
September 30, 2017 and 2016

	September 30, 2017	September 30, 2016	Change (\$)	Change (%)
Liabilities				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 39,036,087	\$ 30,368,402	\$ 8,667,685	28.5%
Fuels payable	13,305,897	12,170,813	1,135,084	9.3%
Due to other funds of the City	(873,583)	1,489,944	(2,363,527)	(158.63%)
Capital lease - current	19,255,473	18,409,781	845,692	4.6%
Other liabilities and regulatory liabilities	(197,847)	1,899,847	(2,097,694)	(110.41%)
Total current liabilities	<u>70,526,027</u>	<u>64,338,787</u>	<u>6,187,240</u>	<u>9.6%</u>
Payable from restricted assets:				
Utility deposits	9,925,443	9,879,734	45,709	0.5%
Utilities system revenue bonds - current	18,120,000	107,535,000	(89,415,000)	(83.1%)
Commercial paper notes - current	5,900,000	13,600,000	(7,700,000)	(56.6%)
Accrued interest payable	18,039,204	18,516,765	(477,561)	(2.6%)
Total payable from restricted assets	<u>51,984,647</u>	<u>149,531,499</u>	<u>(97,546,852)</u>	<u>(65.2%)</u>
Long-term debt:				
Utility system revenue bonds	853,420,000	781,540,000	71,880,000	9.2%
Commercial paper notes	53,000,000	45,900,000	7,100,000	15.5%
Capital lease	922,013,598	941,269,071	(19,255,473)	(2.0%)
Unamortized bond premium/discount	16,902,387	17,990,208	(1,087,821)	(6.0%)
Fair value of derivative instruments	61,184,080	87,180,294	(25,996,214)	(29.8%)
Total long-term debt	<u>1,906,520,065</u>	<u>1,873,879,573</u>	<u>32,640,492</u>	<u>1.7%</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	71,325,377	-	0.0%
Total noncurrent liabilities	<u>74,928,377</u>	<u>74,928,377</u>	<u>-</u>	<u>0.0%</u>
Total liabilities	<u>2,103,959,116</u>	<u>2,162,678,236</u>	<u>(58,719,120)</u>	<u>(2.7%)</u>
Deferred inflows of resources:				
Rate stabilization	66,046,164	74,077,388	(8,031,224)	(10.8%)
Pension costs	5,745,310	5,745,310	-	0.0%
Total deferred inflows of resources	<u>71,791,474</u>	<u>79,822,698</u>	<u>(8,031,224)</u>	<u>(10.1%)</u>
Net position				
Net investment in capital assets	275,624,484	265,322,741	10,301,743	3.9%
Restricted	74,948,542	82,186,093	(7,237,551)	(8.8%)
Unrestricted	123,634,180	129,455,110	(5,820,930)	(4.5%)
Total net position	<u>474,207,206</u>	<u>476,963,944</u>	<u>(2,756,738)</u>	<u>(0.6%)</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 2,649,957,796</u>	<u>\$ 2,719,464,878</u>	<u>\$ (69,507,082)</u>	<u>(2.6%)</u>

This page is intentionally left blank

Gainesville Regional Utilities
Statements of Revenues, Expenses, and Changes in Net Position - Unaudited
For the Years Ended September 30, 2017 and 2016

