

Gainesville Regional Utilities

Interim Financial Statements - Unaudited

For the Period Ended June 30, 2017



**Gainesville Regional Utilities
Financial Statements - Unaudited
For the Period Ended June 30, 2017**

Contents

Overview and Basis of Accounting	2
Management’s Discussion and Analysis	4
Financial Statements	
Statements of Net Position -Unaudited	8
Statements of Revenues, Expenses, and Changes in Net Position-Unaudited	11
Statements of Cash Flows – Unaudited	12
Schedules of Combined Net Revenues in Accordance with Bond Resolution-Unaudited	14
Electric Revenue Fund - Schedules of Net Revenues in Accordance with Bond Resolution-Unaudited	16
Water Revenue Fund - Schedules of Net Revenues in Accordance with Bond Resolution-Unaudited	17
Wastewater Revenue Fund - Schedules of Net Revenues in Accordance with Bond Resolution-Unaudited	18
Gas Revenue Fund - Schedules of Net Revenues in Accordance with Bond Resolution-Unaudited	19
Telecommunications Revenue Fund – Schedule of Net Revenues in Accordance with Bond Resolution-Unaudited	20
Supplementary Information	
Fuel Adjustment Levelization	22
Purchased Gas Adjustment (PGA) Levelization	23

Overview and Basis of Accounting

Gainesville Regional Utilities

Financial Statements - Unaudited

For the Period Ended June 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 period ended June 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 Period Ended June 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 period ended June 30, 2017. It should be read in conjunction with the unaudited financial statements that follow this section.

Financial Highlights – Overall

- Operating cash and investments increased \$4 million or 10.1% due to normal operations and contributions to and from rate stabilization cash.
- Fuel inventories decreased \$9.7 million or 67.2% due to management's decision to reduce coal inventory in favor of the use of less expensive natural gas and purchased power for electric generation.
- Fuel adjustment levelization balance decreased \$17.8 million or 110.4% due to a combination of the following factors: a decrease in the fuel adjustment rate in May 2016; use of more expensive Gainesville Renewable Energy Center due to Deerhaven repairs and an upward trend in the cost of natural gas.

Currently, GRU is in arbitration with GREC regarding various matters related to the Power Purchase Agreement (PPA) with GREC. As of June 30, 2017, the amount in dispute totaled \$8.2 million. If GRU is not successful in its arbitration claim, the Utility will be required to expense this amount, thereby reducing the fuel adjustment levelization balance by \$8.2 million. The effect at June 30, 2017, would have resulted in a fuel adjustment levelization balance of negative \$9.9 million.

- Short term investments decreased by \$37.8 million or 33.3% due primarily to use of construction fund cash for capital expenses.
- Long term investments decreased by \$14 million or 13.7% due primarily to use of construction fund cash for capital expenses.
- Net costs recoverable in future years increased \$15.4 million or 36.1% due to capital lease transactional activity.
- Construction in progress decreased \$67 million and Utility Plant in Service increased \$148.7 million due to a Utility wide effort to capitalize assets placed into service. This effort was driven by the reimplementation of the SAP software project and changes in business processes.
- Accumulated decrease in fair value of hedging derivatives decreased \$28.9 million or 33.7% due primarily to a decrease in the unrealized loss on interest rate swaps.
- The pension liability decreased \$4.7 million and related deferred inflow of resources for pension costs increased \$5.7 million due to updated actuarial calculations at September 30, 2016. The actuarial calculations and resulting balances are completed at the City of Gainesville with the appropriate percentage applied to the Utility's financial statements.
- Certain 2016 amounts have been reclassified to conform to the 2017 presentation.

Gainesville Regional Utilities
Financial Statements - Unaudited
For the Period Ended June 30, 2017

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

Combined Systems

- Total revenues increased \$6.4 million or 2.1% due primarily to an increase in electric, water and wastewater. These increases were offset by decreases in gas and telecommunication revenues.
- Total expenses increased \$8.9 million or 4.5% due primarily to an increase in electric fuel expense of \$7.7 million.
- The combined systems withdrew \$728,927 from rate stabilization for the period ended June 30, 2017, including budgeted transfers to and from rate stabilization.

Electric System

- Total revenues increased by \$5.1 million or 2.4% over the same period last year due primarily to an increase in the fuel adjustment offset by lower residential revenue.
- Fuel adjustment revenue increased \$7.7 million or 7.1% over the prior period due primarily to higher fuel expenses and a reduction in the fuel adjustment rate. The fuel adjustment rate was lowered from 73 mills to 70 mills in May 2016.

