

**FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT**

**GAINESVILLE REGIONAL UTILITIES  
GAINESVILLE, FLORIDA**

**SEPTEMBER 30, 2022 AND 2021**

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AND  
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**SEPTEMBER 30, 2022 AND 2021**

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## **INDEPENDENT AUDITORS' REPORT**

## Independent Auditors' Report

To the Honorable Mayor and City Commission of  
Gainesville Regional Utilities

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of the Gainesville Regional Utilities (enterprise fund) of the City of Gainesville (the City), as of and for the year ended September 30, 2022 and 2021, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the enterprise fund of the City as of September 30, 2022 and 2021, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Emphasis of Matter

As discussed in Note 1, the financial statements present only the enterprise fund and do not purport to, and do not, present fairly the financial position of the City as of September 30, 2022, and 2021, and the changes in financial position, or cash flows 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.

As discussed in Note 1, Gainesville Regional Utilities adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, effective October 1, 2021. Accordingly, the accounting changes have been retroactively applied to prior periods presented. Our opinion is not modified with respect to this matter.

## **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 the Gainesville Regional Utilities' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

## **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 is the responsibility of management and, 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 the 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 States 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 audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information listed in the table of contents is 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 supplementary 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 also issued our report dated March 24, 2023 on our consideration of the 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 the 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.



Madison, Wisconsin  
March 24, 2023

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## Management's Discussion and Analysis

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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.

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, 2022, 2021 and 2020. 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.



## Management's Discussion and Analysis

### Financial Analysis of Gainesville Regional Utilities

GRU's net position increased \$20.4 million, decreased \$10.1 million, and decreased \$14 million for fiscal years 2022, 2021 and 2020, 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

	2022	2021	2020
Current assets	\$ 174,246	\$ 122,004	\$ 123,646
Restricted assets	255,062	336,866	250,332
Noncurrent assets	296,135	229,818	171,459
Capital assets, net	1,854,172	1,864,091	1,871,400
Deferred outflows of resources	95,717	82,959	157,679
Total assets and deferred outflows of resources	\$ 2,675,332	\$ 2,635,738	\$ 2,574,516
Current liabilities	\$ 44,295	\$ 32,070	\$ 35,879
Payable from restricted assets	78,962	73,462	77,785
Long-term debt	1,802,756	1,890,102	1,852,750
Noncurrent liabilities	192,711	109,679	132,746
Deferred inflows of resources	137,011	131,191	65,983
Total liabilities and deferred inflows of resources	2,255,735	2,236,504	2,165,143
Net position:			
Net investment in capital assets	97,713	153,694	192,217
Restricted	82,648	143,286	84,031
Unrestricted	239,236	102,254	133,125
Total net position	419,597	399,234	409,373
Total liabilities, deferred inflows of resources and net position	\$ 2,675,332	\$ 2,635,738	\$ 2,574,516

## Management's Discussion and Analysis

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

	2022	Restated 2021	2020
Operating revenue	\$ 524,838	\$ 411,658	\$ 390,570
Interest income	2,697	1,899	3,039
Other income, BABs	5,012	5,113	5,155
Total revenues	532,547	418,670	398,764
Operating expenses	417,228	331,509	311,973
Interest expense, net of AFUDC (2021 only)	63,511	57,823	62,588
Other expense	4,563	5,402	7,583
Total expenses	485,302	394,734	382,144
Income before capital contributions and transfers	47,245	23,936	16,620
Capital contributions, net	9,401	4,210	7,639
Transfer to City of Gainesville General Fund	(36,283)	(38,285)	(38,285)
Change in net position	20,363	(10,139)	(14,026)
Net position, beginning of year	399,234	409,373	423,399
Net position, end of year, restated	\$ 419,597	\$ 399,234	\$ 409,373

#### Financial Highlights

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

- Gross utility plant in service increased \$106.1 million, or 3.6% in fiscal year 2022 due primarily to the completion of electric, water and wastewater capital projects. Gross utility plant 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. See Capital Assets within this Management's Discussion and Analysis section, and Note 4 Capital Assets.

## Management's Discussion and Analysis

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### Financial Highlights (Continued)

- Long-term debt, including current portion, decreased \$1.7 million, or .1%, in fiscal year 2022, due to a refunding of the 2007A and 2012A Bond series. 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. 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 \$28.4 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 \$89.6 million or 22.5%, increased \$29.1 million or 7.9%, and decreased \$14.6 million or 3.8%, in fiscal years 2022, 2021, and 2020, respectively. The increase in sales and service charges in fiscal year 2022 is primarily the result of an increase in electric and wastewater base rates, in addition to an increase in fuel adjustment revenue. 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.
- Operating expenses increased \$85.7 million or 25.9%, increased \$19.4 million or 6.2%, and decreased \$17.9 million or 5.4%, in fiscal years 2022, 2021, and 2020, respectively. The increase in fiscal year 2022 is due to higher natural gas costs and higher maintenance and supply costs than the prior year. 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 as a result 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.

## Management's Discussion and Analysis

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### Financial Highlights (Concluded)

- The transfer from rate stabilization was \$12.3 million in fiscal year 2022. Transfers to rate stabilization were \$7.7 million in fiscal year 2021, and transfers to rate stabilization were \$4.6 million in fiscal year 2020.
- The number of customers for electric service increased 0.8%, water services increased 0.6%, wastewater services increased 0.7%, and gas services increased 0.9% in fiscal year 2022. 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.
- For fiscal year 2023, GRU implemented increases in the revenue requirement of 3% for the electric system and 5% for the wastewater system. 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.

### Capital Assets

GRU's investment in capital assets as of September 30, 2022 was \$1.9 billion, (net of accumulated depreciation and amortization). The decrease in net capital assets for fiscal year 2022 was 0.5%. The decrease in net capital assets for fiscal year 2021 was 0.4%, and in fiscal year 2020, the decrease in net capital assets was 0.8%.

The following table summarizes GRU's capital assets, net of accumulated depreciation and amortization, for the years ended September 30, 2022, 2021, and 2020 (in thousands):

#### Gainesville Regional Utilities Capital Assets (net of accumulated depreciation)

	2022	2021	2020
Generation	\$ 982,599	\$ 991,398	\$ 1,028,161
Transmission, distribution, and collection	523,456	511,577	507,442
Treatment	132,852	125,117	125,773
General plant	108,353	103,455	107,245
Construction work in progress	106,912	132,544	102,779
Total net utility plant	\$ 1,854,172	\$ 1,864,091	\$ 1,871,400

## Management's Discussion and Analysis

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### Capital Assets (Concluded)

Major capital asset events during the fiscal years include:

- Electric transmission and distribution additions were \$14.2 million in fiscal year 2022, \$17.8 million in fiscal year 2021, and \$20 million in fiscal year 2020.
- Electric generation capital additions were \$39.3 million for fiscal year 2022. These additions included \$9.1 million for the John R Kelly Generating Station (JRK) and \$3.9 million for the Customer Information System (CIS).
- Water capital additions were \$24.1 million in fiscal year 2022 with \$7.4 million for supply, pumping, and treatment facilities, \$13.3 million for transmission and distribution and \$2.7 million for CIS.
- Wastewater capital additions were \$35.7 million in fiscal year 2022. This included \$13.1 million on treatment plant improvements, \$17 million in collection improvements and \$2.5 million for CIS.
- Gas distribution additions were \$6.4 million in fiscal year 2022, \$3.6 million in fiscal year 2021 and \$4 million in fiscal year 2020. Fiscal year 2022 expansion included \$1.7 million in gas distribution mains and \$1.2 million for CIS.
- Telecommunications additions for fiber and electronics expansion were \$884 thousand in fiscal year 2022.

Additional information may be found in Note 4 Capital Assets.

## Management’s Discussion and Analysis

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### Long-Term Debt

At September 30, 2022, 2021, and 2020, 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:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Utilities system revenue bonds	\$ 1,731,945	\$ 1,733,640	\$ 1,664,970

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

- In July 2022, GRU issued its Utilities System Revenue Bonds, 2022 Series A for \$66.8 million, which refunded the 2012 series A bond of \$66.1 million
- In April 2022, GRU issued its Utilities System Revenue Bonds, 2022 Series B for \$234 million. The issuance refunded the 2007 Series A bond of \$127.8 million and the 2008 Series B bond of \$75.8. Additionally the issuance terminated \$132.2 million of the 2007 Series A swaps and \$90 million of the 2008 Series B swaps.
- 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.
- 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.

## Management's Discussion and Analysis

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- 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 for the purpose of reducing 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 2031. 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, 2022 and 2021

	2022	Restated 2021
<b>Assets</b>		
Current assets:		
Cash and investments	\$ 31,631,268	\$ 26,825,704
Accounts receivable, net of allowance for uncollectible accounts of \$389,896 and \$678,946 respectively	68,470,000	59,338,632
Inventories:		
Fuel	10,677,823	7,416,127
Materials and supplies	25,520,558	13,734,798
Fuel and purchased gas adjustment	23,819,978	12,676,092
Other assets and regulatory assets	14,126,384	2,012,069
Total current assets	<u>174,246,011</u>	<u>122,003,422</u>
Restricted and internally designated assets:		
Utility deposits - cash and investments	8,672,380	8,411,696
Debt service - cash and investments	62,341,825	58,412,082
Debt defeasance - cash and investments	2,328,792	7,407,309
Fuel hedges - cash and investments	5,607,292	17,505
Rate stabilization - cash and investments	54,600,333	70,590,438
Construction fund - cash and investments	71,453,916	125,707,236
Utility plant improvement fund - cash and investments	50,057,490	66,319,739
Total restricted and internally designated assets	<u>255,062,028</u>	<u>336,866,005</u>
Noncurrent assets:		
Net costs recoverable in future years - regulatory asset	47,300,698	41,992,626
Long-term lease receivable	20,180,491	21,474,844
Unamortized debt issuance costs - regulatory asset	9,570,252	10,016,680
SWAP termination fees - regulatory asset	29,344,155	-
Fair value of derivative instruments - asset	53,138,355	-
Investment in The Energy Authority	8,502,381	4,083,312
Pollution remediation - regulatory asset	6,415,066	7,599,827
Other noncurrent assets and regulatory assets	13,005,730	4,448,965
Pension regulatory asset	108,677,592	93,896,851
Net pension asset - restricted	-	42,996,046
Net other post-employment benefits asset - restricted	-	3,308,962
Total noncurrent assets	<u>296,134,720</u>	<u>229,818,113</u>
Capital assets:		
Utility plant in service	3,058,228,442	2,952,151,221
Right-of-use asset	758,738	705,862
Less: accumulated depreciation and amortization	(1,311,727,244)	(1,221,309,802)
	<u>1,747,259,936</u>	<u>1,731,547,281</u>
Construction in progress	106,912,358	132,543,930
Net capital assets	<u>1,854,172,294</u>	<u>1,864,091,211</u>
Total assets	<u>2,579,615,053</u>	<u>2,552,778,751</u>
<b>Deferred outflows of resources:</b>		
Unamortized loss on refunding of bonds	7,901,144	9,854,061
Accumulated decrease in fair value of hedging derivatives	2,886,107	67,932,403
General Employees' Pension plan costs	77,722,261	4,297,375
Other post-employment benefits plan	7,207,036	875,006
Total deferred outflows of resources	<u>95,716,548</u>	<u>82,958,845</u>
<b>Total assets and deferred outflows of resources</b>	<u>\$ 2,675,331,601</u>	<u>\$ 2,635,737,596</u>

Continued on next page.  
See accompanying notes.

Gainesville Regional Utilities  
Statements of Net Position (concluded)  
September 30, 2022 and 2021

	2022	Restated 2021
<b>Liabilities</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 18,097,858	\$ 15,407,511
Fuels payable	18,111,968	9,214,700
Due to other funds	7,359,758	6,112,846
Other liabilities and regulatory liabilities	725,838	1,335,235
Total current liabilities	44,295,422	32,070,292
Payable from restricted assets:		
Utility deposits	8,667,130	8,406,491
Accounts payable and accrued liabilities	8,893,887	6,823,415
Utility system revenue bonds – current portion	30,580,000	25,685,000
Accrued interest payable	30,810,576	32,518,894
Other liabilities and regulatory liabilities	10,136	28,609
Total payable from restricted assets	78,961,729	73,462,409
Long-term debt:		
Utility system revenue bonds	1,701,365,000	1,707,955,000
Long-term liability - leases	357,168	414,712
Unamortized bond premium/discount	101,033,480	112,666,439
Fair value of derivative instruments	–	69,065,664
Total long-term debt	1,802,755,648	1,890,101,815
Noncurrent liabilities:		
Reserve for insurance claims	1,960,000	3,337,000
Reserve for environmental liability	708,000	708,000
Net pension liability	80,909,530	–
Net other post-employment benefits liability	4,193,523	–
Due to other funds	102,159,843	102,186,631
Other noncurrent liabilities and regulatory liabilities	2,779,764	3,447,466
Total noncurrent liabilities	192,710,660	109,679,097
Total liabilities	2,118,723,459	2,105,313,613
<b>Deferred inflows of resources:</b>		
Rate stabilization	53,535,830	65,812,817
Accumulated increase in fair value of hedging derivatives	56,301,376	–
General Employees' Pension plan costs	45,300	36,022,306
Other post-employment benefits plan	5,755,669	6,553,818
Leases	21,373,099	22,801,475
Total deferred inflows of resources	137,011,274	131,190,416
<b>Net position</b>		
Net investment in capital assets	97,712,885	153,693,681
Restricted	82,648,356	143,286,240
Unrestricted	239,235,627	102,253,646
Total net position	419,596,868	399,233,567
<b>Total liabilities, deferred inflows of resources and net position</b>	<b>\$ 2,675,331,601</b>	<b>\$ 2,635,737,596</b>

See accompanying notes.

