

**City Utilities of Springfield, Missouri
(A Component Unit of the City of
Springfield, Missouri)**

Independent Auditor's Reports and Financial Statements

September 30, 2021 and 2020

City Utilities of Springfield, Missouri

September 30, 2021 and 2020

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Independent Auditor's Report

The Honorable Mayor and Members of the
City Council of the City of Springfield, Missouri
City Utilities of Springfield, Missouri
Springfield, Missouri

Report on the Financial Statements

We have audited the accompanying financial statements of City Utilities of Springfield, Missouri (City Utilities), a component unit of the City of Springfield, Missouri, as of and for the years ended September 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise City Utilities' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic 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 basic financial statements and other knowledge we obtained during our audit of the basic 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.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise City Utilities' basic financial statements. The accompanying supplementary information including the combining schedules of revenues, expenses, and changes in net position for the years ended September 30, 2021 and 2020, and the schedule of expenditures of federal awards required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information, including the schedule of expenditures of federal awards, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we also have issued our report dated January 7, 2022, on our consideration of City 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 City 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 City Utilities' internal control over financial reporting and compliance.

BKD, LLP

City Utilities of Springfield, Missouri
(A Component Unit of the City of Springfield, Missouri)
Management’s Discussion and Analysis
September 30, 2021 and 2020

City Utilities of Springfield, Missouri (City Utilities or the “Utility”) is a municipally owned utility, which is a component unit of the City of Springfield, Missouri (City). This discussion and analysis of the financial performance of City Utilities provides an overview of City Utilities’ financial activities for the fiscal years ended September 30, 2021 and 2020. This analysis should be read in conjunction with the financial statements and notes thereto.

City Utilities is comprised of electric, natural gas, water, transportation and telecommunications/broadband. At September 30, 2021, City Utilities served approximately 119,000 electric, 85,000 natural gas and 84,000 water customers in the Springfield metropolitan area. This represents growth of approximately 0.8% customers for fiscal year 2021. In addition, City Utilities provided transportation for over 794,000 bus passengers and had over 1,500 telecommunication contracts.

Financial Highlights

	2021	2020	2019
Net position (equity)	\$1.4 billion	\$1.3 billion	\$1.2 billion
Change in net position (net income)	\$120 million	\$61 million	\$67 million
Capital improvements/additions	\$243 million	\$230 million	\$160 million
Peak demand			
Electric – maximum hourly peak demand	720 megawatts	697 megawatts	727 megawatts
Natural gas – maximum daily throughput peak	115,875 dekatherms	123,398 dekatherms	115,225 dekatherms
Water – maximum daily pumpage	40.0 million gallons	43.7 million gallons	38.6 million gallons
Credit ratings as follows:			
Fitch	AA	AA	AA
S&P Global Ratings:			
Revenue Bonds	AA+	AA+	AA+
Certificates of Participation	AA	AA	AA

Financial Statements

This report contains three basic financial statements and related notes. The *Statements of Revenues, Expenses and Changes in Net Position* present City Utilities’ results of operations and changes in net position for the fiscal years ended September 30, 2021 and 2020. The *Statements of Net Position* presents City Utilities’ financial condition, assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position at September 30, 2021 and 2020. The *Statements of Cash Flows* presents City Utilities’ sources and uses of cash for the fiscal years ended September 30, 2021 and 2020. The *Notes to Financial Statements* are an integral part of the basic financial statements and contain information on accounting principles and other matters necessary for a more complete understanding of City Utilities’ financial position.

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Discussion and Analysis

Major Projects

Fiscal Year 2021



Electric

During 2021, \$1.6 million was spent to replace and maintain aging electric pole infrastructure. Our electric distribution system has approximately 15% of poles greater than 50 years old. We have budgeted \$10 million over the next 5 years to move toward a 50-year replacement cycle.

The Grant Avenue Parkway Project design phase was initiated in 2021. The project includes electrical distribution modifications to underground all electrical facilities along Grant Avenue between Sunshine and College streets. Part of the estimated \$4.6 million cost will be reimbursed through a BUILD Grant.

The Republic Substation Addition to construct a 161 kV substation on the western edge of CU’s system is expected to be completed in 2022 at a total cost of \$2.6 million. During 2021, \$402,000 was spent on the substation addition to provide needed capacity and enhanced reliability.

The multi-year project to replace aging substation switchgear equipment began in 2021 with expenditures totaling \$144,000. Through 2026, \$6.3 million is budgeted for renovation of the Hargiss substation and repairs at various other substations to ensure reliability.

Transformers are installed to support new capital projects and replacement for storm damage and maintenance. During the year, \$821,000 was spent to purchase electric distribution transformers. To address lengthening lead times, \$7.3 million has been budgeted over the next 5 years to ensure adequate stock to meet the needs of our customers.



Natural Gas

The Natural Gas Advanced Metering Infrastructure (AMI) project is over 60% complete. During 2021, \$1.8 million was spent to install AMI including meters and associated communication equipment. This multi-year project is scheduled to be completed in 2023 at an additional cost of \$3.3 million.

