FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

GAINESVILLE REGIONAL UTILITIES
GAINESVILLE, FLORIDA

SEPTEMBER 30, 2021 AND 2020

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INDEPENDENT AUDITORS' REPORT

Independent Auditors' Report

To the Honorable Mayor and City Commissioners of
Gainesville Regional Utilities

Report on the Financial Statements

We have audited the accompanying financial statements of Gainesville Regional Utilities, an enterprise fund of the City of Gainesville, Florida, as of and for the years ended September 30, 2021 and 2020, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control over financial reporting relevant to Gainesville Regional Utilities' preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Gainesville Regional Utilities' internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Gainesville Regional Utilities as of September 30, 2021 and 2020, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 1, the financial statements present only the Gainesville Regional Utilities enterprise fund, and do not purport to, and do not present fairly the financial position of the City of Gainesville, Florida, as of September 30, 2021 and 2020 and the respective changes in financial position, or cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information as listed in the table of contents be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the schedule of changes in net pension liability and related ratios, schedule of employer contributions and schedule of investment returns required by GASB Statement No. 68 and the schedule of changes in net OPEB liability and related ratios, schedule of employer contributions and schedule of investment returns required by GASB Statement No. 75 that accounting principles generally accepted in the United State of America require to be presented to supplement the financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operating, economic, or historical context. Gainesville Regional Utilities omitted these schedules as they are included in the City's annual comprehensive financial report. Our opinion on the financial statements is not affected by this missing information.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information as listed in the table of contents are presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have issued our report dated March 25, 2022 on our consideration of the overall Gainesville Regional Utilities' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Gainesville Regional Utilities' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Gainesville Regional Utilities' internal control over financial reporting and compliance.

Baker Tilly US, LLP

Madison, Wisconsin
March 25, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

Gainesville Regional Utilities (GRU or the Utility) is a combined municipal utility 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.

We offer readers of GRU's financial statements this management's discussion and analysis of the financial activities of GRU for the fiscal years ended September 30, 2021, 2020, and 2019. It should be read in conjunction with the financial statements that follow this section.

Required Financial Statements

Statement of Net Position

This statement includes all of GRU's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Utility is improving or deteriorating.

Statement of Revenues, Expenses, and Changes in Net Position

The current and prior year revenues and expenses are reported in this statement along with the resulting change in net position. This statement measures the success of the combined Utility's operations over the past year.

Statement of Cash Flows

The primary purpose of this statement is to provide information about the combined Utility's cash receipts and cash payments during the fiscal year. This statement reports cash receipts, cash payments, and changes in cash resulting from operating, capital and noncapital financing, and investing activities.

Notes to Financial Statements

The notes provide additional information that is essential to fully understand the information provided in the financial statements.

Financial Analysis of Gainesville Regional Utilities

GRU's net position decreased $10.4 million, decreased $14 million, and decreased $8.8 million for fiscal years 2021, 2020 and 2019, respectively. The Condensed Statements of Net Position and Condensed Statements of Revenues, Expenses, and Changes in Net Position follow (in thousands):

Gainesville Regional Utilities
Condensed Statements of Net Position

	2021	2020	Restated* 2019
Current assets	**$ 120,417**	$ 123,646	$ 118,305
Restricted assets	**336,849**	250,332	274,135
Noncurrent assets	**208,343**	171,459	160,454
Capital assets, net	**1,863,542**	1,871,400	1,886,223
Deferred outflows of resources	**82,959**	157,679	116,069
Total assets and deferred outflows of resources	**$ 2,612,110**	$ 2,574,516	$ 2,555,186
Current liabilities	**$ 31,933**	$ 35,879	$ 28,407
Payable from restricted assets	**73,461**	77,785	68,668
Long-term debt	**1,889,687**	1,852,750	1,848,675
Noncurrent liabilities	**109,679**	132,746	130,725
Deferred inflows of resources	**108,389**	65,983	55,312
Total liabilities and deferred inflows of resources	**2,213,149**	2,165,143	2,131,787
Net position:			
Net investment in capital assets	**153,559**	192,217	241,822
Restricted	**143,287**	84,031	53,894
Unrestricted	**102,115**	133,125	127,683
Total net position	**398,961**	409,373	423,399
Total liabilities, deferred inflows of resources and net position	**$ 2,612,110**	$ 2,574,516	$ 2,555,186

*GRU restated certain 2019 amounts related to recognition of its share of the reduced pension liability caused by the City's issuance of the Taxable Pension Obligation Bonds, Series 2003A, as discussed in Note 13 Retirement Plans.

Gainesville Regional Utilities
Condensed Statements of Revenues, Expenses, and Changes in Net Position

	2021	2020	2019
Operating revenue	**$ 412,187**	$ 390,570	$ 416,693
Interest income	**1,093**	3,039	4,774
Other income, BABs	**5,113**	5,155	5,212
Total revenues	**418,393**	398,764	426,679
Operating expenses	**331,353**	311,973	329,899
Interest expense, net of AFUDC	**57,802**	62,588	62,248
Other expense	**5,575**	7,583	9,029
Total expenses	**394,730**	382,144	401,176
Income before capital contributions and transfers	**23,663**	16,620	25,503
Capital contributions, net	**4,210**	7,639	3,971
Transfer to City of Gainesville General Fund	**(38,285)**	(38,285)	(38,285)
Change in net position	**(10,412)**	(14,026)	(8,811)
Net position, beginning of year, restated	**409,373**	423,399	432,210
Net position, end of year, restated	**$ 398,961**	$ 409,373	$ 423,399

Financial Highlights

The most significant changes in GRU's financial condition are summarized below:

- Gross utility plant in service increased $47.4 million, or 1.6% in fiscal year 2021 due primarily to the completion of electric, water and wastewater capital projects. Gross utility plant increased $49.5 million, or 1.7% in fiscal year 2020, and $60.6 million, or 2.2% in fiscal year. See Capital Assets within this Management's Discussion and Analysis section, and Note 4 Capital Assets.

Financial Highlights (Continued)

- Long-term debt, including current portion, increased $68.7 million, or 4.1%, in fiscal year 2021, from the issuance of $95.8 million in utilities system revenue bonds, offset by scheduled principal payments. Long-term debt decreased $22.3 million, or 1.3%, in fiscal year 2020, due to scheduled principal payments. Long-term debt increased $59.9 million, or 3.7%, in fiscal year 2019, due to the issuance of $247.8 million of utilities system revenue bonds, a portion of which were used to refund $94 million in outstanding revenue bonds, and all outstanding commercial paper notes of $93 million. See Long-Term Debt within this Management's Discussion and Analysis section, and Note 6 Long-Term Debt for additional information.

- GRU is completing remediation efforts at a former manufactured gas plant site. The costs incurred to date total $28.3 million and GRU estimates that total project costs will be approximately $29.1 million. GRU accrued a regulatory asset and liability to account for the cost and cost recovery of the expense, which is being recognized as customer revenues are received. See Note 12 Commitments and Contingencies for additional information.

- Sales and service charges increased $29.1 million or 7.9%, decreased $14.6 million or 3.8%, and increased $1.6 million or 0.4%, in fiscal years 2021, 2020, and 2019, respectively. The increase in sales and service charges in fiscal year 2021 is due primarily to increases in fuel adjustment revenue, interchange sales and trunking radio services. The decrease in sales and service charges in fiscal year 2020 is primarily the result of decreases in the fuel adjustment and purchased gas adjustment rates in response to lower fuel expenses compared to 2019 offset by increases in base rates. The increase in sales and service charges in fiscal year 2019 is primarily the result of an increase in electric base rates, offset by a decrease in fuel adjustment revenue.

- Operating expenses increased $19.4 million or 6.2%, decreased $17.9 million or 5.4%, and increased $963,000 or 0.3% in fiscal years 2021, 2020, and 2019, respectively. The increase in operating expenses in fiscal year 2021 is due primarily to an increase in fuel expenses mainly in the form of extremely high natural gas prices during 2021. The increased demand because of the winter storm in February, coupled with the decrease in supply from pipeline freezes as well as the impacts of hurricane Ida on oil rigs in the Gulf of Mexico contributed to the high gas prices throughout most of 2021. The decrease in operating expenses in fiscal year 2020 is due primarily to decreases in fuel expenses resulting from lower natural gas prices compared to 2019. The increase in fiscal year 2019 is due to higher maintenance costs than the prior year on aging plants as well as increased overheads.

Financial Highlights (Concluded)

- The transfer to rate stabilization was $7.7 million in fiscal year 2021. Transfers to rate stabilization were $4.6 million in fiscal year 2020, and transfers from rate stabilization were $5 million in fiscal year 2019.

- The number of customers for electric service increased 1.8%, water services increased 0.8%, wastewater services increased 0.8%, and gas services increased 1.3% in fiscal year 2021. The number of customers for electric services increased 1.1%, water services increased 0.9%, wastewater services increased 0.9%, and gas services increased 1% in fiscal year 2020. The number of customers for electric services and water services remained flat, wastewater services increased 0.2%, and gas services increased 0.7% in fiscal year 2019.

- For fiscal year 2022, GRU implemented increases in the revenue requirement of 7% for the electric system and 5% for the wastewater system. For fiscal year 2021, GRU did not implement a revenue requirement for any system. For fiscal year 2020, GRU implemented increases in the revenue requirement of 6.4% for the electric system, 0.4% for the water and wastewater systems, and 0.6% for the gas system.

Capital Assets

GRU's investment in capital assets as of September 30, 2021 was $1.9 billion, (net of accumulated depreciation and amortization). The decrease in net capital assets for fiscal year 2021 was 0.4%. The decrease in net capital assets for fiscal year 2020 was 0.8%. In fiscal year 2019, the decrease in net capital assets was 2.1%.

The following table summarizes GRU's capital assets, net of accumulated depreciation and amortization, for the years ended September 30, 2021, 2020, and 2019 (in thousands):

Gainesville Regional Utilities
Capital Assets
(net of accumulated depreciation)

	2021	2020	2019
Generation	$ 991,398	$ 1,028,161	$ 1,066,879
Transmission, distribution, and collection	511,577	507,442	506,477
Treatment	125,117	125,773	129,870
General plant	102,906	107,245	111,706
Construction work in progress	132,544	102,779	71,291
Total net utility plant	$ 1,863,542	$ 1,871,400	$ 1,886,223

Capital Assets (Concluded)

Major capital asset events during the fiscal years include:

- Electric transmission and distribution expansion was $17.8 million in fiscal year 2021, $20 million in fiscal year 2020, and $14.4 million in fiscal year 2019. For 2021, approximately $2.6 million was spent on underground system improvements.

- Electric generation capital expenditures were $33.8 million for fiscal year 2021. These expenditures included $2.5 million for Deerhaven Renewable Generating Station (DHR), $8.7 million for the Deerhaven Generating Station (DH) and $22.3 million for the John R Kelly Generating Station (JRK).

- Water capital expenditures were $11.4 million in fiscal year 2021 with $4.8 million for supply, pumping, and treatment facilities and $6.6 million for transmission and distribution.

- Wastewater capital expenditures were $20.5 million in fiscal year 2021. This included $8.8 million spent on treatment plant improvements and $11.8 million in collection improvements.

- Gas distribution expansion expenditures were $3.6 million in fiscal year 2021, $4 million in fiscal year 2020 and $3.5 million in fiscal year 2019. Fiscal year 2021 expansion included expenditures of $728 thousand in gas distribution mains and $2.8 million in residential gas services.

- Expenditures for telecommunication fiber and electronics expansion were $216 thousand in fiscal year 2021, which included fiber and related infrastructure installation and electronics upgrades.

Additional information may be found in Note 4 Capital Assets.

Long-Term Debt

At September 30, 2021, 2020, and 2019, GRU had total long-term debt outstanding of $1.7 billion for the three fiscal years, comprised of utilities system revenue bonds (in thousands):

Gainesville Regional Utilities
Outstanding Debt at September 30:

	2021	2020	2019
Utilities system revenue bonds	**$ 1,733,640**	$ 1,664,970	$ 1,687,270

Major long-term debt events during the fiscal years include:

- In August 2021, GRU issued its Utilities System Revenue Bonds, 2021 Series A, which includes two subseries: $39.5 million as subseries A-1, designated as "Green Bonds" and $56.3 million as subseries A-2. The issuance was for the primary purpose of paying the costs of acquisition and/or construction of capital assets.

- In July 2020, GRU issued its Utilities System Revenue Bonds, 2020 Series A, which refunded the Utilities System Revenue Bonds, 2010 Series C.

- In April 2019, GRU closed on its 2019 Series A, B, and C bond issue. This transaction:

    - Provided $114 million in new money for acquisition and/or construction of GRU capital assets.

    - Converted all $93 million of currently outstanding commercial paper to long-term fixed rate debt.

    - Restructured approximately $67 million of variable rate debt, producing in excess of $56 million in near term debt service reduction over the fiscal year 2019 through fiscal year 2025 period.

    - As expected, the issue resulted in material changes to GRU's balance sheet, such as:

        - Increase in construction fund cash.

        - Increase in outstanding long-term revenue bonds.

        - Decrease of outstanding commercial paper.

        - Increase in unamortized bond premium.

Long-Term Debt (concluded)

- The Utility has ratings of Aa3, A, and A+ with Moody's Investor Service, Standard & Poor's, and Fitch Ratings, respectively, for utility system revenue bonds. The Utility has ratings of P-1, A-1, and F1+ with Moody's Investors Service, Standard & Poor's, and Fitch Ratings, respectively, for commercial paper notes.

Additional information may be found in Note 6 Long-Term Debt.

Currently Known Facts or Conditions that May Have a Significant Effect on GRU's Financial Condition or Results of Operations

- The primary factors currently affecting the utility industry include environmental regulations, Operating, Planning and Critical Infrastructure Protection Standards promulgated by NERC under FERC jurisdiction, and the increasing strategic and price differences among various types of fuels. No state or federal legislation is pending or proposed at this time for retail competition in Florida.

- GRU and its operations are subject to federal, state, and local statutory and regulatory requirements with respect to the siting and licensing of facilities, safety and security, air and water quality, land use, and other environmental factors.

- Legislation and regulation at the federal level has been proposed to mandate the use of renewable energy and to constrain the emission of greenhouse gases. GRU's institution of a solar feed-in-tariff, a solar purchased power agreement, and purchase of a 102.5-megawatt biomass fueled power plant will hedge against these uncertainties.

- On September 29, 2020, the City of Gainesville closed on its series 2020 Special Obligation Revenue Bonds to reduce the unfunded portion of the actuarial liability of its pension plans. This transaction will result in cost savings for the City as a whole including GRU. See Note 13 Retirement Plans for additional information.

- GRU's long-term energy supply strategy is to provide safe, reliable, cost effective power, while meeting regulatory requirements. GRU has a diverse portfolio of generation including renewable energy. The City Commission has directed GRU to achieve a net-zero carbon generation portfolio by 2045. Based on the most recent forecasts, GRU has adequate reserves of generating capacity to meet forecasted loads plus maintaining the regulatory required reserve margin through 2022. This forecast incorporates new population forecasts and changed economic circumstances.

Requests for Information

This financial report is designed to provide a general overview of GRU's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, Gainesville Regional Utilities, P.O. Box 147117, Station A-105, Gainesville, Florida 32614-7117.

FINANCIAL STATEMENTS

Gainesville Regional Utilities
Statements of Net Position
September 30, 2021 and 2020

	2021	2020
Assets		
Current assets:		
Cash and investments	**$ 26,843,209**	$ 34,499,741
Accounts receivable, net of allowance for uncollectible accounts of $678,946 and $3,013,752 respectively	**58,012,001**	58,406,125
Inventories:		
Fuel	**7,416,127**	17,170,962
Materials and supplies	**13,734,798**	12,414,596
Fuel and purchased gas adjustment	**12,676,092**	–
Other assets and regulatory assets	**1,735,236**	1,154,085
Total current assets	**120,417,463**	123,645,509
Restricted and internally designated assets:		
Utility deposits - cash and investments	**8,411,696**	8,481,812
Debt service - cash and investments	**58,412,082**	60,083,857
Debt defeasance - cash and investments	**7,407,309**	–
Rate stabilization - cash and investments	**70,590,438**	62,945,910
Construction fund - cash and investments	**125,707,236**	67,152,924
Utility plant improvement fund - cash and investments	**66,319,739**	51,667,909
Total restricted and internally designated assets	**336,848,500**	250,332,412
Noncurrent assets:		
Net costs recoverable in future years - regulatory asset	**41,992,626**	36,642,053
Unamortized debt issuance costs - regulatory asset	**10,016,680**	9,604,095
Investment in The Energy Authority	**4,083,312**	2,958,684
Pollution remediation - regulatory asset	**7,599,827**	8,940,369
Other noncurrent assets and regulatory assets	**4,448,965**	7,738,316
Pension regulatory asset (restricted)	**93,896,851**	105,575,047
Net pension asset (restricted)	**42,996,046**	–
Net other post-employment benefits asset	**3,308,962**	–
Total noncurrent assets	**208,343,269**	171,458,564
Capital assets:		
Utility plant in service	**2,952,151,221**	2,904,733,491
Less: accumulated depreciation and amortization	**(1,221,153,540)**	(1,136,111,856)
	1,730,997,681	1,768,621,635
Construction in progress	**132,543,930**	102,778,847
Net capital assets	**1,863,541,611**	1,871,400,482
Total assets	**2,529,150,843**	2,416,836,967
Deferred outflows of resources:		
Unamortized loss on refundings of bonds	**9,854,061**	11,258,300
Accumulated decrease in fair value of hedging derivatives	**67,932,403**	120,802,265
General Employees' Pension plan costs	**4,297,375**	21,226,376
Other post-employment benefits plan	**875,006**	4,391,772
Total deferred outflows of resources	**82,958,845**	157,678,713
Total assets and deferred outflows of resources	**$ 2,612,109,688**	$ 2,574,515,680

Continued on next page.

See accompanying notes.

Gainesville Regional Utilities
Statements of Net Position (concluded)
September 30, 2021 and 2020

	2021	2020
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities	**$ 15,407,511**	$ 16,648,318
Fuels payable	**9,214,700**	4,586,774
Due to other funds	**6,112,846**	6,082,928
Fuel and purchased gas adjustment	**–**	7,762,392
Other liabilities and regulatory liabilities	**1,197,440**	798,503
Total current liabilities	**31,932,497**	35,878,915
Payable from restricted assets:		
Utility deposits	**8,406,491**	8,476,982
Accounts payable and accrued liabilities	**6,823,415**	9,571,571
Utilities system revenue bonds – current portion	**25,685,000**	27,090,000
Accrued interest payable	**32,517,758**	32,510,583
Other liabilities and regulatory liabilities	**28,609**	135,664
Total payable from restricted assets	**73,461,273**	77,784,800
Long-term debt:		
Utilities system revenue bonds	**1,707,955,000**	1,637,880,000
Unamortized bond premium/discount	**112,666,439**	91,865,654
Fair value of derivative instruments	**69,065,664**	123,004,284
Total long-term debt	**1,889,687,103**	1,852,749,938
Noncurrent liabilities:		
Reserve for insurance claims	**3,337,000**	3,337,000
Reserve for environmental liability	**708,000**	841,000
Net pension liability	**–**	14,566,344
Net other post-employment benefits liability	**–**	854,405
Due to other funds	**102,186,631**	108,519,131
Other noncurrent liabilities and regulatory liabilities	**3,447,466**	4,628,460
Total noncurrent liabilities	**109,679,097**	132,746,340
Total liabilities	**2,104,759,970**	2,099,159,993
Deferred inflows of resources:		
Rate stabilization	**65,812,817**	58,152,475
General Employees' Pension plan costs	**36,022,306**	1,196,323
Other post-employment benefits plan	**6,553,818**	6,633,675
Total deferred inflows of resources	**108,388,941**	65,982,473
Net position		
Net investment in capital assets	**153,558,794**	192,217,500
Restricted	**143,287,375**	84,031,134
Unrestricted	**102,114,608**	133,124,580
Total net position	**398,960,777**	409,373,214
Total liabilities, deferred inflows of resources and net position	**$ 2,612,109,688**	$ 2,574,515,680

See accompanying notes.

Gainesville Regional Utilities
Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended September 30, 2021 and 2020

	2021	2020
Operating revenue:		
Sales and service charges	**$ 399,240,362**	$ 370,167,945
Transfers from (to) rate stabilization	**(7,660,342)**	(4,578,087)
Amounts to be recovered from future revenue	**5,350,573**	5,479,529
Other operating revenue	**15,256,161**	19,500,709
Total operating revenues	**412,186,754**	390,570,096
Operating expenses:		
Operation and maintenance	**200,660,484**	178,555,049
Administrative and general	**30,336,691**	32,371,679
Depreciation and amortization	**100,355,464**	101,046,520
Total operating expenses	**331,352,639**	311,973,248
Operating income	**80,834,115**	78,596,848
Non-operating income (expense):		
Interest income	**1,093,496**	3,039,395
Interest expense, net of AFUDC	**(57,801,796)**	(62,588,476)
Other interest related income, BABs	**5,112,590**	5,154,906
Other expense	**(5,575,253)**	(7,582,534)
Total non-operating expense	**(57,170,963)**	(61,976,709)
Income before capital contributions and transfer	**23,663,152**	16,620,139
Capital contributions:		
Contributions from third parties	**4,455,329**	7,778,464
Reduction of plant costs recovered through contributions	**(245,918)**	(139,669)
Net capital contributions	**4,209,411**	7,638,795
Transfer to City of Gainesville General Fund	**(38,285,000)**	(38,285,000)
Change in net position	**(10,412,437)**	(14,026,066)
Net position – beginning of year	**409,373,214**	423,399,280
Net position – end of year	**$ 398,960,777**	$ 409,373,214

See accompanying notes.