	<u>September 30, 2017</u>	<u>September 30, 2016</u>
Operating revenues:		
Sales and service charges	\$ 390,065,083	\$ 379,830,526
Transfers (to) from rate stabilization	8,031,224	(2,362,847)
Amounts to be recovered from future revenue	33,560,292	33,560,292
Other operating revenue	25,207,002	22,789,836
Total operating revenues	<u>456,863,601</u>	<u>433,817,807</u>
Operating expenses:		
Operation and maintenance	250,632,067	230,128,599
Administrative and general	41,012,871	50,506,178
Depreciation and amortization	108,054,395	99,343,149
Total operating expenses	<u>399,699,333</u>	<u>379,977,926</u>
Operating income	<u>57,164,268</u>	<u>53,839,881</u>
Non-operating income (expense):		
Interest expense, net of AFUDC	(37,062,896)	(37,811,533)
Other interest related income, BABs	5,308,201	5,372,529
Other income (expense)	70,008	13,987,579
Total non-operating income (expense)	<u>(31,684,687)</u>	<u>(18,451,425)</u>
Income before capital contributions and transfers	<u>25,479,581</u>	<u>35,388,456</u>
Capital contributions:		
Contributions from third parties	7,636,081	1,659,399
Reduction of plant costs recovered through contributions	(58,390)	(194,936)
Net capital contributions	<u>7,577,691</u>	<u>1,464,463</u>
Transfer to City of Gainesville General Fund	<u>(35,814,010)</u>	<u>(34,994,591)</u>
Change in net position	<u>(2,756,738)</u>	<u>1,858,328</u>
Net position - beginning of year	476,963,944	475,105,616
Net position - end of period	<u>\$ 474,207,206</u>	<u>\$ 476,963,944</u>

Gainesville Regional Utilities
Statements of Cash Flows - Unaudited
For the Years Ended September 30, 2017 and 2016

	September 30, 2017	September 30, 2016
Operating activities:		
Cash received from customers	\$ 386,384,590	\$ 379,135,491
Cash payments to suppliers for goods and services	(239,372,333)	(202,870,326)
Cash payments to employees for services	(56,733,264)	(54,591,582)
Cash payments for operating transactions with other funds	(7,383,825)	(6,629,986)
Other operating receipts	36,361,766	20,426,989
Net cash provided by operating activities	119,256,934	135,470,586
Noncapital financing activities:		
Transfer to City of Gainesville General Fund	(35,814,010)	(34,994,591)
Net cash used by noncapital financing activities	(35,814,010)	(34,994,591)
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	(37,540,457)	(38,101,113)
Proceeds from interest rebates, BABs	5,308,201	5,372,529
Acquisition and construction of fixed assets (including allowance for funds used during construction)	(92,248,190)	(77,099,955)
Proceeds from new debt and commercial paper	5,000,000	-
Other income	3,151,706	3,149,084
Net cash used by capital and related financing activities	(139,463,740)	(128,884,455)
Investing activities:		
Interest paid (received)	1,314,281	661,066
Purchase of investments	(285,349,954)	(390,235,264)
Investments in The Energy Authority	(6,075,313)	(6,787,229)
Distributions from The Energy Authority	6,084,011	7,246,426
Proceeds from investments	327,003,774	375,286,264
Proceeds from CR3 settlement	-	10,177,429
Net cash provided (used) by investing activities	42,976,799	(3,651,308)
Net change in cash and cash equivalents	(13,044,016)	(32,059,768)
Cash and cash equivalents, beginning of year	49,535,773	81,595,541
Cash and cash equivalents, end of period	\$ 36,491,757	\$ 49,535,773

Continued on next page.

Gainesville Regional Utilities
Statements of Cash Flows - Unaudited (concluded)
For the Years Ended September 30, 2017 and 2016

	September 30, 2017	September 30, 2016
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 57,164,268	\$ 53,839,881
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	108,054,395	99,343,149
Net costs recoverable in future years	(15,150,511)	(15,959,059)
Change in:		
Accounts receivable	(3,071,948)	(1,957,090)
Inventories	(342,356)	7,711,411
Other assets and regulatory assets	(166,607)	429,046
Payable from restricted assets	(22,946,888)	(11,964,460)
Noncurrent assets	1,091,867	998,220
Accounts payable and accrued liabilities	14,214,320	7,864,848
Due to other funds of the City	(2,363,527)	(2,630,122)
Fuel adjustment	(8,384,773)	(3,968,160)
Other liabilities and regulatory liabilities	(201,537)	(1,861,980)
Utility deposits	(608,545)	1,262,055
Rate stabilization	(8,031,224)	2,362,847
Net cash provided by operating activities	\$ 119,256,934	\$ 135,470,586
Non-cash capital and related financing activities and investing activities:		
Contribution of capital assets	\$ 7,577,691	\$ 1,464,463
Net costs recoverable in future years	\$ (15,150,511)	\$ (15,959,059)
Change in capital lease liability	\$ (18,409,781)	\$ (17,601,233)
Acquisition of utility plant in service with construction fund payable	\$ (4,411,551)	\$ 4,200,338
Change in ineffective portion of hedging derivatives	\$ 2,536,638	\$ (693,448)
Change in accumulated decrease in fair value of hedging derivatives - interest rate swaps	\$ 23,459,575	\$ (9,444,078)
Change in accumulated decrease in fair value of hedging derivatives - fuel options and futures	\$ 250,563	\$ 1,731,592
Change in fair value of investments	\$ (1,179,432)	\$ 215,968
Change in fair value of derivatives	\$ (25,996,214)	\$ 10,137,527
Other	\$ (716,725)	\$ (2,303,123)