During the year, \$6.7 million was spent for renewal of natural gas mains and services. Through 2026, \$34.7 million is budgeted to ensure continued safe and reliable natural gas service. Renewal projects are funded at approximately \$7.0 million per year to replace natural gas mains identified in the Distribution Integrity Management Plan.

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Water

For the fiscal year, \$2.7 million was spent which brought the multi-year project to over 60% complete. The Water AMI project is anticipated to be completed in 2023 at an additional cost of \$3.5 million. This project will promote efficiency by eliminating the need for manual meter reads and improve conservation by detecting water leaks.

For 2021, \$8.1 million was spent to enhance and maintain the water system infrastructure. To achieve 12 miles of water main and service renewals per year, \$46.7 million is budgeted in the Operating Plan over the next 5 years.

The multi-year water main project to connect Fellows Lake to Blackman Water Treatment plant has installed 11 of the 12-mile water main. During 2021, \$1.9 million was invested for this water infrastructure project. The project is expected to be completed in 2024 for an estimated additional cost of \$5.4 million.



SpringNet

The SpringNet Network Expansion Project will provide the backbone network for private telecommunication providers to offer internet access to residential, commercial and industrial sectors in the Springfield community. This project is slated for completion in 2023 for a total investment of \$141.5 million. During fiscal year 2021, \$55.7 million was expended for this project. Project-to-date costs are \$112 million.

To meet the community needs for broadband services and support economic development, \$9.9 million is budgeted over the 5-year planning horizon. During 2021, \$1.6 million was spent to support SpringNet revenue generation projects.



Transportation

Two electric fixed route buses were placed into service for a cost of \$1.9 million during fiscal year 2021. To reach our goal of 25% electric bus fleet, \$6.0 million is budgeted over the next 5 years to purchase 6 additional electric buses. Funding for the electric buses has been partially provided by the Federal Transit Administration (FTA).

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Fiscal Year 2020



Electric

The Electric Advanced Metering Infrastructure (AMI) project was essentially completed in fiscal year 2020. For the year, \$3.0 million was spent for the purchase of advanced electric meters and associated data management equipment to complete this project. This project allows for remote communication between electric meters and City Utilities. The infrastructure will allow for an array of customer enhancements including providing interval data and the potential for innovative rate design and energy efficiency programs.

During 2020, \$1.4 million was spent on the electric distribution infrastructure for the pole replacement initiative. This multi-year project is intended to move City Utilities to a 50-year pole replacement cycle. Over the next five years, \$8.4 million is budgeted to replace and maintain electric poles.

To meet regulatory requirements, upgrades to power generation equipment are necessary on a regular basis. During 2020, \$1.0 million was spent upgrading power generation hardware and software. Over the 5-year planning horizon, an additional \$1.6 million is budgeted.

The Brookline Reactor project, a transmission upgrade to enhance system reliability, was completed during the fiscal year at a cost of \$1.7 million. The total cost of the multi-year project was \$2.6 million. The initial cost of this project was funded by City Utilities and will be recovered from the Southwest Power Pool (SPP) based upon the SPP cost allocation methodology.

During the year, substantial enhancements were made to the McCartney substation to accommodate growth. The McCartney East Distribution Addition was completed in May 2020 at a cost of \$2.3 million and included a 161 kV transformer, feeders, and breakers to ensure continued reliability.



Natural Gas

The Natural Gas AMI project is expected to be completed in fiscal year 2023. During the year, \$1.5 million was spent to replace meters with advanced technology. This project will provide customer meter interval data and eliminate the need for manual meter reads. The funding to complete this multi-year initiative is estimated at \$4.5 million.

City Utilities' goal is to maintain a 100-year replacement cycle for natural gas mains. During fiscal year 2020, \$6.7 million was spent for natural gas main and service renewal projects. Over the next five years, \$29.9 million is budgeted to replace older natural gas mains at a rate of approximately 13 miles of gas mains per year.

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Water

To promote water conservation and efficiency programs, water meters are being replaced by Advanced Metering Infrastructure (AMI) meters. This project will provide two-way communication between the meters and City Utilities. For 2020, \$2.2 million was spent on water AMI meters and associated equipment. Completion of the project is planned for 2023 at an additional cost of \$5.7 million.

City Utilities efforts to replace and maintain infrastructure includes a 100-year replacement cycle for water mains. During the year, \$6.5 million was spent to replace water mains and install service renewals. Over the next 5 years, water main and service renewal projects are budgeted at \$40.4 million, which will replace approximately 9 to 12 miles of water mains per year.



SpringNet

The SpringNet Network Expansion Project will enable us to meet customer demand for broadband services and further support economic development by transforming Springfield into a Gigabit City. During 2020, \$52.0 million was spent to expand SpringNet's fiber optic network. This project is expected to be completed by fiscal year 2023 at a projected total cost of \$141.5 million.

To further support economic development, \$1.6 million was spent on responding to new service requests. An additional \$8.8 million is projected for revenue generation projects for SpringNet over the next five years.