Gainesville Regional Utilities
Statements of Cash Flows
For the Years Ended September 30, 2021 and 2020

	2021	2020
Operating activities:		
Cash received from customers	**$ 395,536,232**	$ 382,529,529
Cash payments to suppliers for goods and services	**(130,747,429)**	(111,908,644)
Cash payments to employees for services	**(68,220,690)**	(65,660,542)
Cash payments for operating transactions with other funds	**(22,929,883)**	(28,054,800)
Other operating receipts	**8,296,785**	16,197,903
Net cash provided by operating activities	**181,935,015**	193,103,446
Noncapital financing activities:		
Transfer to City of Gainesville General Fund	**(38,285,000)**	(38,285,000)
Net cash used in noncapital financing activities	**(38,285,000)**	(38,285,000)
Capital and related financing activities:		
Principal repayments and refunding on long-term debt, net	**(27,090,000)**	(33,336,147)
Interest paid on long-term debt	**(65,092,695)**	(69,209,862)
Proceeds from interest rebates, BABs	**5,146,566**	2,577,453
Acquisition and construction of fixed assets (including allowance for funds used during construction)	**(98,797,488)**	(81,821,308)
Proceeds from new debt and commercial paper	**125,000,000**	10,715,000
Other income	**(3,816,975)**	(6,951,718)
Net cash used in capital and related financing activities	**(64,650,592)**	(178,026,582)
Investing activities:		
Interest received	**1,832,206**	7,046,622
Purchase of investments	**(358,116,511)**	(490,947,807)
Investments in The Energy Authority	**(18,309,120)**	(8,987,708)
Distributions from The Energy Authority	**17,184,492**	8,370,403
Proceeds from investments	**325,867,039**	532,675,685
Net cash (used) provided by investing activities	**(31,541,894)**	48,157,194
Net change in cash and cash equivalents	**47,457,528**	24,949,058
Cash and cash equivalents, beginning of year	**78,514,094**	53,565,036
Cash and cash equivalents, end of year	**$ 125,971,622**	$ 78,514,094

Continued on next page.
See accompanying notes.

Gainesville Regional Utilities
Statements of Cash Flows (concluded)
For the Years Ended September 30, 2021 and 2020

	2021	2020
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	**$ 80,834,115**	$ 78,596,848
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	**100,355,464**	101,046,520
Net costs recoverable in future years	**(5,350,573)**	(5,479,528)
Change in:		
Accounts receivable	**394,124**	(4,789,862)
Inventories	**8,434,633**	2,577,661
Utility meter deposits	**(67,963)**	844,092
Other assets and regulatory assets	**(4,341)**	-
Restricted and internally designated assets	**7,640,075**	-
Noncurrent assets	**1,340,542**	1,079,280
Payables and accrued liabilities	**3,387,119**	912,844
Due to other funds	**498,118**	(942,717)
Fuel adjustment	**(20,438,484)**	10,649,987
Payable from restricted assets	**(2,748,156)**	4,030,234
Rate stabilization	**7,660,342**	4,578,087
Net cash provided by operating activities	**$ 181,935,015**	$ 193,103,446
Non-cash capital and related financing activities, and investing activities:		
Contribution of capital assets	**$ 4,209,411**	$ 7,638,795
Net costs recoverable in future years	**$ (5,350,573)**	$ (5,479,528)
Change in utility plant in service	**$ 3,649,461**	$ 7,183,862
Change in ineffective portion of hedging derivatives	**$ 1,068,758**	$ 323,754
Change in accumulated (increase) decrease in fair value of hedging derivatives - interest rate swaps	**$ 52,869,862**	$ (42,228,627)
Change in fair market value of investments	**$ 715,610**	$ (1,144,996)
Change in fair market value of hedging derivatives	**$ (53,938,620)**	$ 41,904,873
Change in bond premium/discount	**$ 20,800,785**	$ (10,236,105)
Unamortized debt issuance costs	**$ (412,585)**	$ 575,147
Unamortized loss on refundings of bonds	**$ 1,404,239**	$ 3,897,375
Change in General Employees Pension Plan	**$ (461,710)**	$ -
Other	**$ (1,123,953)**	$ (156,408)

See accompanying notes.

1. Summary of Significant Accounting Policies

Organization

Gainesville Regional Utilities (GRU or the Utility) is a combined municipal utility 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 Annual Comprehensive Financial Report of the City. That report may be obtained by writing to City of Gainesville, Budget & Finance Department, P.O. Box 490, Gainesville, Florida 32627 or by calling (352) 334-5054.

System of Accounts and Basis of Accounting

GRU is required to follow the provisions in the Second Amended and Restated Utilities System Revenue Bond Resolution (Resolution) adopted by the City on September 21, 2017. 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 certain other non-cash 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.

1. Summary of Significant Accounting Policies (continued)

Current GASB Pronouncement Implementations

GASB Statement No. 84, *Fiduciary Activities* – The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. Implementation of this guidance did not have any significant impact on GRU's financial statements.

GASB Statement No. 90, *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61* - The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. Implementation of this guidance did not have any significant impact on GRU's financial statements.

GASB Statement No. 93, *Replacement of Interbank Offered Rates* – All Paragraphs except 11b, 13 and 14, which will affect the September 30, 2022 financial statements - Some governments have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR)—most notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, some LIBOR rates ceased to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. The cessation of certain LIBOR rates at the end of December 31, 2021 did not impact GRU. The rates that have been discontinued on January 1 are the 1-week and 2-month terms. GRU does not have any agreements involving those discontinued rates. GRU does have derivatives using the 10-year Intercontinental Exchange London Interbank Offered Rate (ICE LIBOR) swap rates that are not on the alert notice by the Financial Conduct Authority announcements but they are impacted by other LIBOR rates because they are derived from market data such as the 3-month LIBOR rate, which will likely become 'unrepresentative' after 6/30/23. As a result the 10-year ICE LIBOR swap rates will most likely follow suit. At that time GRU swaps will be amended. As of January 2021, GRU did file an adherence letter to the International Swaps and Derivatives Association 2020 IBOR Fallback Protocol as an adhering party to the protocol.

1. Summary of Significant Accounting Policies (continued)

Future GASB Pronouncement Implementations

GASB Statement No. 87, *Leases* – The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. GRU is currently evaluating the impact that adoption of this Statement will have on its financial statements.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* – The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5−22 of GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. GRU is currently evaluating the impact that adoption of this Statement will have on its financial statements.

GASB Statement No. 91, *Conduit Debt Obligations* – The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. GRU is currently evaluating the impact that adoption of this Statement will have on its financial statements.

1. Summary of Significant Accounting Policies (continued)

Future GASB Pronouncement Implementations (continued)

GASB Statement No. 92, *Omnibus 2020* – The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following:

- The effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reports
- Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan
- The applicability of Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, *and Amendments to Certain Provisions of GASB Statements 67 and 68*, as amended, and No. 74, *Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans*, as amended, to reporting assets accumulated for postemployment benefits
- The applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefit arrangements
- Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition
- Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers
- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature
- Terminology used to refer to derivative instruments.

GRU is currently evaluating the impact that adoption of this Statement will have on its financial statements.

1. Summary of Significant Accounting Policies (continued)

Future GASB Pronouncement Implementations (concluded)

GASB Statement 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* – The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. GRU is currently evaluating the impact that adoption of this Statement will have on its financial statements.

GASB Statement 96, *Subscription-Based Information Technology Arrangements* – This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. GRU is currently evaluating the impact that adoption of this Statement will have on its financial statements.

GASB Statement 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans* – The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. GRU is currently evaluating the impact that adoption of this Statement will have on its financial statements.

1. Summary of Significant Accounting Policies (continued)

Rates and Regulation

GRU is regulated by the Gainesville City Commission (City Commission) and GRU's rates are established in accordance with the Resolution. Each year during the budget process, and at any other time deemed necessary, the City Commission approves base rate changes and other changes to GRU's system charges as applicable.

The Florida Public Service Commission (PSC) does not regulate rate levels in any of GRU's utility systems. They do, however, have jurisdiction over the rate structure for the electric system.

Funds in Accordance with the Resolution

Certain restricted funds of GRU are administered in accordance with the Resolution:

- Debt Service Fund
- Subordinated Indebtedness Fund
- Rate Stabilization Fund
- Construction Fund
- Utility Plant Improvement Fund

The Debt Service Fund accounts for funds accumulated to provide payment of principal and interest on or redeem outstanding debt.

The Subordinated Indebtedness Fund, grouped in the Debt Service Fund for financial reporting purposes, accounts for funds accumulated to pay principal and interest on subordinated indebtedness.

The Rate Stabilization Fund accounts for funds accumulated to stabilize rates over future periods through the transfer of funds to and from operations cash and investments as applicable.

The Construction Fund accounts for funds accumulated for the cost of acquisition and construction of the systems.

The Utility Plant Improvement Fund accounts for funds used to pay for capital projects, debt service, the purchase/redemption of bonds, repayment of bonds, and operation and maintenance expenses as applicable.

Reclassifications

Certain 2020 amounts have been reclassified to conform to the 2021 presentation.

Statement of Cash Flows

For purposes of the Statement of Cash Flows, cash and cash equivalents are considered to be cash on hand and demand deposits.

1. Summary of Significant Accounting Policies (continued)

Fuel Inventories

Fuel stocks in the electric system, which are stated using the weighted average unit cost method, are recorded as inventory when purchased. The cost of fuel used for electric generation is charged to expense as consumed.

Materials and Supplies Inventories

Inventories are stated at cost using the weighted average unit cost method when purchased and then expensed or capitalized, as appropriate. Obsolete and unusable materials and supplies are expensed.

Investments

Investments in U.S. Treasury and government agencies are reported at fair value, as determined by quoted market prices or independent pricing sources. Investments in commercial paper are recorded at amortized cost, which approximates fair value. More information is provided in Note 2 Deposits and Investments.

Costs Recoverable in Future Years

The amount by which depreciation on Deerhaven Renewable Generating Station (DHR) exceeds principal repayment on the related bonds is recorded as amounts to be recovered from future revenue. For the years ended September 30, 2021 and 2020, that amount was $5.3 million and $5.4 million, respectively.

Capital Assets and Depreciation

Capital assets are recorded at historical cost and include utility plant and general plant assets. The costs of capital assets include material, labor, vehicle and equipment usage, related overhead items, capitalized interest, and certain administrative and general expenses. Maintenance and replacement of minor items are charged to operations and maintenance expenses. When units of depreciable property are retired, the original cost less salvage value is charged to accumulated depreciation if there is outstanding debt that originally constructed or purchased that asset. If there is no longer outstanding debt, the net book value less salvage value is recorded as a gain or loss in the income statement. Removal cost of the old asset is added to the cost of constructing the new asset and amortized over the life of that asset. Cost of removal of an asset that is not replaced with a new asset is recorded as an expense in the income statement. GRU has a capitalization threshold of $2,500 for general plant assets and no capitalization threshold for utility plant.

Depreciation of capital assets is computed using the straight-line method over the estimated lives of the assets ranging from 2 to 83 years. The overall depreciation rate was 3.41% and 3.49% for the years ending September 30, 2021 and 2020, respectively.

1. Summary of Significant Accounting Policies (continued)

Allowance for Funds Used During Construction (AFUDC)

An allowance for interest on borrowed funds used during construction of $1.4 million and $0.7 million for the years ended September 30, 2021 and 2020, respectively, was included in construction in progress and as a reduction of interest expense. These amounts are computed by applying the effective interest rate on the funds borrowed to finance the projects to the monthly balance of projects under construction. The effective interest rate was approximately 3.8% and 4.2% for fiscal years 2021 and 2020, respectively.

Contributions in Aid of Construction

GRU recognizes capital contributions to the electric and gas systems as revenues which are subsequently expensed in the same period for capital contributions that will not be recovered in rates in accordance with GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

GRU recognizes capital contributions to the water, wastewater, and GRUCom systems as revenues in the period received. Depreciation on these assets is recorded on a straight-line basis over the estimated lives of the assets.

Hedging Derivative Instruments

GRU records fuel and financial related derivative instruments in accordance with GASB Statement No. 53, *Accounting and Reporting for Financial and Derivative Instruments.* All effective derivative instruments are included in the Statements of Net Position as either an asset or liability measured at fair value. All ineffective derivative instruments are recorded as a regulatory asset. Changes in the fair value of the hedging derivative instruments during the year are recorded as either deferred outflows or deferred inflows and are recognized in the period in which the derivative is settled. The settlement of fuel and financial related hedging derivative instruments is included as a part of fuel costs and interest expense, respectively, in the Statements of Revenues, Expenses, and Changes in Net Position.

GRU conducts a risk management program with the intent of reducing the impact of fuel price increases for its customers. The program utilizes futures and options contracts that are traded on the New York Mercantile Exchange (NYMEX) so that prices may be fixed or reduced for given volumes of gas that the utility projects to consume during a given production month. This program is based on feedback and direction from GRU’s Risk Oversight Committee, consultation and recommendations from reputable risk management sources, and close monitoring of the market.

1. Summary of Significant Accounting Policies (continued)

Long-Term Debt

Long-term debt and other obligations are reported as liabilities. Bond premiums and discounts are amortized over the life of the bonds using the effective interest rate method. Gains or losses on prior refundings are amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter. The balance at year end for premiums and discounts is shown as an increase or decrease in the liability section of the balance sheet. The balance at year end for the loss on refunding is shown as a deferred outflow of resources in the statement of net position. See Note 6 Long-Term Debt for additional information.

Net Pension Liability (Asset)

A net pension liability (asset) is recorded in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pension and pension expense, the fiduciary net position of the Employees' Pension Plan (Employees' Plan) and additions to or deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value except for money market investments and participating interest-earning investment contracts with a maturity at the time of purchase of one year or less, which are reported at cost. See Note 13 Retirement Plans for additional information.

Postemployment Benefits Other Than Pensions (OPEB)

A net OPEB liability (asset) is recorded in accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* For purposes of measuring the net OPEB liability (asset), deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB plan and additions to/deductions from the OPEB plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB plan. Benefit payments are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost. See Note 14 Other Post-employment Benefits Plan for additional information.

Deferred Outflows of Resources

A deferred outflow of resources represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until that future time.

Unamortized Loss on Refunding of Bonds

Losses on refunding of bonds have been deferred. These amounts are being amortized over the life of the old debt or the life of the new debt, whichever is shorter.

1. Summary of Significant Accounting Policies (continued)

Deferred Outflows of Resources (concluded)

Accumulated Decrease in Fair Value of Hedging Derivatives

GRU has two types of hedging instruments: interest rate swap agreements and natural gas hedges. Each is associated with an item that is eligible to be hedged. For effective hedging transactions, hedge accounting is applied and fair value changes are recorded on the statement of net position as either a deferred inflow of resources or a deferred outflow of resources until such time that the transaction ends. See Note 7 Hedging Activities for additional information.

General Employees' Pension Plan Costs

Recognition of deferred outflows of resources related to pension costs totaled $4.3 million and $21.2 million as of September 30, 2021 and 2020, respectively. See Note 13 Retirement Plans for additional information.

Other Post-employment Benefits Plan

Recognition of deferred outflows of resources related to the OPEB plan were $0.9 million and $4.4 million as of September 30, 2021 and 2020, respectively. See Note 14 Other Post-employment Benefits Plan for additional information.

Deferred Inflows of Resources

A deferred inflow of resources represents an acquisition of net position that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that future time.

Rate Stabilization

GRU designs its rates to recover costs of providing services. In order to stabilize future rate increases or decreases, GRU determines a rate stabilization amount to be charged or credited to revenues on an annual basis. There were additions of $7.7 million and $4.6 million to rate stabilization for the years ended September 30, 2021 and 2020, respectively. These amounts are reflected as increases or decreases in deferred inflows of resources – rate stabilization in the accompanying statements of net position.

General Employees' Pension Plan Costs

Recognition of deferred inflows of resources related to unrealized gains for the pension plan totaled $36 million and $1.2 million as of September 30, 2021 and 2020, respectively. See Note 13 Retirement Plan for additional information.

1. Summary of Significant Accounting Policies (continued)

Deferred Inflows of Resources (concluded)

Other Post-employment Benefit Plan

Recognition of deferred inflows of resources related to unrealized gains for the OPEB plan were $6.6 million as of September 30, 2021 and 2020. See Note 14 Other Post-employment Benefits Plan for additional information.

Net Position

GRU classifies net position into three components as follows:

- Net investment in capital assets – consists of capital assets, net of accumulated depreciation and amortization, and reduced by the outstanding balances of any long-term borrowings that are attributable to the acquisition, construction, or improvement of those assets.

- Restricted – consists of non-capital assets that must be used for a particular purpose as specified by creditors, contributors, grantors, laws, or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

- Unrestricted – consists of assets that do not meet the definition of net investment in capital assets or restricted net position.

When both restricted and unrestricted resources are available for use, it is GRU's policy to use restricted resources first, then unrestricted resources as needed.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

Revenue is recognized when earned. GRU accrues for services rendered but unbilled, which totaled approximately $14.9 million and $14 million at September 30, 2021 and 2020, respectively.

1. Summary of Significant Accounting Policies (continued)

Revenue Recognition (concluded)

Fuel and purchased gas adjustment levelization revenue is adjusted as expenses are incurred. Amounts charged to customers for fuel are based on estimated costs and are adjusted in the following month when the costs are known. The amount charged in the fuel adjustment is adjusted and approved by the General Manager of the Utility as deemed necessary. If the amount recovered through billing exceeds actual fuel expenses, GRU records the excess billings as a liability. If the amount recovered through billings is less than actual fuel expenses, GRU records the excess fuel expense as a reduction of the liability or as an asset. See Note 5 Fuel and Purchased Gas Adjustment Levelization for additional information.

Pledged Revenues

Under the terms of the Resolution relating to the sale of the Utilities System Revenue Bonds, payment of principal and interest is secured by an irrevocable lien on GRU's net revenue (exclusive of any funds that may be established pursuant to the Resolution for certain other specified purposes), including any investments and income thereof. The Utilities System Revenue Bonds have a first lien and the Commercial Paper Series C and D Notes have a second lien. The Resolution contains certain restrictions and commitments, including GRU's covenant to establish and maintain rates and other charges to produce revenue sufficient to pay operation and maintenance expenses, amounts required for deposit in the debt service fund, and amounts required for deposit in the utility plant improvement fund.

Operating, Non-Operating Revenues

GRU defines operating revenues as revenue derived from customer sales or service charges and recoveries related to future rate collections, and other items. Non-operating revenues include interest on investments, gains and losses on sales of assets, and other items. Substantially all of GRU's operating revenues are pledged to the repayment of Utility System Revenue Bonds.

Transactions with the City

As an enterprise fund of the City, transactions occur between GRU and the City's governmental and business type funds throughout the year in the ordinary course of operations.

Below is a summary of significant transactions:

- Administrative services – GRU pays for various administrative and certain insurance services provided by the City's governmental and business type functions. GRU receives payment for Information Technology, telecommunications, certain insurance services and billing services provided to the City's governmental and business type functions.

- Pension obligation payments – GRU makes payments to the City for pension expense obligations. See Note 13 Retirement Plans for additional information.

1. Summary of Significant Accounting Policies (concluded)

Transactions with the City (concluded)

- Nonmetered and metered service charges – GRU receives payment from the City for all nonmetered and metered service charges.

- Operating transfer to the General Fund – GRU makes payments to the City's General Fund from operating revenues. See Note 11 Transfer to City of Gainesville General Fund for additional information.

2. Deposits and Investments

The institutions in which GRU's monies are deposited are certified as Qualified Public Depositories under the Florida Public Deposit Act. Therefore, GRU's total bank balances on deposit are entirely insured or collateralized by the Federal Deposit Insurance Corporation and the Bureau of Collateral Securities, Division of Treasury, State Department of Insurance. As required by the Resolution, the depository is restricted to be a bank, savings and loan association, or trust company of the United States, or a national banking association having capital stock, surplus and undivided earnings aggregating at least $10 million.

In accordance with state laws and the Resolution, GRU is authorized to invest in obligations, which are unconditionally guaranteed by the United States of America or its agencies or instrumentalities, repurchase agreement obligations unconditionally guaranteed by the United States of America or its agencies, corporate indebtedness, direct and general obligations of any state of the United States of America or of any agency, instrumentality, or local governmental unit of any such state provided such obligations are rated by at least one Nationally Recognized Statistical Ratings Organization, (NRSRO). Investments in corporate indebtedness must be at a minimum acceptable level at time of purchase, in its highest short-term (ST) or three highest long-term (LT) rating categories (A-1/P-1, A-/A3, or equivalent). All assets held by GRU shall be invested pursuant to the guidelines set forth in the Investment Policy. It is the intent of the policy to provide sufficient latitude to effectively manage funds so as to maximize returns within acceptable risk exposure and ensure compliance with bond covenants and related parameters.

As of September 30, 2021, GRU had the following investments and maturities (in thousands):

		Maturities in Years		
	Fair Value	**Less than 1**	**1-5**	**Over 5**
Investment type:				
Commercial paper	$ 138,122	$ 138,122	$ -	$ -
Corporate bonds	33,347	7,035	26,312	-
U.S. agencies	63,190	-	63,190	-
U.S. treasuries	3,061	-	3,061	-
Total	$ 237,720	$ 145,157	$ 92,563	$ -

2. Deposits and Investments (continued)

As of September 30, 2020, GRU had the following investments and maturities (in thousands):

		Maturities in Years		
	Fair Value	Less than 1	1-5	Over 5
Investment type:				
Commercial paper	$ 136,115	$ 136,115	$ -	$ -
Corporate bonds	25,059	14,615	10,444	-
U.S. agencies	38,011	-	38,011	-
U.S. treasuries	7,133	4,016	3,117	-
Total	$ 206,318	$ 154,746	$ 51,572	$ -

Cash and investments are comprised of the following at September 30 (in thousands):

	2021	2020
Restricted assets	**$ 336,849**	$ 250,332
Current assets:		
Cash and investments	**26,843**	34,500
Total cash and investments	**363,692**	284,832
Less cash and cash equivalents	**(125,972)**	(78,514)
Total investments	**$ 237,720**	$ 206,318

Interest Rate Risk

GRU's investment policy limits its investments to securities with terms of ten years or less to reduce exposure to rising interest rates, unless investments are matched to meet specific cash flow needs. The investment policy states the average portfolio term is not to exceed five years. GRU's Resolution further limits investments of the Utility Plant Improvement Fund and Rate Stabilization Fund to no more than five years.

Credit Risk

GRU's investment policy and Resolution limit investments in state and local taxable or tax-exempt debt, corporate fixed income securities, and other corporate indebtedness to investments that are rated by at least one Nationally Recognized Statistical Ratings Organization, (NRSRO). Investments in corporate indebtedness must be at a minimum acceptable level at time of purchase, in its highest short-term (ST) or three highest long-term (LT) rating categories (A-1/P-1, A-/A3, or equivalent) by Standard and Poor's, Moody's Investor Service, and/or equivalent.