Gainesville Regional Utilities
Combined Utility Systems
Schedules of Combined Net Revenues in Accordance with Bond Resolution - Unaudited
For the Years Ended September 30, 2017 and 2016

	<u>September 30, 2017</u>	<u>September 30, 2016</u>	<u>Change (\$)</u>	<u>Change (%)</u>
Revenues:				
Electric system:				
Sales of electricity	\$ 126,565,968	\$ 128,083,733	\$ (1,517,765)	(1.2)
Fuel adjustment	162,490,201	155,825,143	6,665,058	4.3
Sales for resale	4,042,864	3,901,063	141,801	3.6
Transfer from/(to) rate stabilization	9,813,458	1,040,147	8,773,311	843.5
Other revenue	6,022,825	14,907,556	(8,884,731)	(59.6)
Other income (expense)	107,954	1,338,385	(1,230,431)	(91.9)
Build America Bonds	2,935,564	2,975,136	(39,572)	(1.3)
Total electric system revenues	<u>311,978,834</u>	<u>308,071,163</u>	<u>3,907,671</u>	<u>1.3</u>
Water system:				
Sales of water	35,307,646	33,048,658	2,258,988	6.8
Transfer from/(to) rate stabilization	(981,358)	(3,264,403)	2,283,045	69.9
Other revenue	2,338,143	3,062,392	(724,249)	(23.6)
Other income (expense)	(855,050)	137,904	(992,954)	(720.0)
Build America Bonds	824,619	833,766	(9,147)	(1.1)
Total water system revenues	<u>36,634,000</u>	<u>33,818,317</u>	<u>2,815,683</u>	<u>8.3</u>
Wastewater system:				
Sales of wastewater	40,105,516	38,220,254	1,885,262	4.9
Transfer from/(to) rate stabilization	299,041	(2,117,697)	2,416,738	114.1
Other revenue	3,874,344	5,111,199	(1,236,855)	(24.2)
Other income (expense)	(7,047)	191,823	(198,870)	(103.7)
Build America Bonds	933,336	940,799	(7,463)	(0.8)
Total wastewater system revenues	<u>45,205,190</u>	<u>42,346,378</u>	<u>2,858,812</u>	<u>6.8</u>
Gas system:				
Sales of gas	14,465,128	13,564,930	900,198	6.6
Purchased gas adjustment	7,025,104	6,751,817	273,287	4.0
Transfer from/(to) rate stabilization	(1,099,917)	1,986,508	(3,086,425)	(155.4)
Other revenue	918,597	1,228,825	(310,228)	(25.2)
Other income (expense)	200,585	170,119	30,466	17.9
Build America Bonds	614,682	622,829	(8,147)	(1.3)
Total gas system revenues	<u>22,124,179</u>	<u>24,325,028</u>	<u>(2,200,849)</u>	<u>(9.0)</u>
Telecommunications system:				
Sales of services	11,189,423	11,684,200	(494,777)	(4.2)
Transfer from/(to) rate stabilization	-	(7,402)	7,402	100.0
Other revenue	11,562	1,294	10,268	793.5
Other income (expense)	(462,444)	66,392	(528,836)	(796.5)
Total telecommunications system revenues	<u>10,738,541</u>	<u>11,744,484</u>	<u>(1,005,943)</u>	<u>(8.6)</u>
Total revenues	<u>426,680,744</u>	<u>420,305,370</u>	<u>6,375,374</u>	<u>1.5</u>