Transportation

During fiscal year 2020, two fixed route fleet buses were put into service at a cost of \$844,000. Over the five-year planning horizon, the purchase of six buses is planned with funding provided by Federal Transit Administration (FTA) and Missouri Department of Natural Resources.

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	Net Position (Equity)		
	(In Thousands)		
	2021	2020	2019
Assets			
Net capital assets	\$ 1,640,283	\$ 1,596,576	\$ 1,520,223
Current and other assets	524,918	388,316	361,642
	<u>2,165,201</u>	<u>1,984,892</u>	<u>1,881,865</u>
Total assets			
Deferred outflows of resources	58,104	47,755	36,189
	<u>2,223,305</u>	<u>2,032,647</u>	<u>1,918,054</u>
Total assets and deferred outflows			
Less liabilities			
Long-term obligations	549,130	528,861	531,963
Other liabilities	122,912	174,922	129,649
	<u>672,042</u>	<u>703,783</u>	<u>661,612</u>
Total liabilities			
Deferred inflows of resources	167,898	65,067	53,583
	<u>839,940</u>	<u>768,850</u>	<u>715,195</u>
Total liabilities and deferred inflows			
Net position			
Net investment in capital assets	996,368	967,018	926,522
Restricted for debt service	6,421	6,422	6,422
Restricted for net pension asset	104,035	-	-
Unrestricted	276,541	290,357	269,915
	<u>1,383,365</u>	<u>1,263,797</u>	<u>1,202,859</u>
Total net position	<u>\$ 1,383,365</u>	<u>\$ 1,263,797</u>	<u>\$ 1,202,859</u>

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Long-Term Obligation Activity

As of September 30, 2021, City Utilities had fully borrowed \$90.0 million against the lease financing agreement for the SpringNet Network Expansion Project. During fiscal year 2021, City Utilities did not enter into any new long-term debt obligations.

During fiscal year 2020, \$90.0 million in construction financing for the SpringNet Network Expansion project was obtained to partially fund highspeed broadband internet access to the Springfield community; See *Note 4, Long-term Obligations*, for additional information.

Operating Results – Revenues

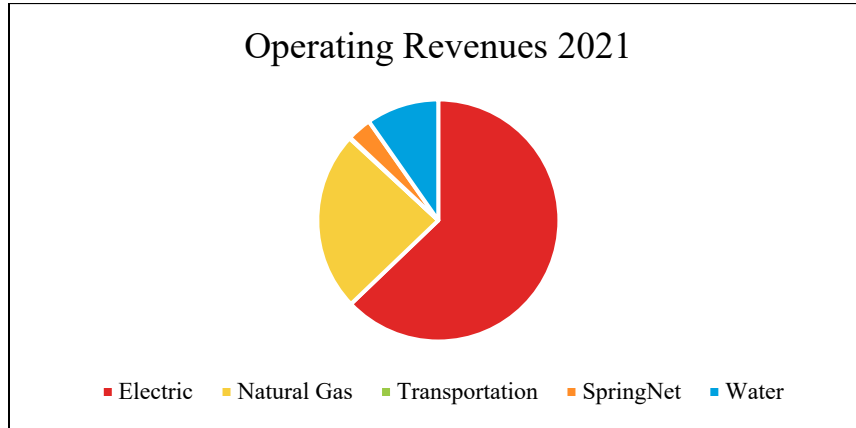
There were no rate increases effective for electric, natural gas or water for fiscal year 2021. In fiscal year 2020, a 2.0% natural gas and a 3.6% water rate increase were effective October 2019. These increases were the final in a series of three rate increases approved by Springfield City Council in 2016.

City Utilities’ revenues are impacted by fuel cost, weather, usage and customer growth. During fiscal year 2021, City Utilities’ customers experienced a major weather event, higher fuel prices and a slightly warmer than normal summer.

The following table represents operating revenue information for City Utilities prior to interdepartmental eliminations:

	Operating Revenues		
	(In Thousands)		
	2021	2020	2019
Operating revenue			
Electric	\$ 361,266	\$ 287,216	\$ 306,218
Natural Gas	138,026	81,488	99,207
Transportation	701	791	1,027
SpringNet	18,733	16,238	15,515
Water	56,005	56,669	52,159
	<hr/>	<hr/>	<hr/>
Total operating revenues	<u>\$ 574,731</u>	<u>\$ 442,402</u>	<u>\$ 474,126</u>

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Fiscal Year 2021

In February 2021, Winter Storm Uri impacted not only Springfield but the entire mid-section of the US from Canada to Mexico. This significant weather system created high demand and reduced supply of electricity and natural gas throughout the entire region. The high demand led to volatile prices in the energy and natural gas markets. These conditions significantly impacted CU’s fuel cost and related revenues resulting in significant variances to budget and last year. For the year, operating revenues were \$574.7 million and are above last year by \$132.3 million. Total operating revenues exceeded original budget by 21% and the prior year by 30%.

Electric revenues were 26% above last year. For Electric, the increase was due to off-system sales during the weather event due to unprecedented pricing of purchased power during February. Due to CU’s generation capacity, we were able to benefit from the escalation in pricing. Resale revenues were \$67.4 million over the prior year. Retail electric revenues were down \$6.9 million or 3% as compared to 2020.