2. Deposits and Investments (concluded)

Credit Risk (concluded)

The table below illustrates GRU's holdings with investment ratings from Standard and Poor's (S&P), Moody's Investor Service, and Fitch Ratings.

	2021			2020		
	S&P	**Moody's**	**Fitch**	S&P	Moody's	Fitch
Commercial Paper	**A-1**	**P-1**	**NR or F1**	A-2 or better	P-1	NR or F1
Corporate Indebtedness	**A or better**	**A3 or better**	**NR, A or better**	AA or better	Aa2 or better	NR or AA
FFCB	**AA+**	**Aaa**	**NR or AAA**	NR or AA+	Aaa	NR or AAA
FHLMC	**NR**	**Aaa**	**NR or AAA**	NR or AA+	Aaa	NR or AAA
FNMA	**N/A**	**N/A**	**N/A**	NR or AA+	Aaa	NR or AAA
FHLB	**AA+**	**Aaa**	**NR**	N/A	N/A	N/A

Concentration of Credit Risk

State law does not limit the amount that may be invested in any one issuer. It does require, however, that investments be diversified to control risk of loss from over concentration of assets. As of September 30, GRU had more than 5% of the investment portfolio invested with the following issuers:

	Percent of Total Investments	
	2021	2020
Guardian Life	**2.11%**	5.16%
Federal Farm Credit Bank	**10.49%**	6.54%
Federal National Mortgage Association	**0.00%**	7.52%
Federal Home Loan Bank	**12.95%**	0.00%

3. Investment in The Energy Authority

GRU has an equity investment in The Energy Authority (TEA), a power marketing corporation comprised of seven municipal utilities as of September 30, 2021: Municipal Electric Authority of Georgia, Jacksonville Electric Authority (Florida), South Carolina Public Service Authority, Nebraska Public Power District, GRU, City Utilities of Springfield (Missouri), and American Municipal Power, Inc. (Ohio). TEA provides energy products and resource management services to equity members and non-members and allocates transaction savings and operating expenses to equity members pursuant to Settlement Procedures under the Operating Agreement.

In the Statement of Revenues, Expenses, and Changes in Net Position, GRU's sales to and purchases from TEA are recorded in sales and service charges and operations and maintenance expenses, respectively. Sales to TEA were $3.6 million and $1.3 million and purchases from TEA were $8.8 million and $5.4 million for the years ended September 30, 2021 and 2020, respectively. GRU's equity interest was 5.9% for fiscal years 2021 and 2020, and accounted for using the equity method of accounting. As of September 30, 2021 and 2020, GRU's investment in TEA was $4.1 million and $3 million, respectively.

Through a combination of agreements, GRU guaranteed credit received by TEA for $20 million and $17 million as of September 30, 2021 and 2020, respectively. TEA evaluates its credit needs periodically and requests equity members to adjust their guarantees accordingly. The guarantee agreements are intended to provide credit support for TEA when entering into transactions on behalf of equity members. Such guarantees are within the scope of GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, and would require the equity members to make payments to TEA's counterparties if TEA failed to deliver energy, capacity, or natural gas as required by contract, or if TEA failed to make payment for the purchases of such commodities. If guarantee payments are required, GRU has rights with other equity members that such payments be apportioned based on certain criteria. The guarantees generally have indefinite terms; however, GRU can terminate its guarantee obligations by providing notice to counterparties and others, as required by the agreements. Such terminations would not pertain to any transactions TEA entered into prior to notice being given. As of September 30, 2021 and 2020, GRU had not recorded a liability related to these guarantees.

3. Investment in The Energy Authority (concluded)

The table below contains unaudited condensed financial information for TEA for the nine months ended September 30 (in thousands):

	2021	2020
Condensed statement of operations:		
Total revenue	**$ 2,086,069**	$ 901,423
Total cost of sales and expense	**(1,958,481)**	(852,836)
Operating income	**127,588**	48,587
Nonoperating income (expense)	**22**	32
Change in net position	**127,610**	48,619
Net position, beginning of period	**49,512**	41,770
Capital contributions	**(6)**	404
Member distributions	**(107,700)**	(40,495)
Net position, end of period	**$ 69,416**	$ 50,298
Condensed balance sheet:		
Assets:		
Current assets	**$ 329,376**	$ 155,621
Noncurrent assets and deferred outflows	**63,331**	22,752
Total assets and deferred outflows	**392,707**	178,373
Liabilities:		
Current liabilities	**291,886**	127,800
Noncurrent liabilities and deferred inflows	**31,405**	275
Total liabilities and deferred inflows	**323,291**	128,075
Total net position	**69,416**	50,298
Total liabilities, deferred inflows and net position	**$ 392,707**	$ 178,373

GRU's accounts receivable due from TEA totaled approximately $772,500 and $167,000, for the years ended September 30, 2021 and 2020, respectively.

4. Capital Assets

A summary of capital assets, changes in accumulated depreciation and amortization, and average depreciation rates for the years ended September 30, 2021, and 2020, follows (in thousands):

	Utility Plant in Service					
	Treatment	Generation	Transmission, Distribution, and Collection	General	Construction in Progress	Combined
Balance, October 1, 2020	$ 233,730	$ 1,442,820	$ 1,017,528	$ 210,655	$ 102,779	$ 3,007,512
Additions	9,995	12,376	40,693	6,792	99,793	169,649
Capital lease	-	-	-	-	-	-
Less sales, retirements, and transfers	(3,577)	(7,840)	(8,691)	(2,330)	(70,028)	(92,466)
Balance, September 30, 2021	$ 240,148	$ 1,447,356	$ 1,049,530	$ 215,117	$ 132,544	$ 3,084,695
Accumulated depreciation, October 1, 2020	$ 107,957	$ 414,659	$ 510,086	$ 103,410	n/a	$ 1,136,112
Depreciation expense	9,004	45,093	35,163	10,681	n/a	99,941
Capital lease	-	-	-	-	n/a	-
Less retirements/ adjustments	(1,931)	(3,794)	(7,296)	(1,879)	n/a	(14,900)
Accumulated depreciation, September 30, 2021	$ 115,030	$ 455,958	$ 537,953	$ 112,212	n/a	$ 1,221,153
Net capital assets	$ 125,118	$ 991,398	$ 511,577	$ 102,905	$ 132,544	$ 1,863,542
Average depreciation rate	3.80%	3.12%	3.40%	5.02%	n/a	3.41%

	Utility Plant in Service					
	Treatment	Generation	Transmission, Distribution, and Collection	General	Construction in Progress	Combined
Balance, October 1, 2019	$ 229,803	$ 1,436,395	$ 983,167	$ 205,863	$ 71,291	$ 2,926,519
Additions	5,115	8,174	39,024	5,637	89,942	147,892
Capital lease	-	-	-	-	-	-
Less sales, retirements, and transfers	(1,188)	(1,749)	(4,663)	(845)	(58,454)	(66,899)
Balance, September 30, 2020	$ 233,730	$ 1,442,820	$ 1,017,528	$ 210,655	$ 102,779	$ 3,007,512
Accumulated depreciation, October 1, 2019	$ 99,933	$ 369,516	$ 476,690	$ 94,157	n/a	$ 1,040,296
Depreciation expense	8,761	45,236	36,596	10,017	n/a	100,610
Capital lease	-	-	-	-	n/a	-
Less retirements/ adjustments	(737)	(93)	(3,200)	(764)	n/a	(4,794)
Accumulated depreciation, September 30, 2020	$ 107,957	$ 414,659	$ 510,086	$ 103,410	n/a	$ 1,136,112
Net capital assets	$ 125,773	$ 1,028,161	$ 507,442	$ 107,245	$ 102,779	$ 1,871,400
Average depreciation rate	3.78%	3.14%	3.66%	4.81%	n/a	3.49%

5. Fuel and Purchased Gas Adjustment Levelization

Electric and natural gas customers are billed a monthly fuel and purchased gas adjustment charge based on a number of factors including fuel and fuel related costs. GRU establishes this fuel and purchased gas adjustment charge based on ordinances approved by the City Commission. A fuel and purchased gas adjustment levelization fund is utilized to stabilize the monthly impact of the fuel and purchased gas adjustment charge included in customer billings.

The following table represents total revenues and expenses associated with the fuel and purchased gas adjustment and the subsequent impact on the fuel and purchased gas levelization balance as of September 30, 2021 (in thousands):

	Fuel Adjustment	Purchased Gas Adjustment	Total
Revenues	$ 71,242	$ 6,696	$ 77,938
Expenses	(89,151)	(9,226)	(98,377)
To (From) Levelization Fund	$ (17,909)	$ (2,530)	$ (20,439)
Levelization Fund Beginning Balance	$ 6,631	$ 1,131	$ 7,762
To (From) Levelization Fund	(17,909)	(2,529)	(20,438)
Levelization Fund Ending Balance	$ (11,278)	$ (1,398)	$ (12,676)

The following table represents total revenues and expenses associated with the fuel and purchased gas adjustment and the subsequent impact on the fuel and purchased gas levelization balance as of September 30, 2020:

	Fuel Adjustment	Purchased Gas Adjustment	Total
Revenues	$ 77,014	$ 7,307	$ 84,321
Expenses	(67,539)	(6,132)	(73,671)
To (From) Levelization Fund	$ 9,475	$ 1,175	$ 10,650
Levelization Fund Beginning Balance	$ (2,844)	$ (44)	$ (2,888)
To (From) Levelization Fund	9,475	1,175	10,650
Levelization Fund Ending Balance	$ 6,631	$ 1,131	$ 7,762

6. Long-Term Debt

$55,135,000 Utilities System Revenue Bonds, 2005 Series C – Variable interest rates based on market rates, 0.10% at September 30, 2021, dated November 16, 2005, final maturity October 1, 2026. The 2005 Series C Bonds are subject to redemption at the option of the City at a redemption price of 100% of the principal amount, plus accrued interest to the date of redemption. The 2005 Series C Bonds were issued to refund a portion of the City's Utilities System Revenue Bonds, 1996 Series A. In August 2012, the 2012 Series B Bonds ($100,470,000) were issued to partially refund $17,570,000 of bonds maturing from October 1, 2013, thru October 1, 2017. In April 2019, the 2019 Series C Bonds, ($67,355,000), were issued to partially refund $18,515,000 of bonds maturing from October 1, 2019, through October 1, 2024. The refunding was to provide near-term debt relief and stabilize cash reserves. Aggregate debt service outstanding before refunding was $23,960,688 and after refunding was $3,813,100, a reduction of $20,147,588 for this series. A Stand-by Bond Purchase Agreement (SBPA) with Barclays Bank PLC on May 20, 2020, provided an initial fee of 0.38% but has increased to 0.54% due to a rating downgrade from AA- to A by Standard and Poor's in May 2021. The four-year agreement with Barclay's Bank PLC is stated to expire May 17, 2024. As of September 30, 2021, the related debt outstanding is $3,090,000.

$53,305,000 Utilities System Revenue Bonds, 2006 Series A – Variable interest rates based on market rates, 0.08% at September 30, 2021, dated July 6, 2006, final maturity October 1, 2026. The 2006 Series A Bonds are subject to redemption at the option of the City, in whole or in part, at a redemption price equal to 100% of the principal amount plus accrued interest to the date of redemption. The 2006 Series A Bonds were issued to pay a portion of the cost of acquisition and construction of certain improvements to the City's system and to refund a portion of the City's Utilities System Revenue Bonds, 1996 Series A. The 2006 Series A Bonds created a net present value savings of over $6,200,000, with yearly cash savings ranging from approximately $371,000 to over $890,000. In August 2012, the 2012 Series B Bonds ($100,470,000) were issued to partially refund $25,930,000 of bonds maturing from October 1, 2013, thru October 1, 2020. In April 2019, the 2019 Series C Bonds, ($67,355,000), were issued to partially refund $13,905,000 of bonds maturing from October 1, 2019, through October 1, 2024. The refunding was to provide near-term debt relief and stabilize reserves. Aggregate debt service outstanding before refunding was $19,034,788 and after refunding was $3,683,475, a reduction of $15,351,313 for this series. A Stand-by Bond Purchase Agreement (SBPA) with Barclays Bank PLC on May 20, 2020, provided an initial fee of 0.38% but has increased to 0.54% due to a rating downgrade from AA- to A by Standard and Poor's in May 2021. The four-year agreement with Barclay's Bank PLC is stated to expire May 17, 2024. As of September 30, 2021, the related debt outstanding is $2,985,000.

6. Long-Term Debt (continued)

$139,505,000 Utilities System Revenue Bonds, 2007 Series A – Variable interest rates based on market rates, 0.07% at September 30, 2021, dated July 6, 2006, final maturity October 1, 2036. The 2007 Series A Bonds are subject to redemption at the option of the City, in whole or in part, at a redemption price equal to 100% of the principal amount plus accrued interest to the date of redemption. The 2007 Series A Bonds were issued to refund a portion of the City's Utilities System Revenue Bonds, 2003 Series A, and a portion of the City's Utilities System Revenue Bonds, 2005 Series A. The 2007 Series A Bonds created a net present value savings of over $8,500,000, with yearly cash savings ranging from $100,000 to $500,000. In April 2019, the 2019 Series C Bonds, ($67,355,000), were issued to partially refund $8,430,000 of bonds maturing from October 1, 2019, through October 1, 2024. The refunding was to provide debt service relief and increase cash reserves for the next five years. Aggregate debt service outstanding before refunding was $195,941,100 and after refunding was $186,562,400, a reduction of $9,378,700 for this series. A SBPA with State Street Bank and Trust was entered on March 1, 2007, and since amended most recently by the Fifth Amendment that is set to expire on June 30, 2025, with an initial fee of 0.59% but has increased to 0.69% due to a rating downgrade from AA- to A by Standard and Poor's in May 2021. As of September 30, 2021, the related debt outstanding is $127,750,000.

$105,000,000 Utilities System Revenue Bonds, 2008 Series A (Federally Taxable) – 5.27%, dated February 13, 2008, final maturity October 1, 2020, and were partially refunded as part of the 2012 Series B Utilities System Revenue Bond issuances. The 2008 Series A Bonds are subject to redemption prior to maturity at the election of the City in whole or in part, at a redemption price equal to the greater of 100% of the principal amount, plus accrued and unpaid interest to the date of redemption, or the sum of the present values of the remaining scheduled payments of principal and interest on the bonds to be redeemed discounted to the date of redemption on a semiannual basis plus 12.5 basis points. The 2008 Series A Bonds were issued to pay costs of acquisition and construction of the City's utility system. In August 2012, the 2012 Series B Bonds ($100,470,000) were issued to partially refund $14,405,000 of bonds maturing from October 1, 2014, thru October 1, 2017. In December 2014, the 2014 Series B Bonds ($30,970,000) were issued to redeem $19,915,000 for portions of bonds maturing from October 1, 2015, through October 1, 2020. As of September 30, 2021, the related debt outstanding is $0.

$90,000,000 Utilities System Revenue Bonds, 2008 Series B – Variable interest rates based on market rates, 0.04% at September 30, 2021, dated February 13, 2008, final maturity October 1, 2038. The 2008 Series B Bonds are subject to redemption prior to maturity at the election of the City in whole or in part, at a redemption price of 100% of the principal amount plus accrued interest to the date of redemption. The 2008 Series B Bonds were issued to pay costs of acquisition and construction of the City's utility system. In April 2019, the 2019 Series C Bonds, ($67,355,000), were issued to partially refund $14,200,000 of bonds maturing from October 1, 2022, through October 1, 2024. The refunding was to provide debt service relief and increase cash reserves for the next five years. Aggregate debt service outstanding before refunding was $124,011,500 and after refunding was $107,454,250, a reduction of $16,557,250 for this series. A Stand-by Bond Purchase Agreement (SBPA) with Barclays Bank PLC on May 20, 2020, provided an initial fee of 0.38% but has increased to 0.54% due to a rating downgrade from AA- to A by Standard and Poor's in May 2021. The four-year agreement with Barclay's Bank PLC is stated to expire May 17, 2024. As of September 30, 2021, the related debt outstanding is $75,800,000.

6. Long-Term Debt (continued)

$156,900,000 Utilities System Revenue Bonds, 2009 Series B (Federally Taxable) – Issuer Subsidy – Build America Bonds – 5.147% – 5.655%, dated September 16, 2009, final maturity October 1, 2039. The 2009 Series B Bonds are subject to redemption prior to maturity at the election of the City at a redemption price equal to the greater of 100% of the principal amount, plus accrued and unpaid interest to the date of redemption, or the sum of the present values of the remaining scheduled payments of principal and interest on the bonds to be redeemed discounted to the date of redemption on a semiannual basis plus 12.5 basis points. The 2009 Series B Bonds were issued to pay costs of acquisition and construction of the City's utility system. As of September 30, 2021, the related debt outstanding is $133,605,000.

$12,930,000 Utilities System Revenue Bonds, 2010 Series A (Federally Taxable) – 5.87%, dated November 1, 2010, final maturity October 1, 2030. The 2010 Series A Bonds are subject to redemption prior to maturity at the election of the City at a redemption price equal to the greater of 100% of the principal amount, plus accrued and unpaid interest to the date of redemption, or the sum of the present values of the remaining scheduled payments of principal and interest on the bonds to be redeemed discounted to the date of redemption on a semiannual basis plus 12.5 basis points. The 2010 Series A Bonds were issued to (a) pay costs of acquisition and construction of the City's utility system, (b) to provide for the payment of certain capitalized interest on the Taxable 2010 Series A Bonds, and (c) to pay the costs of issuance of the Taxable 2010 Series A Bonds. As of September 30, 2021, the related debt outstanding is $12,930,000.

$132,445,000 Utilities System Revenue Bonds, 2010 Series B – Issuer Subsidy – Build America Bonds (Federally Taxable) – 6.02%, dated November 1, 2010, final maturity October 1, 2040. The 2010 Series B Bonds are subject to redemption prior to maturity at the election of the City at a redemption price equal to the greater of 100% of the principal amount, plus accrued and unpaid interest to the date of redemption, or the sum of the present values of the remaining scheduled payments of principal and interest on the bonds to be redeemed discounted to the date of redemption on a semiannual basis plus 12.5 basis points. The 2010 Series B Bonds were issued to (a) pay costs of acquisition and construction of the City's utility system, (b) to provide for the payment of certain capitalized interest on the Taxable 2010 Series B Bonds, and (c) to pay the costs of issuance of the Taxable 2010 Series B Bonds. As of September 30, 2021, the related debt outstanding is $132,445,000.

$81,860,000 Utilities System Revenue Bonds, 2012 Series A – 2.50% – 5.00%, dated August 2, 2012, final maturity October 1, 2028. The 2012 Series A Bonds were issued to (a) provide funds to refund $1,605,000 in aggregate principal amount of the 2003 Series A Bonds, (b) to provide funds to refund $78,690,000 in aggregate principal amount of the 2005 Series A Bonds, and (c) to pay cost of issuance of the 2012 Series A Bonds. These bonds mature at various dates from October 1, 2021, to October 1, 2028. Those bonds maturing on and after October 1, 2023, are subject to redemption prior to maturity, at a redemption price so specified. As of September 30, 2021, the related debt outstanding is $81,860,000.

6. Long-Term Debt (continued)

$100,470,000 Utilities System Revenue Bonds, 2012 Series B – Variable interest rates based on market rates, 0.10% at September 30, 2021, dated August 2, 2012, final maturity October 1, 2042. The 2012 Series B Bonds were issued to (a) refund $31,560,000 in aggregate principal amount of the 2005 Series B Bonds, (b) provide funds to refund $17,570,000 in aggregate principal amount of the 2005 Series C Bonds, (c) provide funds to refund $25,930,000 in aggregate principal amount of the 2006 Series A Bonds, (d) provide funds to refund $14,405,000 in aggregate principal amount of the 2008 Series A Bonds, and (e) pay costs of issuance of the 2012 Series B Bonds. These bonds mature at various dates through October 1, 2042. The 2012 Series B Bonds are subject to redemption prior to maturity, at a redemption price so specified. In April 2019, the 2019 Series C Bonds, ($67,355,000), were issued to partially refund $1,860,000 of bonds maturing from October 1, 2021, through October 1, 2023. The refunding was to provide near-term debt relief and stabilize reserves. Aggregate debt service outstanding before refunding was $147,105,250 and after refunding was $145,097,250, a reduction of $2,008,000 for this series. A Stand-by Bond Purchase Agreement (SBPA) with Barclays Bank PLC on May 20, 2020, provided an initial fee of 0.38% but increased to 0.54% due to a rating downgrade from AA- to A by Standard and Poor's in May 2021. The four-year agreement with Barclay's Bank PLC is stated to expire May 17, 2024. As of September 30, 2021, the related debt outstanding is $98,610,000.

$37,980,000 Utilities System Revenue Bonds, 2014 Series A – 2.50% – 5.00%, dated December 19, 2014, with final maturity October 1, 2044. The 2014 Series A Bonds were issued to (a) provide funds for the payment of the cost, acquisition, and construction of certain improvements to the System, and (b) pay costs of issuance of the 2014 Series A Bonds. These bonds mature at various dates beginning October 1, 2015, and from October 1, 2021, to October 1, 2034, October 1, 2039, and October 1, 2044. The bonds maturing prior to October 1, 2024, are not subject to redemption prior to maturity. The bonds maturing on and after October 1, 2025, are subject to redemption prior to maturity at the option of GRU on and after October 1, 2024, as whole or in part at any time, at a redemption price plus interest so specified. A cancellable forward starting swap agreement with Bank of America, N.A., was entered on April 8, 2020, with cash flows effective on October 1, 2024. Details of the forward starting swap is located in Note 7 Hedging Activities. As of September 30, 2021, the related debt outstanding is $37,835,000.