Fuel adjustment revenue is matched to fuel expenses with amounts over collected deferred in the fuel adjustment levelization balance and amounts under collected drawn down from the fuel adjustment levelization balance. Management is currently evaluating an increase to the fuel adjustment rate due to various factors including increased fuel costs.

- Other revenues decreased \$9.8 million and the transfer from rate stabilization increased \$12.1 million from the prior period due primarily to the release of GRU's ownership interest in the CR3 nuclear power plant to Duke Energy in the prior year.
- Fuel and purchased power expenses increased \$7.7 million or 7.1% over the prior period due primarily to increased natural gas cost and an increase in the use of the higher cost GREC biomass power due to a shutdown of Deerhaven 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.

- The electric system withdrew \$7.9 million from rate stabilization for the period ended June 30, 2017, in addition to budgeted transfers from rate stabilization.

Water System

- Total revenues increased \$1.8 million or 7% due to an overall rate increase of 3% offset by a decrease in other revenues and other income/expenses.

Gainesville Regional Utilities
Financial Statements - Unaudited
For the Period Ended June 30, 2017

- Other revenues decreased \$1.1 million or 47.9% due to a reduction in connection and other charges. Fiscal year 2016 had significant commercial construction activities which increased connection charge fees.
- The water system contributed \$3.2 million to rate stabilization for the period ended June 30, 2017, in addition to budgeted transfers to rate stabilization.

Wastewater System

- Total revenues increased \$316,330 or 1% due to an increase in residential revenue offset by a decrease in other revenue.
- Other revenues decreased \$2.8 million or 70.4% due to a reduction in connection and other charges. Fiscal year 2016 had significant commercial construction activities which drove an increase in connection charges.
- The wastewater system contributed \$2.8 million to rate stabilization for the period ended June 30, 2017, in addition to budgeted transfers from rate stabilization.

Gas System

- Total revenues decreased \$411,995 or 2.2% due to an overall increase in gas rates of 9% offset by increased transfers to rate stabilization.
- Purchased gas revenues and the related fuel expense increased \$312,852 or 5.4% 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.
- Administrative and general expenses decreased \$1.5 million or 36.3% due to a reduction in various categories.
- The gas system contributed \$1.6 million to rate stabilization for the period ended June 30, 2017, in addition to budgeted transfers to rate stabilization.

Telecommunications System

- Total revenues decreased \$451,652 or 5.6% due primarily to timing of recognition of tower lease revenue.
- The telecommunications system withdrew \$426,745 from rate stabilization for the period ended June 30, 2017.

Financial Statements

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

	June 30, 2017	June 30, 2016	Change (\$)	Change (%)
Assets				
Current assets:				
Cash and cash equivalents	\$ 43,676,795	\$ 39,654,398	\$ 4,022,397	10.1%
Accounts receivable, net of allowance for uncollectible accounts of \$1,357,421 and \$1,366,670, respectively	45,455,752	46,195,612	(739,860)	(1.6%)
Inventories:				
Fuel	4,712,559	14,381,583	(9,669,024)	(67.2%)
Materials and supplies	7,829,515	7,148,308	681,207	9.5%
Fuel adjustment	1,678,146	(16,168,556)	17,846,702	(110.4%)
Other assets and regulatory assets	3,374,307	2,673,112	701,195	26.2%
Short term investments	75,725,608	113,552,063	(37,826,455)	(33.3%)
Total current assets	<u>182,452,682</u>	<u>207,436,520</u>	<u>(24,983,838)</u>	<u>(12.0%)</u>
Noncurrent assets:				
Net costs recoverable in future years - regulatory assets	57,864,611	42,508,545	15,356,066	36.1%
Unamortized debt issuance costs - regulatory assets	5,619,913	5,907,797	(287,884)	(4.9%)
Investment in The Energy Authority	2,051,739	2,140,717	(88,978)	(4.2%)
Pollution remediation - regulatory asset	11,949,691	12,990,004	(1,040,313)	(8.0%)
Other noncurrent assets and regulatory assets	4,769,713	7,463,847	(2,694,134)	(36.1%)
Long term investments	88,135,011	102,106,382	(13,971,371)	(13.7%)
Pension costs - regulatory asset	56,115,877	53,887,756	2,228,121	4.1%
Total noncurrent assets	<u>226,506,555</u>	<u>227,005,048</u>	<u>(498,493)</u>	<u>(0.2%)</u>
Capital assets:				
Utility plant in service	1,947,749,395	1,799,056,203	148,693,192	8.3%
Capital lease	1,006,808,754	1,006,808,754	-	0.0%
Less: accumulated depreciation and amortization	(906,943,650)	(816,151,602)	(90,792,048)	11.1%
	<u>2,047,614,499</u>	<u>1,989,713,355</u>	<u>57,901,144</u>	<u>19.4%</u>
Construction in progress	80,121,853	147,168,928	(67,047,075)	(45.6%)
Net capital assets	<u>2,127,736,352</u>	<u>2,136,882,283</u>	<u>(9,145,931)</u>	<u>(0.4%)</u>
Total assets	<u>2,536,695,589</u>	<u>2,571,323,851</u>	<u>(34,628,262)</u>	<u>(1.3%)</u>
Deferred outflows of resources:				
Unamortized loss on refunding of bonds	22,786,465	25,614,834	(2,828,369)	(11.0%)
Accumulated decrease in fair value of hedging derivatives	56,950,371	85,885,678	(28,935,307)	(33.7%)
Pension costs	20,954,810	22,174,505	(1,219,695)	(5.5%)
Total deferred outflows of resources	<u>100,691,646</u>	<u>133,675,017</u>	<u>(32,983,371)</u>	<u>(24.7%)</u>
Total assets and deferred outflows of resources	<u>\$ 2,637,387,235</u>	<u>\$ 2,704,998,868</u>	<u>\$ (67,611,633)</u>	<u>(2.5%)</u>