Natural gas revenues were \$138.0 million, \$56.5 million above the prior year due to volatile pricing. Natural gas customers were impacted by higher fuel prices during the weather event and throughout the remainder of the year resulting in a 19% increase in retail sales revenues over the prior year. Residential sales volumes were 3% above the prior year but were offset by a 4% decrease in commercial and industrial sales volumes resulting in an overall decrease of 1% for retail sales volumes. The increase in natural gas revenues is solely related to the increase in natural gas prices over the prior year.

Water operating revenues were \$56.0 million for the year and within 1% of 2020. Precipitation was within 2% of normal resulting in sales volumes comparable to the prior year.

Telecommunication revenues were \$18.7 million, a 15% increase over the prior year. The increase in revenues is due to the SpringNet Network Expansion Project. The rent revenue associated with the project increased \$2.3 million over last year.

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Fiscal Year 2020

During 2020, City Utilities revenues were adversely impacted by a decrease in customer demand due to the economic downturn caused by the Covid-19 pandemic. Due to stay at home orders and further restrictions, an economic downturn was experienced in Springfield from March through September 2020. Usage was down for the year for Electric and Natural Gas due to the mild winter and reduced demand. Revenues were below budget and below the prior year.

Electric residential unit sales were down 19% and commercial and industrial sales volumes were down 10% as compared to the prior year. Natural gas revenues were not as impacted since the pandemic hit after the heating season. Natural Gas revenues were adversely impacted by the mild winter and a decrease in natural gas prices. Residential natural gas revenues decreased 11% and commercial and industrial revenues decreased 20% as compared to the prior year.

City Utilities' budget is forecasted based on normal weather. With warmer than normal winter weather, natural gas revenues came in below budget by \$12 million. Electric revenues were unfavorable to budget by 5%. Water revenues were above budget by 3% due to below normal rainfall over the summer months. While rainfall was 17% above normal for the year, precipitation was 8 inches below normal for June through September 2020 causing a 9% increase in residential sales volumes. Water revenues were 9% above the prior year.

Customer growth was above last year for Natural Gas and Water. Electric customer growth was below 2019 due to the economic downturn but higher than 2018. In total, City Utilities added 1,866 customers; an increase of less than 1%. Despite the growth, usage was down for electric and natural gas for the year.

Operating Results – Operating Expenses

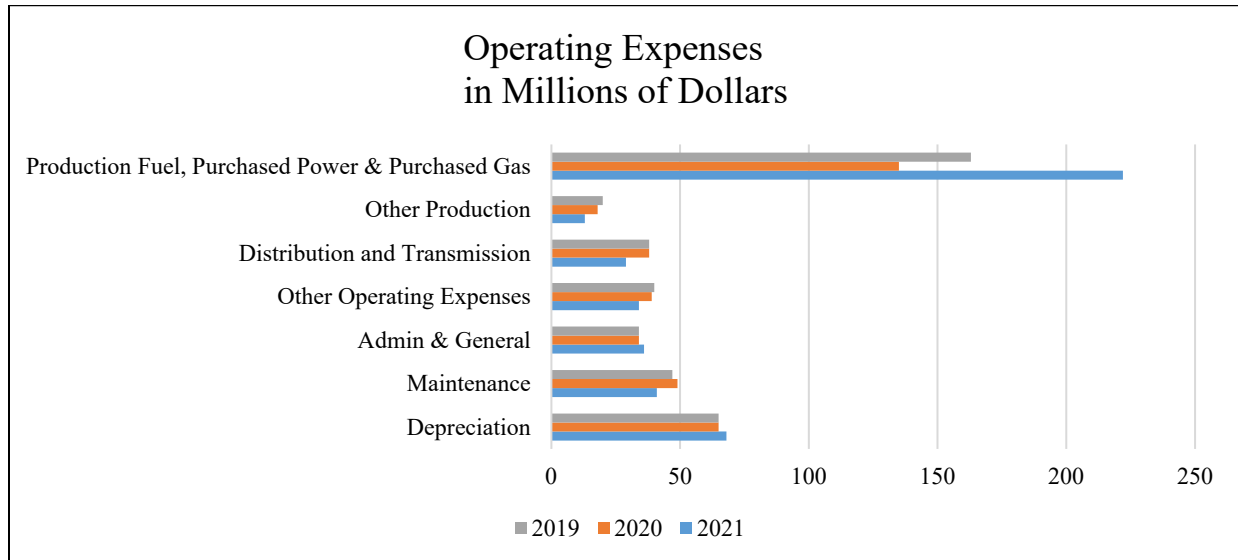
Over half of the utility's operating expenses are for fuel and purchased power. During 2021, Winter Storm Uri caused price volatility for natural gas purchases and purchased power costs. This resulted in significant variances for operating expenses as compared to budget and the prior year.