**Gainesville Regional Utilities**  
**Statements of Revenues, Expenses, and Changes in Net Position**  
**For the Years Ended September 30, 2022 and 2021**

	<b>2022</b>	Restated 2021
Operating revenue:		
Sales and service charges	\$ 488,284,460	\$ 398,711,373
Transfers from (to) rate stabilization	12,276,987	(7,660,342)
Amounts to be recovered from future revenue	5,308,072	5,350,573
Other operating revenue	18,968,070	15,256,161
Total operating revenues	<b>524,837,589</b>	411,657,765
Operating expenses:		
Operation and maintenance	278,191,870	200,660,484
Administrative and general	35,350,622	30,336,691
Depreciation and amortization	103,685,541	100,511,726
Total operating expenses	<b>417,228,033</b>	331,508,901
Operating income	<b>107,609,556</b>	80,148,864
Non-operating income (expense):		
Interest income	2,696,956	1,899,317
Interest expense, net of AFUDC (2021 Only)	(63,510,409)	(57,822,991)
Other interest related income, BABs	5,012,110	5,112,590
Other income (expense)	(4,563,257)	(5,401,838)
Total non-operating income (expense)	<b>(60,364,600)</b>	(56,212,922)
Income before capital contributions and transfer	<b>47,244,956</b>	23,935,942
Capital contributions:		
Contributions from third parties	9,441,273	4,455,329
Reduction of plant costs recovered through contributions	(39,928)	(245,918)
Net capital contributions	<b>9,401,345</b>	4,209,411
Transfer to City of Gainesville General Fund	<b>(36,283,000)</b>	(38,285,000)
Change in net position	<b>20,363,301</b>	(10,139,647)
Net position – beginning of year	<b>399,233,567</b>	409,373,214
Net position – end of year	<b>\$ 419,596,868</b>	\$ 399,233,567

*See accompanying notes.*

**Gainesville Regional Utilities**  
**Statements of Cash Flows**  
For the Years Ended September 30, 2022 and 2021

	<b>2022</b>	Restated 2021
Operating activities:		
Cash received from customers	\$ 476,466,430	\$ 394,209,601
Cash payments to suppliers for goods and services	(253,574,387)	(130,747,429)
Cash payments to employees for services	(69,001,670)	(68,220,690)
Cash payments for operating transactions with other funds	(10,945,283)	(22,929,883)
Other operating receipts	19,035,756	7,756,804
Net cash provided by operating activities	<b>161,980,846</b>	180,068,403
Noncapital financing activities:		
Transfer to City of Gainesville General Fund	(36,283,000)	(38,285,000)
Net cash used in noncapital financing activities	<b>(36,283,000)</b>	(38,285,000)
Capital and related financing activities:		
Principal repayments and refunding on long-term debt, net	(66,466,667)	(27,090,000)
Interest paid on long-term debt	(71,061,082)	(65,091,559)
Proceeds from interest rebates, BABs	7,555,768	5,146,566
Acquisition and construction of fixed assets (including allowance for funds used during construction)	(92,467,260)	(98,797,488)
Proceeds from new debt and commercial paper	30,027,346	125,000,000
Other income (expense)	156,148	(1,674,666)
Net cash used in capital and related financing activities	<b>(192,255,747)</b>	(62,507,147)
Investing activities:		
Interest received	2,630,503	1,555,373
Purchase of investments	(242,980,435)	(358,116,511)
Investments in The Energy Authority	(41,680,346)	(18,309,120)
Distributions from The Energy Authority	37,261,277	17,184,492
Proceeds from investments	258,437,093	325,867,039
Net cash (used) provided by investing activities	<b>13,668,092</b>	(31,818,727)
Net change in cash and cash equivalents	<b>(52,889,809)</b>	47,457,528
Cash and cash equivalents, beginning of year	<b>125,971,622</b>	78,514,094
Cash and cash equivalents, end of year	<b>\$ 73,081,813</b>	\$ 125,971,622

*Continued on next page.*  
*See accompanying notes.*

Gainesville Regional Utilities  
Statements of Cash Flows (concluded)  
For the Years Ended September 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 107,609,556	\$ 80,148,864
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	103,685,541	100,511,726
Net costs recoverable in future years	(5,308,072)	(5,350,573)
Change in:		
Accounts receivable	(9,131,368)	(932,507)
Inventories	(15,047,456)	8,434,633
Utility meter deposits	250,364	(67,963)
Other assets and regulatory assets	(8,675,000)	(4,341)
Restricted and internally designated assets	4,653,690	7,640,075
Noncurrent assets	1,184,761	1,340,542
Payables and accrued liabilities	11,587,615	3,387,119
Due to other funds	1,314,598	487,126
Fuel adjustment	(11,143,886)	(20,438,484)
Payable from restricted assets	2,070,472	(2,748,156)
Rate stabilization	(21,069,969)	7,660,342
Net cash provided by operating activities	<u>\$ 161,980,846</u>	<u>\$ 180,068,403</u>
Non-cash capital and related financing activities, and investing activities:		
Contribution of capital assets	<u>\$ 9,401,345</u>	<u>\$ 4,209,411</u>
Net costs recoverable in future years	<u>\$ (5,308,072)</u>	<u>\$ (5,350,573)</u>
Change in long-term lease receivable	<u>\$ 1,294,353</u>	<u>\$ 1,326,631</u>
Change in long-term lease liability	<u>\$ (1,477,850)</u>	<u>\$ (1,269,633)</u>
Change in utility plant in service	<u>\$ 328,939</u>	<u>\$ 3,564,217</u>
Change in ineffective portion of hedging derivatives	<u>\$ 856,347</u>	<u>\$ 1,068,758</u>
Change in accumulated (increase) decrease in fair value of hedging derivatives - interest rate swaps	<u>\$ 65,046,296</u>	<u>\$ 52,869,862</u>
Change in accumulated decrease in fair value of hedging derivatives - fuel options and futures	<u>\$ 56,301,376</u>	<u>\$ -</u>
Change in fair value of investments	<u>\$ (18,010,224)</u>	<u>\$ 715,610</u>
Change in fair value of derivatives	<u>\$ (122,204,019)</u>	<u>\$ (53,938,620)</u>
Change in bond premium/discount	<u>\$ (11,632,960)</u>	<u>\$ 20,800,785</u>
Unamortized debt issuance costs	<u>\$ 446,428</u>	<u>\$ (412,585)</u>
Unamortized loss on refundings of bonds	<u>\$ 1,156,930</u>	<u>\$ 1,404,239</u>
Change in General Employees Pension Plan	<u>\$ (303,845)</u>	<u>\$ (461,710)</u>
Other	<u>\$ 1,863,107</u>	<u>\$ (1,123,953)</u>

See accompanying notes.

Gainesville Regional Utilities  
Notes to Financial Statements  
September 30, 2022 and 2021

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**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 the 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.

Gainesville Regional Utilities  
Notes to Financial Statements  
September 30, 2022 and 2021

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**1. Summary of Significant Accounting Policies (continued)**

**Current 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 has implemented this guidance in the financial statements effective October 1, 2021. Prior year balances were restated to include the impact of the standard. See Note 10, Leases for additional information.

*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 costs 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 costs 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 has implemented this guidance in the Statement of Revenues, Expenses and Changes in Net Position effective October 1, 2021. This change was applied prospectively.

*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 obligation, and improving required note disclosures. Implementation of this guidance did not have any significant impact on GRU's financial statements.

Gainesville Regional Utilities  
Notes to Financial Statements  
September 30, 2022 and 2021

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**1. Summary of Significant Accounting Policies (continued)**

**Current 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 the 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 post-employment 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 post-employment benefits
- The applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to post-employment 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

Implementation of this guidance did not have any significant impact on GRU's financial statements.

GASB Statement No. 93, *Replacement of Interbank Offered Rates* - The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an Interbank Offered Rates (IBOR). This Statement achieves that objective by:

- Providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment
- Clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate



Gainesville Regional Utilities  
Notes to Financial Statements  
September 30, 2022 and 2021

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**1. Summary of Significant Accounting Policies (continued)**

**Current GASB Pronouncement Implementations (continued)**

- Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable
- Identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap
- Clarifying the definition of *reference rate*, as it is used in Statement 53, as amended

Providing an exception to the lease modifications guidance in Statement 87, as amended, lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend. Implementation of this guidance did not have any significant impact on GRU's 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. Implementation of this guidance did not have any significant impact on GRU's financial statements.

GASB Statement 98, *The Annual Comprehensive Financial Report* – This Statement establishes the term *annual comprehensive financial report* and its acronym *ACFR*. The new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. This Statement was developed in response to concerns raised by stakeholders that the common pronunciation of the acronym for comprehensive annual financial report sounds like a profoundly objectionable racial slur. This Statement's introduction of the new term is founded on a commitment to promoting inclusiveness. Implementation of this guidance did not have any significant impact on GRU's financial statements.

GASB Statement No. 99, *Omnibus 2022* - The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during the implementation

Gainesville Regional Utilities  
Notes to Financial Statements  
September 30, 2022 and 2021

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**1. Summary of Significant Accounting Policies (continued)**

**Current GASB Pronouncement Implementations (concluded)**

and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The practice issues addressed by this Statement are as follows:

- Extension of the period during which the London Interbank Offered Rate (LIBOR) is considered an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap that hedges the interest rate risk of taxable debt
- Accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP)
- Disclosures related to nonmonetary transactions
- Pledges of future revenues when resources are not received by the pledging government
- Clarification of provisions in Statement No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*, as amended, related to the focus of the government-wide financial statements
- Terminology updates related to certain provisions of Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position
- Terminology used in Statement 53 to refer to resource flows statements.

Implementation of this guidance did not have any significant impact on GRU’s financial statements.

**Future GASB Pronouncement Implementations**

GASB Statement No. 93, *Replacement of Interbank Offered Rates* - The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an Interbank Offered Rates (IBOR). This Statement achieves that objective by:

- Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap

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

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),

Gainesville Regional Utilities  
Notes to Financial Statements  
September 30, 2022 and 2021

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**1. Summary of Significant Accounting Policies (continued)**

**Future GASB Pronouncement Implementations (continued)**

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 No. 99, *Omnibus 2022* - The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during the implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The practice issues addressed by this Statement are as follows:

- Classification and reporting of derivative instruments within the scope of Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, that do not meet the definition of either an investment derivative instrument or a hedging derivative instrument
- Clarification of provisions in Statement No. 87, *Leases*, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition, and measurement of a lease liability and a lease asset, and identification of lease incentives
- Clarification of provisions in Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset

Gainesville Regional Utilities  
Notes to Financial Statements  
September 30, 2022 and 2021

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**1. Summary of Significant Accounting Policies (continued)**

**Future GASB Pronouncement Implementations (concluded)**

- Clarification of provisions in Statement No. 96, *Subscription-Based Information Technology Arrangements*, related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability

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

GASB Statement 100, *Accounting Changes and Error Corrections* - The primary objectives of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error correction. This statement (1) defines accounting changes, (2) prescribes the accounting and financial reporting for each type of accounting change and error corrections, (3) addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplementary information and supplementary information, and (4) requires descriptive note disclosures about accounting changes and error corrections. GRU is currently evaluating the impact that adoption of this Statement will have on its financial statements.

GASB Statement 101, *Compensated Absences* – The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. This statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or noncash means, with an exception of certain types of compensated absences such as, parental leave, military leave, and jury duty, that should not be recognized until the leave is used. This Statement establishes guidance for measuring a liability for leave that has not been used, for leave that has been used but not yet paid or settled, and certain salary-related payments that are directly and incrementally associated with payments for leave. GRU is currently evaluating the impact that adoption of this Statement will have on its financial statements.

**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.

Gainesville Regional Utilities  
Notes to Financial Statements  
September 30, 2022 and 2021

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**1. Summary of Significant Accounting Policies (continued)**

**Funds in Accordance with the Resolution**

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

- Debt Service 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 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.

**Additional Restricted Funds**

The Utility Deposit Fund accounts for funds accumulated for customer deposits, which are returned to customers whose payment history remains in good standing with the utility after an established length of time.

**Internally Designated Funds**

Certain funds at GRU are considered internally designated outside of the Resolution:

- Fuel Hedging brokerage account
- Debt Defeasance Fund

The Fuel Hedging brokerage account are funds sent to an account to purchase fuel options and futures as a financial transaction to offset increasing natural gas costs.

The Debt Defeasance Fund accounts for funds earned through savings from debt restructurings approved by the City Commission to use to defease future debt early.

Gainesville Regional Utilities  
Notes to Financial Statements  
September 30, 2022 and 2021

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**1. Summary of Significant Accounting Policies (continued)**

**Reclassifications**

Certain 2021 amounts have been reclassified to conform to the 2022 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.

**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, 2022 and 2021, that amount was \$5.3 million.

**Capital Assets and Depreciation**

Capital assets are recorded at historical cost and include utility plant, general plant assets, and right-to-use lease assets. The costs of capital assets include material, labor, vehicle and equipment usage, related overhead items, capitalized interest (2021 only) 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

Gainesville Regional Utilities  
Notes to Financial Statements  
September 30, 2022 and 2021

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**1. Summary of Significant Accounting Policies (continued)**

**Capital Assets and Depreciation (concluded)**

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 3.26% and 3.41% for the years ending September 30, 2022 and 2021, respectively. Lease assets are typically amortized over the lease term.

**Leases**

GRU enters into leases of capital assets with other entities as a lessor in accordance with GASB Statement No. 87 *Leases*, and records a lease receivable and corresponding deferred inflow of resources in the Statement of Net Position for fiscal years 2022 and 2021. GRU continues to report and depreciate the capital assets being leased. See Note 10 Leases for additional information.

GRU enters into leases of capital assets of other entities as a lessee in accordance with GASB Statement No. 87 *Leases*, and records a lease liability and an intangible right-to-use capital asset (known as the lease asset) in the Statement of Net Position for fiscal years 2022 and 2021. See Note 10 Leases for additional information.

**Allowance for Funds Used During Construction (AFUDC)**

In accordance with GASB Statement No. 89 *Accounting for Interest Cost Incurred before the End of a Construction Period*, GRU stopped accruing AFUDC in fiscal year 2022. In fiscal year 2021, the allowance for interest on borrowed funds used during construction was \$1.4 million. This amount was 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 3.8% for fiscal year 2021.

**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*.

Gainesville Regional Utilities  
Notes to Financial Statements  
September 30, 2022 and 2021

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**1. Summary of Significant Accounting Policies (continued)**

**Contributions in Aid of Construction (concluded)**

GRU recognizes capital contributions to the water, wastewater, and telecommunications 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. The General Manager approves all purchases of futures and options.

**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.



Gainesville Regional Utilities  
Notes to Financial Statements  
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**1. Summary of Significant Accounting Policies (continued)**

**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.

*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.

Gainesville Regional Utilities  
Notes to Financial Statements  
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**1. Summary of Significant Accounting Policies (continued)**

**Deferred Outflows of Resources (concluded)**

*General Employees' Pension Plan Costs*

Recognition of deferred outflows of resources related to pension costs totaled \$77.7 million and \$4.3 million as of September 30, 2022 and 2021, 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 was \$7.2 million and \$875,000 as of September 30, 2022 and 2021, 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 the 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 transfers of \$12.3 million from and additions of \$7.7 million to rate stabilization for the years ended September 30, 2022 and 2021, 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 \$45,300 and \$36 million as of September 30, 2022 and 2021, respectively. See Note 13 Retirement Plans for additional information.

*Other Post-employment Benefit Plan*

Recognition of deferred inflows of resources related to unrealized gains for the OPEB plan was \$5.8 million and \$6.6 million as of September 30, 2022 and 2021, respectively. See Note 14 Other Post-employment Benefits Plan for additional information.

*Leases*

Recognition of deferred inflows of resources related to future lease revenues for tower leasing was \$21.4 million for September 30, 2022 and \$22.8 million for September 30, 2021. See Note 10 Leases for additional information.

Gainesville Regional Utilities  
Notes to Financial Statements  
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**1. Summary of Significant Accounting Policies (continued)**

**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, or 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 they are 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 the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenue 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 \$19.8 million and \$14.9 million at September 30, 2022 and 2021, respectively.