Gainesville Regional Utilities
Combined Utility Systems
Schedules of Combined Net Revenues in Accordance with Bond Resolution - Unaudited
For the Years Ended September 30, 2017 and 2016
Page 2

	<u>September 30, 2017</u>	<u>September 30, 2016</u>	<u>Change (\$)</u>	<u>Change (%)</u>
OPERATION, MAINTENANCE AND ADMINISTRATIVE EXPENSES:				
Electric system:				
Fuel expenses	162,490,201	155,825,143	6,665,058	4.3
Operation and maintenance	49,551,764	42,265,194	7,286,570	17.2
Administrative and general	23,828,253	27,200,222	(3,371,969)	(12.4)
Total Electric System Expenses	<u>235,870,218</u>	<u>225,290,559</u>	<u>10,579,659</u>	<u>4.7</u>
Water system:				
Operation and maintenance	9,944,066	7,985,190	1,958,876	24.5
Administrative and general	5,519,450	6,841,967	(1,322,517)	(19.3)
Total Water System Expenses	<u>15,463,516</u>	<u>14,827,157</u>	<u>636,359</u>	<u>4.3</u>
Wastewater system:				
Operation and maintenance	13,078,881	10,939,007	2,139,874	19.6
Administrative and general	5,973,307	6,449,144	(475,837)	(7.4)
Total Wastewater System Expenses	<u>19,052,188</u>	<u>17,388,151</u>	<u>1,664,037</u>	<u>9.6</u>
Gas system:				
Fuel expense and purchased gas	7,025,104	6,751,817	273,287	4.0
Operation and maintenance	2,505,904	2,058,670	447,234	21.7
Administrative and general	3,370,550	5,766,555	(2,396,005)	(41.6)
Total Gas System Expenses	<u>12,901,558</u>	<u>14,577,042</u>	<u>(1,675,484)</u>	<u>(11.5)</u>
Telecommunications system:				
Operation and maintenance	5,285,596	4,301,929	983,667	22.9
Administrative and general	1,823,125	3,120,361	(1,297,236)	(41.6)
Total Telecommunications System Expenses	<u>7,108,721</u>	<u>7,422,290</u>	<u>(313,569)</u>	<u>(4.2)</u>
TOTAL EXPENSES	<u>290,396,201</u>	<u>279,505,199</u>	<u>10,891,002</u>	<u>2.8</u>
NET REVENUES IN ACCORDANCE WITH BOND RESOLUTION:				
Total electric system	76,108,616	82,780,604	(6,671,988)	(8.1)
Total water system	21,170,484	18,991,160	2,179,324	11.5
Total wastewater system	26,153,002	24,958,227	1,194,775	4.8
Total gas system	9,222,621	9,747,986	(525,365)	(5.4)
Total telecommunications system	3,629,820	4,322,194	(692,374)	(16.0)
TOTAL NET REVENUES IN ACCORDANCE WITH BOND RESOLUTION	<u>136,284,543</u>	<u>140,800,171</u>	<u>(4,515,628)</u>	<u>(3.2)</u>
LESS:				
Debt service	62,571,817	62,027,441	544,376	0.9
Debt service - UPIF	(5,000,000)	-	(5,000,000)	-
UPIF contributions	46,858,096	43,778,139	3,079,957	7.0
Transfer to City of Gainesville General Fund	35,814,010	34,994,591	819,419	2.3
NET IMPACT TO RATE STABILIZATION - ADDITION (REDUCTION)	<u>\$ (3,959,380)</u>	<u>\$ -</u>	<u>\$ (3,959,380)</u>	<u>-</u>

Gainesville Regional Utilities
Electric Utility System
Schedules of Net Revenues in Accordance with Bond Resolution - Unaudited
For the Years Ended September 30, 2017 and 2016