Operating expenses for City Utilities includes Payments in Lieu of Taxes (PILOT) to the City of Springfield. City Utilities pays a percentage of its operating revenues into the general revenue fund of the City, as required by City Charter. These payments are made to the City at a rate of 3% of electric revenue and 4% of natural gas and transit revenues for the fiscal year. In addition, water made payments to the City at a rate of 4%. SpringNet pays a right-of-way fee to the City based on linear feet of as-built fiber cable in the City's rights of way on an annual basis.

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The following table presents City Utilities' operating expenses prior to interdepartmental eliminations:

	Operating Expenses (In Thousands)		
	2021	2020	2019
Operating expenses			
Electric	\$ 267,973	\$ 242,073	\$ 254,943
Natural Gas	120,982	74,030	89,867
Transportation	8,771	11,895	12,245
SpringNet	13,995	12,535	12,253
Water	31,611	37,626	37,223
	<u>443,332</u>	<u>378,159</u>	<u>406,531</u>
Total operating expenses	<u>\$ 443,332</u>	<u>\$ 378,159</u>	<u>\$ 406,531</u>



Fiscal Year 2021

Total operating expenses were \$443.3 million, an increase of 17% over the prior year. The February weather event and resulting volatility in natural gas prices and purchased power costs escalated the operating expenses for the year. Production fuel increased \$25.1 million while purchased power costs increased \$8.8 million over the prior year. The increase in natural gas prices resulted in doubling the purchased gas cost for our customers, an increase of \$50.5 million over fiscal year 2020.

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In comparison to budget, production fuel and purchased power exceeded budget by \$15.7 million after the budget transfer of \$10.0 million to purchased power costs. Natural Gas purchases exceeded budget by \$3.2 million after the \$35.0 million budget transfer for purchased gas due to unprecedented pricing as a result of Winter Storm Uri.

Maintenance expenses were \$7.5 million below last year and \$9.8 million below budget. Electric maintenance for the year was favorable to budget by \$5.2 million while water maintenance was favorable by \$3.5 million.

Payments in Lieu of Taxes were \$16.6 million and over last year by \$2.3 million and over budget by \$2.2 million due to higher revenues this year primarily due to off-system sales during the weather event.

Fiscal Year 2020

Total operating expenses were \$378.2 million, a decrease of 7% as compared to the prior year. Reduction in fuel costs were the primary driver for the reduction in operating expenses. Production fuel was less than the prior year by \$11 million due to an 18% reduction in generation.

Purchased power was \$7.4 million over budget due to a reduction in generation.

Purchased natural gas cost was below last year by \$16.5 million due to lower natural gas prices and a mild winter. Natural gas dekatherms purchased were 10% below the prior year. Unit costs were down 25% from \$3.77 per dekatherm to \$2.83. Water operating expenses were comparable to the prior year.

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	Changes in Net Position (Equity)		
	(In Thousands)		
	2021	2020	2019
Operating revenues	\$ 554,740	\$ 429,829	\$ 457,748
Less operating expenses	<u>423,356</u>	<u>365,587</u>	<u>390,187</u>
Operating income	<u>131,384</u>	<u>64,242</u>	<u>67,561</u>
Nonoperating revenues (expenses)			
Interest income	4,420	5,416	6,218
Investment income (loss)	1,778	(676)	(1,314)
Net increase (decrease) in fair market value of investments	(6,519)	5,157	11,421
Interest expense, net	(19,473)	(20,787)	(21,997)
Other items, net	<u>6,395</u>	<u>6,738</u>	<u>4,942</u>
Nonoperating revenues (expenses)	<u>(13,399)</u>	<u>(4,152)</u>	<u>(730)</u>
Change in net position before contributions	<u>117,985</u>	<u>60,090</u>	<u>66,831</u>
Capital contributions			
Contributions in aid of construction	5,724	8,614	2,579
Donated property	2,100	16,728	914
Reduction of plant costs recovered through contributions	<u>(6,241)</u>	<u>(24,494)</u>	<u>(3,442)</u>
Net capital contributions	<u>1,583</u>	<u>848</u>	<u>51</u>
Change in net position	119,568	60,938	66,882
Net position (equity)			
Beginning of year	<u>1,263,797</u>	<u>1,202,859</u>	<u>1,135,977</u>
End of year	<u>\$ 1,383,365</u>	<u>\$ 1,263,797</u>	<u>\$ 1,202,859</u>

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Change in Net Position

Fiscal Year 2021

The change in net position for fiscal year 2021 was significantly above the prior two years due to the weather event and the resulting increase in revenues. The change in net position of \$119.6 million is \$58.6 million over fiscal year 2020 and reflects the increase in electric sales for resale during February 2021. Electric operating income was \$48.1 million above last year while natural gas operating income was \$9.6 million over the prior year.

Operating expenses were \$65.2 million over the prior year due to the increase in purchased power costs and generation fuel costs. Operating income for the year was \$67.2 million above the prior year and \$73.6 million favorable to budget. Change in net position was \$67.6 million favorable to budget mostly due to the off- system electric sales.

City Utilities received \$4.5 million in Transit Grants during fiscal year 2021 which was comparable to the prior year.