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

	June 30, 2017	June 30, 2016	Change (\$)	Change (%)
Liabilities				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 16,296,719	\$ 12,620,150	\$ 3,676,569	29.1%
Fuels payable	11,760,611	12,447,469	(686,858)	(5.5%)
Due to other funds of the City	2,890,608	2,819,373	71,235	2.5%
Capital lease - current	4,680,250	4,474,695	205,555	4.6%
Other liabilities and regulatory liabilities	2,123,547	1,282,765	840,782	65.5%
Total current liabilities	<u>37,751,735</u>	<u>33,644,452</u>	<u>4,107,283</u>	<u>12.2%</u>
Payable from restricted assets:				
Utility deposits	10,186,877	9,860,606	326,271	3.3%
Utilities system revenue bonds - current	18,120,000	17,535,000	585,000	3.3%
Commercial paper notes - current	5,900,000	5,600,000	300,000	5.4%
Accrued interest payable	6,761,352	6,899,089	(137,737)	(2.0%)
Total payable from restricted assets	<u>40,968,229</u>	<u>39,894,695</u>	<u>1,073,534</u>	<u>2.7%</u>
Long-term debt:				
Utility system revenue bonds	853,420,000	871,540,000	(18,120,000)	(2.1%)
Commercial paper notes	53,000,000	53,900,000	(900,000)	(1.7%)
Capital lease	941,269,071	959,678,852	(18,409,781)	(1.9%)
Unamortized bond premium/discount	17,355,646	18,262,163	(906,517)	(5.0%)
Fair value of derivative instruments	60,756,967	91,937,638	(31,180,671)	(33.9%)
Total long-term debt	<u>1,925,801,684</u>	<u>1,995,318,653</u>	<u>(69,516,969)</u>	<u>(3.5%)</u>
Noncurrent liabilities:				
Reserve for insurance claims	3,337,000	3,337,000	-	0.0%
Reserve for environmental liability	266,000	266,000	-	0.0%
Pension liability	71,325,377	76,062,261	(4,736,884)	(6.2%)
Total noncurrent liabilities	<u>74,928,377</u>	<u>79,665,261</u>	<u>(4,736,884)</u>	<u>(5.9%)</u>
Total liabilities	<u>2,079,450,025</u>	<u>2,148,523,061</u>	<u>(69,073,036)</u>	<u>(3.2%)</u>
Deferred inflows of resources:				
Rate stabilization	68,053,970	78,010,200	(9,956,230)	(12.8%)
Pension costs	5,745,310	-	5,745,310	-
Total deferred inflows of resources	<u>73,799,280</u>	<u>78,010,200</u>	<u>(4,210,920)</u>	<u>(5.4%)</u>
Net position				
Net investment in capital assets	282,402,596	273,442,262	8,960,334	3.3%
Restricted	65,183,365	79,338,364	(14,154,999)	(17.8%)
Unrestricted	136,551,969	125,684,981	10,866,988	8.6%
Total net position	<u>484,137,930</u>	<u>478,465,607</u>	<u>5,672,323</u>	<u>1.2%</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 2,637,387,235</u>	<u>\$ 2,704,998,868</u>	<u>\$ (67,611,633)</u>	<u>(2.5%)</u>