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.

Gainesville Regional Utilities  
Notes to Financial Statements  
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**1. Summary of Significant Accounting Policies (continued)**

**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 Variable Rate Subordinated Revolving Lines of Credit 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.
- Non-metered and metered service charges – GRU receives payment from the City for all non-metered 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 the City of Gainesville General Fund for additional information.

Gainesville Regional Utilities  
Notes to Financial Statements  
September 30, 2022 and 2021

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**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 being 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, 2022, GRU had the following investments and maturities (in thousands):

	Fair Value	Maturities in Years		
		Less than 1	1-5	Over 5
<b>Investment type:</b>				
Commercial paper	\$ 99,664	\$ 99,664	\$ -	\$ -
Corporate bonds	30,929	6,614	24,315	-
U.S. agencies	74,801	24,183	50,618	-
U.S. treasuries	8,217	2,998	5,219	-
<b>Total</b>	<b>\$ 213,611</b>	<b>\$ 133,459</b>	<b>\$ 80,152</b>	<b>\$ -</b>

Gainesville Regional Utilities  
Notes to Financial Statements  
September 30, 2022 and 2021

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**2. Deposits and Investments (continued)**

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

	Fair Value	Maturities in Years		
		Less than 1	1-5	Over 5
<b>Investment type:</b>				
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	-
<b>Total</b>	<b>\$ 237,720</b>	<b>\$ 145,157</b>	<b>\$ 92,563</b>	<b>\$ -</b>

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

	2022	2021
Restricted assets and internally designated	\$ 255,062	\$ 336,866
Current assets:		
Cash and investments	31,631	26,826
Total cash and investments	286,693	363,692
Less cash and cash equivalents	(73,082)	(125,972)
<b>Total investments</b>	<b>\$ 213,611</b>	<b>\$ 237,720</b>

**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.

Gainesville Regional Utilities  
Notes to Financial Statements  
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**2. Deposits and Investments (concluded)**

**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.

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

	2022			2021		
	S&P	Moody's	Fitch	S&P	Moody's	Fitch
Commercial Paper	A-1	N/A or P-1	N/A, F1, or F1+	A-1	P-1	NR or F1
Corporate Indebt.	A- or better	A3 or better	N/A, A or better	A or better	A3 or better	NR, A or better
FFCB	AA+	NR or Aaa	NR, N/A, AA- or better	AA+	Aaa	NR or AAA
FHLMC	A-1+, NR, AA+	P-1 or Aaa	F1+, N/A, or AAA	NR	Aaa	NR or AAA
FHLB	AA+	Aaa	NR	AA+	Aaa	NR

**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 an over concentration of assets. As of September 30, GRU had more than 5% of the investment portfolio invested with the following issuers:

	<b>Percent of Total Investments</b>	
	<b>2022</b>	<b>2021</b>
Federal Home Loan Mortgage Corporation	<b>5.97%</b>	0.00%
Federal Farm Credit Bank	<b>10.92%</b>	10.49%
Federal Home Loan Bank	<b>18.13%</b>	12.95%

Gainesville Regional Utilities  
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**3. Investment in The Energy Authority**

GRU has an equity investment in The Energy Authority (TEA), an energy marketing corporation comprised of seven municipal utilities as of September 30, 2022: 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 \$13.9 million and \$3.6 million and purchases from TEA were \$7 million and \$8.8 million for the years ended September 30, 2022 and 2021, respectively. GRU's equity interest was 5.9% for fiscal years 2022 and 2021, and accounted for using the equity method of accounting. As of September 30, 2022 and 2021, GRU's investment in TEA was \$8.5 million and \$4.1 million, respectively.

Through a combination of agreements, GRU guaranteed credit received by TEA for \$37.9 million and \$20 million as of September 30, 2022 and 2021, 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, 2022 and 2021, GRU had not recorded a liability related to these guarantees.



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**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):

	<u>2022</u>	<u>2021</u>
Condensed statement of operations:		
Total revenue	<b>\$ 3,912,598</b>	\$ 2,086,069
Total cost of sales and expense	<b>(3,638,084)</b>	(1,958,481)
Operating income	<b>274,514</b>	127,588
Nonoperating income (expense)	<b>506</b>	22
Change in net position	<b>275,020</b>	127,610
Net position, beginning of period	<b>123,866</b>	49,512
Capital contributions	<b>85</b>	(6)
Member distributions	<b>(254,430)</b>	(107,700)
Net position, end of period	<b><u>\$ 144,541</u></b>	<b><u>\$ 69,416</u></b>
Condensed balance sheet:		
Assets:		
Current assets	<b>\$ 699,272</b>	\$ 329,376
Noncurrent assets and deferred outflows	<b>68,677</b>	63,331
Total assets and deferred outflows	<b><u>767,949</u></b>	<b><u>392,707</u></b>
Liabilities:		
Current liabilities	<b>589,538</b>	291,886
Noncurrent liabilities and deferred inflows	<b>33,870</b>	31,405
Total liabilities and deferred inflows	<b>623,408</b>	323,291
Total net position	<b>144,541</b>	69,416
Total liabilities, deferred inflows and net position	<b><u>\$ 767,949</u></b>	<b><u>\$ 392,707</u></b>

GRU's accounts receivable due from TEA totaled approximately \$2.5 million and \$772,500, for the years ended September 30, 2022 and 2021, respectively.

**Gainesville Regional Utilities**  
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**4. Capital Assets**

A summary of capital assets, changes in accumulated depreciation and amortization, and average depreciation rates for the years ended September 30, 2022 and 2021, follows (in thousands):

	Utility Plant in Service					
	Treatment	Generation	Transmission, Distribution, and Collection	General	Construction in Progress	Combined
Balance, October 1, 2021	\$ 240,148	\$ 1,447,356	\$ 1,049,530	\$ 215,823	\$ 132,544	\$ 3,085,401
Additions	20,488	39,257	51,865	15,553	101,463	228,626
Right-of-use asset	-	-	-	53	-	53
Less sales, retirements, and transfers	(3,112)	(5,687)	(12,238)	(49)	(127,095)	(148,181)
Balance, September 30, 2022	<u>\$ 257,524</u>	<u>\$ 1,480,926</u>	<u>\$ 1,089,157</u>	<u>\$ 231,380</u>	<u>\$ 106,912</u>	<u>\$ 3,165,899</u>
Accumulated depreciation, October 1, 2021	\$ 115,030	\$ 455,958	\$ 537,953	\$ 112,368	n/a	\$ 1,221,309
Depreciation expense	11,705	45,077	35,951	10,599	n/a	103,332
Right-of-use asset	-	-	-	108	n/a	108
Less retirements/ adjustments	(2,064)	(2,708)	(8,202)	(48)	n/a	(13,022)
Accumulated depreciation, September 30, 2022	<u>\$ 124,671</u>	<u>\$ 498,327</u>	<u>\$ 565,702</u>	<u>\$ 123,027</u>	<u>\$ -</u>	<u>\$ 1,311,727</u>
Net capital assets	<u>\$ 132,853</u>	<u>\$ 982,599</u>	<u>\$ 523,455</u>	<u>\$ 108,353</u>	<u>\$ 106,912</u>	<u>\$ 1,854,172</u>
Average depreciation rate	<u>4.55%</u>	<u>3.04%</u>	<u>3.30%</u>	<u>4.58%</u>	<u>n/a</u>	<u>3.26%</u>

	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
Right-of-use asset	-	-	-	706	-	706
Less sales, retirements, and transfers	(3,577)	(7,840)	(8,691)	(2,330)	(70,028)	(92,466)
Balance, September 30, 2021	<u>\$ 240,148</u>	<u>\$ 1,447,356</u>	<u>\$ 1,049,530</u>	<u>\$ 215,823</u>	<u>\$ 132,544</u>	<u>\$ 3,085,401</u>
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
Right-of-use asset	-	-	-	156	n/a	156
Less retirements/ adjustments	(1,931)	(3,794)	(7,296)	(1,879)	n/a	(14,900)
Accumulated depreciation, September 30, 2021	<u>\$ 115,030</u>	<u>\$ 455,958</u>	<u>\$ 537,953</u>	<u>\$ 112,368</u>	<u>n/a</u>	<u>\$ 1,221,309</u>
Net capital assets	<u>\$ 125,118</u>	<u>\$ 991,398</u>	<u>\$ 511,577</u>	<u>\$ 103,455</u>	<u>\$ 132,544</u>	<u>\$ 1,864,092</u>
Average depreciation rate	<u>3.80%</u>	<u>3.12%</u>	<u>3.40%</u>	<u>5.02%</u>	<u>n/a</u>	<u>3.41%</u>

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**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, 2022 (in thousands):

	<b>Fuel Adjustment</b>	<b>Purchased Gas Adjustment</b>	<b>Total</b>
Revenues	\$ 144,197	\$ 14,572	\$ 158,769
Expenses	(154,038)	(15,875)	(169,913)
To (From) Levelization Fund	<u>\$ (9,841)</u>	<u>\$ (1,303)</u>	<u>\$ (11,144)</u>
Levelization Fund Beginning Balance	\$ (11,277)	\$ (1,399)	\$ (12,676)
To (From) Levelization Fund	(9,841)	(1,303)	(11,144)
Levelization Fund Ending Balance	<u>\$ (21,118)</u>	<u>\$ (2,702)</u>	<u>\$ (23,820)</u>

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):

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

Gainesville Regional Utilities  
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**6. Long-Term Debt**

**\$55,135,000 Utilities System Revenue Bonds, 2005 Series C** – Variable interest rates based on market rates, 2.95% at September 30, 2022, 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. A Stand-by Bond Purchase Agreement (SBPA) with Barclays Bank PLC on May 20, 2020, provided an initial fee of .38% but has increased to .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, 2022, 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, 2.75% at September 30, 2022, 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. A Stand-by Bond Purchase Agreement (SBPA) with Barclays Bank PLC on May 20, 2020, provided an initial fee of .38% but has increased to .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, 2022, the related debt outstanding is \$2,985,000.

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**6. Long-Term Debt (continued)**

**\$139,505,000 Utilities System Revenue Bonds, 2007 Series A** – Variable interest rates bonds dated July 6, 2006, with final maturity on 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, it was \$186,562,400, a reduction of \$9,378,700. On April 29, 2022, the outstanding balance of \$127,750,000 was fully redeemed by the issuance of the 2022 Series B Bonds. The redemption of the 2007 Series A Bonds reduced the portfolio risk by reducing the variable debt allocation and increasing the fixed debt allocation. The redemption of 2007 Series A Bonds and the termination of its associated derivative instrument, 2007 Series A Swap, generated a net present value savings of \$3,032,060. A Stand-by Bond Purchase Agreement (SBPA) with State Street Bank and Trust dated March 1, 2007, with a fee of .69%, and an expiration date of June 30, 2025, was terminated as a result of the redemption. As of September 30, 2022, the related debt outstanding is \$0.

**\$90,000,000 Utilities System Revenue Bonds, 2008 Series B** – Variable interest rates bonds dated February 13, 2008, with final maturity on 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. On April 29, 2022, the outstanding balance of \$75,800,000 was fully redeemed by issuance of the 2022 Series B bonds. The redemption of the 2008 Series B Bonds reduced the portfolio risk by reducing the variable debt allocation and increasing the fixed debt allocation. The redemption of 2008 Series B Bonds and the termination of its associated derivative instruments, 2008 Series B Swaps, generated a net present value savings of \$1,056,855. A Stand-by Bond Purchase Agreement (SBPA) with Barclays Bank PLC on May 20, 2020, with a fee of .54%, and an expiration date of May 17, 2024, was also terminated as a result of the redemption. As of September 30, 2022, the related debt outstanding is \$0.

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**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, with final maturity of 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. On October 28, 2021, a portion of the October 1, 2025, maturity was economically defeased for the purpose of reducing debt service expense using available savings set aside from prior debt restructuring transactions in 2020 as well as savings from the City of Gainesville’s issuance of Pension Obligation Bonds. The cash defeasance targeted reducing spikes in debt service in certain years to a more manageable level. Cashflow savings were targeted for FY 2022-2026 to provide short-term savings in debt service. \$1,130,000 was economically defeased from the October 1, 2025, maturity. The economic defeasance allowed GRU to receive the BABs subsidy and avoid the high cost of the make-whole call redemption and GRU can specifically target a single maturity. The escrow agreement was executed with U.S. Bank N.A. and the account was gross funded at closing. A verification agent was used to confirm cashflows of the defeased debt. The amount of cash deposited into the escrow account to purchase securities was \$1,336,702, which also included a cash deposit of \$28,711. The cashflow in the escrow account has scheduled payment dates from April 1, 2022, through October 1, 2025. The escrow sinking fund includes \$1,130,000 of principal and \$253,346 of defeased interest for a defeased debt service total of \$1,383,346. As of September 30, 2022, the 2009 Series B debt outstanding is \$128,540,000.

**\$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, 2022, 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, 2022, the related debt outstanding is \$132,445,000.

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**6. Long-Term Debt (continued)**

**\$81,860,000 Utilities System Revenue Bonds, 2012 Series A** – 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. On June 30, 2021, a forward bond purchase agreement with Bank of America for \$66,755,000 was executed to refund \$66,075,000 of the 2012 Series A Bonds, starting with maturities on October 1, 2023, through October 1, 2028. The transaction officially closed on July 14, 2022, with proceeds escrowed to the call date on October 1, 2022. The total escrow requirement consisted of \$66,075,000 of principal and \$1,283,788 of interest for a total of \$67,358,788 due on October 1, 2022. The refunding of \$66,075,000 of the 2012 Series A Bonds generated a net present value savings of \$4,891,334. As of September 30, 2022, the related debt outstanding for the 2012 Series A Bonds is \$9,275,000.

**\$100,470,000 Utilities System Revenue Bonds, 2012 Series B** – Variable interest rates based on market rates, 2.95% at September 30, 2022, 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. A Stand-by Bond Purchase Agreement (SBPA) with Barclays Bank PLC on May 20, 2020, provided an initial fee of .38% but increased to .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, 2022, 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.

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**6. Long-Term Debt (continued)**

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 are located in Note 7 Hedging Activities. As of September 30, 2022, the related debt outstanding is \$36,940,000.

**\$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, 2022, the related debt outstanding is \$12,085,000.

**\$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. On October 28, 2021, a portion of the October 1, 2025, and October 1, 2026, maturities were legally defeased for the purpose of reducing outstanding debt using available savings set aside from prior debt restructuring transactions in 2020 as well as savings from the City of Gainesville's issuance of Pension Obligation Bonds. The cash defeasance targeted reducing spikes in debt service in certain years to a more manageable level. Cashflow savings were targeted for FY 2022-2026 to provide short-term savings in debt service. \$4,220,000 and \$2,965,000 were legally defeased from the October 1, 2025, and October 1, 2026, maturities respectively. The escrow agreement was executed with U.S. Bank N.A. and the account was gross funded at closing. A verification agent was used to confirm cashflows of the defeased debt. The amount of cash for the escrow account to purchase securities was \$8,413,010, which also included a cash deposit of \$197,010. The cashflow in the escrow account has scheduled payment dates from April 1, 2022, through October 1, 2026. The escrow sinking fund includes \$7,185,000 of principal and \$1,585,250 of defeased interest for a defeased debt service total of \$8,770,250. As of September 30, 2022, the related debt outstanding is \$374,980,000.