$30,970,000 Utilities System Revenue Bonds, 2014 Series B – 3.13% – 5.00%, dated December 19, 2014, with final maturity October 1, 2036. The 2014 Series B Bonds were issued to (a) provide funds to refund $12,725,000 in aggregate principal amount of a portion of the 2005 Series A Bonds, (b) provide funds to refund $19,915,000 in aggregate principal amount of a portion of the 2008 Series A Bonds, and (c) pay costs of issuance of the 2014 Series B Bonds. These bonds mature at various dates beginning October 1, 2015, through October 1, 2020, from October 1, 2029, to October 1, 2030, and October 1, 2036. The bonds maturing prior to October 1, 2024, are not subject to redemption prior to maturity. The bonds maturing on and after October 1, 2025, are subject to redemption prior to maturity at the option of GRU on and after October 1, 2024, as whole or in part at any time, at a redemption price plus interest so specified. The 2014 Series B Bonds created a net present value savings of $1,700,000, with yearly cash savings ranging from approximately $11,000 to over $600,000. As of September 30, 2021, the related debt outstanding is $12,085,000.

6. Long-Term Debt (continued)

$415,920,000 Utilities System Revenue Bonds, 2017 Series A – 4.00% – 5.00%, dated November 7, 2017, with final maturity on October 1, 2040. The 2017 Series A Bonds were issued concurrently with 2017 Series B and Series C bonds to (a) finance a portion of the costs of acquisition of the GREC Biomass Plant and (b) pay cost of issuance. These bonds mature at various dates beginning October 1, 2018, and ending October 1, 2040. The 2017 Series A Bonds were issued at a premium of $73,205,458 as serial bonds with the first optional call date of October 1, 2027. These bonds are subject to redemption prior to maturity. As of September 30, 2021, the related debt outstanding is $395,340,000.

$45,000,000 Utilities System Revenue Bonds, 2017 Series B – Variable interest rates based on market rates, 0.87% at September 30, 2021, dated November 7, 2017, final maturity October 1, 2044, and issued concurrently with 2017 Series A and 2017 Series C Bonds to (a) finance a portion of the costs of acquisition of the GREC Biomass Plant and (b) pay cost of issuance. These bonds are direct placement bonds and the sale was awarded to Wells Fargo Bank, N.A. initially and expired November 7, 2020. On October 15, 2020, an amendment in the Twenty-Eight Supplemental Resolution was approved to issue 'Replacement Bonds' which allows for restating and replacing the original Bond. It allowed for a 'reduction' of $105,000,000 of the original outstanding notional. The new notional of 2017 Series B is $45,000,000 and the sale was awarded to Wells Fargo Bank, N.A. TD Bank was awarded $105,000,000 as a direct placement known as the 2020 Series B Bonds. The following are current terms of the agreement with Wells Fargo: (a) GRU pays variable rate at 80% of 1 Month LIBOR, (b) bank fee of 0.64% but has increased to 0.79% due to a rating downgrade from AA- to A by Standard and Poor's in May 2021, calculated on the basis of 360 days, and (c) LIBOR index floor of 0.10%. The contract termination date is November 1, 2023. These bonds mature at various dates beginning October 1, 2040, with the final maturity date of October 1, 2044. As of September 30, 2021, the related debt outstanding is $45,000,000.

$115,000,000 Utilities System Revenue Bonds, 2017 Series C – Variable interest rates based on market rates**,** 0.89% at September 30, 2021, dated November 7, 2017, final maturity October 1, 2047, and issued concurrently with 2017 Series A and 2017 Series B Bonds to (a) finance a portion of the costs of acquisition of the GREC Biomass Plant and (b) pay cost of issuance. These bonds are direct placement bonds and the sale was awarded to Bank of America, N.A. initially and expired November 7, 2020. On October 15, 2020, an amendment in the Twenty-Ninth Supplemental Resolution was approved to issue 'Replacement Bonds' which allows for restating and replacing the original Bond with the following terms: (a) GRU pays variable rate at 80% of 1 Month LIBOR (b) bank fee of 0.59% but has increased to 0.69% due to a rating downgrade from AA- to A by Standard and Poor's in May 2021, calculated on the basis of 360 days, and (c) LIBOR index floor of 0.20%. The contract termination date is November 1, 2023. These bonds mature at various dates beginning October 1, 2044, with the final maturity date of October 1, 2047. As of September 30, 2021, the related debt outstanding is $115,000,000.

6. Long-Term Debt (continued)

$153,820,000 Utilities System Revenue Bonds, 2019 Series A – 5.00%, dated April 12, 2019, with a final maturity on October 1, 2047. The 2019 Series A Bonds were issued for the primary purpose of (a) paying the costs of the acquisition, construction, and equipping of certain capital improvements to the System, (b) refunding the outstanding Utilities System Commercial Paper Notes, Series C, and (c) paying costs of issuance of the 2019 Series A Bonds. These bonds were issued at a premium and mature beginning on October 1, 2041, and ending on October 1, 2047. The 2019 Series A Bonds will be subject to redemption prior to maturity at the option of the City on and after October 1, 2029, as a whole or in part at any time, at a redemption price of 100% of the principal amount thereof, plus accrued interest. A cancellable forward starting swap agreement with Wells Fargo Bank, N.A., was entered on April 8, 2020, with cash flows effective on October 1, 2029. Details of the forward starting swap are located in Note 7 Hedging Activities. As of September 30, 2021, the related debt outstanding is $153,820,000.

$26,665,000 Utilities System Revenue Bonds, 2019 Series B (Federally Taxable) – 3.875%, dated April 12, 2019, with a final maturity on October 1, 2047. The 2019 Series B Bonds were issued for the primary purpose of (a) paying the costs of the acquisition, construction, and equipping of certain capital improvements to the System, (b) refunding the outstanding Utilities System Commercial Paper Notes, Series D, (c) refunding all of the Utilities System Revenue Bonds, 2005 Series B (Federally Taxable), and (d) paying costs of issuance of the 2019 Series B Bonds. The refunding aggregate debt service presented a present value dissaving of ($1,881,311). The 2019 Series B Bonds are term bonds and are subject to redemption through the mandatory sinking fund installments on October 1 in the years starting with 2041 at a redemption price of 100% of the principal amount thereof, plus accrued interest. As of September 30, 2021, the related debt outstanding is $26,665,000.

$67,355,000 Utilities System Revenue Bonds, 2019 Series C – Variable interest rates based on market rates**,** 0.08% at September 30, 2021, dated April 26, 2019, with final maturity October 1, 2047. The 2019 Series C Bonds were issued for the primary purpose of (a) refunding (i) $18,515,000 of the 2005 Series C Bonds, (ii) $13,905,000 of the 2006 Series A Bonds, (iii) $8,430,000 of the 2007 Series A Bonds, (iv) $14,200,000 of the 2008 Series B Bonds, and (v) $1,860,000 of the 2012 Series B Bonds, (b) paying the costs of the acquisition, construction, and equipping of certain capital improvements to the System, and (c) paying costs of issuance of the 2019 Series C Bonds. The present value savings generated from the partial refunding of the 2005 Series C Bonds, 2006 Series A Bonds, 2007 Series A Bonds, 2008 Series B Bonds, and 2012 Series B Bonds was $8,118,771. Payment of the principal and interest on the 2019 Series C Bonds will be initially secured by a Letter of Credit (LOC) by Bank of America, N.A. with a fee of 0.35% but has increased to 0.40% due to a rating downgrade from AA- to A by Standard and Poor’s in May 2021. The LOC terminates on April 25, 2022. As of September 30, 2021, the related debt outstanding is $67,355,000.

6. Long-Term Debt (continued)

$10,715,000 Utilities System Revenue Bonds, 2020 Series A – 2.06% dated July 7, 2020, with a final maturity October 1, 2034. These 2020 Series A Bonds were issued to (a) refund the 2010 Series C Bonds on July 7, 2020, and (b) pay cost of issuance. These bonds are direct placement bonds and the sale was awarded to Bank of America, N.A. with a fixed rate of 2.06%. The 2020 Series A Bonds mature at various dates beginning October 1, 2020, and every year after with final maturity date of October 1, 2034. As of September 30, 2021, the related debt outstanding is $10,705,000.

$105,000,000 Utilities System Revenue Bonds, 2020 Series B – Variable interest rates based on market rates**,** 0.76% at September 30, 2021, dated November 2, 2020, final maturity October 1, 2044, and originally issued as 2017 Series A concurrently with 2017 Series B and 2017 Series C Bonds to (a) finance a portion of the costs of acquisition of the GREC Biomass Plant and (b) pay cost of issuance. These bonds are direct placement bonds and the sale was awarded to Wells Fargo Bank N.A. initially and expired November 7, 2020. On October 15, 2020, an amendment in the Thirty-Fourth Supplemental Resolution was approved to issue 'Replacement Bonds' which allows for restating and replacing the original 2017 Series A with the 2020 Series B and the following terms: (a) GRU pays variable rate at 80% of 1 Month LIBOR (b) bank fee of 0.46% but has increased to 0.56% due to a rating downgrade from AA- to A by Standard and Poor's in May 2021, calculated on the basis of 360 days, and (c) LIBOR index floor of 0.20%. The contract termination date is November 1, 2023. These bonds mature at various dates beginning October 1, 2040, with final maturity date of October 1, 2044. As of September 30, 2021, the related debt outstanding is $105,000,000.

$95,760,000 Utilities System Revenue Bonds, 2021 Series A – 5.00%, dated August 11, 2021, with final maturity on October 1, 2051. The 2021 Series A Bonds were issued as two subseries, $39,475,000 as subseries A-1, designated as "Green Bonds' and $56,285,000 as subseries A-2. The 2021 Series A Bonds were issued for the primary purpose of (a) paying the cost of the acquisition, construction, and equipping of certain capital improvements to the system and (b) pay cost of issuance. The "Green Bonds' have been independently verified by Kestrel Verifiers for certain water distribution and reclamation facility improvements, wastewater collection renewal and replacement, and reclaimed water recharge projects. These bonds mature at various dates beginning October 1, 2042, and ending October 1, 2051. The 2021 Series A Bonds were issued at a premium of $30,032,591 as term bonds with the first optional call date of October 1, 2031. These bonds are subject to redemption prior to maturity. As of September 30, 2021, the related debt outstanding is $95,760,000.

6. Long-Term Debt (continued)

$125,000,000 Utilities System Commercial Paper Notes, Series C Notes – These tax-exempt notes were subordinated debt and may continue to be issued to refinance maturing Series C Notes or provide for other costs. On May 17, 2018, the City Commission approved the Fourth Amendment of the Second Supplemental Subordinated Utilities System Revenue Bond Resolution authorizing the issuance of additional Series C Commercial Paper. GRU issued $40,000,000 in Series C Commercial Paper Notes on July 19, 2018. The Commercial Paper proceeds will partially fund the 2018 capital improvement program for the System. Liquidity support for the Series C Notes is provided under a long-term credit agreement effective November 30, 2015, with Bank of America, N.A. at 0.45% and was set to expire November 30, 2018, but has been extended to November 30, 2021. Agreements have been made in regards to the expiration of the credit agreement with Bank of America, N.A. with details described in Note 16 Subsequent Events. The current fee is 0.55% due to a rating downgrade from AA- to A by Standard and Poor's in May 2021. The obligation of the bank may be substituted by another bank that meets certain credit standards and which is approved by the Utility and the Agent. Under terms of the agreement, the Utility may borrow up to $125,000,000 with same day availability ending on the termination date, as defined in the agreement. On April 12, 2019, $85,000,000 of the outstanding Series C Notes were refunded by the 2019 Series A Bonds. As of September 30, 2021, there were no Series C Notes outstanding.

$25,000,000 Utilities System Commercial Paper Notes, Series D Notes – In June 2000, a Utilities System Commercial Paper Note Program, Series D (taxable) was established in a principal amount not to exceed $25,000,000. These taxable notes were subordinated debt. On December 16, 2014, GRU issued $8,000,000 of Series D Notes to provide funds for the cost of acquisition and construction of certain improvements to the telecommunications system. On April 12, 2019, $8,000,000 of the outstanding Series D Notes were refunded by the 2019 Series B Bonds. Liquidity support for the Series D Notes is provided under a long-term credit agreement effective February 23, 2021, as a Fifth Amendment to the credit agreement with State Street Bank and Trust Company at a current fee of 0.64% but has since increased to 0.70% due to a rating downgrade from AA- to A by Standard and Poor's in May 2021. The credit agreement is stated to expire on June 30, 2025. As of September 30, 2021, there were no Series D Notes outstanding.

$25,000,000 Utilities System Variable Rate Subordinated Revenue Bonds, 2018 Series A – On May 17, 2018, the City Commission authorized a revolving line of credit on parity with commercial paper notes to finance from time to time tax-exempt projects for the capital improvement plan for the electric system. The award of sale of purchase of the 2018 Series A Bond went to STI Institutional & Government, Inc. (SunTrust Bank), terms set forth in the purchase contract in the principal amount not to exceed $25,000,000. The letter of credit (LOC) was stated to expire on August 3, 2021, but was amended on July 30, 2021, by an 'Alllonge' to the Bond for a three-month extension to November 30, 2021. Agreements have been made in regards to the expiration of the credit agreement with SunTrust with details described in Note 16 Subsequent Events. The interest rate is 81% of 1 Month LIBOR plus 1.85% calculated on the basis of a 360 day year. The unused fee (liquidity fee) is 0.25%. As of September 30, 2021, there were no outstanding draws on this line of credit.

6. Long-Term Debt (continued)

$50,000,000 Utilities System Variable Rate Subordinated Revenue Bond, 2020 Series A – On April 16, 2020, the City Commission adopted a resolution and authorized a taxable revolving line of credit of $50,000,000 on parity with commercial paper notes to finance from time to time the taxable cost of projects for electric, water, wastewater, gas, and GRUCom systems. The award of sale of purchase of the 2020 Series A Bond went to Truist Bank, with terms set forth in the purchase contract not to exceed $50,000,000. The contract of purchase is effective on April 29, 2020, and expires on April 29, 2022. The interest rate is 1 Month LIBOR plus 1.85% calculated on the basis of a 360 day year. The unused fee (liquidity fee) is 0.30%. As of September 30, 2021, there were no outstanding draws on this line of credit.

To further comply with GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, GRU states Article VIII Events of Default and Remedies of Bondholders, Section 801, in the Second Amended and Restated Utilities System Revenue Bond Resolution adopted September 21, 2017, in order to provide more information as it relates to (1) events to default with finance-related consequences, (2) termination events, and (3) subjective acceleration clauses.

EVENTS OF DEFAULT AND REMEDIES OF BONDHOLDERS

SECTION 801.Events of Default. If one or more of the following Events of Default shall happen:

(i) if default shall be made in (a) the due and punctual payment of the principal or Redemption Price of any Bond (other than Parity Reimbursement Obligations) when and as the same shall become due and payable, whether at maturity or by call or proceedings for redemption, or otherwise, (b) in the due and punctual payment of any amounts due on Parity Reimbursement Obligations (after the lapse of any notice requirements or grace periods, or both, as provided by the applicable Parity Reimbursement Obligation);

(ii) if default shall be made in the due and punctual payment of any installment of interest on any Bond or the unsatisfied balance of any Sinking Fund Installment, when and as such interest installment or Sinking Fund Installment shall become due and payable;

(iii) the Revenues in any Fiscal Year shall be inadequate to comply with the requirements of Section 710 hereof, unless the City promptly takes remedial action to ensure compliance thereafter consistent with the determination of the Consulting Engineer rendered pursuant to paragraph 4 of Section 713 hereof;

6. Long-Term Debt (continued)

(iv) if default shall be made by the City in the performance or observance of any other of the covenants, agreements or conditions on its part in the Resolution or in the Bonds contained, and such default shall have continued for a period of 90 days after written notice specifying such default and requiring that it shall have been remedied and stating that such notice is a “Notice of Default” hereunder is given to the City by the Trustee or to the City and to the Trustee by the Holders of not less than 25% in principal amount of the Bonds Outstanding; provided, however, the City shall not be deemed in default hereunder if such default can be cured within a reasonable period of time and if the City in good faith institutes applicable curative action and within 90 days of such notice diligently pursues such action until the default has been corrected;

(v) a court having jurisdiction in the premises shall enter a decree or order providing for relief in respect of the City in an involuntary case under any applicable bankruptcy, insolvency, reorganization or other similar law now or hereafter in effect, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of the City or for any substantial part of its property, or ordering the winding-up or liquidation of its affairs and such decree or order shall remain unstayed and in effect for a period of ninety (90) days; or

6. Long-Term Debt (continued)

(vi) the City shall commence a voluntary case under any applicable bankruptcy, insolvency, reorganization or other similar law now or hereafter in effect, shall consent to the entry of an order for relief in an involuntary case under any such law, or shall consent to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian, sequestrator (or similar official) of the City or for any substantial part of its property, or shall make any general assignment for the benefit of creditors, or shall fail generally to pay its debts as they become due or shall take any action in furtherance of the foregoing; then, and in each and every such case, so long as such Event of Default shall not have been remedied, unless the principal of all the Bonds shall have already become due and payable, either the Trustee (by notice in writing to the City and the Co-Trustee, if any), or the Holders of not less than 25% in principal amount of the Bonds Outstanding (by notice in writing to the City, the Trustee and the Co-Trustee, if any), may declare the principal of all the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and be immediately due and payable, anything in the Resolution or in any of the Bonds contained to the contrary notwithstanding. The right of the Trustee or of the Holders of not less than 25% in principal amount of the Bonds to make any such declaration as aforesaid, however, is subject to the condition that if, at any time after such declaration, but before the Bonds shall have matured by their terms, all overdue installments of interest on the Bonds, together with interest on such overdue installments of interest to the extent permitted by law and the reasonable and proper charges, expenses and liabilities of the Trustee and the Co-Trustee, if any, and all other sums then payable by the City under the Resolution, including, without limitation, Parity Hedging Contract Obligations then due (except the principal of, and interest accrued since the next preceding interest date on, the Bonds due and payable solely by virtue of such declaration), shall either be paid by or for the account of the City or provision satisfactory to the Trustee and the Co-Trustee, if any, shall be made for such payment, and all defaults under the Bonds or under the Resolution (other than the payment of principal and interest due and payable solely by reason of such declaration) shall be made good or be secured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall be made therefor, then and in every such case the Holders of 25% in principal amount of the Bonds Outstanding, by written notice to the City, the Trustee and the Co-Trustee, if any, may rescind such declaration and annul such default in its entirety, or, if the Trustee shall have acted itself, and if there shall not have been theretofore delivered to the Trustee written direction to the contrary by the Holders of 25% in principal amount of the Bonds Outstanding, then any such declaration shall ipso facto be deemed to be rescinded and any such default shall ipso facto be deemed to be annulled, but no such rescission or annulment shall extend to or affect any subsequent default or impair or exhaust any right or power consequent thereon.

6. Long-Term Debt (continued)

Debt Service Requirements for Long-Term Debt

Annual debt service requirements to maturity for long-term debt are as follows (in thousands):

BONDS

Year Ending September 30,	Principal	Interest	Total Debt Service Requirements
2022	$ 25,645	$ 52,398	$ 78,043
2023	29,215	52,760	81,975
2024	32,105	51,372	83,477
2025	31,785	49,484	81,269
2026	44,360	47,468	91,828
2027-2031	251,345	205,166	456,511
2032-2036	306,170	147,468	453,638
2037-2041	351,265	87,095	438,360
2042-2046	182,595	38,675	221,270
2047-2051	123,715	11,804	135,519
2052	12,380	310	12,690
	$ 1,390,580	$ 744,000	$ 2,134,580

DIRECT PLACEMENTS

Year Ending September 30,	Principal	Interest	Total Debt Service Requirements
2022	40	$ 2,487	$ 2,527
2023	45	2,486	2,531
2024	45	2,485	2,530
2025	45	2,484	2,529
2026	45	2,483	2,528
2027-2031	470	12,400	12,870
2032-2036	10,015	11,770	21,785
2037-2041	25,105	11,235	36,340
2042-2046	213,645	6,977	220,622
2047-2051	93,605	671	94,276
2052	-	-	-
	$ 343,060	$ 55,478	$ 398,538

See Note 7 Hedging Activities for additional debt service requirements for interest rate swaps.

6. Long-Term Debt (continued)

Debt Service Requirements for Long-Term Debt (concluded)

In accordance with GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, the interest requirement for variable-rate debt was determined using the interest rates that were in effect as of September 30, 2021. Interest rates on variable-rate long-term debt were valued to be equal to 0.10% for the 2005 Series C Bonds, 0.08% for the 2006 Series A Bonds, 0.07% for the 2007 Series A Bonds, 0.04% for the 2008 Series B Bonds, 0.10% for the 2012 Series B Bonds, 0.87% for the 2017 Series B Bonds, 0.89% for the 2017 Series C Bonds, 0.08% for the 2019 Series C Bonds, and 0.76% for the 2020 Series B Bonds.

The 2009 Series B and 2010 Series B Bonds receive a federal interest subsidy of 33% of the annual interest expense and are assumed to remain at said rate for the duration of the bonds. The subsidy is recorded as non-operating revenue on the Statements of Revenues, Expenses, and Changes in Net Position.

GRU's revenues net of specified operating expenses are pledged as security of the above Utilities System Revenue Bonds and Commercial Paper Notes. For fiscal years 2021 and 2020, principal and interest paid were $92.3 million and $96.7 million, respectively. For fiscal years 2021 and 2020, total pledged revenues were $420.7 million and $397.9 million, respectively. As of September 30, 2021, annual principal and interest payments are expected to require 19% of pledged revenues on average.

For GRU's utilities system variable rate demand obligations (VRDO), support is provided in connection with tenders for purchase with various liquidity providers pursuant to SBPAs or credit agreements relating to that series of obligations. The purchase price of the obligations tendered or deemed tendered for purchase is payable solely from the proceeds of the remarketing thereof and moneys drawn under the applicable SBPA or credit agreement. The current stated termination dates of the SBPA and credit agreements range from November 30, 2021, to June 30, 2025. Each of the SBPA and credit agreement termination dates may be extended. At September 30, 2021, there were no outstanding draws under any of the SBPAs. Available credits including interest, under each VRDO are as follows: $3.1 million for 2005 Series C, $3 million for 2006 Series A, $129.3 million for 2007 Series A, $76.7 million for 2008 Series B, $100 million for 2012 Series B, and $68.1 million for 2019 Series C.

GRU has entered into revolving credit agreements with commercial banks to provide liquidity support for its commercial paper notes. If funds are not available to pay the principal of any maturing commercial paper notes during the term of the credit agreement, GRU is entitled to make a borrowing under the credit agreement. The termination dates of the credit agreements, as of September 30, 2021, are November 30, 2021 and June 30, 2025. The credit agreement supporting the tax-exempt Commercial Paper Notes, Series C had no outstanding draws as of September 30, 2021, and 2020. The credit agreement supporting the taxable Commercial Paper Notes, Series D had no outstanding draws as of September 30, 2021, and 2020.