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

	June 30, 2017	June 30, 2016
Operating revenues:		
Sales and service charges	\$ 293,284,680	\$ 270,945,464
Transfers (to) from rate stabilization	6,023,418	(6,295,659)
Amounts to be recovered from future revenue	25,170,219	25,170,219
Other operating revenue	<u>7,663,522</u>	<u>19,189,370</u>
Total operating revenues	<u>332,141,839</u>	<u>309,009,394</u>
Operating expenses:		
Operation and maintenance	174,161,743	162,075,163
Administrative and general	32,974,781	36,028,868
Depreciation and amortization	<u>74,201,411</u>	<u>71,964,765</u>
Total operating expenses	<u>281,337,935</u>	<u>270,068,796</u>
Operating income	<u>50,803,904</u>	<u>38,940,598</u>
Non-operating income (expense):		
Interest expense, net of AFUDC	(25,392,198)	(25,770,099)
Other interest related income, BABs	2,654,101	2,686,265
Other income (expense)	<u>(1,477,686)</u>	<u>12,535,868</u>
Total non-operating income (expense)	<u>(24,215,783)</u>	<u>(10,547,966)</u>
Income before capital contributions and transfers	<u>26,588,121</u>	<u>28,392,632</u>
Capital contributions:		
Contributions from third parties	7,504,762	1,660,651
Reduction of plant costs recovered through contributions	<u>(58,390)</u>	<u>(101,247)</u>
Net capital contributions	<u>7,446,372</u>	<u>1,559,404</u>
Transfer to City of Gainesville General Fund	<u>(26,860,507)</u>	<u>(26,592,045)</u>
Change in net position	7,173,986	3,359,991
Net position - beginning of year	<u>476,963,944</u>	<u>475,105,616</u>
Net position - end of period	<u><u>\$ 484,137,930</u></u>	<u><u>\$ 478,465,607</u></u>

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

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Operating activities:		
Cash received from customers	\$ 297,782,939	\$ 270,715,520
Cash payments to suppliers for goods and services	(186,099,890)	(151,867,847)
Cash payments to employees for services	(39,547,438)	(40,757,279)
Cash payments for operating transactions with other funds	(5,521,611)	(5,301,854)
Other operating receipts	13,686,940	12,893,713
Net cash provided by operating activities	<u>80,300,940</u>	<u>85,682,253</u>
Noncapital financing activities:		
Transfer to City of Gainesville General Fund	(26,860,507)	(26,592,045)
Net cash used by noncapital financing activities	<u>(26,860,507)</u>	<u>(26,592,045)</u>
Capital and related financing activities:		
Principal repayments and refunding on long-term debt, net	(23,135,000)	(22,205,000)
Interest paid on long-term debt	(37,147,611)	(37,677,355)
Proceeds from interest rebates, BABs	2,654,101	2,686,265
Acquisition and construction of fixed assets (including allowance for funds used during construction)	(60,638,757)	(40,891,802)
Proceeds from new debt and commercial paper	5,000,000	-
Other income	(1,477,686)	2,596,320
Net cash used by capital and related financing activities	<u>(114,744,953)</u>	<u>(95,491,572)</u>
Investing activities:		
Interest paid (received)	27,146	(450,358)
Purchase of investments	(207,322,000)	(303,091,264)
Investments in The Energy Authority	(3,769,687)	(4,657,806)
Distributions from The Energy Authority	3,820,629	5,078,967
Proceeds from investments	262,689,454	286,943,264
Proceeds from CR3 settlement	-	10,177,429
Net cash provided by investing activities	<u>55,445,542</u>	<u>(5,999,768)</u>
Net change in cash and cash equivalents	(5,858,978)	(42,401,132)
Cash and cash equivalents, beginning of year	49,535,773	81,595,541
Cash and cash equivalents, end of period	<u>\$ 43,676,795</u>	<u>\$ 39,194,409</u>