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**6. Long-Term Debt (continued)**

**\$45,000,000 Utilities System Revenue Bonds, 2017 Series B** – Variable interest rates based on market rates, 2.8412% at September 30, 2022, 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 .64% but has increased to .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 .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, 2022, 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, 2.7412 % at September 30, 2022, 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 .59% but has increased to .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 .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, 2022, the related debt outstanding is \$115,000,000.

**\$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, 2022, the related debt outstanding is \$153,820,000.

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**6. Long-Term Debt (continued)**

**\$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, 2022, 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, 2.75% at September 30, 2022, 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 is secured by a Letter of Credit (LOC) issued by Bank of America, N.A. with a fee of .40% and a termination date of April 25, 2022. On March 25, 2022, the First Amendment to the LOC renewed the agreement for a three-year term expiring on April 25, 2025 at a fee of .34%. As of September 30, 2022, the related debt outstanding is \$67,355,000.

**\$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, 2022, the related debt outstanding is \$10,665,000.

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**6. Long-Term Debt (continued)**

**\$105,000,000 Utilities System Revenue Bonds, 2020 Series B** – Variable interest rates based on market rates, 2.6112% at September 30, 2022, 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 .46% but has increased to .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 .25%. 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, 2022, 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, 2022, the related debt outstanding is \$95,760,000.

**\$66,755,000 Utilities System Revenue Bonds, 2022 Series A** – 1.51% dated July 14, 2022, with final maturity on October 1, 2028. The 2022 Series A Bonds were issued to (a) refund the 2012 Series A Bonds, and (b) pay cost of issuance. These bonds are a tax-exempt, forward delivery direct placement bonds and the sale was awarded to Bank of America, N.A. with a fixed rate of 1.51%. The 2022 Series A Bonds mature at various dates beginning October 1, 2022, and every year after with a final maturity date of October 1, 2028. The refunding of the \$66,075,000 of the 2012 Series A Bonds generated a net present value savings of \$4,891,334. As of September 30, 2022, the related debt outstanding is \$66,755,000.

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**6. Long-Term Debt (continued)**

**\$234,045,000 Utilities System Revenue Bonds, 2022 Series B** – 2.847% dated April 29, 2022, with final maturity on October 1, 2038. These 2022 Series A Bonds were issued to (a) refund the 2007 Series A Bonds and 2008 Series B Bonds, b) terminate derivative instruments associated with the 2007 Series A Bonds and 2008 Series B Bonds, and (c) pay the cost of issuance. The 2022 Series B Bonds fully redeemed \$127,750,000 of the 2007 Series A Bonds and \$75,800,000 of the 2008 Series B Bonds and terminated \$132,170,000 notional outstanding on the 2007 Series A swap and \$90,000,000 notional outstanding on the 2008 Series B swaps. The net present value savings generated with the issuance of the 2022 Series B Bonds was \$4,088,915. These bonds are direct placement bonds and the sale was awarded to Bank of America, N.A. with a fixed rate of 2.847%. The 2022 Series B Bonds mature at various dates beginning October 1, 2022, and every year after with final maturity date of October 1, 2038. As of September 30, 2022, the related debt outstanding is \$234,045,000.

**\$125,000,000 Utilities System Commercial Paper Notes, Series C Notes** – These tax-exempt notes were subordinated debt. 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 partially funded the 2018 capital improvement program for the System. On November 30, 2021, the credit agreement with Bank of America, N.A. was renewed for a three-year term at a fee of .43%, with an expiration date of November 30, 2024. 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 29, 2022, the \$125,000,000 Utilities System Commercial Paper Notes, Series C Notes, program was closed with Goldman Sachs. It was replaced by the issuance of the 2022 Series A (tax-exempt) and/or B (taxable) revolving line of credit with U.S. Bank N.A. for liquidity reserves. As of September 30, 2022, there were no Series C Notes outstanding due to the closing of the program.

**\$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. Liquidity support for the Series D Notes was provided under a long-term credit agreement with State Street Bank and Trust Company that was set to expire on June 30, 2025, which was terminated on April 29, 2022, due to the closing of the \$25,000,000 Utilities System Commercial Paper Notes, Series D Notes program with Goldman Sachs. It was replaced by the issuance of the 2022 Series A (tax-exempt) and/or B (taxable) revolving line of credit with U.S. Bank N.A. for liquidity reserves. As of September 30, 2022, there were no Series D Notes outstanding due to the closing of the program.

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**6. Long-Term Debt (continued)**

**\$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) termination date was extended by an 'Allonge' to the Bond to November 30, 2021. The agreement was renewed for three years in the Second 'Allonge' and expires on November 30, 2024. The interest rate is based on the Secured Overnight Financing Rate (SOFR) index with the option to elect either daily SOFR or the 30-Day Average. The daily SOFR is adjusted on a daily basis and shall equal 79% of the sum of the index plus 1.85%; calculated on a 360-day basis. The 30-Day Average SOFR is calculated in advance and adjusted in the first day each month. The unused fee (liquidity fee) is .25%. As of September 30, 2022, there were no outstanding draws on this line of credit.

**\$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 expired on April 29, 2022, and was renewed in the Amended and Restated Subordinated Bond Resolution No. 211097, adopted by the City on April 21, 2022. The renewed contract term with Truist Bank is for two years, expiring April 29, 2024. The interest rate is 1 Month SOFR plus .62%, calculated on a 360-day basis. The unused fee (liquidity fee) is .30%. As of September 30, 2022, there were no outstanding draws on this line of credit.

**\$150,000,000 Utilities System Variable Rate Subordinated Revenue Bond, 2022 Series A –**

On April 21, 2022, the City Commission adopted resolution, No. 211098, and authorized a tax-exempt and/or a taxable revolving line of credit of \$150,000,000 on parity with commercial paper notes to finance from time to time the cost of projects for electric, water, wastewater, gas, and GRUCom systems. The award of sale of purchase of the 2022 Series A and/or B Bonds went to U.S. Bank National Association, with terms set forth in the purchase contract not to exceed \$150,000,000. The revolving line of credit offers lower annual cost as compared to the commercial paper program and its associated remarketing and liquidity facility costs. The 2022 Series A and/or B LOC replaced the CP programs and its liquidity facilities. The three- year credit agreement is stated to expire on April 29, 2025 with the following terms: a) tax – exempt draws shall bear interest at 80% of the 1 Month Bloomberg Short Term Bank Yield, (BSBY) plus .42%, and b) taxable draws shall bear interest at the 1 Month Bloomberg Short Term Bank Yield, (BSBY) plus .52%. The unused fee (liquidity fee) is .17%, calculated on a 360-day basis. As of September 30, 2022, there were no outstanding draws on this line of credit.

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**6. Long-Term Debt (continued)**

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;
- (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 90 days; or

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**6. Long-Term Debt (continued)**

**EVENTS OF DEFAULT AND REMEDIES OF BONDHOLDERS (Concluded)**

- (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.

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**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):

<b>BONDS</b>			
<b>Year Ending September 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Debt Service Requirements</b>
2023	\$ 29,215	\$ 52,770	\$ 81,985
2024	20,765	51,446	72,211
2025	21,835	49,948	71,783
2026	20,410	48,501	68,911
2027	22,255	47,508	69,763
2028-2032	172,105	203,818	375,923
2033-2037	211,255	148,110	359,365
2038-2042	299,515	78,833	378,348
2043-2047	198,075	33,867	231,942
2048-2052	92,695	7,758	100,453
	\$ 1,088,125	\$ 722,559	\$ 1,810,684

<b>DIRECT PLACEMENTS</b>			
<b>Year Ending September 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Debt Service Requirements</b>
2023	\$ 1,365	\$ 16,091	\$ 17,456
2024	14,915	16,748	31,663
2025	13,505	16,495	30,000
2026	23,025	16,118	39,143
2027	23,370	15,603	38,973
2028-2032	102,775	70,970	173,745
2033-2037	122,615	54,743	177,358
2038-2042	75,635	43,851	119,486
2043-2047	219,180	21,765	240,945
2048-2052	47,435	651	48,086
	\$ 643,820	\$ 273,035	\$ 916,855

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



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**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, 2022. Interest rates on variable-rate long-term debt were valued to be equal to 2.95% for the 2005 Series C Bonds, 2.75% for the 2006 Series A Bonds, 2.95% for the 2012 Series B Bonds, 2.8412% for the 2017 Series B Bonds, 2.7412% for the 2017 Series C Bonds, 2.75% for the 2019 Series C Bonds, and 2.6112% 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 through the sequestration period of 2030. The sequestration rate will be applied unless and until a law is enacted that cancels or otherwise affects the sequestration reduction rate. 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 Lines of Credit. For fiscal years 2022 and 2021, principal and interest paid were \$107.1 million and \$92.2 million, respectively. For fiscal years 2022 and 2021, total pledged revenues were \$515 million and \$421 million, respectively. As of September 30, 2022, annual principal and interest payments are expected to require 18% 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 April 29, 2024, to April 29, 2025. Each of the SBPA and credit agreement termination dates may be extended. At September 30, 2022, 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, \$100 million for 2012 Series B, and \$68 million for 2019 Series C.

The revolving credit agreements with commercial banks to provide liquidity support for its commercial paper notes were terminated on April 29, 2022, along with the programs those facilities support, such as the tax-exempt Commercial Paper Notes Series C and the taxable Commercial Paper Notes Series D.

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**6. Long-Term Debt (concluded)**

**Changes in Long-Term Liabilities**

Long-term liabilities activity for the year ended September 30, 2022, was as follows (in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Utilities system revenue bonds	\$ 1,733,640	\$ 300,800	\$ (302,495)	\$ 1,731,945	\$ 30,580
Add: Issuance premiums	112,667	-	(11,633)	101,034	-
Total bonds payable	1,846,307	300,800	(314,128)	1,832,979	30,580
Lease liability	553	8	(58)	503	146
Fair value of derivative instruments	69,065	-	(69,065)	-	-
Reserve for insurance claim	3,337	-	(1,377)	1,960	-
Reserve for environmental liability	708	231	-	939	231
Net pension liability	-	80,910	-	80,910	-
Net other post-employment benefits liability	-	4,194	-	4,194	-
Due to other funds	108,299	188,135	(186,915)	109,519	7,360
Other noncurrent liabilities and regulatory liabilities	3,447	3,675	(4,343)	2,779	-
	<u>\$ 2,031,716</u>	<u>\$ 577,953</u>	<u>\$ (575,886)</u>	<u>\$ 2,033,783</u>	<u>\$ 38,317</u>

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
Lease liability	-	843	(290)	553	138
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	-
	<u>\$ 2,018,668</u>	<u>\$ 301,876</u>	<u>\$ (288,828)</u>	<u>\$ 2,031,716</u>	<u>\$ 31,936</u>

**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.

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## 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, 2022, were as follows (in thousands):

Associated Bond Issue	2005C*	2006A*	2017B*	2017B*
Notional amount	\$10,085	\$9,750	\$105,000	\$45,000
Effective date	11/16/2005	7/6/2006	2/26/2020	4/22/2020
Fixed payer rate	3.200%	3.224%	1.760%	1.559%
Variable receiver rate	60.36% of 10YR LIBOR	68.00% of 10YR LIBOR Less .365%	70.00% of 1MO LIBOR	70.00% of 1MO LIBOR
Fair value	(\$134)	(\$143)	\$11,978	\$6,170
Termination date	10/1/2026	10/1/2026	10/1/2044	10/1/2044
Counterparty credit rating	Aa2/A+/AA	Aa2/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	\$14,834	\$3,561	\$13,403	
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.

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**7. Hedging Activities (continued)**

**Fair Value**

All of the swap agreements, except for the 2005C and 2006A swaps, had a positive fair value as of September 30, 2022. The swaps with the positive fair values have a higher variable receiver interest rate as compared to their fixed payer interest rate due to an increasing interest rate environment (in thousands):

	Fair Value of Interest Rate Swaps at September 30, 2022	Changes in Fair Value	Changes in Deferred (Inflow) Outflow	Regulatory (Assets) Liability for Ineffective Instruments
2005B	\$ -	\$ -	\$ -	\$ -
2005C	(134)	411	-	(411)
2006A	(143)	446	-	(446)
2008B	-	-	-	-
2008B	-	-	-	-
2007A	-	-	-	-
2017B	11,978	17,796	(17,796)	-
2017B	6,170	7,348	(7,348)	-
2017C	14,834	20,586	(20,586)	-
2014A	3,561	2,353	(2,353)	-
2019A	13,403	6,367	(6,367)	-
	<u>\$ 49,669</u>	<u>\$ 55,307</u>	<u>\$ (54,450)</u>	<u>\$ (857)</u>

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)	-
	<u>\$ (69,066)</u>	<u>\$ 53,939</u>	<u>\$ (52,870)</u>	<u>\$ (1,069)</u>

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**7. Hedging Activities (continued)**

**Interest Rate Swap Payments**

Debt service requirements on the interest rate swaps using interest rates in effect at September 30, 2022, are as follows (in thousands):

<u>Year Ending September 30,</u>	<u>Debt Service</u>
2023	\$ (1,546)
2024	(1,573)
2025	(1,990)
2026	(2,007)
2027	(2,024)
2028-2032	(14,651)
2033-2037	(17,392)
2038-2042	(16,529)
2043-2047	(11,189)
	<u>\$ (68,901)</u>

**Credit Risk**

As of September 30, 2022, although most of the fair value of the interest rate swaps were positive, 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 of October 1, 2021, the 2005 Series B Swap was terminated.
- 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, 2022, the 10-year LIBOR rate was at 3.798%.
- The 2006 Series A Swap is exposed to basis risk through the potential mismatch of 68% of 10-year LIBOR less .36% and the variable 31-day rollover rate. As a result, savings may not be realized.