6. Long-Term Debt (concluded)

Changes in Long-Term Liabilities

Long-term liabilities activity for the year ended September 30, 2021, was as follows (in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Utilities system revenue bonds	$ 1,664,970	$ 95,760	$ (27,090)	$ 1,733,640	$ 25,685
Add: Issuance premiums	91,866	30,033	(9,232)	112,667	-
Total bonds payable	1,756,836	125,793	(36,322)	1,846,307	25,685
Commercial paper	-	-	-	-	-
Fair value of derivative instruments	123,004	-	(53,939)	69,065	-
Reserve for insurance claim	3,337	-	-	3,337	-
Reserve for environmental liability	841	-	(133)	708	-
Net pension liability	14,566	-	(14,566)	-	-
Net other post-employment benefits liability	854	-	(854)	-	-
Due to other funds	114,602	175,240	(181,543)	108,299	6,113
Other noncurrent liabilities and regulatory liabilities	4,628	-	(1,181)	3,447	-
	$ 2,018,668	$ 301,033	$ (288,538)	$ 2,031,163	$ 31,798

Long-term liabilities activity for the year ended September 30, 2020, was as follows (in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Utilities system revenue bonds	$ 1,687,270	$ 10,715	$ (33,015)	$ 1,664,970	$ 27,090
Add: Issuance premiums	102,411	-	(10,545)	91,866	-
Total bonds payable	1,789,681	10,715	(43,560)	1,756,836	27,090
Commercial paper	-	-	-	-	-
Fair value of derivative instruments	81,099	42,682	(777)	123,004	-
Reserve for insurance claim	3,337	-	-	3,337	-
Reserve for environmental liability	841	-	-	841	-
Net pension liability	99,567	-	(85,001)	14,566	-
Net other post-employment benefits liability	5,368	-	(4,514)	854	-
Due to other funds	23,254	94,137	(2,789)	114,602	6,083
Other noncurrent liabilities and regulatory liabilities	4,710	-	(82)	4,628	-
	$ 2,007,857	$ 147,534	$ (136,723)	$ 2,018,668	$ 33,173

Interest Rate Swaps

GRU is a party to certain interest rate swap agreements. GRU applies hedge accounting where applicable. See Note 7 Hedging Activities for additional information.

7. Hedging Activities

Interest Rate Hedges

Under GRU's interest rate swap programs, GRU either pays a variable rate of interest, which is based on various indices, and receives a fixed rate of interest for a specific period of time (unless earlier terminated), or GRU pays a fixed rate of interest and receives a variable rate of interest, which is based on various indices for a specified period of time (unless earlier terminated). These indices are affected by changes in the market. The net amounts received or paid under the swap agreements are recorded as an adjustment to interest on debt in the statements of revenues, expenses, and changes in net position. No money is initially exchanged when GRU enters into a new interest rate swap transaction.

Terms, Fair Values, and Counterparty Credit Ratings

The terms, fair values, and counterparty credit ratings of the outstanding swaps as of September 30, 2021, were as follows (in thousands):

Associated Bond Issue	2005B*	2005C*	2006A*	2007A*
Notional amount	$2,155	$14,060	$13,590	$134,020
Effective date	11/16/2005	11/16/2005	7/6/2006	3/1/2007
Fixed payer rate	SIFMA	3.200%	3.224%	3.944%
Variable receiver rate	77.14% of 1MO LIBOR	60.36% of 10YR LIBOR	68.00% of 10YR LIBOR Less .365%	SIFMA
Fair value	$1	($545)	($589)	($38,891)
Termination date	10/1/2021	10/1/2026	10/1/2026	10/1/2036
Counterparty credit rating	Aa2/AA-	Aa2/A+/AA	Aa2/AA-	Aa2/AA-

Associated Bond Issue	2008B*	2008B*	2017B*	2017B*
Notional amount	$58,500	$31,500	$105,000	$45,000
Effective date	2/13/2008	2/13/2008	11/7/2017	11/7/2017
Fixed payer rate	4.229%	4.229%	1.760%	1.559%
Variable receiver rate	SIFMA	SIFMA	70.00% of 1MO LIBOR	70.00% of 1MO LIBOR
Fair value	($15,941)	($8,597)	($5,818)	($1,178)
Termination date	10/1/2038	10/1/2038	10/1/2044	10/1/2044
Counterparty credit rating	Aa2/A+/AA	Aa2/A+/AA	A1/A+/A+	Aa3/A+/A+

Associated Bond Issue	2017C*	2014A*	2019A*
Notional amount	$115,000	$34,025	$153,820
Effective date	1/1/2020	10/1/2024	10/1/2029
Fixed payer rate	1.410%	1.054%	1.171%
Variable receiver rate	70.00% of 1MO LIBOR	70.00% of 1MO LIBOR	70.00% of 1MO LIBOR
Fair value	($5,752)	$1,208	$7,036
Termination date	10/1/2047	10/1/2044	10/1/2047
Counterparty credit rating	Aa3/A+/A+	Aa2/A+/AA	Aa2/A+/AA-

* See Basis Risk section below.

7. Hedging Activities (continued)

Fair Value

All of the swap agreements, except for the 2005B, 2014A, and 2019A swaps, had a negative fair value as of September 30, 2021. Due to the low interest rate environment, as compared to the period when the swaps were entered into, the fixed payer rates exceeded the variable receiver rates (in thousands):

	Fair Value of Interest Rate Swaps at September 30, 2021	Changes in Fair Value	Changes in Deferred (Inflow) Outflow	Changes in Regulatory (Assets) Liability for Ineffective Instruments
2005B	$ -	$ 1	$ -	$ (1)
2005C	(545)	513	-	(513)
2006A	(589)	555	-	(555)
2008B	(15,941)	4,873	(4,873)	-
2008B	(8,597)	2,628	(2,628)	-
2007A	(38,891)	12,602	(12,602)	-
2017B	(5,818)	8,854	(8,854)	-
2017B	(1,177)	2,883	(2,883)	-
2017C	(5,752)	12,856	(12,856)	-
2014A	1,208	1,557	(1,557)	-
2019A	7,036	6,617	(6,617)	-
	$ (69,066)	$ 53,939	$ (52,870)	$ (1,069)

7. Hedging Activities (continued)

Fair Value (concluded)

All of the swap agreements, except for the 2019A swap, had a negative fair value as of September 30, 2020. As the interest rate environment has decreased over the past year, the negative fair value of the swap agreements has increased. Due to the lower interest rate environment, as compared to the period when the swaps were entered into, the fixed payer rates currently exceed the variable receiver rates (in thousands):

	Fair Value of Interest Rate Swaps at September 30, 2020	Changes in Fair Value	Changes in Deferred (Inflow) Outflow	Changes in Regulatory (Assets) Liability for Ineffective Instruments
2005B	$ (1)	$ (35)	$ -	$ 35
2005C	(1,057)	171	-	(171)
2006A	(1,144)	188	-	(188)
2008B	(20,814)	(3,107)	3,107	-
2008B	(11,224)	(1,677)	1,677	-
2007A	(51,493)	(9,032)	9,032	-
2017B	(14,672)	(8,445)	8,446	-
2017B	(4,061)	(1,429)	1,429	-
2017C	(18,608)	(18,608)	18,608	-
2014A	(349)	(349)	349	-
2019A	419	419	(419)	-
	$ (123,004)	$ (41,905)	$ 42,229	$ (324)

Interest Rate Swap Payments

Debt service requirements on the interest rate swaps using interest rates in effect at September 30, 2021, are as follows (in thousands):

Year Ending September 30,	Debt Service
2022	$ 13,431
2023	13,125
2024	12,770
2025	12,675
2026	12,211
2027-2031	58,425
2032-2036	44,906
2037-2041	29,714
2042-2046	16,528
2047-2051	860
	$ 214,645

7. Hedging Activities (continued)

Credit Risk

As of September 30, 2021, although most of the fair value of the interest rate swaps were negative, GRU has structured its swap agreements to minimize credit risk. To mitigate the potential for credit risk, GRU has negotiated additional termination event and collateralization requirements in the event of a ratings downgrade. Failure to deliver the Collateral Agreement to GRU as negotiated and detailed in the Schedule to the International Swaps and Derivative Agreements (ISDA) master agreement for each counterparty would constitute an event of default with respect to that counterparty.

Basis Risk

The Swaps Expose the City to Basis Risk

- The 2005 Series B Swap is exposed to basis risk through the potential mismatch of 77.14% of one-month LIBOR and SIFMA rate. As a result, savings may not be realized. As of September 30, 2021, the one-month LIBOR rate was 0.08025%, and SIFMA rate was at 0.05%, which places the SIFMA at approximately 62% of one-month LIBOR at that date.

- The 2005 Series C Swap is exposed to basis risk through the potential mismatch of 60.36% of 10-year LIBOR and the variable 31-day rollover rate. As a result, savings may not be realized. As of September 30, 2021, the 10-year LIBOR rate was at 1.548%.

- The 2006 Series A Swap is exposed to basis risk through the potential mismatch of 68% of 10-year LIBOR less 0.36% and the variable 31-day rollover rate. As a result, savings may not be realized.

- The 2007 Series A and the 2008 Series B Swaps are exposed to the difference between SIFMA and the variable 31-day rollover rate.

- The 2017 Series B and C Swaps are exposed to the difference between 70% of the one-month LIBOR and 70% of the one-month LIBOR plus bank fee times the margin rate factor (corporate tax change from 35% to 21%, effective with the Tax Reform on January 1, 2018). As a result, savings may not be realized.

- The 2014 Series A and the 2019 Series A Swaps are forward starting swaps with effective dates of October 1, 2024, and October 1, 2029, respectively. They will be exposed to the difference between 70% of the one-month LIBOR and the variable rollover rate.

Termination Risk

The swap agreement will be terminated at any time if certain events occur that result in one party not performing in accordance with the agreement. The swap can be terminated due to illegality, a credit event upon merger, an event of default, or if credit ratings fall below established levels.

7. Hedging Activities (concluded)

Interest Rate Risk

This risk is associated with the changes in interest rates that will adversely affect the fair values of GRU's swaps and derivatives. GRU mitigates this risk by actively reviewing and negotiating its swap agreements.

Rollover Risk

GRU is exposed to this risk when its interest rate swap agreements mature or terminate prior to the maturity of the hedged debt. When the counterparty to the interest rate swap agreements chooses to terminate early, GRU will be re-exposed to the rollover risk. Currently, there is no early termination option being exercised by any of GRU's interest rate swap counterparties.

Market Access Risk

This risk is associated with the event that GRU will not be able to enter credit markets for interest rate swap agreements or that the credit market becomes more costly. GRU maintains a strong credit rating of Aa3 from Moody's, A from Standard and Poor's, and A+ from Fitch Ratings. Currently GRU has not encountered any credit market barriers.

Effectiveness

Of the interest rate swap agreements, eight have been deemed effective, while three have been deemed ineffective as of September 30, 2021. The ineffective portion related to interest rate swap agreements is recorded as a regulatory asset in the amount of $1.1 million and $2.2 million as of September 30, 2021 and 2020, respectively.

The unrealized gain on interest rate swap agreements was $53.9 million representing an increase in fair value of hedging derivatives at September 30, 2021 as compared to an unrealized loss of $41.9 million on September 30, 2020. There were no realized gains or losses related to interest rate swaps as of September 30, 2021 and 2020.

Fuel Hedges

GRU utilizes futures and options contracts to hedge the effects of fluctuations in the prices for natural gas. These transactions meet the requirements of GASB Statement No. 53. Realized losses related to gas hedging positions were recorded as an addition of fuel costs of $0 and $196,000 for September 30, 2021 and 2020, respectively.

Unrealized gains and losses related to gas hedging agreements are deferred in a regulatory account and recognized in earnings as fuel costs are incurred. GRU did not have any fuel hedges at September 30, 2021 and 2020.

8. Fair Value Measurement

GRU records assets and liabilities in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, which determines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurement.

Fair value is defined in Statement No. 72 as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). Fair value is a market-based measurement for a particular asset or liability based on assumptions that market participants would use in pricing the asset or liability. Such assumptions include observable and unobservable inputs of market data, as well as assumptions about risk and the risk inherent in the inputs to the valuation technique.

As a basis for considering market participant assumptions in fair value measurements, Statement No. 72 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.

- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. U.S. Treasury securities, U.S. agencies, corporate bonds, and financial hedges are examples of Level 2 inputs.

- Level 3 inputs are unobservable inputs that reflect GRU's own assumptions about factors that market participants would use in pricing the asset or liability (including assumptions about risk).

Valuation methods of the primary fair value measurements are as follows:

- U.S. Treasury securities are valued using market prices (Level 2 inputs).

- Investments in debt securities are valued using Level 2 measurements because the valuations use interest rate curves and credit spreads applied to the terms of the debt instrument (maturity and coupon interest rate) and consider the counterparty credit rating.

- Commodity derivatives, such as futures, swaps, and options, which are ultimately settled using prices at locations quoted through clearinghouses, are valued using Level 2 inputs.

- Other hedging derivatives, such as swaps settled using prices at locations other than those quoted through clearinghouses and options with strike prices not identically quoted through a clearinghouse, are valued using Level 2 inputs. For these instruments, fair value is based on pricing algorithms using observable market quotes.

8. Fair Value Measurement (continued)

Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Utility's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair value assets and liabilities and their place within the fair value hierarchy levels. GRU's fair value measurements are performed on a recurring basis. The following table presents fair value balances and their levels within the fair value hierarchy as of September 30, 2021 (in thousands):

	Level 1	Level 2	Level 3	Total
Assets				
Fair Value Investments				
U.S. Treasuries	$ -	$ 3,061	$ -	$ 3,061
U.S. Agencies:				
Federal Home Loan Mortgage Corp.	-	7,460	-	7,460
Federal National Mortgage Assn.	-	-	-	-
Federal Home Loan Bank	-	30,786	-	30,786
Federal Farm Credit Bank	-	24,944	-	24,944
Corporate bonds:				
AIG Global	-	6,877	-	6,877
Guardian Life	-	5,006	-	5,006
National Sec. Clearing	-	3,350	-	3,350
Schwab Corp.	-	4,954	-	4,954
Principle Life	-	3,920	-	3,920
GA Global	-	3,981	-	3,981
New York Life	-	5,259	-	5,259
Total fair value investments	$ -	$ 99,598	$ -	$ 99,598
Liabilities				
Financial instruments				
Effective interest rate swaps	$ -	$ (67,932)	$ -	$ (67,932)
Ineffective interest rate swaps	-	(1,133)	-	(1,133)
Total financial instruments	$ -	$ (69,065)	$ -	$ (69,065)

8. Fair Value Measurement (concluded)

Fair value balances and their levels within the fair value hierarchy as of September 30, 2020, are represented in the following table (in thousands):

	Level 1	Level 2	Level 3	Total
Assets				
Fair Value Investments				
U.S. Treasuries	$ -	$ 7,133	$ -	$ 7,133
U.S. Agencies:				
Federal Home Loan Mortgage Corp.	-	8,991	-	8,991
Federal National Mortgage Assn.	-	15,520	-	15,520
Federal Home Loan Bank	-	-	-	-
Federal Farm Credit Bank	-	13,500	-	13,500
Corporate bonds:				
MassMutual Global Funding	-	5,047	-	5,047
Guardian Life	-	10,642	-	10,642
Walmart	-	4,014	-	4,014
New York Life	-	5,356	-	5,356
Total fair value investments	$ -	$ 70,203	$ -	$ 70,203
Liabilities				
Financial instruments				
Effective interest rate swaps	$ -	$ (120,802)	$ -	$ (120,802)
Ineffective interest rate swaps	-	(2,202)	-	(2,202)
Total financial instruments	$ -	$ (123,004)	$ -	$ (123,004)

9. Restricted Net Position

Certain assets are restricted by the Resolution and other external requirements as follows (in thousands):

	2021	2020
Restricted net position:		
Debt Service	**$ 25,894**	$ 27,565
Utility plant improvement	**66,320**	51,668
Net pension asset	**42,996**	-
Net other post-employment benefits asset	**3,309**	-
Other	**4,768**	4,798
Restricted net position	**$ 143,287**	$ 84,031

10. Lease Revenue

GRU leases communication tower antenna space to various wireless communications service providers on eleven communications towers and two water towers throughout our service territory. Two of the five transmitter sites for the countywide public safety radio system are also located on these communications towers.

Future minimum rental revenue for various operating leases (in thousands):

Year Ending September 30,	Future Minimum Rental Revenue
2022	$ 1,868
2023	1,606
2024	1,067
2025	733
2026	461
	$ 5,735

11. Transfer to City of Gainesville General Fund

GRU transfers monies monthly to the City's General Fund that are historically based on a pre-defined formula that predominantly tied the transfer directly to the utility's revenue generation. The transfer to the General Fund may be made only to the extent such monies are not necessary to pay operating and maintenance expenses and to pay debt service on the outstanding bonds and subordinated debt or to make other necessary transfers under the Resolution.

The City Commission approved keeping the General Fund Transfer amount flat for fiscal years 2021 and 2020.

For the years ended September 30, 2021 and 2020, the transfer was $38.3 million.

12. Commitments and Contingencies

General

The primary factors currently affecting the utility industry include environmental regulations, Operating, Planning and Critical Infrastructure Protection Standards promulgated by NERC under FERC jurisdiction, and the increasing strategic and price differences among various types of fuels. No state or federal legislation is pending or proposed at this time for retail competition in Florida.

The role of municipalities as telecommunications providers pursuant to the 1996 Federal Telecommunications Act resulted in a number of state-level legislative initiatives across the nation to curtail this activity. In Florida, this issue culminated in the passage, in 2005, of legislation codified in Section 350.81, Florida Statutes (Section 350.81) that defined the conditions under which municipalities are allowed to provide retail telecommunications services. Although GRU has special status as a grandfathered entity under this legislation, the provision of certain additional retail telecommunications services by the Utility would implicate certain requirements of Section 350.81. Management does not expect that any required compliance with the requirements of Section 350.81 would have a material adverse effect on the operations or financial condition of GRUCom.

Environmental and Other Natural Resource Regulations

GRU and its operations are subject to federal, state and local environmental regulations which include, among other things, control of emissions of particulates, mercury, acid gases, SO2 and NOX into the air; discharges of pollutants, including heat, into surface or ground water; the disposal of wastes and reuse of products generated by wastewater treatment and combustion processes; management of hazardous materials; and the nature of waste materials discharged into the wastewater system’s collection facilities. Environmental regulations generally are becoming more numerous and stringent and, as a result, may substantially increase the costs of the Utility’s services by requiring changes in the operation of existing facilities as well as changes in the location, design, construction, and operation of new facilities (including both facilities that are owned and operated by GRU as well as facilities that are owned and operated by others, from which the Utility purchases output, services, commodities and other materials). There is no assurance that the facilities in operation, under construction, or contemplated will always remain subject to the regulations currently in effect or will always be in compliance with future regulations. Compliance with applicable regulations could result in increases in the costs of construction and/or operation of affected facilities, including associated costs such as transmission and transportation, as well as limitations on the operation of such facilities. Failure to comply with regulatory requirements could result in reduced operating levels or the complete shutdown of those facilities not in compliance as well as the imposition of civil and criminal penalties.

12. Commitments and Contingencies (continued)

Internal Combustion Engine MACT

On January 30, 2013, the EPA finalized amendments to the final rule dated August 20, 2010, the EPA published a final rule for the National Emissions Standards for Hazardous Air Pollutants for Reciprocating Internal Combustion Engines, which covers existing stationary spark ignition reciprocating internal combustion engines located at major sources of hazardous air pollutant emissions such as power plant sites. This final rule, which clarifies and finalizes compression limits, became effective on April 1, 2013. The amended rule requires updated reduction of emissions requirements of hazardous air pollutants from covered engines. Several of GRU's reciprocating engines are covered by this new rule and all are in full compliance.

Climate Change

On June 19, 2019, the EPA issued the final Affordable Clean Energy (ACE) rule to replace the Clean Power Plan (CPP) to restore the rule of law and empowers states to continue to reduce emissions while providing affordable and reliable energy. The Affordable Clean Energy rule (ACE) adheres to the Clean Air Act and gives states the regulatory certainty they need to continue to reduce emissions and provide a dependable, diverse, and affordable supply of electricity. The ACE rule establishes emissions guidelines for states to use to limit carbon dioxide emissions (CO2) at their coal-fired power plants. Specifically, ACE identifies heat rate improvements as the best system of emission reduction (BSER) for CO2 from coal-fired plants, and these improvements can be made at individual facilities. Also contained in the rule are new implementing regulations for ACE and future existing source rules under Clean Air Act Section 111(d). These guidelines will inform states as they set unit-specific standards of performance. The states will have three years to submit plans, which is in line with planning timelines under the Clean Air Act.

On January 19, 2021, the D.C. Circuit vacated the Affordable Clean Energy rule and remanded to the Environmental Protection Agency for further proceedings consistent with its opinion.

Coal Combustion Products

The EPA published a final rule (40 CFR 257), effective October 14, 2015, to regulate the disposal of coal combustion residuals (CCR) as solid waste under subtitle D of the Resource Conservation and Recovery Act (RCRA). The rule includes national minimum criteria for existing and new CCR landfills and existing and new CCR surface impoundments. GRU is subject to the requirements of the promulgated rule that are applicable to CCR ponds and landfill at Deerhaven if fuel burned consists of more than 50% coal on a total heat or mass input basis.

On August 28, 2020, EPA's Closure Part A rule was published in the Federal Register with the final rule effective date of September 28, 2020. As part of this rule revision, the definition of lined/unlined surface impoundments was changed resulting in the exclusion of clay as meeting the definition. If GRU continues to burn in excess of 50% coal, an alternative means of managing the CCR in Deerhaven's surface impoundments is necessary. GRU has submitted an infeasibility demonstration to EPA to request additional time per the rule revision requirement for addressing the impact of this rule change.