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

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 50,803,904	\$ 38,940,598
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	74,201,411	71,964,765
Net costs to be recovered in future rates	(11,440,688)	(12,043,681)
Change in:		
Accounts receivable	3,895,619	(1,439,835)
Inventories	2,566,698	1,290,292
Other assets and regulatory assets	(1,551,314)	(421,073)
Restricted and internally designated assets	(13,083,148)	(13,643,828)
Noncurrent assets	876,335	834,243
Accounts payable and accrued liabilities	(5,268,462)	(1,628,279)
Due to other funds of the City	1,400,664	(1,300,693)
Fuel adjustment	(16,509,710)	(2,631,168)
Other liabilities and regulatory liabilities	(169,591)	(1,744,640)
Utility deposits	602,640	1,209,893
Rate stabilization	(6,023,418)	6,295,659
Net cash provided by operating activities	<u>\$ 80,300,940</u>	<u>\$ 85,682,253</u>
Non-cash capital and related financing activities and investing activities:		
Contribution of capital assets	<u>\$ 7,446,372</u>	<u>\$ 1,559,404</u>
Change in capital lease liability	<u>\$ (13,729,531)</u>	<u>\$ (13,126,538)</u>
Acquisition of utility plant in service with construction fund payable	<u>\$ (9,213,425)</u>	<u>\$ (3,778,131)</u>
Change in utility plant in service	<u>\$ 81,095,183</u>	<u>\$ 15,386,003</u>
Change in accumulated decrease in fair value of hedging derivatives - interest rate swaps	<u>\$ 24,194,251</u>	<u>\$ (13,947,084)</u>
Change in accumulated decrease in fair value of hedging derivatives - fuel options and futures	<u>\$ 217,877</u>	<u>\$ 1,711,419</u>
Change in fair value of investments	<u>\$ 406,563</u>	<u>\$ (134,685)</u>
Change in fair value of derivatives	<u>\$ (26,423,327)</u>	<u>\$ 14,894,871</u>
Other	<u>\$ (13,272)</u>	<u>\$ (48,388)</u>

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

	June 30, 2017	June 30, 2016	Change (\$)	Change (%)
Revenues:				
Sales of electricity	\$ 87,440,903	\$ 93,232,696	\$ (5,791,793)	(6.2%)
Fuel adjustment	117,103,638	109,381,555	7,722,083	7.1%
Sales for resale	2,972,007	813,436	2,158,571	265.4%
Transfer from/(to) rate stabilization	7,360,094	(4,766,909)	12,127,003	(254.4%)
Other revenue	3,837,184	13,607,712	(9,770,528)	(71.8%)
Other income (expense)	(619,559)	691,490	(1,311,049)	(189.6%)
Build America Bonds	1,467,782	1,487,568	(19,786)	(1.3%)
Total electric system revenues	219,562,049	214,447,548	5,114,501	2.4%
Sales of water	27,900,252	24,098,210	3,802,042	15.8%
Transfer from/(to) rate stabilization	(736,018)	(886,517)	150,499	(17.0%)
Other revenue	1,208,050	2,317,142	(1,109,092)	(47.9%)
Other income (expense)	(953,864)	61,354	(1,015,218)	(1,654.7%)
Build America Bonds	412,310	416,883	(4,573)	(1.1%)
Total water system revenues	27,830,730	26,007,072	1,823,658	7.0%
Sales of wastewater services	31,788,919	28,922,174	2,866,745	9.9%
Transfer from/(to) rate stabilization	224,281	(516,327)	740,608	(143.4%)
Other revenue	1,194,162	4,033,572	(2,839,410)	(70.4%)
Other income (expense)	(355,385)	92,497	(447,882)	(484.2%)
Build America Bonds	466,668	470,399	(3,731)	(0.8%)
Total wastewater system revenues	33,318,645	33,002,315	316,330	1.0%
Sales of gas	11,895,181	10,831,463	1,063,718	9.8%
Purchased gas adjustment	6,058,654	5,745,802	312,852	5.4%
Transfer from/(to) rate stabilization	(824,938)	588,239	(1,413,177)	(240.2%)
Other revenue	630,624	853,000	(222,376)	(26.1%)
Other income (expense)	(52,217)	96,721	(148,938)	(154.0%)
Build America Bonds	307,341	311,415	(4,074)	(1.3%)
Total gas system revenues	18,014,645	18,426,640	(411,995)	(2.2%)
Sales of services	7,884,766	8,782,566	(897,800)	(10.2%)
Transfer from/(to) rate stabilization	-	(714,145)	714,145	(100.0%)
Other revenue	3,068	266	2,802	1,053.4%
Other income (expense)	(233,130)	37,669	(270,799)	(718.9%)
Total telecommunications system revenues	7,654,704	8,106,356	(451,652)	(5.6%)
Total revenues	306,380,773	299,989,931	6,390,842	2.1%