City Utilities continues to maintain a strong financial position with a net position increase of 9% over the prior year. CU maintains AA credit rating from Fitch Ratings. Standard and Poor's ratings are AA+ for revenue bonds and AA for certificates of participation.

Fiscal Year 2020

The change in net position for fiscal year 2020 was below the prior year but comparable to 2018. Change in net position of \$60.9 million, 9% below the prior year, is primarily due to a 6% reduction in operating revenues. Due to a 7% reduction of operating expenses, operating income for the year was just \$3.4 million below the prior year and \$12.2 million favorable to budget. Change in net position was \$18.4 million over budget due to the reduction in expenses and the favorable fair market value adjustment of investments of \$5.2 million. In addition, City Utilities received \$4.3 million in Transit Grants during fiscal year 2020, as compared to \$2.7 million in the prior year.

City Utilities continues to maintain a strong financial position with a net position increase of 11.2% over the last two years. CU maintains AA credit rating from Fitch Ratings. Standard and Poor's ratings are AA+ for revenue bonds and AA for certificates of participation.

City Utilities of Springfield, Missouri
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Receipts and Disbursements Compared to Budget

September 30, 2021, 2020, and 2019
(In Thousands)

	2021		2020		2019	
	Receipts	Disbursements	Receipts	Disbursements	Receipts	Disbursements
Budget	\$ 663,741	\$ 656,762	\$ 609,469	\$ 632,907	\$ 567,834	\$ 594,126
Actual	603,465	597,095	537,977	521,358	510,462	497,654
Over (under) budget	\$ (60,276)	\$ (59,667)	\$ (71,492)	\$ (111,549)	\$ (57,372)	\$ (96,472)

Fiscal Year 2021

For fiscal year 2021, receipts were over the prior year by \$65.5 million but under budget by \$60.3 million. Operating Revenues exceeded budget by \$56.6 million but this variance was partially offset by \$24 million shortfall in financing agreement receipts and lower than expected sewer revenue collections of \$4.1 million. Non-capital related miscellaneous billings were \$3.1 million unfavorable to budget.

Budgeted receipts include \$10 million in natural gas hedging receipts and \$35 million contingency to offset fuel price and business volatility. Due to higher-than-expected natural gas prices, a budget transfer for \$35 million from the business volatility and fuel contingency was applied. In addition, a \$10 million budget transfer was approved for the higher purchased power costs for Electric due to the winter storm.

For the current year, disbursements were under budget by \$59.7 million. Capital project expenditures were under budget by \$14.6 million while non-capital projects came in favorable to budget by \$20.1 million. The business volatility and fuel contingency of \$35 million in budgeted disbursements was utilized during the year due to price volatility for natural gas purchases during the February weather event.

Budgeted receipts and disbursements for purchases and sales in the integrated market are projected at gross. Actuals are netted on an hourly basis for the day ahead market to a net purchaser or a net seller. This resulted in an unfavorable budget variance for receipts of \$26.8 million and favorable budget variance for disbursements.

Fiscal Year 2020

For fiscal year 2020, receipts were under budget by \$71.5 million. This deficit is attributed to operating revenues coming in \$26.0 million under budget. Sewer revenue collections were also under budget by \$3.5 million and miscellaneous non-capital billings were under budget by \$2.4 million.

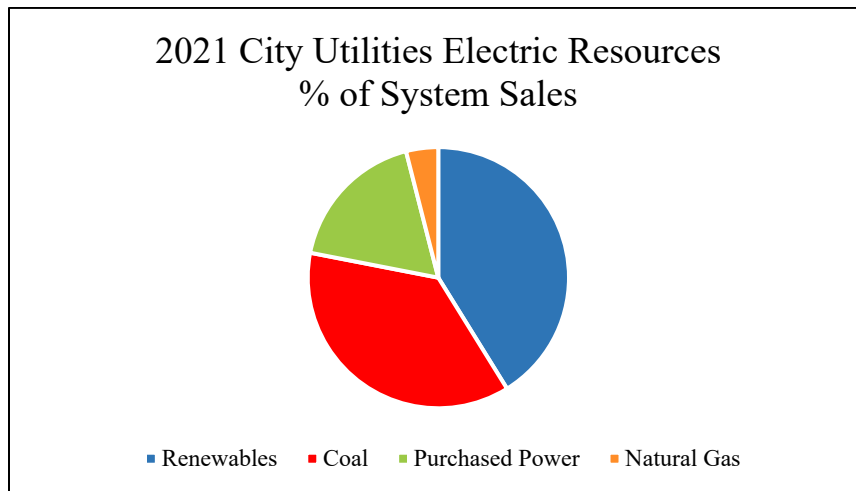
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Budgeted receipts include \$10 million in natural gas hedging receipts and \$35 million contingency to offset fuel price and business volatility. Due to favorable budget variance for fuels for the year of \$18.9 million, the business volatility and fuel contingency was not applied.