12. Commitments and Contingencies (continued)

Storage Tanks

GRU is required to demonstrate financial responsibility for the costs of corrective actions and compensation of third-parties for bodily injury and property damage arising from releases of petroleum products and hazardous substances from storage tank systems. GRU has 11 fuel oil storage tanks. The South Energy Center has two underground distillate (No. 2) oil tanks; the JRK Station has four above-ground distillate oil tanks, two of which are out of service, and two above-ground No. 6 oil tanks which are also out of service. DH has one above-ground distillate and two above-ground No. 6 oil tanks one of which is out of service.

All of GRU’s fuel storage tanks have secondary containment and/or interstitial monitoring as required by regulations and the Utility is insured for the requisite amounts.

Remediation Sites

Several site investigations have been completed at the JRK Station, most recently in September 2020. According to previous assessments, the horizontal extent of impacted soils extends from the northern containment wall of the above-ground storage tanks (ASTs) to the wastewater filter beds and from the old plant building to Sweetwater Branch Creek. The results of the most recent soil assessment documented the presence of Benzo(a)*pyrene* in one soil sample at a concentration greater than its default commercial/industrial direct exposure based soil cleanup target levels (SCTLs). Four of the soil samples contained Benzo(a)*pyrene* equivalents at concentrations greater than its default commercial/industrial direct exposure based SCTLs. In addition, two of the soil samples contained total recoverable petroleum hydrocarbons (TRPH) at concentrations greater than its default commercial/industrial direct exposure based SCTLs.

In the Site-Wide Monitoring Report dated March 24, 2011, measurable free product was detected in four wells. An inspection in April 2013 showed that groundwater contains four of the polynuclear aromatic hydrocarbons (PAHs) (Benzo(a)*anthracene*, Benzo(a)*pyrene*, Benzo(b)*fluoranthene*, and Dibenzo(a,h)*anthracene*) at concentrations greater than their groundwater cleanup target levels (GCTLs). With the exception of Benzo(a)*pyrene*, the concentration of the remainder of these parameters did not exceed their Natural Attenuation Default Concentrations. The groundwater quality data reported in the 2011 Site-Wide Groundwater Monitoring Report documents that groundwater quality meets applicable GCTLs at the locations sampled. It is likely that groundwater quality impacts exist in the area where residual No. 6 fuel oil is present as a non-aqueous phase liquid.

12. Commitments and Contingencies (continued)

Remediation Sites (concluded)

Following the submittal of the August 2013 No Further Action Proposal, the Florida Department of Environmental Protection (FDEP) prepared comments regarding the No Further Action Proposal and provided them to GRU in a letter dated January 10, 2014. In August of 2014, GRU provided responses to the FDEP's January 2014 comment letter. In March of 2016 an attempt was made to meet with the FDEP, but a time was not set up for the meeting. The delay in responding to GRU's comments was due in part to the FDEP waiting on resolution of the request to use an active hydraulic containment system as an engineering control. Ultimately, the FDEP rejected the use of the active containment system as an engineering control. On April 17, 2017, the FDEP provided comments on GRU's August 2014 response to the FDEP's January 2014 comment letter. The FDEP requested further assessment of the extent of No. 6 fuel oil in the subsurface. GRU's response proposed additional soil investigation to assess the extent of No. 6 fuel oil; both as a non-aqueous phase liquid and as stained soils. GRU also proposed temporarily shutting down the groundwater recovery system and evaluating whether free product returns to the wells. This information will be used to evaluate what actions will be needed to recover free product, if any is detected.

The results of the additional assessment were submitted to FDEP with the findings that the extent of impact has not been fully defined. FDEP has requested GRU conduct additional assessment such that complete delineation is achieved, and a Remedial Action Plan (RAP) can be developed to address all impacts to all media.

Water Use Restrictions

Pursuant to Florida law, a water management district in Florida may mandate restrictions on water use for non-essential purposes when it determines such restrictions are necessary. The restrictions may either be temporary or permanent. The St. Johns River Water Management District (SJRWMD) has mandated permanent district-wide restrictions on residential and commercial landscape irrigation. The restrictions limit irrigation to no more than two days per week during Daylight Savings Time, and one day per week during Eastern Standard Time. The restrictions apply to centralized potable water as provided by the Utility as well as private wells. All irrigation between the hours of 10:00 a.m. and 4:00 p.m. is prohibited.

In addition, in April 2010, the County adopted, and the City subsequently opted into, an Irrigation Ordinance that codified the above-referenced water restrictions which promote and encourage water conservation. County personnel enforce this ordinance, which further assists in reducing water use and thereby extending the Utility's water supply.

12. Commitments and Contingencies (continued)

Water Use Restrictions (concluded)

The SJRWMD and the Suwannee River Water Management District (SRWMD) each have promulgated regulations referred to as “Year-Round Water Conservation Measures”, for the purpose of increasing long-term water use efficiency through regulatory means. In addition, the SJRWMD and the SRWMD each have promulgated regulations referred to as a “Water Shortage Plan”, for the purpose of allocating and conserving the water resource during periods of water shortage and maintaining a uniform approach towards water use restrictions. Each Water Shortage Plan sets forth the framework for imposing restrictions on water use for non-essential purposes when deemed necessary by the applicable water management district.

On August 7, 2012, in order to assist the SJRWMD and the SRWMD in the implementation and enforcement of such Water Conservation Measures and such Water Shortage Plans, the Board of County Commissioners of Alachua County enacted an ordinance creating year-round water conservation measures and water shortage regulations (the “County Water Use Ordinance”), thereby making such Water Conservation Measures and such Water Shortage Plans applicable to the unincorporated areas of the County. On December 20, 2012, the City Commission adopted a resolution to opt into the County’s year-round water conservation measures and water shortage regulations ordinances in order to give the Alachua County Environmental Protection Department the authority to enforce water shortage orders and water shortage emergencies within the City.

The St. Johns River Water Management District issued GRU consumptive use permit (CUP) number 11339-6 (GRU CUP) on September 10, 2014. The GRU CUP authorizes GRU to withdraw 10,950.0 million gallons per year (30.0 million gallons per day, or MGD, annual average) for public water supply purposes through September 10, 2034.

By an Order dated May 11, 2021, the District determined that Lakes Brooklyn and Geneva were not meeting (i.e., were below) the new minimum flows and levels (MFLs) rule. Withdrawals authorized by individual consumptive use permits, individually or cumulatively, were in violation of the MFLs for Lakes Brooklyn and Lake Geneva. Per an agreement executed on August 6, 2021, GRU elected to participate financially in the construction, operation, and maintenance of the Black Creek Water Resource Development Project (Black Creek WRD) to address GRU’s impacts to the Lakes Brooklyn and Geneva MFLs.

GRU will pay based on the 0.1-foot lake level increase construction cost estimate of $2.1 million. Not later than November 1, 2021, GRU will pay, deposit and deliver, in escrow, to the Florida Department of Financial Services (DFS) as Escrow Agent under the terms of an Escrow Agreement to be entered into among GRU, the District, and DFS (Escrow Agreement), cash or cash equivalent in the principal sum of $1 million representing one-half of GRU’s total proportional share of the Black Creek WRD construction cost for the amount of lift GRU is purchasing. Regardless of the final construction cost per 0.1-foot of lift, GRU’s remaining construction cost payments under this Agreement shall not exceed $1 million.

12. Commitments and Contingencies (continued)

Water Use Restrictions (concluded)

As another component of GRU's lift purchase, GRU will pay for GRU's share of the Black Creek WRD operation and maintenance costs as a lump sum payment, representing the net present value of 20 years of annual operation and maintenance costs. GRU will pay an amount of $616,000. GRU will pay this amount in two payments. Therefore, in addition to the construction cost payments specified above, by November 1, 2021, GRU will pay to the Escrow Agent the amount of $308,000. By November 1, 2022, GRU will pay to the Escrow Agent the amount of $308,000. This operation and maintenance payment amount is valid only for the term of this Agreement.

Manufactured Gas Plant

Gainesville's natural gas system originally distributed blue water gas, which was produced in town by gasification of coal using distillate oil. Although manufactured gas was replaced by pipeline gas in the mid-1950's, coal residuals and spilt fuel contaminated soils remain on and adjacent to the manufactured gas plant (MGP) site. When the natural gas system was purchased, GRU assumed responsibility for the investigation and remediation of environmental impacts related to the operation of the former MGP. GRU has pursued recovery for the MGP from past insurance policies and, to date, has recovered $2.2 million from such policies. GRU received final approval of its Remedial Action Plan which included the excavation and landfilling of impacted soils. This plan was implemented pursuant to a Brownfield Site Rehabilitation Agreement with the State.

Following remediation, the property has been redeveloped by the City as a park with storm water ponds, nature trails, and recreational space, all of which were considered in the remediation plan's design. The duration of the groundwater monitoring program is unknown, and that timeframe is open to the results of the sampling data.

Based upon GRU's analysis of the cost to clean up this site, GRU has accrued a liability to reflect the costs associated with the cleanup effort. During fiscal years 2021 and 2020, expenditures which reduced the liability balance were $1.3 million and $1.1 million, respectively. The reserve balance at September 30, 2021 and 2020, was $845,000 and $841,000, respectively.

GRU is recovering the costs of this cleanup through customer charges. A regulatory asset was established for the recovery of remediation costs from customers. Customer billings were $1.2 million and $1.1 million, as of September 30, 2021 and 2020, respectively. The regulatory asset balance was $8.6 million and $9.8 million as of September 30, 2021 and 2020, respectively.

Although some uncertainties associated with environmental assessment and remediation activities remain, GRU believes that the current provision for such costs is adequate and additional costs, if any, will not have an adverse material effect on GRU's financial position, results of operations, or liquidity.

12. Commitments and Contingencies (concluded)

Purchase Commitments

On July 16, 2020, the City Commission approved a Power Purchase Agreement (PPA) for solar electric to add 50 megawatts of solar generation to our service area by December 2022. On July 21, 2020, GRU entered into a 20-year contract with the option for two additional five-year terms and a purchase opportunity at years 8, 12, and 16, and at change in control. This will enable us to provide GRU customers with affordable solar power while taking the next steps toward meeting the City Commission's goal of 100 percent renewable by 2045. GRU will own all green environmental attributes (renewable energy credits).

Operating Leases

GRU leases various equipment, facilities, and property through operating leases that are cancelable only under certain circumstances. Rental costs under operating leases for the years ended September 30, 2021 and 2020, were $203,000 and $186,000, respectively.

Future minimum rental payments for various operating leases are (in thousands):

Year Ending September 30,	Future Minimum Rental Payments
2022	$ 191
2023	152
2024	38
2025	-
2026	-
2027-2031	-
2032-2036	-
2037-2041	-
2042-2046	-
	$ 381

13. Retirement Plans

The City sponsors and administers the Employees' Pension Plan (Employees' Plan).

Defined Benefit Plans

Employees' Plan

The Employees' Plan is a contributory defined benefit single-employer pension plan that covers all permanent employees of the City, including GRU, except certain personnel who elected to participate in the Defined Contribution Plan and who were grandfathered into that plan. Benefits and refunds of the defined benefit pension plan are recognized when due and payable in accordance with the terms of the plan. The costs of administering the plan, like other plan costs, are captured within the plan itself and financed through contribution and investment income, as appropriate.

The City of Gainesville issues a publicly available financial report that includes financial statements and required supplementary information for the Employees' Plan. That report may be obtained by writing to City of Gainesville, Budget & Finance Department, P.O. Box 490, Gainesville, Florida 32627 or by calling (352) 334-5054.

The Employees' Plan provides retirement, disability, and death benefits.

Retirement benefits for employees are calculated as a fixed percent (often referred to as "the multiplier") of the employee's final average earnings (FAE) times the employee's years of service. The fixed percent of final average earnings vary depending on the date of hire as follows:

Date of Hire	Fixed percent of FAE (multiplier)	Final Average Earnings
On or before 10/01/2007	2.0%	Highest 36 consecutive months
10/02/2007 – 10/01/2012	2.0%	Highest 48 consecutive months
On or after 10/02/2012	1.8%	Highest 60 consecutive months

For service earned prior to 10/01/2012, the lesser number of unused sick leave or personal critical leave bank credits earned on or before 09/30/2012 or the unused sick leave or personal critical leave bank credits available at the time of retirement may be credited towards the employee's years of service for that calculation. For service earned on or after 10/01/2012, no additional months of service will be credited for unused sick leave or personal critical leave bank credits.

Retirement eligibility is also tiered based on date of hire as follows:

Employees are eligible for normal retirement:

- If the date of hire occurred on or before 10/02/2007, after accruing 20 years of pension service credit, regardless of age or after accruing 10 years of pension service credit and reaching age 65 while still employed.

13. Retirement Plans (continued)

Defined Benefit Plans (continued)

Employees' Plan (continued)

- If the date of hire was between 10/02/2007 and 10/01/2012, after accruing 25 years of pension service credit, regardless of age or after accruing 10 years of pension service credit and reaching age 65 while still employed.

- If the date of hire was on or after 10/02/2012, after accruing 30 years of pension service credit, regardless of age or after accruing 10 years of pension service credit and reaching age 65 while still employed.

Employees are eligible for early retirement:

- If the date of hire occurred on or before 10/01/2012, after accruing 15 years of pension service credit and reaching age 55 while still employed.

- If the date of hire was on or after 10/02/2012, after accruing 20 years of pension service credit and reaching age 60 while still employed.

- Under the early retirement option, the benefit is reduced by 5/12ths of one percent for each month (5% for each year) by which the retirement date is less than the date the employee would reach age 65.

- Employees receive a deferred vested benefit if they are terminated after accruing five years of pension service credit but prior to eligibility for regular retirement. Those employees will be eligible to receive a benefit starting at age 65.

A 2% cost of living adjustment (COLA) is applied to retirement benefits each October 1st if the retiree has reached eligibility for COLA prior to that date. Eligibility for COLA is determined as follows:

- If the retiree had at least 20 years of credited service prior to 10/01/2012 and had at least 20 years but less than 25 years of credited service upon retirement, COLA begins after reaching age 62.

- If the retiree had at least 20 years of credited service prior to 10/01/2012 and had at least 25 years of credited service upon retirement, COLA begins after reaching age 60.

- If the retiree was hired on or before 10/01/2012 and had less than 20 years of credited service on or before 10/01/2012 and 25 years or more of credited service upon retirement, COLA begins after reaching age 65.

- If the retiree was hired after 10/01/2012 and had 30 years or more of credited service upon retirement, COLA begins after age 65.

13. Retirement Plans (continued)

Defined Benefit Plans (continued)

Employees' Plan (continued)

Employees hired on or before 10/01/2012 are eligible to participate in the deferred retirement option plan (DROP) when they have completed 27 years of credited service and are still employed by the City. Such employees retire from the Employees' Plan but continue to work for the City. The retirement benefit is calculated as if the employee had terminated employment and is paid to a DROP account held within the pension plan until the employee actually leaves the employment of the City. While in DROP, these payments earn a guaranteed rate of annual interest, compounded monthly. For employees who entered DROP on or before 10/01/2012, DROP balances earn 6% annual interest. For employees who entered DROP on or after 10/02/2012, DROP balances earn 2.25% annual interest. Employees may continue in the DROP for a maximum of five years or until reaching 35 years of service, whichever occurs earlier. Upon actual separation from employment, the monthly retirement benefits begin being paid directly to the retiree and the retiree must take their DROP balance plus interest as a lump-sum cash disbursement, roll into a retirement account or choose a combination of the two options.

Death benefits are paid as follows:

- If an active member retires after reaching normal retirement eligibility and had selected a tentative benefit option, benefit payments will be made to the beneficiary in accordance with the option selected.

- If an active member who is married dies after reaching normal retirement eligibility and did not previously select a tentative benefit option, the plan assumes the employee retired the day prior to death and elected the Joint & Survivor option naming their spouse as their beneficiary.

- If an active member who is not married dies after reaching normal retirement eligibility and did not previously select a tentative benefit option, or if an active member dies prior to reaching normal retirement eligibility, or if a non-active member with a deferred vested benefit dies before age 65, the death benefit is a refund of the member's contributions without interest to the beneficiary on record.

- Continuation of retirement benefits after the death of a retiree receiving benefits is contingent on the payment option selected upon retirement. If the retiree has chosen a life annuity and dies prior to receiving benefits greater than the retiree's contributions to the plan, a lump sum equal to the difference is paid to the beneficiary on record.

13. Retirement Plans (continued)

Defined Benefit Plans (continued)

Employees' Plan (continued)

Disability benefits are paid to eligible regular employees of the City who become totally and permanently unable to perform substantial work for pay within a 50-mile radius of the home or city hall, whichever is greater, and who is wholly and continuously unable to perform any and every essential duty of employment, with or without a reasonable accommodation, or of a position to which the employee may be assigned. The basic disability benefit is equal to the greater of the employee's years of service credit times 2% with a minimum 42% for in line of duty disability and a minimum 25% for other than in line of duty disability, times the employee's final average earnings as would be otherwise calculated under the plan. The benefit is reduced by any disability benefit percent up to a maximum of 50% multiplied by the monthly Social Security primary insurance amount to which the employee would be initially entitled to as a disabled worker, regardless of application status. The disability benefit is limited to the lesser of $3,750 per month or an amount equal to the maximum benefit percent, less reductions above and the initially determined wage replacement benefit made under workers' compensation laws.

At September 30, the following City employees were covered by the benefit terms:

	2021	2020
Active members	**1,680**	1,640
Retirees members/beneficiaries currently receiving benefits	**1,408**	1,376
Terminated members/beneficiaries entitled to benefits but not yet receiving benefits	**431**	427
Total	**3,519**	3,443

The contribution requirements of plan members and the City are established and may be amended by City Ordinance approved by the City Commission. The City is required to contribute at an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City contributes the difference between the actuarially determined rate and the contribution rate of employees. Plan members are required to contribute 5% of their annual covered salary. The rates were 5.15% and 175.82% of covered payroll for the years ended September 2021 and 2020, respectively. This rate was influenced by the issuance of the Taxable Pension Obligation Bonds, Series 2003A and the Special Obligation Revenue Bonds, Series 2020 issued by the City. The proceeds from these issues were utilized to retire the unfunded actuarial accrued liability at the time of issuance in the Employees' Plan. Differences between the required contribution and actual contribution are due to actual payroll experiences varying from the estimated total payroll used in the generation of the actuarially required contribution rate. Administrative costs are financed through investment earnings. The Taxable Pension Obligation Bonds, Series 2003A has interest rates of 1.71% to 6.19%, final maturity on October 1, 2032, with principal payments due October 1 and interest payments due October 1 and April 1 payable solely from non-ad valorem revenues and not subject to redemption prior to maturity. On September 29, 2020, the City of Gainesville issued

13. Retirement Plans (continued)

Defined Benefit Plans (continued)

Employees' Plan (concluded)

$206.1 million in Special Obligation Revenue Bonds, Series 2020. The proceeds of these bonds were deposited into the Employees' Plan and Consolidated Police Officers' and Firefighters' Plan for September 30, 2020, to retire 95% of the unfunded actuarial accrued liability existing at that time in these plans. The Special Obligation Revenue Bonds, Series 2020 has an interest rate of 2.61%, final maturity on October 1, 2042, with principal payments due October 1, and interest payments due October 1 and April 1. These bonds are payable solely from legally available non-ad valorem revenues. GRU recorded a due to other funds for its share of the pension contribution expense related to these bonds. The total outstanding at September 30, 2021, is $105.2 million with $102.2 million not expected to be paid within the current year. The total outstanding at September 30, 2020, was $111 million with $108.5 million not expected to be paid within the current year.

The net pension liability (asset) related to the Employees' Plan was measured as of September 30, 2021 and 2020. The total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of October 1, 2020, and October 1, 2019, for September 30, 2021 and 2020, respectively.

The net pension liability (asset) applicable to GRU as an enterprise fund of the City was $(43) million and $14.6 million at September 30, 2021 and 2020, respectively.

The total pension liability as of September 30, 2021, was determined based on a roll-forward of the entry age normal liabilities from the October 1, 2020, actuarial valuation. Below is a summary of the key actuarial assumptions used in the October 1, 2020, actuarial valuation:

Inflation	2.50%
Salary Increases	Service based
Investment Rate of Return	7.9%, net of pension investment expenses

Below is a summary of the key actuarial assumptions used in the October 1, 2019, actuarial valuation:

Inflation	2.50%
Salary Increases	3.00% to 5.00%
Investment Rate of Return	7.9%, net of pension investment expenses

13. Retirement Plans (continued)

Defined Benefit Plans (continued)

Mortality Rate

Mortality rates were based on the RP2000 Combined Healthy Mortality Table projected generationally with Mortality Improvement Scale BB.

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These estimates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2021 and 2020, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Domestic Equity	47.0%	7.5%
International Equity	28.0%	8.5%
Domestic Fixed Income	8.0%	2.5%
Real Estate	12.0%	4.5%
Alternative	5.0%	7.0%
Total	100.0%	

Discount Rate

The discount rates used to measure the total pension liability was 7.9% as of September 30, 2021 and 2020. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the actuarially determined contribution rates less the member contributions. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on the pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

13. Retirement Plans (continued)

Defined Benefit Plans (continued)

Net Pension Liability (Asset)

Changes in the Net Pension Liability (Asset) for GRU for the years ended September 30, 2021 and 2020 (in thousands):

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balances at 10/01/2020	$ 353,348	$ 338,782	$ 14,566
Changes for the year:			
Service cost	5,423	-	5,423
Interest	27,564	-	27,564
Differences between expected and actual experience	544	-	544
Changes to assumptions	339	-	339
Contributions - employer	-	3,222	(3,222)
Contributions - employee	-	3,131	(3,131)
Contributions - buyback	-	-	-
Net investment income	-	85,510	(85,510)
Benefit payments, including refunds and DROP payouts	(23,703)	(23,703)	-
Administrative expense	-	(350)	350
Other Changes *	1,987	1,906	81
Net changes	12,154	69,716	(57,562)
Balances at 09/30/2021	$ 365,502	$ 408,498	$ (42,996)

* Reflects a change in GRU's portion of the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balances at 10/01/2019	$ 342,088	$ 242,521	$ 99,567
Changes for the year:			
Service cost	5,103	-	5,103
Interest	26,670	-	26,670
Differences between expected and actual experience	(92)	-	(92)
Changes to assumptions	-	-	-
Contributions - employer	-	104,247	(104,247)
Contributions - employee	-	2,965	(2,965)
Contributions - buyback	115	115	-
Net investment income	-	10,009	(10,009)
Benefit payments, including refunds and DROP payouts	(21,872)	(21,872)	-
Administrative expense	-	(330)	330
Other Changes *	1,336	1,127	209
Net changes	11,260	96,261	(85,001)
Balances at 09/30/2020	$ 353,348	$ 338,782	$ 14,566

* Reflects a change in GRU's portion of the Net Pension Liability (Asset)

13. Retirement Plans (continued)

Defined Benefit Plans (continued)

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following represents GRU's portion of the net pension liability (asset), calculated using the discount rate of 7.9% as of September 30, 2021 and 2020, as well as what GRU's portion of the Plan's net pension liability (asset) would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current rate (in thousands):

Sensitivity for GRU's Portion:	2021		
	1% Decrease (6.9%)	**Current Discount Rate (7.9%)**	**1% Increase (8.9%)**
Net pension liability (asset)	$ (1,630)	$ (42,996)	$ (77,747)

Sensitivity for GRU's Portion:	2020		
	1% Decrease (6.9%)	**Current Discount Rate (7.9%)**	**1% Increase (8.9%)**
Net pension liability (asset)	$ 54,749	$ 14,566	$ (19,134)

Detailed information about the pension plan's fiduciary net position is available in the separately issued Employees' Plan financial report.