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

	June 30, 2017	June 30, 2016	Change (\$)	Change (%)
Operation, maintenance and administrative expenses:				
Fuel expenses	117,103,638	109,381,555	7,722,083	7.1%
Operation and maintenance	30,782,967	29,784,798	998,169	3.4%
Administrative and general	18,928,544	19,538,998	(610,454)	(3.1%)
Total electric system expenses	166,815,149	158,705,351	8,109,798	5.1%
Operation and maintenance	6,598,228	5,365,529	1,232,699	23.0%
Administrative and general	4,368,251	4,689,000	(320,749)	(6.8%)
Total water system expenses	10,966,479	10,054,529	911,950	9.1%
Operation and maintenance	8,264,285	7,233,749	1,030,536	14.2%
Administrative and general	4,698,234	4,685,611	12,623	0.3%
Total wastewater system expenses	12,962,519	11,919,360	1,043,159	8.8%
Fuel Expense - Purchased Gas	6,058,654	5,745,802	312,852	5.4%
Operation and maintenance	1,558,492	1,462,593	95,899	6.6%
Administrative and general	2,585,630	4,057,776	(1,472,146)	(36.3%)
Total gas system expenses	10,202,776	11,266,171	(1,063,395)	(9.4%)
Operation and maintenance	3,559,768	3,099,487	460,281	14.9%
Administrative and general	1,597,471	2,134,371	(536,900)	(25.2%)
Total telecommunications system expenses	5,157,239	5,233,858	(76,619)	(1.5%)
Total expenses	206,104,162	197,179,269	8,924,893	4.5%
Net revenues in accordance with bond resolution:				
Total electric system	52,746,900	55,742,197	(2,995,297)	(5.4%)
Total water system	16,864,251	15,952,543	911,708	5.7%
Total wastewater system	20,356,126	21,082,955	(726,829)	(3.4%)
Total gas system	7,811,869	7,160,469	651,400	9.1%
Total telecommunications system	2,497,465	2,872,498	(375,033)	(13.1%)
Total net revenues in accordance with bond resolution	100,276,610	102,810,662	(2,534,052)	(2.5%)
Less:				
Debt service	44,429,870	43,889,209	540,661	1.2%
Debt Service - UPIF	(3,750,000)	-	(3,750,000)	-
UPIF Contributions	35,143,573	32,833,604	2,309,969	7.0%
Transfer to City of Gainesville General Fund	26,860,507	26,592,045	268,462	1.0%
Net impact to rate stabilization - addition (reduction)	\$ (2,407,340)	\$ (504,196)	\$ (1,903,144)	377.5%

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

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>Change (\$)</u>	<u>Change (%)</u>
Revenues:				
Residential	\$ 31,106,279	\$ 33,471,226	\$ (2,364,947)	(7.1%)
Non-residential	44,088,467	43,560,846	527,621	1.2%
Fuel adjustment	117,103,638	109,381,555	7,722,083	7.1%
Sales for resale	2,972,007	813,436	2,158,571	265.4%
Utility surcharge	1,893,465	2,131,144	(237,679)	(11.2%)
Other electric sales	10,352,692	14,069,480	(3,716,788)	(26.4%)
Total sales of electricity	<u>207,516,548</u>	<u>203,427,687</u>	<u>4,088,861</u>	<u>2.0%</u>
Transfer from/(to) rate stabilization	7,360,094	(4,766,909)	12,127,003	(254.4%)
Other revenue	3,837,184	13,607,712	(9,770,528)	(71.8%)
Other income (expense)	(619,559)	691,490	(1,311,049)	(189.6%)
Build America Bonds	1,467,782	1,487,568	(19,786)	(1.3%)
Total revenues	<u>219,562,049</u>	<u>214,447,548</u>	<u>5,114,501</u>	<u>2.4%</u>
Operation, maintenance and administrative expenses:				
Fuel expenses	117,103,638	109,381,555	7,722,083	7.1%
Power production	20,097,817	20,415,086	(317,269)	(1.6%)
Transmission and distribution	9,853,830	9,201,917	651,913	7.1%
Interchange	831,320	167,795	663,525	395.4%
Administrative and general	18,928,544	19,538,998	(610,454)	(3.1%)
Total operation, maintenance, and administrative expenses	<u>166,815,149</u>	<u>158,705,351</u>	<u>8,109,798</u>	<u>5.1%</u>
Total net revenues in accordance with bond resolution	<u>52,746,900</u>	<u>55,742,197</u>	<u>(2,995,297)</u>	<u>(5.4%)</u>
Less:				
Debt service	29,200,035	27,413,331	1,786,704	6.5%
Debt Service - UPIF	(3,750,000)	-	(3,750,000)	-
UPIF Contributions	20,284,633	18,551,041	1,733,592	9.3%
Transfer to City of Gainesville General Fund	15,820,839	14,758,585	1,062,254	7.2%
Net impact to rate stabilization - addition (reduction)	<u>\$ (8,808,607)</u>	<u>\$ (4,980,760)</u>	<u>\$ (3,827,847)</u>	<u>(76.9%)</u>