	<u>September 30, 2017</u>	<u>September 30, 2016</u>	<u>Change (\$)</u>	<u>Change (%)</u>
REVENUES:				
Residential	\$ 47,236,704	\$ 48,414,299	\$ (1,177,595)	(2.4)
Non-residential	61,748,151	60,244,513	1,503,638	2.5
Fuel adjustment	162,490,201	155,825,143	6,665,058	4.3
Sales for resale	4,042,864	3,901,063	141,801	3.6
Utility surcharge	2,979,234	3,049,201	(69,967)	(2.3)
Other electric sales	14,601,879	16,375,720	(1,773,841)	(10.8)
Total Sales of Electricity	<u>293,099,033</u>	<u>287,809,939</u>	<u>5,289,094</u>	<u>1.8</u>
Transfer from/(to) rate stabilization	9,813,458	1,040,147	8,773,311	843.5
Other revenue	6,022,825	14,907,556	(8,884,731)	(59.6)
Other income (expense)	107,954	1,338,385	(1,230,431)	(91.9)
Build America Bonds	2,935,564	2,975,136	(39,572)	(1.3)
Total Revenues	<u>311,978,834</u>	<u>308,071,163</u>	<u>3,907,671</u>	<u>1.3</u>
OPERATION, MAINTENANCE AND ADMINISTRATIVE EXPENSES:				
Fuel expenses	162,490,201	155,825,143	6,665,058	4.3
Power production	29,340,502	27,723,441	1,617,061	5.8
Transmission and distribution	19,232,279	14,296,790	4,935,489	34.5
Interchange	978,983	244,963	734,020	299.6
Administrative and general	23,828,253	27,200,222	(3,371,969)	(12.4)
Total Operation, Maintenance and Administrative Expenses	<u>235,870,218</u>	<u>225,290,559</u>	<u>10,579,659</u>	<u>4.7</u>
TOTAL NET REVENUES IN ACCORDANCE WITH BOND RESOLUTION	<u>76,108,616</u>	<u>82,780,604</u>	<u>(6,671,988)</u>	<u>(8.1)</u>
LESS:				
Debt service	38,922,412	38,623,885	298,527	0.8
Debt service - UPIF	(5,000,000)	-	(5,000,000)	-
UPIF contributions	27,046,177	24,734,721	2,311,456	9.3
Transfer to City of Gainesville General Fund	21,094,452	19,421,998	1,672,454	8.6
NET IMPACT TO RATE STABILIZATION - ADDITION (REDUCTION)	<u>\$ (5,954,425)</u>	<u>\$ -</u>	<u>\$ (5,954,425)</u>	<u>-</u>

Gainesville Regional Utilities
Water Utility System
Schedules of Net Revenues in Accordance with Bond Resolution - Unaudited
For the Years Ended September 30, 2017 and 2016

	<u>September 30, 2017</u>	<u>September 30, 2016</u>	<u>Change (\$)</u>	<u>Change (%)</u>
REVENUES:				
Residential	\$ 21,876,220	\$ 20,391,611	\$ 1,484,609	7.3
Non-residential	10,832,890	10,276,880	556,010	5.4
Utility surcharge	2,598,536	2,380,167	218,369	9.2
Total Sales of Water	<u>35,307,646</u>	<u>33,048,658</u>	<u>2,258,988</u>	<u>6.8</u>
Transfer from/(to) rate stabilization	(981,358)	(3,264,403)	2,283,045	69.9
Other revenue	2,338,143	3,062,392	(724,249)	(23.6)
Other income (expense)	(855,050)	137,904	(992,954)	(720.0)
Build America Bonds	824,619	833,766	(9,147)	(1.1)
Total Revenues	<u>36,634,000</u>	<u>33,818,317</u>	<u>2,815,683</u>	<u>8.3</u>
OPERATION, MAINTENANCE AND ADMINISTRATIVE EXPENSES:				
Transmission and distribution	3,281,281	2,512,270	769,011	30.6
Treatment	6,662,785	5,472,920	1,189,865	21.7
Administrative and general	5,519,450	6,841,967	(1,322,517)	(19.3)
Total Operation, Maintenance and Administrative Expenses	<u>15,463,516</u>	<u>14,827,157</u>	<u>636,359</u>	<u>4.3</u>
TOTAL NET REVENUES IN ACCORDANCE WITH BOND RESOLUTION	<u>21,170,484</u>	<u>18,991,160</u>	<u>2,179,324</u>	<u>11.5</u>
LESS:				
Debt service	6,863,138	6,555,120	308,018	4.7
UPIF contributions	7,042,712	6,758,167	284,545	4.2
Transfer to City of Gainesville General Fund	5,748,149	5,677,873	70,276	1.2
NET IMPACT TO RATE STABILIZATION - ADDITION (REDUCTION)	<u>\$ 1,516,485</u>	<u>\$ -</u>	<u>\$ 1,516,485</u>	<u>-</u>