13. Retirement Plans (concluded)

Defined Benefit Plans (concluded)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

For the years ended September 30, 2021 and 2020, GRU recorded a pension expense of $3.2 million and $11.2 million, respectively. At September 30, 2021 and 2020, the City and GRU reported deferred outflows of resources related to the Employees' Plan from the following sources (in thousands):

	2021	
	Deferred Outflows of Resources GRU's Portion	Deferred Inflows of Resources GRU's Portion
Differences between expected and actual experience	$ 2,022	$ 562
Net difference between projected and actual investment earnings on pension plan investments	-	35,460
Change to assumptions	2,276	-
Total	$ 4,298	$ 36,022

	2020	
	Deferred Outflows of Resources GRU's Portion	Deferred Inflows of Resources GRU's Portion
Differences between expected and actual experience	$ 3,163	$ 1,196
Net difference between projected and actual investment earnings on pension plan investments	12,403	-
Change to assumptions	5,660	-
Total	$ 21,226	$ 1,196

Amounts reported as deferred outflows of resources and deferred inflows of resources related to the Employees' Plan will be recognized in pension expense as follows (in thousands):

Year Ending September 30,	Net Deferred Outflows/(Inflows) of Resources
2022	$ (6,116)
2023	(4,096)
2024	(9,932)
2025	(11,727)
2026	147
Thereafter	-
Total	$ (31,724)

14. Other Post-employment Benefits Plan

Plan Description

By ordinance enacted by the City Commission, the City has established the Retiree Health Care Plan (RHCP), providing for the payment of a portion of the health care insurance premiums for eligible retired employees. Management of the RHCP is vested in the RHCP Board of Trustees which consists of the seven members of the City Commission who are elected by the citizens of Gainesville for three year terms. The City of Gainesville issues a publicly available financial report that includes financial statements and required supplementary information for the RHCP. That report may be obtained by writing to City of Gainesville, Finance Department, P.O. Box 490, Gainesville, Florida 32627 or by calling (352) 334-5054.

Benefits Provided

The RHCP is a single-employer defined benefit health care plan administered by the City, which provides medical insurance benefits to eligible retirees and their beneficiaries.

Employees Covered by Benefit Terms

At September 30, the following employees were covered by the benefit terms:

	2021	2020
Inactive employees or beneficiaries currently receiving benefit payments	**1,431**	1,431
Inactive employees entitled to but not yet receiving benefit payments	**-**	-
Active employees	**2,307**	2,307
Total	**3,738**	3,738

Contributions

In 1995, the City instituted a cost sharing agreement with retired employees for individual coverage only, based on a formula taking into account age at the time the benefit is first accessed and service at time of retirement. The contribution requirements of plan members and the City are established and may be amended by the City Commission. These contributions are neither mandated nor guaranteed. The City has retained the right to unilaterally modify its payment for retiree health care benefits. Administrative costs are financed through investment earnings. RHCP members receiving benefits contribute a percentage of the monthly insurance premium. Based on this plan, the RHCP pays up to 50% of the individual premium for each insured according to the age/service formula factor of the retiree. Spouses and other dependents are eligible for coverage, but the employee is responsible for the entire cost, there is no direct RHCP subsidy. The employee contributes the premium cost each month, less the RHCP subsidy calculated as a percentage of the individual premium.

14. Other Post-employment Benefits Plan (continued)

Contributions (concluded)

The State of Florida prohibits the City from separately rating retirees and active employees. The City therefore charges both groups an equal, blended rate premium. Although both groups are charged the same blended rate premium, GAAP requires the actuarial figures presented above to be calculated using age adjusted premiums approximating claim costs for retirees separate from active employees. The use of age adjusted premiums results in the addition of an implicit rate subsidy into the actuarial accrued liability. However, the City has elected to contribute to the RHCP at a rate that is based on an actuarial valuation prepared using the blended rate premium that is actually charged to the RHCP.

In July 2005, the City issued $35,210,000 Taxable Other Post Employment Benefit (OPEB) bonds to retire the unfunded actuarial accrued liability then existing in the RHCP Trust Fund. This allowed the City to reduce its contribution rate. The City's actual regular contribution was less than the annual required contribution calculated using the age-adjusted premiums instead of the blended rate premiums. The difference between the annual required calculation and the City's actual regular contribution was due to two factors. The first is the amortization of the negative net OPEB obligation created in fiscal year 2005 by the issuance of the OPEB bonds. The other factor is that the City has elected to contribute based on the blended rate premium instead of the age-adjusted premium, described above as the implicit rate subsidy. The OPEB bonds were for ten years and were paid in full in June 2015.

In September 2008, the City terminated the existing program and trust and created a new program and trust, effective January 1, 2009. This action changed the benefits provided to retirees, such that the City will contribute towards the premium of those who retire after August 31, 2008, under a formula that provides ten dollars per year of credited service, adjusted for age at first access of the benefit. Current retirees receive a similar benefit, however, the age adjustment is modified to be set at the date the retiree first accesses the benefit or January 1, 2009, whichever is later. For current retirees that are 65 or older as of January 1, 2009, the City's contribution towards the premium will be the greater of the amount calculated under this method or the amount provided under the existing Ordinance. The City's contribution towards the premium will be adjusted annually at the rate of 50% of the annual percentage change in the individual premium compared to the prior year.

Investment Policy

The City Commission has the responsibility to develop a policy for the investment of the assets of the RHCP. The investment of the assets must be consistent with the written investment policy adopted by the City Commission (Section 2-438 of the Gainesville City Code).

The policies are structured to maximize the financial return to the RHCP consistent with the risks incumbent in each investment and are structured to establish and maintain an appropriate diversification of the RHCP's assets. The City Commission periodically undertakes studies to evaluate the potential consequence of alternative investment strategies on the long term well-being of the RHCP.

14. Other Post-employment Benefits Plan (continued)

Investment Policy (concluded)

Based on analysis of the RHCP assets and expected investment returns and risks associated with alternative asset mix strategies, the City adopted the following asset class targets, based on market value:

Asset Class	Target Allocation	Real Rate of Return
Large Cap Value Equity	19.44%	6.00%
Large Cap Growth Equity	19.44%	5.90%
Small Cap Value Equity	11.11%	6.10%
Small Cap Growth Equity	11.11%	4.90%
International Value Equity	11.11%	4.90%
International Growth Equity	11.11%	4.90%
Core Fixed Income	5.57%	1.70%
Private Real Estate	11.11%	5.90%
Total	100.00%	

Net OPEB Liability

GRU implemented GASB Statement No. 75 in 2018. The net OPEB liability related to the RHCP was measured as of September 30, 2021 and 2020. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of October 1, 2019, for September 30, 2021 and 2020.

Actuarial Assumptions

The total OPEB liability as of September 30, 2021, was determined based on a roll-forward of the October 1, 2019, actuarial valuation. Below is a summary of the key actuarial assumptions used in the October 1, 2019, actuarial valuation:

Inflation Rate	3.00%
Salary Increase	Service Based
Investment Return Rate	7.90%
Discount Rate	7.90%
Healthcare Cost Trend Rate	4.50%

14. Other Post-employment Benefits Plan (continued)

Actuarial Assumptions (concluded)

GASB Statement No. 75 requires that the total OPEB liability should be determined either by an actuarial valuation as of the measurement date, or by utilizing update procedures to roll the OPEB liability forward to the measurement date. The update procedures should include amounts from an actuarial valuation as of a date no more than 30 months and 1 day earlier than the employer's most recent fiscal year-end.

Mortality Rate

Mortality rates were based on the RP-2000 Healthy Annuitant Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale BB.

Discount Rate

The discount rate used to measure the total OPEB liability was 7.9% compounded annually, net of investment expenses as of September 30, 2021 and 2020, respectively. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City Contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

14. Other Post-employment Benefits Plan (continued)

Changes in Net OPEB Liability (Asset) for GRU

Changes in Net OPEB Liability *(Asset)* for GRU for the years ended September 30, 2021 and 2020 (in thousands):

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability (Asset)
Balances at 10/01/2020	$ 28,863	$ 28,009	$ 854
Changes for the year:			
Service cost	651	-	651
Interest	2,177	-	2,177
Differences between expected and actual experience	-	-	-
Changes in assumptions	-	-	-
Contributions - employer	-	842	(842)
Net investment income	-	6,176	(6,176)
Benefit payments	(2,229)	(2,229)	-
Administrative expense	-	(3)	3
Other changes *	(864)	(888)	24
Net changes	(265)	3,898	(4,163)
Balances at 09/30/2021	$ 28,598	$ 31,907	$ (3,309)

* Reflects a change in GRU's portion of the Net OPEB Liability (Asset) as of September 30, 2021, and a change in asset value as of September 30, 2020.

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability (Asset)
Balances at 10/01/2019	$ 29,539	$ 24,171	$ 5,368
Changes for the year:			
Service cost	785	-	785
Interest	2,747	-	2,747
Differences between expected and actual experience	(1,384)	-	(1,384)
Changes in assumptions	(6,198)	-	(6,198)
Contributions - employer	-	1,153	(1,153)
Net investment income	-	271	(271)
Benefit payments	(2,174)	(2,174)	-
Administrative expense	-	(5)	5
Other changes *	5,548	4,593	955
Net changes	(676)	3,838	(4,514)
Balances at 09/30/2020	$ 28,863	$ 28,009	$ 854

* Reflects a change in GRU's portion of the Net OPEB Liability (Asset) as of September 30, 2020, and a change in asset value as of September 30, 2019.

14. Other Post-employment Benefits Plan (continued)

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Discount Rates

The following presents GRU's portion of the net OPEB liability (asset), calculated using the discount rate of 7.9% as of September 30, 2021 and 2020, as well as what the Plan's net OPEB liability (asset) would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current rate (in thousands):

	2021		
	1% Decrease (6.9%)	Discount Rate (7.9%)	1% Increase (8.9%)
Net OPEB liability (asset)	$ (410)	$ (3,309)	$ (5,787)

	2020		
	1% Decrease (6.9%)	Discount Rate (7.9%)	1% Increase (8.9%)
Net OPEB liability (asset)	$ 3,770	$ 854	$ (1,637)

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Health Care Cost Trend Rates

The following presents GRU's portion of the net OPEB liability (asset), calculated using the health care cost trend rate of 4.5% as of September 30, 2021 and 2020, as well as what the Plan's net OPEB liability (asset) would be if it were calculated using a health care cost trend rate that is one percentage-point lower or one percentage-point higher than the current rate (in thousands):

	2021		
	1% Decrease (3.5%)	Health Care Cost Trend Rate (4.5%)	1% Increase (5.5%)
Net OPEB liability (asset)	$ (6,502)	$ (3,309)	$ 486

	2020		
	1% Decrease (3.5%)	Health Care Cost Trend Rate (4.5%)	1% Increase (5.5%)
Net OPEB liability (asset)	$ (2,088)	$ 854	$ 4,340

14. Other Post-employment Benefits Plan (continued)

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued RHCP financial report.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the years ended September 30, 2021 and 2020, GRU recorded an OPEB Expense of $4,000 and $389,000, respectively. At September 30, 2021 and 2020, the City and GRU reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources (in thousands):

	2021	
	Deferred Outflows of Resources GRU's Portion	Deferred Inflows of Resources GRU's Portion
Differences between expected and actual experience	$ 592	$ 1,007
Change in assumptions	283	4,509
Net difference between projected and actual investment earnings on OPEB plan investments	-	1,038
Total	$ 875	$ 6,554

	2020	
	Deferred Outflows of Resources GRU's Portion	Deferred Inflows of Resources GRU's Portion
Differences between expected and actual experience	$ 814	$ 1,211
Change in assumptions	375	5,423
Net difference between projected and actual investment earnings on OPEB plan investments	3,203	-
Total	$ 4,392	$ 6,634

14. Other Post-employment Benefits Plan (concluded)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (concluded)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (in thousands):

Year Ending September 30,		Net Deferred Outflows/(Inflows) of Resources
2022	$	(585)
2023		(479)
2024		(1,079)
2025		(1,698)
2026		(919)
Thereafter		(919)
Total	$	(5,679)

15. Risk Management

GRU is exposed to various risks of loss related to theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters and insures against these losses. GRU purchases plant and machinery insurance from a commercial carrier. There have been no significant reductions in insurance coverage from the prior year, and settlements have not exceeded insurance coverage for the past three fiscal years. The City is self-insured for workers' compensation, auto liability, and general liability but carries excess workers' compensation, auto liability and general liability coverage. These risks are accounted for under the City's General Insurance Fund.

GRU reimburses the City for premiums and claims paid on its behalf, recording the appropriate expense. However, GRU does maintain its own insurance reserve, for the self-insured portion. An actuarial study completed during fiscal year 2008 resulted in an increase to a balance of $3.3 million. The present value calculation assumes a rate of return of 4.5% with a confidence level of 75%. All claims were paid from current year revenues for fiscal years 2021, 2020 and 2019.

Changes in the insurance reserve as of (in thousands):

Year Ending September 30,	Beginning Balance	Claims	Payments	Change in Reserve	Ending Balance
2021	$ 3,337	$ 699	$ (699)	$ -	$ 3,337
2020	$ 3,337	$ 1,156	$ (1,156)	$ -	$ 3,337
2019	$ 3,337	$ 636	$ (636)	$ -	$ 3,337

16. Litigation

Jacob Rodgers v. William Stormant and City of Gainesville, d/b/a Gainesville Regional Utilities; Case No. 2016-CA-659 in the Circuit Court of the Eighth Judicial Circuit in and for Alachua County, Florida.

On October 7, 2015, a City-owned vehicle driven by a City employee collided with a vehicle. In February 2016, the plaintiff filed suit against the City employee, personally, and added the City as a defendant in June 2017. The trial was conducted in early May 2021. The jury reached a verdict of $120,000,000 against the City. The trial court denied the City's motion for new trial, but granted a remittitur reducing the overall award to $13,319,181. The plaintiff rejected the remittitur, and filed a notice of appeal. The City, in turn, filed a notice of cross appeal. The plaintiff/appellant filed his initial brief with Florida's 1st District Court of Appeal on March 7, 2022 Once judgment is entered, regardless of the amount, execution will lie only in the amount of the $200,000 sovereign immunity cap.

To the extent any potential judgment above $200,000 exists after all appeals are exhausted, the plaintiff may file a claims bill to collect the excess from the City. Any claims bill must be heard and approved by both houses of the Florida Legislature and signed by the Governor.
In the event a claims bill is approved directing the City to appropriate and pay plaintiff a sum in excess of $200,000, the City plans to cover such liability with currently available utility system operating funds or through a borrowing. In the event a claims bill is approved directing the City to appropriate and pay plaintiff a sum in excess of $200,000, the City plans to request the Legislature structure such payment over a term of years that would allow the City to cover such liability with currently available operating funds or through a borrowing.

17. Subsequent Events

$66.8 Million Utilities System Revenue Bonds, 2022 Series A

On June 17, 2021, the City Commission approved a supplemental utilities system bond resolution, number 210088, authorizing the issuance of the 2022 Series A bonds to refund $66.1 million of outstanding 2012 Series A bonds. The 2022 Series A issue is a forward delivery, tax-exempt direct placement issue with Bank of America which had a closing date of July 20, 2021, and a funding date of July 14, 2022.

Partial Debt Defeasance

On October 28, 2021, GRU executed a partial legal defeasance of the 2017 Series A bonds in the amount of $7.2 million and a partial economic defeasance of the 2009 Series B bonds in the amount of $1.1 million. The funds used to partially defease those bonds were savings generated by the GRU 2020 debt restructuring transactions as well as the 2020 Pension Obligation Bond issuance by the City of Gainesville's General Government as directed by the City Commission during the approval of these transactions.

$125 Million Utilities System Commercial Paper Notes, Series C

On November 30, 2021, the liquidity facility with Bank of America supporting GRU's tax-exempt commercial paper program in the amount of $125 million was scheduled to expire. On November 4, 2021, the City Commission approved a three-year renewal of this facility with an expiration date of November 30, 2024.

$25 Million Utilities System Variable Rate Subordinated Revenue Bonds, 2018 Series A

On November 30, 2021, GRU's $25 million tax-exempt line of credit with Truist Bank was scheduled to expire. On October 21, 2021, the City Commission approved a three-year renewal of this line of credit with an expiration date of November 30, 2024.

Fire at Deerhaven Generating Station

On February 17, 2022, GRU's Deerhaven Generating Station suffered fire damage to one area of the cooling tower. There were no injuries resulting from the fire and damages are still being assessed at this time.

SUPPLEMENTARY INFORMATION

Gainesville Regional Utilities
Schedules of Combined Net Revenues
in Accordance with Bond Resolution
For the Years Ended September 30, 2021 and 2020

	2021	2020
Revenues:		
Electric system:		
Sales of electricity	**$ 286,844,593**	$ 261,397,146
Transfer from (to) rate stabilization	**(6,928,735)**	(2,918,305)
Other revenue	**6,063,878**	9,539,021
Other income	**2,785,932**	3,572,047
Build America Bonds	**2,807,604**	2,836,450
Total electric system revenues	**291,573,272**	274,426,359
Water system:		
Sales of water	**34,873,633**	35,515,133
Transfer from (to) rate stabilization	**(2,865,383)**	(2,699,220)
Other revenue	**2,413,942**	3,018,221
Other income	**105,774**	716,561
Build America Bonds	**798,424**	803,844
Total water system revenues	**35,326,390**	37,354,539
Wastewater system:		
Sales of wastewater	**40,462,982**	40,372,682
Transfer from (to) rate stabilization	**192,749**	(2,730,032)
Other revenue	**3,181,320**	6,193,942
Other income	**198,040**	745,926
Build America Bonds	**917,984**	920,185
Total wastewater system revenues	**44,953,075**	45,502,703
Gas system:		
Sales of gas	**25,547,461**	21,411,908
Transfer from (to) rate stabilization	**(395,228)**	1,963,645
Other revenue	**561,447**	395,413
Other income	**4,916**	453,673
Build America Bonds	**588,578**	594,428
Total gas system revenues	**26,307,174**	24,819,067
Telecommunications system:		
Sales of services	**11,483,392**	11,471,073
Transfer from (to) rate stabilization	**2,336,255**	1,805,825
Other revenue	**82,844**	40,944
Other income	**44,107**	44,665
Total telecommunications system revenues	**13,946,598**	13,362,507
Total revenues	**$ 412,106,509**	$ 395,465,175

Continued on next page.