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## 7. Hedging Activities (continued)

### Basis Risk (concluded)

- The 2007 Series A and the 2008 Series B Swaps are exposed to the difference between SIFMA and the variable 31-day rollover rate. On April 29, 2022, the 2007 Series A swap with outstanding notional of \$132.2 million and the 2008 Series B swaps with outstanding notional of \$90 million were terminated with proceeds from the issuance of the 2022 Series B Bonds, a direct placement with Bank of America, N.A. The termination of these swaps along with their respective VRDO, 2007 Series A Bonds and 2008 series B Bonds generated a PV savings of \$4.1 million. Included in the transaction are the termination payments on the swaps, \$18.6 million for 2007 Series A Swap and \$11.6 million for the 2008 Series B Swap. The total termination fee of \$30.2 million is treated as a regulatory asset.
- The 2017 Series B Swap is exposed to the difference between 70% of the one-month LIBOR and 80% of the one-month LIBOR plus bank fee. As a result, savings may not be realized. As of September 30, 2022, the one-month LIBOR rate was 3.14271%.
- The 2017 Series C Swap was exposed to the difference between 70% of the one-month LIBOR and 80% of the one-month LIBOR plus bank fee. On August 16, 2022, a swap authorizing resolution, No. 2022-261, amended the terms and conditions of confirmation reference No. MS46729 dated December 18, 2019. In anticipation of the expected cessation of the LIBOR benchmark on June 30, 2023, Citibank amended the terms from LIBOR to SOFR index. The 2017 Series C Swap will be exposed to the difference between 70% of the ten-year SOFR and 80% of the one-month LIBOR plus bank fee. The new index for the 2017 Series C is 70% of the ten-year SOFR index less .355%. Cashflows using the new index will start on April 1, 2023. As of September 30, 2022, the one-month LIBOR rate was 3.14271%.
- 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.

### 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.

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## 7. Hedging Activities (continued)

### 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.

### Fuel Hedges

GRU enters into natural gas futures and options to reduce the risk of price fluctuations during the fiscal year. As of September 30, 2022, GRU had financial hedge positions with a notional amount of 15.5 Metric Million British Thermal Units (MMBtu). Realized gains related to gas hedging positions were recorded as a reduction to fuel costs of \$5.3 million and \$0 for September 30, 2022 and 2021, respectively.

Fair Value as related to fuel hedging is recorded as a noncurrent asset in the Statement of Net Position and recognized in fuel expenses as costs are incurred. The Fair Value of Fuel Hedges at September 30, 2022 and 2021 was \$3.4 million and \$0, respectively. Changes in Fair Value related to fuel hedging contracts are recorded as deferred inflows and outflows in the Statement of Net Position. GRU incurred a net change in fair value for fuel hedges of \$3.4 million as of September 30, 2022.

### Effectiveness

Of the seven interest rate swap agreements, five have been deemed effective, while two have been deemed ineffective as of September 30, 2022. The ineffective portion related to interest rate swap agreements is recorded as a regulatory asset in the amount of \$277,000 and \$1.1 million as of September 30, 2022 and 2021, respectively.

The unrealized gain on interest rate swap agreements was \$55.3 million representing an increase in fair value of hedging derivatives at September 30, 2022, as compared to an unrealized gain of \$53.9 million on September 30, 2021. There were no realized gains or losses related to interest rate swaps as of September 30, 2022 and 2021.

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## 7. Hedging Activities (concluded)

GRU utilizes futures and options contracts to hedge the effects of fluctuations in the prices of natural gas. Fuel Hedging Contracts are comprised of 75% Futures and 25% Options and meet the requirements of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*.

All fuel financial hedges, as of September 30, 2022, were deemed effective using the consistent critical terms qualitative testing method. This approach asserts that the index price components for the natural gas commodity at NYMEX and GRU's point of delivery are qualitatively matched.

## 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.



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**8. Fair Value Measurement (continued)**

- 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.

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 judgement 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, 2022 (in thousands):

	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Fair Value Investments				
U.S. Treasuries	\$ -	\$ 8,217	\$ -	\$ 8,217
U.S. Agencies:				
Federal Home Loan Mortgage Corp.	-	12,762	-	12,762
Federal National Mortgage Assn.	-	-	-	-
Federal Home Loan Bank	-	38,717	-	38,717
Federal Farm Credit Bank	-	23,322	-	23,322
Corporate bonds:				
Principal Life Global	-	3,480	-	3,480
AIG Global	-	6,614	-	6,614
Met Life	-	4,593	-	4,593
National Sec. Clearing	-	2,992	-	2,992
New York Life	-	2,927	-	2,927
Pacific Life	-	2,334	-	2,334
Schwab Corp.	-	4,368	-	4,368
GA Global	-	3,621	-	3,621
Total fair value investments	\$ -	\$ 113,947	\$ -	\$ 113,947
Fair Value Fuel Hedges	\$ -	\$ 3,470	\$ -	\$ 3,470
Total fair value investments & fuel hedges	\$ -	\$ 117,417	\$ -	\$ 117,417
<b>Liabilities</b>				
Financial instruments				
Effective interest rate swaps	\$ -	\$ 49,945	\$ -	\$ 49,945
Ineffective interest rate swaps	-	(277)	-	(277)
Total financial instruments	\$ -	\$ 49,668	\$ -	\$ 49,668

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**8. Fair Value Measurement (concluded)**

Fair value balances and their levels within the fair value hierarchy as of September 30, 2021, are represented in the following table (in thousands):

	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
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
Principal Life	-	3,920	-	3,920
GA Global	-	3,981	-	3,981
New York Life	-	5,059	-	5,059
Total fair value investments	<u>\$ -</u>	<u>\$ 99,398</u>	<u>\$ -</u>	<u>\$ 99,398</u>
<b>Liabilities</b>				
Financial instruments				
Effective interest rate swaps	\$ -	\$ (67,932)	\$ -	\$ (67,932)
Ineffective interest rate swaps	-	(1,133)	-	(1,133)
Total financial instruments	<u>\$ -</u>	<u>\$ (69,065)</u>	<u>\$ -</u>	<u>\$ (69,065)</u>

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**9. Restricted Net Position**

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

	<u>2022</u>	<u>Restated 2021</u>
Restricted net position:		
Debt Service	\$ 31,521	\$ 25,893
Utility plant improvement	50,057	66,320
Net pension asset	-	42,996
Net other post-employment benefits asset	-	3,309
Other	1,070	4,768
Restricted net position	<u>\$ 82,648</u>	<u>\$ 143,286</u>

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**10. Leases**

GRU adopted GASB Statement No. 87 effective October 1, 2021. The impact of the implementation did affect net position. However, prior year balances were restated for the new standard. The following balances were restated at September 30, 2021 (in thousands):

<b>Statements of Net Position</b>	<b>As Originally Reported (September 30, 2021)</b>	<b>Adjustment for GASB No. 87</b>	<b>As Restated (September 30, 2021)</b>
Accounts receivable	\$ 58,012	\$ 1,326	\$ 59,338
Other assets and regulatory asset	1,735	277	2,012
Long-term lease receivable	-	21,475	21,475
Right-of-use asset	-	706	706
Accumulated depreciation	(1,221,154)	(156)	(1,221,310)
Other liabilities and regulatory liabilities	(1,197)	(138)	(1,335)
Accrued interest	(32,518)	(1)	(32,519)
Long-term liability - leases	-	(415)	(415)
Other deferred inflows	-	(22,801)	(22,801)
	<u>\$ (1,195,122)</u>	<u>\$ 273</u>	<u>\$ (1,194,849)</u>
Net position, end of year:			
Net investment in capital assets	\$ 153,559	\$ 135	\$ 153,694
Restricted	143,287	(1)	143,286
Unrestricted	102,115	139	102,254
Total net position	<u>\$ 398,961</u>	<u>\$ 273</u>	<u>\$ 399,234</u>
<b>Statements of Revenues, Expenses, and Changes in Net Position</b>			
Sales and service charges	\$ 399,240	\$ (529)	\$ 398,711
Depreciation and amortization	(100,355)	(156)	(100,511)
Interest income	1,093	806	1,899
Interest expense, net of AFDUC (2021 only)	(57,802)	(21)	(57,823)
Other income (expense)	(5,575)	173	(5,402)
	<u>\$ 236,601</u>	<u>\$ 273</u>	<u>\$ 236,874</u>
Change in net position	<u>\$ (10,412)</u>	<u>\$ 273</u>	<u>\$ (10,139)</u>

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**10. Leases (continued)**

In addition, in the September 30, 2021 statement of revenues, expenses, and changes in net position, \$805,821 was reclassified from operating revenues to nonoperating from the amounts originally reported.

**Lessee**

GRU leases communication tower antenna ground space, fiber optics and equipment from third parties. Lease terms range from 1 to 6 years. Several leases have an option to extend the lease term after completion of the contracted term. The incremental borrowing rate was 3.5% as of September 30, 2022 and September 30, 2021. GRU leased assets and accumulated amortization are included in Note 4 Capital Assets under the general asset class. There were no commitments prior to the commencement of the lease contracts, and no lease impairments as of September 30, 2022.

GRU has four variable lease contracts that split one-half of the ground space revenue collected from the communication tower with the University of Florida (UF) Foundation. The Lessee payment to the UF Foundation is dependent upon the Lessor rent payments and escalation revenue stated in the Lessor contract. GRU accounts for the total rent collected as revenue and one-half of the rent amount payment to the UF Foundation as an expense.

The following table summarizes future principal and interest payments as of September 30, 2022 (in thousands):

Year Ended September 30,	Principal	Interest	Total
2023	\$ 146	\$ 15	\$ 161
2024	148	10	158
2025	70	6	76
2026	60	4	64
2027	49	2	51
2032	31	-	31
Total	\$ 504	\$ 37	\$ 541

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**10. Leases (concluded)**

**Lessor**

GRU leases communication tower antenna space to various third party wireless communications service providers on eleven communication 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 communication towers.

GRU lease contract terms vary from 1 to 31 years, which includes options to extend. There was no receipt of variable or other lease payment prior to the commencement of the contracts. The incremental borrowing rate was 3.5% as of September 30, 2022 and September 30, 2021. The total lease interest was \$760,000 for September 30, 2022 and \$806,000 for September 30, 2021. The lease revenue was \$1.4 million for September 30, 2022, and \$918,000 for September 30, 2021.

**11. Transfer to City of Gainesville General Fund**

GRU transfers monies monthly to the City's General Fund. 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.

On July 19, 2021, the Commission approved Resolution No. 210116. This resolution reduces the general fund transfer by two million dollars a year through fiscal year 2027.

For the years ended September 30, 2022 and 2021, the transfer was \$36.3 million and \$38.3 million, respectively.

**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.

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**12. Commitments and Contingencies (continued)**

**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, SO<sub>2</sub> and NO<sub>X</sub> 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 more 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.

**Internal Combustion Engine MACT**

On August 10, 2022, the Environmental Protection Agency (EPA) finalized amendments to the final rule dated January 30, 2013. 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 the classification of emergency engines and the limitations on the hours of operation in non-emergency situations, became effective on August 10, 2022. The amended rule requires an 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.

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**12. Commitments and Contingencies (continued)**

**Climate Change (concluded)**

The ACE rule establishes emissions guidelines for states to use to limit carbon dioxide emissions (CO<sub>2</sub>) at their coal-fired power plants. Specifically, ACE identifies heat rate improvements as the best system of emission reduction (BSER) for CO<sub>2</sub> 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 it to the EPA for further proceedings consistent with its opinion. On June 30, 2022, the Supreme Court issued a landmark decision that Congress did not give the EPA the authority under Section 111 of the Clean Air Act to set emission standards for existing power plants that prescribe the market share of certain types of power generation. The Court reversed the D.C. Circuit ruling striking down the Trump-era Affordable Clean Energy (ACE) Rule, which repealed the Obama-era Clean Power Plan (CPP) and replaced it with more limited regulations of CO<sub>2</sub> emissions from existing power plants.

On September 19, 2022, based on the Supreme Court's June 30 decision reversing and remanding the DC Circuit's decision, the DC Circuit ordered the parties to file Motions to govern further proceedings. On October 3, 2022, EPA/DOJ, along with the states, industry and NGOs, filed a Joint Motion, requesting that the DC Circuit (a) withdraw its March 5, 2021 Partial Mandate, (b) issue a new Partial Mandate denying the challenges to the CPP repeal and granting the challenges to the revisions to the 111(d) implementing rules, and (c) place the remaining, unresolved challenges to the ACE Rule in abeyance until EPA promulgates a replacement rule.

On October 27, 2022, the DC Circuit issued an Order granting the Joint Motion, as described above. Accordingly, the CPP is repealed, the 111(d) implementing rules are vacated, and the remaining challenges to the ACE rule are in abeyance until EPA promulgates a replacement rule (a proposal is still expected in March 2023).

**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 the fuel burned consists of more than 50% coal on a total heat or mass input basis.



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**12. Commitments and Contingencies (continued)**

**Coal Combustion Products (concluded)**

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, EPA required the closure of all unlined CCR surface impoundments. Therefore, if GRU combusts more than 50% coal, GRU will need to install a lined surface impoundment, or line (i.e., retrofit) the existing surface impoundment system, which is currently undergoing closure.

**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 J. R. Kelly Station (JRK) has four above-ground distillate oil tanks, 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.

The Florida Department of Environmental Protection (FDEP) had requested a supplemental site assessment (SSA) be conducted to assess the nature and extent of non-aqueous phase liquids (NAPL), soil impacts, and groundwater quality impacts at the J.R. Kelly site. ECT conducted a supplemental site assessment and submitted the results to the FDEP in the June 2022 Supplemental Site Assessment Report. On July 19, 2022, the FDEP sent a response letter requesting additional assessment to complete delineation of target analytes at the J.R. Kelly Generating Station site. This additional assessment is in progress.

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**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's 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.

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 resources during periods of water

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**12. Commitments and Contingencies (continued)**

**Water Use Restrictions (concluded)**

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 Lake Brooklyn and Lake 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 Lake Brooklyn and Lake Geneva. Per an agreement fully 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.

Per the fully executed agreement, GRU agreed to pay 0.25 feet of lift or \$2.1 million based on the 0.1-foot lake level increase construction cost estimate, along with GRU's share of the Black Creek WRD operation and maintenance costs of \$616,300, for a combined total of \$2.7 million, to be paid in two installments. The payments are to be delivered, in escrow, to the Florida Department of Financial Services (DFS), per the terms of the Escrow Agreement between GRU, the District, and DFS. Each installment represents one-half of GRU's total proportional share of the Black Creek WRD construction costs of \$1 million, and the operation and maintenance costs of \$308,200, for a combined total of \$1.4 million.

On October 28, 2021, per the terms of the Escrow Agreement, GRU delivered, in escrow, the first payment of \$1.4 million to the Florida Department of Financial Services. Per the fully executed agreement, the final installment for the remaining construction costs of \$1 million and the remaining operation and maintenance costs of \$308,200, shall not exceed the combined total of \$1.4 million. GRU will deliver, in escrow, the final payment of \$1.4 million to the Florida Department of Financial Services no later than November 1, 2023.

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**12. Commitments and Contingencies (concluded)**

**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 2022 and 2021, expenditures which reduced the liability balance were \$1,207,435 and \$1,249,001, respectively. The reserve balance at September 30, 2022 and 2021, was \$939,000 and \$845,000, 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 as of September 30, 2022 and 2021. The regulatory asset balance was \$7.5 million and \$8.6 million as of September 30, 2022 and 2021, 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.

**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. GRU is currently in the process of negotiating amendments to the Power Purchase Agreement to extend the commercial operation date until the fourth quarter of calendar year 2024 or the first quarter of calendar year 2025, and to expand the facility size from 50 megawatts of solar generation to 74.9 megawatts to mitigate cost impacts. 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).