Gainesville Regional Utilities
Wastewater Utility System
Schedules of Net Revenues in Accordance with Bond Resolution - Unaudited
For the Years Ended September 30, 2017 and 2016

	<u>September 30, 2017</u>	<u>September 30, 2016</u>	<u>Change (\$)</u>	<u>Change (%)</u>
REVENUES:				
Residential	\$ 27,090,198	\$ 26,062,781	\$ 1,027,417	3.9
Non-residential	10,157,051	9,514,192	642,859	6.8
Utility surcharge	2,858,267	2,643,281	214,986	8.1
Total Sales of Services	<u>40,105,516</u>	<u>38,220,254</u>	<u>1,885,262</u>	<u>4.9</u>
Transfer from/(to) rate stabilization	299,041	(2,117,697)	2,416,738	114.1
Other revenue	3,874,344	5,111,199	(1,236,855)	(24.2)
Other income (expense)	(7,047)	191,823	(198,870)	(103.7)
Build America Bonds	933,336	940,799	(7,463)	(0.8)
Total Revenues	<u>45,205,190</u>	<u>42,346,378</u>	<u>2,858,812</u>	<u>6.8</u>
OPERATION, MAINTENANCE AND ADMINISTRATIVE EXPENSES:				
Collection	6,402,349	3,669,178	2,733,171	74.5
Treatment	6,676,532	7,269,829	(593,297)	(8.2)
Administrative and general	5,973,307	6,449,144	(475,837)	(7.4)
Total Operation, Maintenance and Administrative Expenses	<u>19,052,188</u>	<u>17,388,151</u>	<u>1,664,037</u>	<u>9.6</u>
TOTAL NET REVENUES IN ACCORDANCE WITH BOND RESOLUTION	<u>26,153,002</u>	<u>24,958,227</u>	<u>1,194,775</u>	<u>4.8</u>
LESS:				
Debt service	8,487,003	8,123,577	363,426	4.5
UPIF contributions	9,432,248	9,337,059	95,189	1.0
Transfer to City of Gainesville General Fund	7,234,430	7,497,591	(263,161)	(3.5)
NET IMPACT TO RATE STABILIZATION - ADDITION (REDUCTION)	<u>\$ 999,321</u>	<u>\$ -</u>	<u>\$ 999,321</u>	<u>-</u>

Gainesville Regional Utilities
Gas Utility System
Schedules of Net Revenues in Accordance with Bond Resolution - Unaudited
For the Years Ended September 30, 2017 and 2016

	<u>September 30, 2017</u>	<u>September 30, 2016</u>	<u>Change (\$)</u>	<u>Change (%)</u>
REVENUES:				
Residential	\$ 7,360,771	\$ 7,142,586	\$ 218,185	3.1
Non-residential	5,484,284	4,753,630	730,654	15.4
Fuel adjustment	7,025,104	6,751,817	273,287	4.0
Utility surcharge	474,737	-	474,737	-
Other gas sales	1,145,336	1,668,714	(523,378)	(31.4)
Total Sales of Gas	<u>21,490,232</u>	<u>20,316,747</u>	<u>1,173,485</u>	<u>5.8</u>
Transfer from/(to) rate stabilization	(1,099,917)	1,986,508	(3,086,425)	(155.4)
Other revenue	918,597	1,228,825	(310,228)	(25.2)
Other income (expense)	200,585	170,119	30,466	17.9
Build America Bonds	614,682	622,829	(8,147)	(1.3)
Total Revenues	<u>22,124,179</u>	<u>24,325,028</u>	<u>(2,200,849)</u>	<u>(9.0)</u>
OPERATION, MAINTENANCE AND ADMINISTRATIVE EXPENSES:				
Fuel Expense - Purchased Gas	7,025,104	6,751,817	273,287	4.0
Operation and maintenance	2,505,904	2,058,670	447,234	21.7
Administrative and general	3,370,550	5,766,555	(2,396,005)	(41.6)
Total Operation, Maintenance and Administrative Expenses	<u>12,901,558</u>	<u>14,577,042</u>	<u>(1,675,484)</u>	<u>(11.5)</u>
TOTAL NET REVENUES IN ACCORDANCE WITH BOND RESOLUTION	<u>9,222,621</u>	<u>9,747,986</u>	<u>(525,365)</u>	<u>(5.4)</u>
LESS:				
Debt service	4,570,733	4,526,353	44,380	1.0
UPIF contributions	3,093,726	2,824,504	269,222	9.5
Transfer to City of Gainesville General Fund	1,360,932	2,397,129	(1,036,197)	(43.2)
NET IMPACT TO RATE STABILIZATION - ADDITION (REDUCTION)	<u>\$ 197,230</u>	<u>\$ -</u>	<u>\$ 197,230</u>	<u>-</u>