For the current year, disbursements were under budget by \$111.5 million. Capital project expenditures were under budget by \$15.7 million due to the intentional delay of discretionary projects to offset the COVID-19 impact. Non-capital projects also came in under budget by \$25.9 million. The business volatility and fuel contingency of \$35 million in budgeted disbursements was not utilized during the year due to low fuel prices and a mild winter.

Resource Planning and Generation

City Utilities operates an integrated electric system including generation, transmission and distribution facilities. City Utilities uses a diverse mix of generation resources including coal, natural gas, hydro and wind to meet our customer’s needs. Renewable energy was 41% of system sales in 2021.



In 2021, City Utilities’ electric generation includes base load availability of 503 MW from two coal-fired steam turbines and peak load availability of 359 MW from six combustion turbines. An additional 3 MW is available from the Noble Hill Landfill Renewable Energy Center.

Supplementing this internal generating capacity, the Utility has contracted the following purchased power agreements:

- Southwest Power Administration (SWPA) - 50 MW.
- Smoky Hills Wind Project II – 46.17 MW of wind generation and rights to 50 MW of firm transmission capacity.
- Diamond Vista – 97.65 MW of wind generation.
- Frontier Windpower - 200 MW of wind generation.
- Strata Solar - 4.95 MW of solar energy.

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In March 2014, City Utilities began participation in the Southwest Power Pool (SPP) Integrated Marketplace allowing the Utility to purchase and sell electricity within the SPP region. The Integrated Marketplace is designed to improve grid reliability and regional balancing of supply and demand. In addition, owner-membership in The Energy Authority (TEA) continues to prove beneficial for City Utilities’ customers. This mix of generation resources allows City Utilities to maintain low prices, provide optimum reliability to customers, and to take advantage of off-system sales opportunities as market conditions allow. City Utilities generated approximately 66% and purchased 34% of its power supply in 2021 compared to generating 44% and purchasing 56% in 2020.

In 2019, City Utilities and The Energy Authority (TEA) completed an Integrated Resource Plan (IRP). The IRP forecasts future demand and supply requirements for a 10–20-year timeframe to determine the optimal mix of resources to minimize future costs while meeting reliability and regulatory requirements. As a result of this study, it was recommended that James River Power Station units #4 and #5 be retired. Approval by Southwest Power Pool was received, and these units were retired in January 2021. The Board of Public Utilities approved application of Regulatory Accounting for recovery for amounts that had not been recovered when these assets were retired. Retirement of these assets did not have a material impact on the financial statements.

Significant Future Items



Electric

Rates:

- No electric rate adjustments are forecasted through fiscal year 2026.

Electric Distribution:

- Over the next five years, City Utilities will spend approximately \$10 million for pole maintenance and replacement to reach a 50-year replacement cycle.
- City Utilities will fund the engineering and construction for electric infrastructure for the City’s Grant Avenue Project. This project is to support and provide resources for undergrounding of all electric facilities along Grant Avenue between Sunshine and College Street. The project is estimated to be complete by 2025 at a cost of \$4.6 million. Planned reimbursements to the utility are estimated to be \$4 million from the BUILD Grant.

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Natural Gas

Rates:

- Natural gas rate adjustments of 2.0% are projected for fiscal years 2025 and 2026. This will support an increase in the natural gas main replacement program and increasing operation and maintenance costs.

Advanced Metering Infrastructure (AMI):

- The Advanced Metering Infrastructure (AMI) project to replace natural gas meters is forecasted to be complete in fiscal year 2023. Over the next two years, City Utilities has budgeted \$3.3 million for purchase and installation of natural gas AMI metering components and associated communication equipment to encourage energy efficiencies by providing customer interval data.

Natural Gas Main and Service Renewals:

- Over the next five years, \$34.7 million is budgeted to replace older natural gas mains and services. This funding is to ensure the reliability and safety of our natural gas distribution system over the planning horizon.



Water

Rates:

- Water rate adjustments of 5% are forecasted for fiscal years 2024, 2025 and 2026. These adjustments will support an increase in the water main replacement program and increasing operation and maintenance costs.

Advanced Metering Infrastructure (AMI):

- The Advanced Metering Infrastructure (AMI) project to replace water meters is anticipated to be completed in fiscal year 2023. Over the next two years, City Utilities has budgeted \$3.5 million to complete the installation of water AMI meters. This enhanced infrastructure will eliminate the need for manual meter reads and will help promote water conservation and efficiency programs.

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Water Main Renewals:

- In an effort to reach a 100-year replacement cycle on water mains, \$46.7 million has been budgeted over the next five years for water main and service renewals.



Transit

Rates:

- No transit fare increases are scheduled for the next fiscal year.

Fixed Route Bus Purchases:

- To continue to provide transportation services to Springfield, \$6 million is budgeted to purchase six additional fixed route electric buses over the planning horizon. These are zero emission buses with a useful life of 12 years and will meet City Utilities' goal of operating a 25% electric bus fleet by fiscal year 2026.



SpringNet

Fiber Expansion:

- To meet customer demand for SpringNet broadband services and to support economic development for Springfield, \$25.5 million of funding has been designated to complete the SpringNet Network Expansion project by 2023. This project will expand City Utilities fiber optic network to enable affordable, reliable, high-speed broadband service to the Springfield community.