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

	June 30, 2017	June 30, 2016	Change (\$)	Change (%)
Revenues:				
Residential	\$ 17,486,657	\$ 14,867,089	\$ 2,619,568	17.6%
Non-residential	8,352,809	7,429,738	923,071	12.4%
Utility surcharge	2,060,786	1,801,383	259,403	14.4%
Total sales of water	27,900,252	24,098,210	3,802,042	15.8%
Transfer from/(to) rate stabilization	(736,018)	(886,517)	150,499	(17.0%)
Other revenue	1,208,050	2,317,142	(1,109,092)	(47.9%)
Other income (expense)	(953,864)	61,354	(1,015,218)	(1,654.7%)
Build America Bonds	412,310	416,883	(4,573)	(1.1%)
Total revenues	27,830,730	26,007,072	1,823,658	7.0%
Operation, maintenance and administrative expenses:				
Transmission and distribution	2,078,030	1,564,413	513,617	32.8%
Treatment	4,520,199	3,801,116	719,083	18.9%
Administrative and general	4,368,251	4,689,000	(320,749)	(6.8%)
Total operation, maintenance, and administrative expenses	10,966,479	10,054,529	911,950	9.1%
Total net revenues in accordance with bond resolution	16,864,251	15,952,543	911,708	5.7%
Less:				
Debt service	4,293,576	4,486,017	(192,441)	(4.3%)
UPIF Contributions	5,282,034	5,068,625	213,409	4.2%
Transfer to City of Gainesville General Fund	4,311,111	4,314,559	(3,448)	(0.1%)
Net impact to rate stabilization - addition (reduction)	\$ 2,977,530	\$ 2,083,342	\$ 894,188	42.9%

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

	June 30, 2017	June 30, 2016	Change (\$)	Change (%)
Revenues:				
Residential	\$ 21,650,305	\$ 19,622,430	\$ 2,027,875	10.3%
Non-residential	7,892,161	7,173,971	718,190	10.0%
Utility surcharge	2,246,453	2,125,773	120,680	5.7%
Total sales of services	31,788,919	28,922,174	2,866,745	9.9%
Transfer from/(to) rate stabilization	224,281	(516,327)	740,608	(143.4%)
Other revenue	1,194,162	4,033,572	(2,839,410)	(70.4%)
Other income (expense)	(355,385)	92,497	(447,882)	(484.2%)
Build America Bonds	466,668	470,399	(3,731)	(0.8%)
Total revenues	33,318,645	33,002,315	316,330	1.0%
Operation, maintenance and administrative expenses:				
Collections	3,552,482	2,599,227	953,255	36.7%
Treatment	4,711,803	4,634,522	77,281	1.7%
Administrative and general	4,698,234	4,685,611	12,623	0.3%
Total operation, maintenance, and administrative expenses	12,962,519	11,919,360	1,043,159	8.8%
Total net revenues in accordance with bond resolution	20,356,126	21,082,955	(726,829)	(3.4%)
Less:				
Debt service	5,412,316	5,649,486	(237,170)	(4.2%)
UPIF Contributions	7,074,186	7,002,794	71,392	1.0%
Transfer to City of Gainesville General Fund	5,425,823	5,697,346	(271,523)	(4.8%)
Net impact to rate stabilization - addition (reduction)	\$ 2,443,801	\$ 2,733,329	\$ (289,528)	(10.6%)