**Gainesville Regional Utilities
Telecommunications System**
Schedules of Net Revenues in Accordance with Bond Resolution - Unaudited
For the Years Ended September 30, 2017 and 2016

	<u>September 30, 2017</u>	<u>September 30, 2016</u>	<u>Change (\$)</u>	<u>Change (%)</u>
REVENUES:				
Residential	\$ 46,884	\$ 52,719	\$ (5,835)	(11.1)
Non-residential	11,142,539	11,631,481	(488,942)	(4.2)
Total Sales of Services	<u>11,189,423</u>	<u>11,684,200</u>	<u>(494,777)</u>	<u>(4.2)</u>
Transfer from/(to) rate stabilization	-	(7,402)	7,402	100.0
Other revenue	11,562	1,294	10,268	793.5
Other income (expense)	(462,444)	66,392	(528,836)	(796.5)
Total Revenues	<u>10,738,541</u>	<u>11,744,484</u>	<u>(1,005,943)</u>	<u>(8.6)</u>
OPERATION, MAINTENANCE AND ADMINISTRATIVE EXPENSES:				
Operation and maintenance	5,285,596	4,301,929	983,667	22.9
Administrative and general	1,823,125	3,120,361	(1,297,236)	(41.6)
Total Operation, Maintenance and Administrative Expenses	<u>7,108,721</u>	<u>7,422,290</u>	<u>(313,569)</u>	<u>(4.2)</u>
TOTAL NET REVENUES IN ACCORDANCE WITH BOND RESOLUTION	<u>3,629,820</u>	<u>4,322,194</u>	<u>(692,374)</u>	<u>(16.0)</u>
LESS:				
Debt service	3,728,531	4,198,506	(469,975)	(11.2)
UPIF contributions	243,233	123,688	119,545	96.7
Transfer to City of Gainesville General Fund	376,047	-	376,047	-
NET IMPACT TO RATE STABILIZATION - ADDITION (REDUCTION)	<u>\$ (717,991)</u>	<u>\$ -</u>	<u>\$ (717,991)</u>	<u>-</u>

Supplementary Data

Gainesville Regional Utilities
Fuel Adjustment Levelization
For the Year Ended September 30, 2017

	Actual
Fuel Revenues	\$ 143,999,868
Fuel Expenses	162,490,201
To (From) Fuel Adjustment Levelization	\$ (18,490,333)
Fuel Adjustment Beginning Balance	\$ 12,902,279
To (From) Fuel Adjustment Levelization	(18,490,333)
Fuel Adjustment Ending Balance	\$ (5,588,054)

Gainesville Regional Utilities
Purchased Gas Adjustment (PGA) Levelization
For the Year Ended September 30, 2017

	Actual
Purchased Gas Revenues	\$ 5,954,556
Purchased Gas Expenses	7,025,104
To (From) PGA Levelization	\$ (1,070,548)
PGA Beginning Balance	\$ 1,929,285
To (From) PGA Levelization	(1,070,548)
PGA Ending Balance	\$ 858,737