Gainesville Regional Utilities
Schedules of Combined Net Revenues
in Accordance with Bond Resolution (concluded)
For the Years Ended September 30, 2021 and 2020

	2021	2020
Operation, maintenance and administrative expenses:		
Electric system:		
Fuel expense	**$ 89,150,789**	$ 67,538,540
Operation and maintenance	**64,261,258**	67,473,533
Administrative and general	**19,470,087**	21,472,442
Total electric system expense	**172,882,134**	156,484,515
Water system:		
Operation and maintenance	**10,590,625**	11,258,256
Administrative and general	**4,629,788**	6,871,279
Total water system expense	**15,220,413**	18,129,535
Wastewater system:		
Operation and maintenance	**14,992,919**	14,598,152
Administrative and general	**4,508,632**	7,056,092
Total wastewater system expense	**19,501,551**	21,654,244
Gas system:		
Fuel expense and purchased gas	**9,225,895**	6,132,442
Operation and maintenance	**2,561,881**	2,629,563
Administrative and general	**2,699,386**	2,800,091
Total gas system expense	**14,487,162**	11,562,096
Telecommunications system:		
Operation and maintenance	**8,627,203**	7,775,419
Administrative and general	**942,073**	1,007,025
Total telecommunications system expense	**9,569,276**	8,782,444
Total expenses	**231,660,536**	216,612,834
Net revenue in accordance with bond resolution:		
Electric	**118,691,138**	117,941,844
Water	**20,105,977**	19,225,004
Wastewater	**25,451,524**	23,848,459
Gas	**11,820,012**	13,256,971
Telecommunications	**4,377,322**	4,580,063
Total net revenue in accordance with bond resolution	**180,445,973**	178,852,341
Aggregate bond debt service	**$ 92,207,499**	$ 96,710,070
Aggregate bond debt service coverage ratio	**1.96**	1.85
Total debt service	**$ 92,207,499**	$ 96,710,070
Total debt service coverage ratio	**1.96**	1.85

Gainesville Regional Utilities
Schedules of Net Revenues in Accordance with Bond Resolution – Electric Utility System
For the Years Ended September 30, 2021 and 2020

	2021	2020
Revenues		
Residential	**$ 78,269,929**	$ 77,945,688
Non-residential	**88,623,552**	87,961,847
Fuel adjustment	**89,150,789**	67,538,540
Sales for resale	**6,088,836**	3,805,969
Utility surcharge	**4,474,308**	4,499,414
Other electric sales	**20,237,179**	19,645,688
Total sales of electricity	**286,844,593**	261,397,146
Transfer from (to) rate stabilization	**(6,928,735)**	(2,918,305)
Other revenue	**6,063,878**	9,539,021
Other income	**2,785,932**	3,572,047
Build America Bonds	**2,807,604**	2,836,450
Total revenues	**291,573,272**	274,426,359
Operation, maintenance and administrative expenses		
Fuel expense	**89,150,789**	67,538,540
Power production	**43,747,457**	44,662,358
Transmission and distribution	**20,513,801**	22,811,175
Administrative and general	**19,470,087**	21,472,442
Total operation, maintenance, and administrative expenses	**172,882,134**	156,484,515
Total net revenues in accordance with bond resolution	**$ 118,691,138**	$ 117,941,844
Less:		
Debt service	**68,266,348**	74,346,601
UPIF contributions	**23,383,465**	21,179,375
Transfer to City of Gainesville General Fund	**22,415,868**	22,415,868
Transfer to debt defeasance	**4,625,457**	-
Net impact to rate stabilization	**$ -**	$ -

Gainesville Regional Utilities
Schedules of Net Revenues in Accordance with Bond Resolution – Water Utility System
For the Years Ended September 30, 2021 and 2020

	2021	2020
Revenues		
Residential	$ 21,496,210	$ 21,854,359
Non-residential	10,796,782	11,020,935
Utility surcharge	2,580,641	2,639,839
Total sales of water	34,873,633	35,515,133
Transfer from (to) rate stabilization	(2,865,383)	(2,699,220)
Other revenues	2,413,942	3,018,221
Other Income	105,774	716,561
Build America Bonds	798,424	803,844
Total revenues	35,326,390	37,354,539
Operation, maintenance, and administrative expenses		
Transmission and distribution	3,249,935	3,059,094
Treatment	7,340,690	8,199,162
Administrative and general	4,629,788	6,871,279
Total operation, maintenance, and administrative expenses	15,220,413	18,129,535
Total net revenues in accordance with bond resolution	$ 20,105,977	$ 19,225,004
Less:		
Debt service	7,671,377	7,074,691
UPIF contributions	6,515,350	6,794,242
Transfer to City of Gainesville General Fund	5,356,071	5,356,071
Transfer to debt defeasance	563,179	-
Net impact to rate stabilization	$ -	$ -

Gainesville Regional Utilities
Schedules of Net Revenues in Accordance with Bond Resolution – Wastewater Utility System
For the Years Ended September 30, 2021 and 2020

	2021	2020
Revenues		
Residential	**$ 27,256,272**	$ 27,375,089
Non-residential	**10,248,733**	10,016,640
Utility surcharge	**2,957,977**	2,980,953
Total sales of services	**40,462,982**	40,372,682
Transfer from (to) rate stabilization	**192,749**	(2,730,032)
Other revenue	**3,181,320**	6,193,942
Other income	**198,040**	745,926
Build America Bonds interest income	**917,984**	920,185
Total revenues	**44,953,075**	45,502,703
Operation, maintenance, and administrative expenses		
Collection	**5,749,338**	5,046,202
Treatment	**9,243,581**	9,551,950
Administrative and general	**4,508,632**	7,056,092
Total operation, maintenance, and administrative expenses	**19,501,551**	21,654,244
Total net revenues in accordance with bond resolution	**$ 25,451,524**	$ 23,848,459
Less:		
Debt service	**9,892,337**	8,644,371
UPIF contributions	**8,040,610**	8,343,416
Transfer to City of Gainesville General Fund	**6,860,672**	6,860,672
Transfer to debt defeasance	**657,905**	-
Net impact to rate stabilization	**$ -**	$ -

Gainesville Regional Utilities
Schedules of Net Revenues in Accordance with Bond Resolution – Gas Utility System
For the Years Ended September 30, 2021 and 2020

	2021	2020
Revenues		
Residential	$ 8,696,592	$ 8,101,115
Non-residential	5,677,683	5,387,465
Fuel adjustment	9,225,895	6,132,442
Utility surcharge	589,094	544,628
Other gas sales	1,358,197	1,246,258
Total sales of gas	25,547,461	21,411,908
Transfer from (to) rate stabilization	(395,228)	1,963,645
Other revenue	561,447	395,413
Other income	4,916	453,673
Build America Bonds	588,578	594,428
Total revenues	26,307,174	24,819,067
Operation, maintenance, and administrative expenses		
Fuel expense - purchased gas	9,225,895	6,132,442
Operation and maintenance	2,561,881	2,629,563
Administrative and general	2,699,386	2,800,091
Total operation, maintenance, and administrative expenses	14,487,162	11,562,096
Total net revenues in accordance with bond resolution	$ 11,820,012	$ 13,256,971
Less:		
Debt service	4,467,960	4,141,955
UPIF contributions	4,659,189	6,649,462
Transfer to City of Gainesville General Fund	2,465,554	2,465,554
Transfer to debt defeasance	227,309	-
Net impact to rate stabilization	$ -	$ -

Gainesville Regional Utilities
Schedules of Net Revenues in Accordance with Bond Resolution – Telecommunications System
For the Years Ended September 30, 2021 and 2020

	2021	2020
Revenues		
Telecommunications	**$ 7,328,015**	$ 7,749,855
Trunking radio	**2,708,633**	1,678,920
Tower leasing	**1,446,744**	2,042,298
Total sales of services	**11,483,392**	11,471,073
Transfer from (to) rate stabilization	**2,336,255**	1,805,825
Other revenue	**82,844**	40,944
Other income	**44,107**	44,665
Total revenues	**13,946,598**	13,362,507
Operation, maintenance, and administrative expenses		
Operation and maintenance	**8,627,203**	7,775,419
Administrative and general	**942,073**	1,007,025
Total operation, maintenance, and administrative expenses	**9,569,276**	8,782,444
Total net revenues in accordance with bond resolution	**$ 4,377,322**	$ 4,580,063
Less:		
Debt service	**1,909,477**	2,502,452
UPIF contributions	**1,077,152**	890,776
Transfer to City of Gainesville General Fund	**1,186,835**	1,186,835
Transfer to debt defeasance	**203,858**	-
Net impact to rate stabilization	**$ -**	$ -

Gainesville Regional Utilities
Notes to Schedules of Net Revenues in Accordance with Bond Resolution
For the Years Ended September 30, 2021 and 2020

The Schedules of Net Revenues in Accordance with Bond Resolution are in compliance with the bond resolution and do not agree to the audited Statements of Revenues, Expenses, and Changes in Net Position. The difference is due mainly to the exclusion of the following noncash activities:

- º Amounts to be recovered from future revenue
- º Depreciation and amortization expense
- º Allowance for Funds Used During Construction (AFUDC)
- º Capital contributions

Gainesville Regional Utilities
Combining Statement of Net Position
September 30, 2021

	Electric	Water	Wastewater	Gas	GRUCom	Combined
Assets						
Current assets:						
Cash and investment	$ 15,673,997	$ 3,061,647	$ 1,904,822	$ 3,286,145	$ 2,916,598	$ 26,843,209
Accounts receivable, net of allowance for uncollectible accounts	41,300,305	5,595,843	6,504,535	2,739,184	1,872,134	58,012,001
Inventories:						
Fuel	7,416,127	-	-	-	-	7,416,127
Materials and supplies	10,968,606	1,578,254	85,798	632,357	469,783	13,734,798
Fuel adjustment	11,277,370	-	-	1,398,722	-	12,676,092
Other assets and regulatory assets	357,611	128,380	108,257	1,116,082	24,906	1,735,236
Total current assets	86,994,016	10,364,124	8,603,412	9,172,490	5,283,421	120,417,463
Restricted and internally designated assets:						
Utility deposits - cash and investments	7,069,459	609,552	437,652	295,033	-	8,411,696
Debt service - cash and investments	43,529,073	4,752,113	6,110,488	2,974,416	1,045,992	58,412,082
Debt defeasance - cash and investments	5,733,368	575,906	664,082	228,240	205,713	7,407,309
Rate stabilization - cash and investments	37,215,777	17,290,103	15,287,756	796,802	-	70,590,438
Construction fund - cash and investments	34,115,949	19,398,088	65,496,036	3,768,484	2,928,679	125,707,236
Utility plant improvement fund - cash and investments	37,880,783	12,870,835	799,631	12,321,531	2,446,959	66,319,739
Total restricted and internally designated assets	165,544,409	55,496,597	88,795,645	20,384,506	6,627,343	336,848,500
Noncurrent assets:						
Net costs recoverable in future years - regulatory assets	41,992,626	-	-	-	-	41,992,626
Unamortized debt issuance costs - regulatory asset	7,160,492	805,237	1,266,674	449,535	334,742	10,016,680
Investment in The Energy Authority	3,321,516	-	-	761,796	-	4,083,312
Pollution remediation - regulatory asset	-	-	-	7,599,827	-	7,599,827
Other noncurrent assets and regulatory assets	2,871,194	538,177	630,342	234,867	174,385	4,448,965
Pension regulatory asset	61,931,051	10,750,407	12,456,716	4,587,383	4,171,294	93,896,851
Net pension asset (restricted)	27,409,979	4,885,915	6,400,547	2,198,662	2,100,943	42,996,046
Net other post-employment benefits asset (restricted)	2,109,463	376,019	492,584	169,208	161,688	3,308,962
Total noncurrent assets	146,796,321	17,355,755	21,246,863	16,001,278	6,943,052	208,343,269
Capital assets:						
Utility plant in service	2,012,561,895	318,395,892	436,185,164	107,191,365	77,816,905	2,952,151,221
Less: accumulated depreciation and amortization	(757,722,536)	(151,322,150)	(200,337,277)	(64,955,727)	(46,815,850)	(1,221,153,540)
	1,254,839,359	167,073,742	235,847,887	42,235,638	31,001,055	1,730,997,681
Construction in progress	68,255,653	22,928,673	34,307,992	6,236,901	814,711	132,543,930
Net capital assets	1,323,095,012	190,002,415	270,155,879	48,472,539	31,815,766	1,863,541,611
Total assets	1,722,429,758	273,218,891	388,801,799	94,030,813	50,669,582	2,529,150,843
Deferred outflows of resources:						
Unamortized loss on refundings of bonds	5,144,711	1,655,283	2,090,361	794,022	169,684	9,854,061
Accumulated decrease in fair value of hedging derivatives	53,567,560	6,632,806	5,207,860	1,368,310	1,155,867	67,932,403
General Employees' Pension plan costs	2,739,577	488,338	639,723	219,752	209,985	4,297,375
Other post-employment benefits plan	557,816	99,433	130,256	44,745	42,756	875,006
Total deferred outflows of resources	62,009,664	8,875,860	8,068,200	2,426,829	1,578,292	82,958,845
Total assets and deferred outflows of resources	$ 1,784,439,422	$ 282,094,751	$ 396,869,999	$ 96,457,642	$ 52,247,874	$ 2,612,109,688

Continued on next page.

Gainesville Regional Utilities
Combining Statement of Net Position (concluded)
September 30, 2021

	Electric	Water	Wastewater	Gas	GRUCom	Combined
Liabilities						
Current liabilities:						
Accounts payable and accrued liabilities	$ 7,764,614	$ 2,719,559	$ 2,728,320	$ 1,103,959	$ 1,091,059	$ 15,407,511
Fuels payable	8,348,017	-	-	866,683	-	9,214,700
Intercompany loan	(1,325,000)	-	-	(3,500,000)	4,825,000	-
Due to other funds	6,807,841	(309,273)	861,527	(1,238,142)	(9,107)	6,112,846
Other liabilities and regulatory liabilities	641,936	127,143	111,933	279,097	37,331	1,197,440
Total current liabilities	22,237,408	2,537,429	3,701,780	(2,488,403)	5,944,283	31,932,497
Payable from restricted assets:						
Utility deposits	7,064,254	609,552	437,652	295,033	–	8,406,491
Accounts payable and accrued liabilities	4,689,505	377,524	1,643,884	74,886	37,616	6,823,415
Utilities system revenue bonds – current	20,445,243	1,737,816	2,118,088	1,206,508	177,345	25,685,000
Accrued interest payable	23,381,568	2,975,201	4,000,777	1,617,219	542,993	32,517,758
Other liabilities and regulatory liabilities	14,838	5,695	6,853	1,044	179	28,609
Total payable from restricted assets	55,595,408	5,705,788	8,207,254	3,194,690	758,133	73,461,273
Long-term debt:						
Utilities system revenue bonds	1,220,897,084	147,015,030	216,102,529	69,918,076	54,022,281	1,707,955,000
Unamortized bond premium/discount	75,630,320	9,444,106	23,631,171	3,630,664	330,178	112,666,439
Fair value of derivative instruments	54,228,380	6,814,203	5,426,416	1,440,967	1,155,698	69,065,664
Total long-term debt	1,350,755,784	163,273,339	245,160,116	74,989,707	55,508,157	1,889,687,103
Noncurrent liabilities:						
Reserve for insurance claims	1,999,960	598,326	546,333	187,085	5,296	3,337,000
Reserve for environmental liability	-	-	-	708,000	-	708,000
Due to other funds	67,157,054	11,690,151	13,733,883	5,017,364	4,588,179	102,186,631
Other noncurrent liabilities and regulatory liabilities	1,982,902	491,453	578,974	202,246	191,891	3,447,466
Total noncurrent liabilities	71,139,916	12,779,930	14,859,190	6,114,695	4,785,366	109,679,097
Total liabilities	1,499,728,516	184,296,486	271,928,340	81,810,689	66,995,939	2,104,759,970
Deferred inflows of resources:						
Rate stabilization	37,394,003	17,346,454	15,328,254	796,984	(5,052,878)	65,812,817
General Employees' Pension plan costs	22,964,220	4,093,444	5,362,411	1,842,050	1,760,181	36,022,306
Other post-employment benefits plan	4,178,059	744,752	975,625	335,139	320,243	6,553,818
Total deferred inflows of resources	64,536,282	22,184,650	21,666,290	2,974,173	(2,972,454)	108,388,941
Net position:						
Net investment in capital assets	40,687,687	52,479,011	94,241,840	(14,196,294)	(19,653,450)	153,558,794
Restricted	87,365,704	19,849,934	9,759,886	16,046,404	10,265,447	143,287,375
Unrestricted	92,121,233	3,284,670	(726,357)	9,822,670	(2,387,608)	102,114,608
Total net position	220,174,624	75,613,615	103,275,369	11,672,780	(11,775,611)	398,960,777
Total liabilities, deferred inflows of resources and net position	$ 1,784,439,422	$ 282,094,751	$ 396,869,999	$ 96,457,642	$ 52,247,874	$ 2,612,109,688

Gainesville Regional Utilities
Combining Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended September 30, 2021

	Electric	Water	Wastewater	Gas	GRUCom	Combined
Operating revenue:						
Sales and service charges	$ 286,844,593	$ 34,873,633	$ 40,462,982	$ 25,547,462	$ 11,511,692	$ 399,240,362
Transfers from (to) rate stabilization	(6,928,735)	(2,865,383)	192,749	(395,228)	2,336,255	(7,660,342)
Amounts to be recovered from						
future revenue	5,350,573	-	-	-	-	5,350,573
Other operating revenue	8,039,799	2,413,942	4,158,129	561,447	82,844	15,256,161
Total operating revenues	293,306,230	34,422,192	44,813,860	25,713,681	13,930,791	412,186,754
Operating expenses:						
Operation and maintenance	153,412,958	10,590,626	14,992,919	13,036,778	8,627,203	200,660,484
Administrative and general	18,792,756	4,319,856	4,094,817	2,582,462	546,800	30,336,691
Depreciation and amortization	67,244,947	11,079,549	14,180,970	4,255,196	3,594,802	100,355,464
Total operating expenses	239,450,661	25,990,031	33,268,706	19,874,436	12,768,805	331,352,639
Operating income	53,855,569	8,432,161	11,545,154	5,839,245	1,161,986	80,834,115
Non-operating income (expense):						
Interest income	624,038	170,214	147,151	109,042	43,051	1,093,496
Interest expense, net of AFUDC	(40,036,022)	(5,535,206)	(7,111,838)	(3,131,916)	(1,986,814)	(57,801,796)
Other interest related income, BABs	2,807,604	798,424	917,984	588,578	-	5,112,590
Other expense	(1,737,455)	(1,369,547)	(1,549,914)	(253,593)	(664,744)	(5,575,253)
Total non-operating expenses	(38,341,835)	(5,936,115)	(7,596,617)	(2,687,889)	(2,608,507)	(57,170,963)
Income before capital contributions and transfers	15,513,734	2,496,046	3,948,537	3,151,356	(1,446,521)	23,663,152
Capital contributions:						
Contributions from third parties	245,918	1,941,314	2,268,097	-	-	4,455,329
Reduction of plant cost recovered						
through contributions	(245,918)	-	-	-	-	(245,918)
Net capital contributions	-	1,941,314	2,268,097	-	-	4,209,411
Transfers from (to)						
Other systems	(519,296)	190,405	70,918	438,644	(180,671)	-
City of Gainesville General Fund	(22,415,868)	(5,356,071)	(6,860,672)	(2,465,554)	(1,186,835)	(38,285,000)
	(22,935,164)	(5,165,666)	(6,789,754)	(2,026,910)	(1,367,506)	(38,285,000)
Change in net position	(7,421,430)	(728,306)	(573,120)	1,124,446	(2,814,027)	(10,412,437)
Net position – beginning of year	227,596,054	76,341,921	103,848,489	10,548,334	(8,961,584)	409,373,214
Net position – end of year	$ 220,174,624	$ 75,613,615	$ 103,275,369	$ 11,672,780	$ (11,775,611)	$ 398,960,777

Gainesville Regional Utilities
Schedule of Utility Plant Properties – Combined Utility System

	Balance September 30, 2020	Additions	Sales, Retirements, and Transfers	Balance September 30, 2021
Plant in service				
Electric utility system:				
Production plant	$ 1,442,820,375	$ 12,375,528	$ 7,839,522	$ 1,447,356,381
Transmission and distribution plant	413,947,697	18,209,472	3,453,336	428,703,833
General and common plant	133,193,574	4,203,812	895,705	136,501,681
Total electric system	1,989,961,646	34,788,812	12,188,563	2,012,561,895
Water utility system:				
Supply, pumping, and treatment plant	88,224,088	3,718,404	2,029,533	89,912,959
Transmission and distribution plant	204,507,544	4,233,433	1,168,360	207,572,617
General plant	20,667,859	584,632	342,175	20,910,316
Total water system	313,399,491	8,536,469	3,540,068	318,395,892
Wastewater utility system:				
Pumping and treatment plant	145,505,095	6,276,633	1,547,521	150,234,207
Collection plant	208,230,537	11,306,758	1,375,685	218,161,610
Reclaimed water plant	36,500,147	4,318,427	3,614	40,814,960
General plant	26,121,727	1,124,279	271,619	26,974,387
Total wastewater system	416,357,506	23,026,097	3,198,439	436,185,164
Gas utility system:				
Distribution plant	84,607,350	1,853,782	1,291	86,459,841
General plant	15,488,066	651,834	59,012	16,080,888
Plant acquisition adjustment	4,650,636	-	-	4,650,636
Total gas system	104,746,052	2,505,616	60,303	107,191,365
Telecommunications system:				
Distribution plant	65,084,653	771,299	2,688,767	63,167,185
General plant	15,184,143	227,114	761,537	14,649,720
Total telecommunications system	80,268,796	998,413	3,450,304	77,816,905
Total plant in service	$ 2,904,733,491	$ 69,855,407	$ 22,437,677	$ 2,952,151,221
Construction in progress				
Electric system	$ 47,563,150	$ 55,481,315	$ 34,788,812	$ 68,255,653
Water system	16,441,823	15,073,086	8,586,235	22,928,674
Wastewater system	32,847,219	24,609,273	23,148,501	34,307,991
Gas system	4,392,764	4,349,753	2,505,616	6,236,901
Telecommunications system	1,533,891	279,233	998,413	814,711
Total construction in progress	$ 102,778,847	$ 99,792,660	$ 70,027,577	$ 132,543,930

Gainesville Regional Utilities
Schedule of Accumulated Depreciation and Amortization – Combined Utility System

	Balance September 30, 2020	Additions	Sales, Retirements, and Transfers	Balance September 30, 2021
Electric utility system:				
Production plant	$ 414,659,141	$ 45,093,015	$ 3,793,787	$ 455,958,369
Transmission and distribution plant	212,574,062	15,575,887	2,543,633	225,606,316
General and common plant	70,666,737	6,161,358	670,244	76,157,851
Total electric system	697,899,940	66,830,260	7,007,664	757,722,536
Water utility system:				
Supply, pumping, and treatment plant	34,854,575	4,068,584	1,271,494	37,651,665
Transmission and distribution plant	98,572,799	5,843,978	1,059,992	103,356,785
General plant	9,440,795	1,166,988	294,083	10,313,700
Total water system	142,868,169	11,079,550	2,625,569	151,322,150
Wastewater utility system:				
Pumping and treatment plant	73,102,643	4,935,509	659,481	77,378,671
Collection plant	95,185,728	6,621,812	1,114,202	100,693,338
Reclaimed water plant	6,937,202	1,000,008	1,995	7,935,215
General plant	12,961,914	1,623,641	255,502	14,330,053
Total wastewater system	188,187,487	14,180,970	2,031,180	200,337,277
Gas utility system:				
Distribution plant	49,392,353	3,350,869	263	52,742,959
General plant	6,717,603	904,327	55,733	7,566,197
Plant acquisition adjustment	4,646,571	-	-	4,646,571
Total gas system	60,756,527	4,255,196	55,996	64,955,727
Telecommunications system:				
Distribution plant	42,777,558	2,770,256	2,575,516	42,972,297
General plant	3,622,175	824,545	603,167	3,843,553
Total telecommunications system	46,399,733	3,594,801	3,178,683	46,815,850
Total depreciation and amortization	$ 1,136,111,856	$ 99,940,777	$ 14,899,092	$ 1,221,153,540

OTHER REPORT

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

To the Honorable Mayor and City Commission of
Gainesville Regional Utilities

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Gainesville Regional Utilities as of and for the year ended September 30, 2021, and have issued our report thereon dated March 25, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Gainesville Regional Utilities' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Gainesville Regional Utilities' internal control. Accordingly, we do not express an opinion on the effectiveness of Gainesville Regional Utilities' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal controls such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of Gainesville Regional Utilities are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Baker Tilly US, LLP

Madison, Wisconsin
March 25, 2022