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**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 the 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 varies depending on the date of hire as follows:

<u>Date of Hire</u>	<u>Fixed percent of FAE (multiplier)</u>	<u>Final Average Earnings</u>
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.

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**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.

Gainesville Regional Utilities  
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**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 has 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.

Gainesville Regional Utilities  
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**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 are 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 of 42% for in line of duty disability and a minimum of 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 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:

	<b>2022</b>	2021
Active members	<b>1,676</b>	1,680
Retirees members/beneficiaries currently receiving benefits	<b>1,453</b>	1,408
Terminated members/beneficiaries entitled to benefits but not yet receiving benefits	<b>475</b>	431
<b>Total</b>	<b>3,604</b>	3,519

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 5.21% and 5.15% of covered payroll for the years ended September 2022 and 2021, 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 have an interest rate of 1.71% to 6.19%, with a 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



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**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 have an interest rate of 2.61%, and a 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, 2022, was \$105.4 million with \$102.2 million not expected to be paid within the current year. The total outstanding at September 30, 2021, was \$105.2 million with \$102.2 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, 2022 and 2021. The total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of October 1, 2021, and October 1, 2020, for September 30, 2022 and 2021, respectively.

The net pension liability (asset) applicable to GRU as an enterprise fund of the City was \$81 million and (\$43) million at September 30, 2022 and 2021, respectively.

The total pension liability as of September 30, 2022, was determined based on a roll-forward of the entry age normal liabilities from the October 1, 2021, actuarial valuation. Below is a summary of the key actuarial assumptions used in the October 1, 2021, actuarial valuation:

Inflation	2.50%
Salary Increases	Service based
Investment Rate of Return	7.75%, net of pension investment expenses

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

Gainesville Regional Utilities  
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**13. Retirement Plans (continued)**

**Defined Benefit Plans (continued)**

*Mortality Rate*

Mortality rates were based on the PubG.H-2010 Combined Healthy Mortality Table projected generationally with Mortality Improvement Scale MP-2018.

The mortality assumption rates were mandated by Chapter 2015-157, Laws of Florida. This law mandates the use of the assumptions used in either of the two most recent valuations of the Florida Retirement System (FRS). The above rates are those outlined in Milliman's July 1, 2021, FRS valuation report for non-special-risk employees, with appropriate adjustments made based on plan demographics.

*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) were 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, 2022 and 2021, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
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	<u>100.0%</u>	

*Discount Rate*

The discount rates used to measure the total pension liability were 7.75% and 7.9% as of September 30, 2022 and 2021, 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 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.

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**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, 2022 and 2021 (in thousands):

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balances at 10/01/2021	\$ 365,502	\$ 408,498	\$ (42,996)
Adjustment to beginning of year	-	1,390	(1,390)
Changes for the year:			
Service cost	5,736	-	5,736
Interest	27,774	-	27,774
Differences between expected and actual experience	7,858	-	7,858
Changes to assumptions	5,849	-	5,849
Contributions - employer	-	3,203	(3,203)
Contributions - employee	-	3,076	(3,076)
Net investment income	-	(83,134)	83,134
Benefit payments, including refunds and DROP payouts	(23,229)	(23,229)	-
Administrative expense	-	(276)	276
Other Changes *	(8,054)	(9,001)	947
Net changes	15,934	(107,971)	123,905
Balances at 09/30/2022	\$ 381,436	\$ 300,527	\$ 80,909

\* 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 10/01/2020	\$ 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)
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)

Gainesville Regional Utilities  
Notes to Financial Statements  
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**13. Retirement Plans (continued)**

**Defined Benefit Plans (continued)**

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

The following presents GRU's portion of the net pension liability (asset), calculated using the discount rates of 7.75% and 7.9% as of September 30, 2022 and 2021, respectively, 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:	<b>2022</b>		
	<b>1% Decrease</b>	<b>Current</b>	<b>1% Increase</b>
	<b>6.75%</b>	<b>Discount</b>	<b>8.75%</b>
	<b>Rate 7.75%</b>		
Net pension liability (asset)	\$ 124,261	\$ 80,909	\$ 44,534
	<b>2021</b>		
Sensitivity for GRU's Portion:	<b>1% Decrease</b>	<b>Current</b>	<b>1% Increase</b>
	<b>(6.9%)</b>	<b>Discount</b>	<b>(8.9%)</b>
	<b>Rate (7.9%)</b>		
Net pension liability (asset)	\$ (1,630)	\$ (42,996)	\$ (77,747)

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

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**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, 2022 and 2021, GRU recorded a pension expense of \$3.4 million and \$3.2 million, respectively. At September 30, 2022 and 2021, the City and GRU reported deferred outflows of resources related to the Employees' Plan from the following sources (in thousands):

	<b>2022</b>	
	<b>Deferred Outflows of Resources GRU's Portion</b>	<b>Deferred Inflows of Resources GRU's Portion</b>
	Differences between expected and actual experience	\$ 7,670
Net difference between projected and actual investment earnings on pension plan investments	64,257	-
Change to assumptions	5,795	-
<b>Total</b>	<b>\$ 77,722</b>	<b>\$ 45</b>

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

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):

<b>Year Ending September 30,</b>	<b>Net Deferred Outflows/(Inflows) of Resources</b>
2023	\$ 21,103
2024	15,396
2025	13,640
2026	25,253
2027	2,285
Thereafter	-
<b>Total</b>	<b>\$ 77,677</b>

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**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 four-year terms. The City of Gainesville issues a publicly available financial report that includes financial statements and the required supplementary information for the RHCP. That report may be obtained by writing to the 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:

	<u>2022</u>	<u>2021</u>
Inactive employees or beneficiaries currently receiving benefit payments	1,466	1,431
Inactive employees entitled to but not yet receiving benefit payments	-	-
Active employees	<u>2,117</u>	<u>2,307</u>
Total	<u>3,583</u>	<u>3,738</u>

*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 the 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.

Gainesville Regional Utilities  
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**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 \$35.2 million 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 the City 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 consequences of alternative investment strategies on the long-term well-being of the RHCP.

Gainesville Regional Utilities  
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**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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Real Rate of Return</u>
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	<u>100.00%</u>	

*Net OPEB Liability*

The net OPEB liability related to the RHCP was measured as of September 30, 2022 and 2021. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of October 1, 2021 and 2020, for September 30, 2022 and 2021, respectively.

*Actuarial Assumptions*

The total OPEB liability as of September 30, 2022, was determined based on a roll-forward of the October 1, 2021, actuarial valuation. Below is a summary of the key actuarial assumptions used in the October 1, 2021, actuarial valuation:

Inflation	3.00%
Salary Increases	Service Based
Investment Rate of Return	7.75%
Discount Rate	7.75%
Healthcare Cost Trend Rate	4.50%

Below is a summary of the key actuarial assumptions used in the October 1, 2020, actuarial valuation:

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



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**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 PubG-2010 Healthy Annuitant Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale MP-2018.

*Discount Rate*

The discount rates used to measure the total OPEB liability were 7.75% and 7.9% compounded annually, net of investment expenses, as of September 30, 2022 and 2021, 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.

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**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, 2022 and 2021 (in thousands):

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability (Asset)
Balances at 10/01/2021	\$ 28,599	\$ 31,908	\$ (3,309)
Changes for the year:			
Service cost	536	-	536
Interest	1,930	-	1,930
Differences between expected and actual experience	(1,725)	-	(1,725)
Changes in assumptions	2,147	-	2,147
Contributions - employer	-	620	(620)
Net investment income	-	(4,998)	4,998
Benefit payments	(2,030)	(2,030)	-
Administrative expense	-	(6)	6
Other changes *	(1,988)	(2,218)	230
Net changes	<u>(1,130)</u>	<u>(8,632)</u>	<u>7,502</u>
Balances at 09/30/2022	<u>\$ 27,469</u>	<u>\$ 23,276</u>	<u>\$ 4,193</u>

\* Reflects a change in GRU's portion of the Net OPEB Liability (Asset) as of September 30, 2022, and a change in asset value as of September 30, 2021.

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability (Asset)
Balances at 10/01/2020	\$ 28,864	\$ 28,010	\$ 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	<u>(265)</u>	<u>3,898</u>	<u>(4,163)</u>
Balances at 09/30/2021	<u>\$ 28,599</u>	<u>\$ 31,908</u>	<u>\$ (3,309)</u>

\* 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.

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**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 rates of 7.75% and 7.9% as of September 30, 2022 and 2021, 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):

	<b>2022</b>		
	<b>Discount</b>		
	1% Decrease 6.75%	Rate 7.75%	1% Increase 8.75%
Net OPEB liability (asset)	\$ 6,905	\$ 4,193	\$ 2,015

  

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

*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, 2022 and 2021, 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):

	<b>2022</b>		
	<b>Health Care Cost Trend</b>		
	1% Decrease 3.50%	Rate 4.50%	1% Increase 5.50%
Net OPEB liability (asset)	\$ 1,576	\$ 4,193	\$ 7,461

  

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

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September 30, 2022 and 2021

**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, 2022 and 2021, GRU recorded an OPEB Expense of \$0 and \$4,000, respectively. At September 30, 2022 and 2021, the City and GRU reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources (in thousands):

	<b>2022</b>	
	<b>Deferred Outflows of Resources GRU's Portion</b>	<b>Deferred Inflows of Resources GRU's Portion</b>
Differences between expected and actual experience	\$ 367	\$ 2,259
Change in assumptions	2,028	3,496
Net difference between projected and actual investment earnings on OPEB plan investments	4,812	-
Total	\$ 7,207	\$ 5,755

	<b>2021</b>	
	<b>Deferred Outflows of Resources GRU's Portion</b>	<b>Deferred Inflows of Resources GRU's Portion</b>
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

Gainesville Regional Utilities  
Notes to Financial Statements  
September 30, 2022 and 2021

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**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):

<b>Year Ending September 30,</b>	<b>Net Deferred Outflows/(Inflows) of Resources</b>
2023	\$ 1,072
2024	514
2025	(62)
2026	663
2027	(795)
Thereafter	60
Total	<u>\$ 1,452</u>

**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%. In 2022, the liability has been adjusted to align with a three-year average of outstanding claims. All claims were paid from current-year revenues for fiscal years 2022, 2021, and 2020.

Gainesville Regional Utilities  
Notes to Financial Statements  
September 30, 2022 and 2021

**15. Risk Management (concluded)**

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

Year Ending September 30,	Beginning Balance	Claims	Payments	Change in Reserve	Ending Balance
2022	\$ 3,337	\$ 1,503	\$ (1,503)	\$ (1,377)	\$ 1,960
2021	\$ 3,337	\$ 699	\$ (699)	\$ -	\$ 3,337
2020	\$ 3,337	\$ 1,156	\$ (1,156)	\$ -	\$ 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 million against the City. The trial court denied the City's motion for a new trial, but granted a remittitur, reducing the overall award to \$18.3 million. The plaintiff rejected the remittitur and filed a notice of appeal. Briefs have been filed with Florida's 1st District Court of Appeal, and oral argument was scheduled for Wednesday, January 25, 2023. On January 18, 2023, however, the First DCA issued an order cancelling the oral argument and relinquishing jurisdiction to the trial court to enter a Final Judgment. On January 30, 2023, the trial court entered the judgment, so that the appellate proceedings may go forward with a new date for oral argument. The new judgment prepared by the plaintiff prompted a City's motion to dismiss plaintiff's appeal. The City's appeal persists. 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.

Gainesville Regional Utilities  
Notes to Financial Statements  
September 30, 2022 and 2021

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**17. Subsequent Events**

**Partial Debt Defeasance**

On October 26, 2022, GRU executed a partial legal defeasance of the 2017 Series A bonds in the amount of \$3.5 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.

**Future Debt Issuance**

On December 15, 2022, the City Commission approved resolution number 2022-788, authorizing (i) the amendment of the existing 2019 Series A Forward Starting Swap with Wells Fargo Bank to moderate the interest rate fluctuations with the proposed 2023 fixed rate bond issue and (ii) the entering into of a new forward starting swap to moderate interest rate fluctuations on the expected future issuance of bonds that will refund the 2019 Series A.

On December 21, 2022, GRU closed on (i) re-purposed the existing \$153.8 million forward starting swap on the Series 2019 Series A bonds with a swap with Wells Fargo at a new fixed-payer rate of 1.949% and (ii) re-hedged the 2019 Series A bonds with a forward starting swap in the amount of \$153.8 million with Barclays at a fixed payer rate of 2.586%.

## **SUPPLEMENTARY INFORMATION**



Gainesville Regional Utilities  
Schedules of Combined Net Revenues  
in Accordance with Bond Resolution  
For the Years Ended September 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Revenues:		
Electric system:		
Sales of electricity	\$ 362,473,147	\$ 286,844,593
Transfer from (to) rate stabilization	9,316,848	(6,928,735)
Other revenue	6,375,742	6,063,878
Other income	2,760,932	2,785,932
Build America Bonds	2,746,092	2,807,604
Total electric system revenues	<u>383,672,761</u>	<u>291,573,272</u>
Water system:		
Sales of water	36,761,847	34,873,633
Transfer from (to) rate stabilization	347,214	(2,865,383)
Other revenue	3,563,209	2,413,942
Other income	382,541	105,774
Build America Bonds	784,074	798,424
Total water system revenues	<u>41,838,885</u>	<u>35,326,390</u>
Wastewater system:		
Sales of services	45,658,058	40,462,982
Transfer from (to) rate stabilization	1,797,451	192,749
Other revenue	6,739,826	3,181,320
Other income	276,151	198,040
Build America Bonds	906,040	917,984
Total wastewater system revenues	<u>55,377,526</u>	<u>44,953,075</u>
Gas system:		
Sales of gas	31,908,417	25,547,461
Transfer from (to) rate stabilization	815,474	(395,228)
Other revenue	507,408	561,447
Other income	198,056	4,916
Build America Bonds	575,905	588,578
Total gas system revenues	<u>34,005,260</u>	<u>26,307,174</u>
Telecommunications system:		
Sales of services	12,272,670	11,483,392
Transfer from (to) rate stabilization	-	2,336,255
Other revenue	69,854	82,844
Other income	109,636	44,107
Total telecommunications system revenues	<u>12,452,160</u>	<u>13,946,598</u>
Total revenues	<u>\$ 527,346,592</u>	<u>\$ 412,106,509</u>

Continued on next page.