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

	June 30, 2017	June 30, 2016	Change (\$)	Change (%)
Revenues:				
Residential	\$ 6,184,348	\$ 5,752,084	\$ 432,264	7.5%
Non-residential	4,367,440	3,719,209	648,231	17.4%
Purchased gas adjustment	6,058,654	5,745,802	312,852	5.4%
Utility surcharge	393,255	367,144	26,111	7.1%
Other gas sales	950,138	993,026	(42,888)	(4.3%)
Total sales of gas	17,953,835	16,577,265	1,376,570	8.3%
Transfer from/(to) rate stabilization	(824,938)	588,239	(1,413,177)	(240.2%)
Other revenue	630,624	853,000	(222,376)	(26.1%)
Other income (expense)	(52,217)	96,721	(148,938)	(154.0%)
Build America Bonds	307,341	311,415	(4,074)	(1.3%)
Total revenues	18,014,645	18,426,640	(411,995)	(2.2%)
Operation, maintenance and administrative expenses:				
Fuel Expense - Purchased Gas	6,058,654	5,745,802	312,852	5.4%
Operation and Maintenance	1,558,492	1,462,593	95,899	6.6%
Administrative and general	2,585,630	4,057,776	(1,472,146)	(36.3%)
Total operation, maintenance, and administrative expenses	10,202,776	11,266,171	(1,063,395)	(9.4%)
Total net revenues in accordance with bond resolution	7,811,869	7,160,469	651,400	9.1%
Less:				
Debt service	3,018,708	3,275,346	(256,638)	(7.8%)
UPIF Contributions	2,320,295	2,118,378	201,917	9.5%
Transfer to City of Gainesville General Fund	1,020,699	1,821,555	(800,856)	(44.0%)
Net impact to rate stabilization - addition (reduction)	\$ 1,452,167	\$ (54,810)	\$ 1,506,977	2,749.5%

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

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>Change (\$)</u>	<u>Change (%)</u>
Revenues:				
Residential	\$ 35,933	\$ 40,932	\$ (4,999)	(12.2%)
Non-Residential	7,848,832	8,741,634	(892,801)	(10.2%)
Total sales of services	<u>7,884,766</u>	<u>8,782,566</u>	<u>(897,800)</u>	<u>(10.2%)</u>
Transfer from/(to) rate stabilization	-	(714,145)	714,145	(100.0%)
Other revenue	3,068	266	2,802	1,053.4%
Other income (expense)	(233,130)	37,669	(270,799)	(718.9%)
Total revenues	<u>7,654,704</u>	<u>8,106,356</u>	<u>(451,652)</u>	<u>(5.6%)</u>
Operation, maintenance and administrative expenses:				-
Operation and maintenance	3,559,768	3,099,487	460,281	14.9%
Administrative and general	1,597,471	2,134,371	(536,900)	(25.2%)
Total operation, maintenance, and administrative expenses	<u>5,157,239</u>	<u>5,233,858</u>	<u>(76,619)</u>	<u>(1.5%)</u>
Total net revenues in accordance with bond resolution	<u>2,497,465</u>	<u>2,872,498</u>	<u>(375,033)</u>	<u>(13.1%)</u>
Less:				
Debt service	2,505,235	3,065,029	(559,794)	(18.3%)
UPIF Contributions	182,425	92,766	89,659	96.7%
Transfer to City of Gainesville General Fund	282,035	-	282,035	-
Net impact to rate stabilization - addition (reduction)	<u>\$ (472,230)</u>	<u>\$ (285,297)</u>	<u>\$ (186,933)</u>	<u>(65.5%)</u>

Supplementary Data

Gainesville Regional Utilities
Fuel Adjustment Levelization
For the Period Ended June 30, 2017

	Actual
Fuel Revenues	\$ 101,813,240
Fuel Expenses	117,103,638
To (From) Fuel Adjustment Levelization	\$ (15,290,397)
Fuel Adjustment Beginning Balance	\$ 12,902,279
To (From) Fuel Adjustment Levelization	(15,290,397)
Fuel Adjustment Ending Balance	\$ (2,388,118)

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

	Actual
Purchased Gas Revenues	\$ 4,839,341
Purchased Gas Expenses	6,058,654
To (From) PGA Levelization	\$ (1,219,313)
PGA Beginning Balance	\$ 1,929,285
To (From) PGA Levelization	(1,219,313)
PGA Ending Balance	\$ 709,973