Gainesville Regional Utilities  
Schedules of Combined Net Revenues  
in Accordance with Bond Resolution (concluded)  
For the Years Ended September 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Operation, maintenance and administrative expenses:		
Electric system:		
Fuel expense	\$ 154,038,253	\$ 89,150,789
Operation and maintenance	64,076,107	64,261,258
Administrative and general	23,761,786	19,470,087
Total electric system expenses	<u>241,876,146</u>	<u>172,882,134</u>
Water system:		
Operation and maintenance	14,355,793	10,590,625
Administrative and general	5,412,384	4,629,788
Total water system expenses	<u>19,768,177</u>	<u>15,220,413</u>
Wastewater system:		
Operation and maintenance	16,875,304	14,992,919
Administrative and general	5,836,662	4,508,632
Total wastewater system expenses	<u>22,711,966</u>	<u>19,501,551</u>
Gas system:		
Fuel expense - purchased gas	15,875,371	9,225,895
Operation and maintenance	2,821,399	2,561,881
Administrative and general	2,733,163	2,699,386
Total gas system expenses	<u>21,429,933</u>	<u>14,487,162</u>
Telecommunications system:		
Operation and maintenance	8,900,755	8,627,203
Administrative and general	1,129,918	942,073
Total telecommunications system expenses	<u>10,030,673</u>	<u>9,569,276</u>
Total expenses	<u>315,816,895</u>	<u>231,660,536</u>
Net revenue in accordance with bond resolution:		
Electric	141,796,615	118,691,138
Water	22,070,708	20,105,977
Wastewater	32,665,560	25,451,524
Gas	12,575,327	11,820,012
Telecommunications	2,421,487	4,377,322
Total net revenues in accordance with bond resolution	<u>\$ 211,529,697</u>	<u>\$ 180,445,973</u>
Aggregate bond debt service	<u>\$ 107,117,764</u>	<u>\$ 92,207,499</u>
Aggregate bond debt service coverage ratio	<u>1.97</u>	<u>1.96</u>
Total debt service	<u>\$ 107,117,764</u>	<u>\$ 92,207,499</u>
Total debt service coverage ratio	<u>1.97</u>	<u>1.96</u>

Gainesville Regional Utilities  
Schedules of Net Revenues in Accordance with Bond Resolution –  
Electric Utility System  
For the Years Ended September 30, 2022 and 2021

	<b>2022</b>	2021
Revenues		
Residential	\$ 84,703,247	\$ 78,269,929
Non-residential	96,360,436	88,623,552
Fuel adjustment	154,038,253	89,150,789
Sales for resale	1,142,634	6,088,836
Utility surcharge	4,831,818	4,474,308
Other electric sales	21,396,759	20,237,179
Total sales of electricity	<b>362,473,147</b>	286,844,593
Transfer from (to) rate stabilization	9,316,848	(6,928,735)
Other revenue	6,375,742	6,063,878
Other income	2,760,932	2,785,932
Build America Bonds	2,746,092	2,807,604
Total revenues	<b>383,672,761</b>	291,573,272
Operation, maintenance and administrative expenses		
Fuel expense	154,038,253	89,150,789
Power production	45,568,743	43,747,457
Transmission and distribution	18,507,364	20,513,801
Administrative and general	23,761,786	19,470,087
Total operation, maintenance, and administrative expenses	<b>241,876,146</b>	172,882,134
Total net revenues in accordance with bond resolution	<b>\$ 141,796,615</b>	\$ 118,691,138
Less transfer to (from) other funds:		
Debt service	71,808,192	68,266,348
Legal defeasance	7,185,000	-
UPIF contributions	24,770,690	23,383,465
Transfer to City of Gainesville General Fund	23,388,369	22,415,868
Transfer to debt defeasance	3,711,977	4,625,457
Retain in revenue funds	10,932,387	-
Net impact to rate stabilization - addition (reduction)	<b>\$ -</b>	<b>\$ -</b>

Gainesville Regional Utilities  
Schedules of Net Revenues in Accordance with Bond Resolution –  
Water Utility System  
For the Years Ended September 30, 2022 and 2021

	<b>2022</b>	2021
Revenues		
Residential	\$ 22,493,753	\$ 21,496,210
Non-residential	11,468,150	10,796,782
Utility surcharge	2,799,944	2,580,641
Total sales of water	<b>36,761,847</b>	34,873,633
Transfer from (to) rate stabilization	347,214	(2,865,383)
Other revenue	3,563,209	2,413,942
Other income	382,541	105,774
Build America Bonds	784,074	798,424
Total revenues	<b>41,838,885</b>	35,326,390
Operation, maintenance, and administrative expenses		
Transmission and distribution	4,572,455	3,249,935
Treatment	9,783,338	7,340,690
Administrative and general	5,412,384	4,629,788
Total operation, maintenance, and administrative expenses	<b>19,768,177</b>	15,220,413
Total net revenues in accordance with bond resolution	<b>\$ 22,070,708</b>	\$ 20,105,977
Less transfer to (from) other funds:		
Debt service	8,736,112	7,671,377
UPIF contributions	6,765,625	6,515,350
Transfer to City of Gainesville General Fund	4,426,217	5,356,071
Transfer to debt defeasance	319,915	563,179
Retain in revenue funds	1,822,839	-
Net impact to rate stabilization - addition (reduction)	<b>\$ -</b>	\$ -

Gainesville Regional Utilities  
Schedules of Net Revenues in Accordance with Bond Resolution –  
Wastewater Utility System  
For the Years Ended September 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Revenues		
Residential	\$ 30,223,434	\$ 27,256,272
Non-residential	12,037,848	10,248,733
Utility surcharge	3,396,776	2,957,977
Total sales of services	<u>45,658,058</u>	<u>40,462,982</u>
Transfer from (to) rate stabilization	1,797,451	192,749
Other revenue	6,739,826	3,181,320
Other income	276,151	198,040
Build America Bonds	906,040	917,984
Total revenues	<u>55,377,526</u>	<u>44,953,075</u>
Operation, maintenance, and administrative expenses		
Collection	6,134,498	5,749,338
Treatment	10,740,806	9,243,581
Administrative and general	5,836,662	4,508,632
Total operation, maintenance, and administrative expenses	<u>22,711,966</u>	<u>19,501,551</u>
Total net revenues in accordance with bond resolution	<u>\$ 32,665,560</u>	<u>\$ 25,451,524</u>
Less transfer to (from) other funds:		
Debt service	12,577,473	9,892,337
UPIF contributions	8,314,263	8,040,610
Transfer to City of Gainesville General Fund	5,346,802	6,860,672
Transfer to debt defeasance	362,573	657,905
Retain in revenue funds	6,064,449	-
Net impact to rate stabilization - addition (reduction)	<u>\$ -</u>	<u>\$ -</u>

Gainesville Regional Utilities  
Schedules of Net Revenues in Accordance with Bond Resolution –  
Gas Utility System  
For the Years Ended September 30, 2022 and 2021

	<b>2022</b>	2021
Revenues		
Residential	\$ 8,437,770	\$ 8,696,592
Non-residential	5,663,328	5,677,683
Purchased gas adjustment	15,875,371	9,225,895
Utility surcharge	587,152	589,094
Other gas sales	1,344,796	1,358,197
Total sales of gas	<u>31,908,417</u>	<u>25,547,461</u>
Transfer from (to) rate stabilization	815,474	(395,228)
Other revenue	507,408	561,447
Other income	198,056	4,916
Build America Bonds	575,905	588,578
Total revenues	<u>34,005,260</u>	<u>26,307,174</u>
Operation, maintenance, and administrative expenses		
Fuel expense - purchased gas	15,875,371	9,225,895
Operation and maintenance	2,821,399	2,561,881
Administrative and general	2,733,163	2,699,386
Total operation, maintenance, and administrative expenses	<u>21,429,933</u>	<u>14,487,162</u>
Total net revenues in accordance with bond resolution	<u>\$ 12,575,327</u>	<u>\$ 11,820,012</u>
Less transfer to (from) other funds:		
Debt service	4,762,668	4,467,960
UPIF contributions	4,762,422	4,659,189
Transfer to City of Gainesville General Fund	1,799,797	2,465,554
Transfer to debt defeasance	163,465	227,309
Retain in revenue funds	1,086,975	-
Net impact to rate stabilization - addition (reduction)	<u>\$ -</u>	<u>\$ -</u>

Gainesville Regional Utilities  
Schedules of Net Revenues in Accordance with Bond Resolution –  
Telecommunications System  
For the Years Ended September 30, 2022 and 2021

	<b>2022</b>	2021
Revenues		
Telecommunications	<b>\$ 7,282,003</b>	\$ 7,328,015
Trunking radio	<b>2,760,010</b>	2,708,633
Tower leasing	<b>2,230,657</b>	1,446,744
Total sales of services	<b>12,272,670</b>	11,483,392
Transfer from (to) rate stabilization	-	2,336,255
Other revenue	<b>69,854</b>	82,844
Other income	<b>109,636</b>	44,107
Total revenues	<b>12,452,160</b>	13,946,598
Operation, maintenance, and administrative expenses		
Operation and maintenance	<b>8,900,755</b>	8,627,203
Administrative and general	<b>1,129,918</b>	942,073
Total operation, maintenance, and administrative expenses	<b>10,030,673</b>	9,569,276
Total net revenues in accordance with bond resolution	<b>\$ 2,421,487</b>	\$ 4,377,322
Less transfer to (from) other funds:		
Debt service	<b>2,048,319</b>	1,909,477
UPIF contributions	<b>1,149,559</b>	1,077,152
Transfer to City of Gainesville General Fund	<b>1,321,815</b>	1,186,835
Transfer to debt defeasance	<b>113,265</b>	203,858
Intercompany loan	<b>(2,211,471)</b>	-
Net impact to rate stabilization - addition (reduction)	<b>\$ -</b>	\$ -

**Gainesville Regional Utilities**  
**Notes to Schedules of Net Revenues in Accordance with Bond Resolution**  
**For the Years Ended September 30, 2022 and 2021**

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:

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



**Gainesville Regional Utilities**  
**Combining Statement of Net Position**  
**September 30, 2022**

	Electric	Water	Wastewater	Gas	GRUCom	Combined
<b>Assets</b>						
Current assets:						
Cash and investment	\$ 19,858,256	\$ 1,358,475	\$ 5,910,130	\$ 1,631,650	\$ 2,872,757	\$ 31,631,268
Accounts receivable, net of allowance for uncollectible accounts	53,996,835	4,539,475	4,907,074	2,777,809	2,248,807	68,470,000
Inventories:						
Fuel	10,677,823	-	-	-	-	10,677,823
Materials and supplies	12,982,061	9,635,314	86,282	2,332,827	484,074	25,520,558
Fuel and purchased gas adjustment	21,118,305	-	-	2,701,673	-	23,819,978
Other assets and regulatory assets	11,939,478	50,641	39,070	1,840,614	256,581	14,126,384
<b>Total current assets</b>	<b>130,572,758</b>	<b>15,583,905</b>	<b>10,942,556</b>	<b>11,284,573</b>	<b>5,862,219</b>	<b>174,246,011</b>
Restricted and internally designated assets:						
Utility deposits - cash and investments	7,475,446	590,944	387,673	218,317	-	8,672,380
Debt service - cash and investments	44,278,812	5,917,444	7,872,261	3,169,376	1,103,932	62,341,825
Debt defeasance - cash and investments	1,032,334	145,798	439,976	391,705	318,979	2,328,792
Fuel hedges - cash and investments	5,366,367	-	-	240,925	-	5,607,292
Rate stabilization - cash and investments	25,860,806	16,039,550	12,699,977	-	-	54,600,333
Construction fund - cash and investments	4,256,354	12,501,746	51,147,572	1,614,103	1,934,141	71,453,916
Utility plant improvement fund - cash and investments	29,477,530	5,980,828	1,595,524	9,618,673	3,384,935	50,057,490
<b>Total restricted and internally designated assets</b>	<b>117,747,649</b>	<b>41,176,310</b>	<b>74,142,983</b>	<b>15,253,099</b>	<b>6,741,987</b>	<b>255,062,028</b>
Noncurrent assets:						
Net costs recoverable in future years - regulatory assets	47,300,698	-	-	-	-	47,300,698
Long-term lease receivable	-	-	-	-	20,180,491	20,180,491
Unamortized debt issuance costs - regulatory asset	6,878,724	771,372	1,197,771	415,190	307,195	9,570,252
SWAP termination fees	17,421,420	5,121,554	5,023,381	1,180,993	596,807	29,344,155
Fair value of derivative instruments - asset	45,838,038	1,941,370	3,924,627	1,374,007	60,313	53,138,355
Investment in The Energy Authority	7,500,972	-	-	1,001,409	-	8,502,381
Pollution remediation - regulatory asset	-	-	-	6,415,066	-	6,415,066
Other noncurrent assets and regulatory assets	7,312,987	2,240,567	2,019,821	996,612	435,743	13,005,730
Pension regulatory asset	69,528,494	12,561,983	16,171,817	5,633,439	4,781,859	108,677,592
<b>Total noncurrent assets</b>	<b>201,781,333</b>	<b>22,636,846</b>	<b>28,337,417</b>	<b>17,016,716</b>	<b>26,362,408</b>	<b>296,134,720</b>
Capital assets:						
Utility plant in service	2,064,721,459	338,518,517	465,800,677	113,533,190	75,654,599	3,058,228,442
Right-of-use Asset	213,602	-	48,388	-	496,748	758,738
Less: accumulated depreciation and amortization	(821,152,011)	(161,136,873)	(212,520,819)	(69,198,345)	(47,719,196)	(1,311,727,244)
	1,243,783,050	177,381,644	253,328,246	44,334,845	28,432,151	1,747,259,936
Construction in progress	53,266,071	18,624,226	27,531,095	6,494,447	996,519	106,912,358
<b>Net capital assets</b>	<b>1,297,049,121</b>	<b>196,005,870</b>	<b>280,859,341</b>	<b>50,829,292</b>	<b>29,428,670</b>	<b>1,854,172,294</b>
<b>Total assets</b>	<b>1,747,150,861</b>	<b>275,402,931</b>	<b>394,282,297</b>	<b>94,383,680</b>	<b>68,395,284</b>	<b>2,579,615,053</b>
Deferred outflows of resources:						
Unamortized loss on refundings of bonds	4,096,248	1,338,829	1,700,268	644,377	121,422	7,901,144
Accumulated decrease in fair value of hedging derivatives	2,886,107	-	-	-	-	2,886,107
General Employees' Pension plan costs	49,235,821	8,528,348	11,781,429	4,220,213	3,956,450	77,722,261
Other post-employment benefits plan	4,565,543	790,817	1,092,470	391,332	366,874	7,207,036
<b>Total deferred outflows of resources</b>	<b>60,783,719</b>	<b>10,657,994</b>	<b>14,574,167</b>	<b>5,255,922</b>	<b>4,444,746</b>	<b>95,716,548</b>
<b>Total assets and deferred outflows of resources</b>	<b>\$ 1,807,934,580</b>	<b>\$ 286,060,925</b>	<b>\$ 408,856,464</b>	<b>\$ 99,639,602</b>	<b>\$ 72,840,030</b>	<b>\$ 2,675,331,601</b>

Continued on next page.

**Gainesville Regional Utilities**  
**Combining Statement of Net Position (concluded)**  
**September 30, 2022**

	Electric	Water	Wastewater	Gas	GRUCom	Combined
<b>Liabilities</b>						
Current liabilities:						
Accounts payable and accrued liabilities	\$ 13,626,415	\$ 1,846,905	\$ 1,480,925	\$ 446,525	\$ 697,088	\$ 18,097,858
Fuels payable	16,752,691	-	-	1,359,277	-	18,111,968
Intercompany loan	(1,325,000)	-	(1,911,094)	(3,500,000)	6,736,094	-
Due to other funds	8,595,070	(407,168)	780,468	(1,591,667)	(16,945)	7,359,758
Other liabilities and regulatory liabilities	362,130	-	12,631	264,930	86,147	725,838
<b>Total current liabilities</b>	<b>38,011,306</b>	<b>1,439,737</b>	<b>362,930</b>	<b>(3,020,935)</b>	<b>7,502,384</b>	<b>44,295,422</b>
Payable from restricted assets:						
Utility deposits	7,470,196	590,943	387,673	218,318	-	8,667,130
Accounts payable and accrued liabilities	3,421,197	1,477,755	3,859,407	130,113	5,415	8,893,887
Utilities system revenue bonds – current	23,422,501	2,419,773	2,946,377	1,510,641	280,708	30,580,000
Accrued interest payable	21,291,946	2,782,295	4,381,362	1,494,360	860,613	30,810,576
Other liabilities and regulatory liabilities	9,260	-	-	638	238	10,136
<b>Total payable from restricted assets</b>	<b>55,615,100</b>	<b>7,270,766</b>	<b>11,574,819</b>	<b>3,354,070</b>	<b>1,146,974</b>	<b>78,961,729</b>
Long-term debt:						
Utilities system revenue bonds	1,208,765,636	150,015,545	218,517,624	69,689,987	54,376,208	1,701,365,000
Long-term liability - leases	99,079	-	12,452	-	245,637	357,168
Unamortized bond premium/discount	66,862,006	8,618,373	22,075,864	3,245,126	232,111	101,033,480
<b>Total long-term debt</b>	<b>1,275,726,721</b>	<b>158,633,918</b>	<b>240,605,940</b>	<b>72,935,113</b>	<b>54,853,956</b>	<b>1,802,755,648</b>
Noncurrent liabilities:						
Reserve for insurance claims	1,142,431	387,851	320,481	113,127	(3,890)	1,960,000
Reserve for environmental liability	-	-	-	708,000	-	708,000
Net pension liability	51,254,906	8,878,082	12,264,566	4,393,278	4,118,698	80,909,530
Net other post-employment benefits liability	2,656,530	460,149	635,670	227,703	213,471	4,193,523
Due to other funds	65,321,692	11,831,453	15,240,284	5,296,613	4,469,801	102,159,843
Other noncurrent liabilities and regulatory liabilities	1,589,808	402,059	470,596	166,298	151,003	2,779,764
<b>Total noncurrent liabilities</b>	<b>121,965,367</b>	<b>21,959,594</b>	<b>28,931,597</b>	<b>10,905,019</b>	<b>8,949,083</b>	<b>192,710,660</b>
<b>Total liabilities</b>	<b>1,491,318,494</b>	<b>189,304,015</b>	<b>281,475,286</b>	<b>84,173,267</b>	<b>72,452,397</b>	<b>2,118,723,459</b>
<b>Deferred inflows of resources:</b>						
Rate stabilization	28,077,154	16,999,240	13,530,804	(18,490)	(5,052,878)	53,535,830
Accumulated increase in fair value of hedging derivatives	48,885,434	1,985,667	3,978,176	1,391,786	60,313	56,301,376
General Employees' Pension plan costs	28,697	4,971	6,867	2,459	2,306	45,300
Other post-employment benefits plan	3,646,125	631,561	872,466	312,525	292,992	5,755,669
Other deferred inflows	-	-	-	-	21,373,099	21,373,099
<b>Total deferred inflows of resources</b>	<b>80,637,410</b>	<b>19,621,439</b>	<b>18,388,313</b>	<b>1,688,280</b>	<b>16,675,832</b>	<b>137,011,274</b>
<b>Net position:</b>						
Net investment in capital assets	2,831,303	47,314,999	86,295,458	(15,073,029)	(23,655,846)	97,712,885
Restricted	50,244,039	8,156,288	4,255,595	11,311,540	8,680,894	82,648,356
Unrestricted	182,903,334	21,664,184	18,441,812	17,539,544	(1,313,247)	239,235,627
<b>Total net position</b>	<b>235,978,676</b>	<b>77,135,471</b>	<b>108,992,865</b>	<b>13,778,055</b>	<b>(16,288,199)</b>	<b>419,596,868</b>
<b>Total liabilities, deferred inflows of resources and net position</b>	<b>\$ 1,807,934,580</b>	<b>\$ 286,060,925</b>	<b>\$ 408,856,464</b>	<b>\$ 99,639,602</b>	<b>\$ 72,840,030</b>	<b>\$ 2,675,331,601</b>

**Gainesville Regional Utilities**  
**Combining Statement of Revenues, Expenses, and Changes in Net Position**  
**For the Year Ended September 30, 2022**

	Electric	Water	Wastewater	Gas	GRUCom	Combined
Operating revenue:						
Sales and service charges	\$ 362,473,148	\$ 36,761,847	\$ 45,658,058	\$ 31,908,418	\$ 11,482,989	\$ 488,284,460
Transfers from (to) rate stabilization	9,316,848	347,214	1,797,451	815,474	-	12,276,987
Amounts to be recovered from future revenue	5,308,072	-	-	-	-	5,308,072
Other operating revenue	8,080,416	3,570,567	6,739,826	507,408	69,853	18,968,070
Total operating revenues	<u>385,178,484</u>	<u>40,679,628</u>	<u>54,195,335</u>	<u>33,231,300</u>	<u>11,552,842</u>	<u>524,837,589</u>
Operating expenses:						
Operation and maintenance	218,133,761	14,355,793	16,875,304	19,924,676	8,902,336	278,191,870
Administrative and general	21,556,894	5,012,981	5,449,429	2,579,912	751,406	35,350,622
Depreciation and amortization	67,409,282	12,014,341	16,527,657	4,266,760	3,467,501	103,685,541
Total operating expenses	<u>307,099,937</u>	<u>31,383,115</u>	<u>38,852,390</u>	<u>26,771,348</u>	<u>13,121,243</u>	<u>417,228,033</u>
Operating income	<u>78,078,547</u>	<u>9,296,513</u>	<u>15,342,945</u>	<u>6,459,952</u>	<u>(1,568,401)</u>	<u>107,609,556</u>
Non-operating income (expense):						
Interest income	940,336	321,142	470,305	155,384	809,789	2,696,956
Interest expense, net of AFUDC	(42,915,056)	(6,425,559)	(9,128,145)	(3,208,777)	(1,832,872)	(63,510,409)
Other interest related income, BABs	2,746,092	784,074	906,040	575,904	-	5,012,110
Other Income (expense)	(17,508)	(1,991,638)	(1,964,358)	(77,392)	(512,361)	(4,563,257)
Total non-operating income (expenses)	<u>(39,246,136)</u>	<u>(7,311,981)</u>	<u>(9,716,158)</u>	<u>(2,554,881)</u>	<u>(1,535,444)</u>	<u>(60,364,600)</u>
Income before capital contributions and transfers	<u>38,832,411</u>	<u>1,984,532</u>	<u>5,626,787</u>	<u>3,905,071</u>	<u>(3,103,845)</u>	<u>47,244,956</u>
Capital contributions:						
Contributions from third parties	39,928	3,963,542	5,437,803	-	-	9,441,273
Reduction of plant cost recovered through contributions	(39,928)	-	-	-	-	(39,928)
Net capital contributions	<u>-</u>	<u>3,963,542</u>	<u>5,437,803</u>	<u>-</u>	<u>-</u>	<u>9,401,345</u>
Transfers from (to)						
City of Gainesville General Fund	(23,388,369)	(4,426,217)	(5,346,802)	(1,799,797)	(1,321,815)	(36,283,000)
	<u>(23,388,369)</u>	<u>(4,426,217)</u>	<u>(5,346,802)</u>	<u>(1,799,797)</u>	<u>(1,321,815)</u>	<u>(36,283,000)</u>
Change in net position	15,444,042	1,521,857	5,717,788	2,105,274	(4,425,660)	20,363,301
Net position – beginning of year	220,534,634	75,613,614	103,275,077	11,672,781	(11,862,539)	399,233,567
Net position – end of year	<u>\$ 235,978,676</u>	<u>\$ 77,135,471</u>	<u>\$ 108,992,865</u>	<u>\$ 13,778,055</u>	<u>\$ (16,288,199)</u>	<u>\$ 419,596,868</u>

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

	<b>Balance September 30, 2021</b>	<b>Additions</b>	<b>Sales, Retirements, and Transfers</b>	<b>Balance September 30, 2022</b>
<b>Plant in service</b>				
Electric utility system:				
Production plant	\$ 1,447,356,381	\$ 39,256,810	\$ 5,686,740	\$ 1,480,926,451
Transmission and distribution plant	428,703,833	14,226,188	2,214,500	440,715,521
General and common plant	136,662,407	6,644,599	13,917	143,293,089
Total electric system	<u>2,012,722,621</u>	<u>60,127,597</u>	<u>7,915,157</u>	<u>2,064,935,061</u>
Water utility system:				
Supply, pumping, and treatment plant	89,912,959	7,350,719	579,854	96,683,824
Transmission and distribution plant	207,572,617	13,264,716	3,401,296	217,436,037
General plant	20,910,316	3,488,341	-	24,398,657
Total water system	<u>318,395,892</u>	<u>24,103,776</u>	<u>3,981,150</u>	<u>338,518,518</u>
Wastewater utility system:				
Pumping and treatment plant	150,234,207	13,137,541	2,532,484	160,839,264
Collection plant	218,161,610	17,029,365	3,583,621	231,607,354
Reclaimed water plant	40,814,960	1,605,291	3,279	42,416,972
General plant	27,022,775	3,962,700	-	30,985,475
Total wastewater system	<u>436,233,552</u>	<u>35,734,897</u>	<u>6,119,384</u>	<u>465,849,065</u>
Gas utility system:				
Distribution plant	86,459,841	4,969,738	-	91,429,579
General plant	16,080,888	1,396,229	24,142	17,452,975
Plant acquisition adjustment	4,650,636	-	-	4,650,636
Total gas system	<u>107,191,365</u>	<u>6,365,967</u>	<u>24,142</u>	<u>113,533,190</u>
Telecommunications system:				
Distribution plant	63,167,185	769,632	3,034,949	60,901,868
General plant	15,146,467	114,480	11,469	15,249,478
Total telecommunications system	<u>78,313,652</u>	<u>884,112</u>	<u>3,046,418</u>	<u>76,151,346</u>
Total plant in service	<u>\$ 2,952,857,082</u>	<u>\$ 127,216,349</u>	<u>\$ 21,086,251</u>	<u>\$ 3,058,987,180</u>
<b>Construction in progress</b>				
Electric system	\$ 68,255,653	\$ 45,111,062	\$ 60,100,644	\$ 53,266,071
Water system	22,928,674	19,795,176	24,099,624	18,624,226
Wastewater system	34,307,991	28,867,728	35,644,624	27,531,095
Gas system	6,236,901	6,623,513	6,365,967	6,494,447
Telecommunications system	814,711	1,065,920	884,112	996,519
Total construction in progress	<u>\$ 132,543,930</u>	<u>\$ 101,463,399</u>	<u>\$ 127,094,971</u>	<u>\$ 106,912,358</u>

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

	<b>Balance September 30, 2021</b>	<b>Additions</b>	<b>Sales, Retirements, and Adjustments</b>	<b>Balance September 30, 2022</b>
<b>Electric utility system:</b>				
Production plant	\$ 455,958,369	\$ 45,076,997	\$ 2,708,226	\$ 498,327,140
Transmission and distribution plant	225,606,316	15,878,229	1,047,779	240,436,766
General and common plant	76,217,939	6,208,122	37,955	82,388,106
<b>Total electric system</b>	<b>757,782,624</b>	<b>67,163,348</b>	<b>3,793,960</b>	<b>821,152,012</b>
<b>Water utility system:</b>				
Supply, pumping, and treatment plant	37,651,665	4,872,783	304,333	42,220,115
Transmission and distribution plant	103,356,785	5,989,669	1,895,326	107,451,128
General plant	10,313,700	1,151,837	(92)	11,465,629
<b>Total water system</b>	<b>151,322,150</b>	<b>12,014,289</b>	<b>2,199,567</b>	<b>161,136,872</b>
<b>Wastewater utility system:</b>				
Pumping and treatment plant	77,378,671	6,832,211	1,760,100	82,450,782
Collection plant	100,693,338	7,073,291	2,619,248	105,147,381
Reclaimed water plant	7,935,215	1,069,047	2,008	9,002,254
General plant	14,341,371	1,553,109	(25,922)	15,920,402
<b>Total wastewater system</b>	<b>200,348,595</b>	<b>16,527,658</b>	<b>4,355,434</b>	<b>212,520,819</b>
<b>Gas utility system:</b>				
Distribution plant	52,742,959	3,255,113	-	55,998,072
General plant	7,566,197	1,011,647	24,142	8,553,702
Plant acquisition adjustment	4,646,571	-	-	4,646,571
<b>Total gas system</b>	<b>64,955,727</b>	<b>4,266,760</b>	<b>24,142</b>	<b>69,198,345</b>
<b>Telecommunications system:</b>				
Distribution plant	42,972,297	2,685,126	2,637,543	43,019,880
General plant	3,928,410	782,374	11,468	4,699,316
<b>Total telecommunications system</b>	<b>46,900,707</b>	<b>3,467,500</b>	<b>2,649,011</b>	<b>47,719,196</b>
<b>Total depreciation and amortization</b>	<b>\$ 1,221,309,803</b>	<b>\$ 103,439,555</b>	<b>\$ 13,022,114</b>	<b>\$ 1,311,727,244</b>

## **OTHER REPORT**

**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**

Independent Auditors' Report

To the Honorable Mayor and City Commission of  
Gainesville Regional Utilities

We have audited, in accordance with the 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 (Government Auditing Standards), the financial statements of Gainesville Regional Utilities (the Utility), which comprise the Utility's statement of financial position as of September 30, 2022, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 24, 2023. The Utility adopted the provisions of Governmental Accounting Standards Board Statement No. 87, *Leases*, effective October 1, 2021. Our opinion is not modified with respect to this matter.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Utility's internal control over financial reporting (internal control) as a basis for designing 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 the Utility's internal control. Accordingly, we do not express an opinion on the effectiveness of the Utility's 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 control 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 or significant deficiencies may exist that were not identified.

## Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Utility's financial statements are free from 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 financial statements. 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.

A handwritten signature in black ink that reads "Baker Tilly US, LLP". The signature is written in a cursive, flowing style.

Madison, Wisconsin  
March 24, 2023