Revenue Generation:

- To respond to new service requests and meet new customer demand for broadband services, \$9.9 million has been budgeted over the next five years to promote economic development efforts.

City Utilities of Springfield, Missouri
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Requests for Information

This financial report is designed to provide our citizens, customers, creditors and other stakeholders with a general overview of City Utilities' finances. If you have questions about this report or need additional information, contact the Chief Financial Officer, City Utilities of Springfield, Missouri, P.O. Box 551, Springfield, Missouri 65801-0551.

City Utilities of Springfield, Missouri
(A Component Unit of the City of Springfield, Missouri)
Statements of Net Position
September 30, 2021 and 2020
(in Thousands)

Assets and Deferred Outflows of Resources

	2021	2020
Noncurrent Assets		
Capital Assets		
Land	\$ 56,306	\$ 56,306
Electric	1,474,280	1,562,457
Natural gas	288,720	273,445
Transportation	32,954	33,021
Water	423,470	404,128
Customer service	17,482	16,152
SpringNet	133,827	83,415
Common	79,055	65,571
Total	2,506,094	2,494,495
Less accumulated depreciation	(975,232)	(993,881)
Net total	1,530,862	1,500,614
Construction work in progress	109,421	95,962
Net capital assets	1,640,283	1,596,576
Investments		
Funds for bonded indebtedness	6,421	6,422
Designated improvement account	173,198	156,562
Working capital account	56,059	76,141
Price risk management assets	4,661	-
Unamortized debt expense	3,596	3,975
Net pension asset	104,035	-
Other noncurrent assets	32,610	13,463
Total noncurrent assets	2,020,863	1,853,139
Current Assets		
Cash	51,658	40,551
Accounts receivable		
Customers, less allowance for doubtful accounts;		
2021 - \$312 and 2020 - \$500	29,399	26,191
Unbilled revenue	14,514	13,865
Other	5,105	3,887
Inventories		
Materials and supplies	32,221	35,834
Coal	3,509	5,757
Natural gas stored underground	5,941	3,780
Emissions consumables	153	106
Prepayments and other	1,838	1,782
Total current assets	144,338	131,753
Total assets	2,165,201	1,984,892
Deferred Outflows of Resources		
Electric fuel and purchased natural gas adjustment	31,735	-
Unamortized loss on reacquired debt	13,278	14,219
Pension related	13,091	32,761
Fair value adjustments in derivative instruments	-	775
Total deferred outflows of resources	58,104	47,755
Total assets and deferred outflows of resources	\$ 2,223,305	\$ 2,032,647

See Notes to Financial Statements

City Utilities of Springfield, Missouri
(A Component Unit of the City of Springfield, Missouri)
Statements of Net Position
September 30, 2021 and 2020
(in Thousands)

Net Position, Liabilities and Deferred Inflows of Resources

	2021	2020
Net Position		
Net investment in capital assets	\$ 996,368	\$ 967,018
Restricted for debt service	6,421	6,422
Restricted for net pension asset	104,035	-
Unrestricted	276,541	290,357
Total net position	1,383,365	1,263,797
Long-Term Obligations		
Long-term obligations	518,690	494,747
Unamortized debt premium, net of debt discount	30,440	34,114
Total long-term obligations	549,130	528,861
Other Noncurrent Liabilities		
Vacation and sick leave	14,395	14,863
Net pension liability	-	53,643
Other	6,717	5,886
Total other noncurrent liabilities	21,112	74,392
Current Liabilities		
Current maturities of long-term obligations	30,610	34,875
Accounts payable		
Trade	28,285	28,898
Other	6,100	5,557
Accruals		
Interest	3,146	3,542
Salaries and wages	2,794	2,381
Pension contributions and other	3,841	2,330
Electric purchased power	3,040	3,043
Natural gas, coal and other fuels	6,899	3,187
Vacation and sick leave	10,585	10,603
Due to City of Springfield, Missouri in lieu of taxes	1,391	1,203
Customer deposits	5,109	4,911
Total current liabilities	101,800	100,530
Total liabilities	672,042	703,783
Deferred Inflows of Resources		
Contributions in aid of construction	61,933	58,458
Pension related	102,676	269
Electric fuel and purchased natural gas adjustment	-	6,340
Fair value adjustments in derivative instruments	3,289	-
Total deferred inflows of resources	167,898	65,067
Total net position, liabilities and deferred inflows of resources	\$ 2,223,305	\$ 2,032,647

City Utilities of Springfield, Missouri
(A Component Unit of the City of Springfield, Missouri)
Statements of Revenues, Expenses and Changes in Net Position
Years Ended September 30, 2021 and 2020
(in Thousands)

	<u>2021</u>	<u>2020</u>
Operating Revenues		
Services	\$ 524,656	\$ 399,733
Other	30,084	30,096
Total operating revenues	<u>554,740</u>	<u>429,829</u>
Operating Expenses		
Production fuel and purchased power	114,843	86,415
Natural gas purchased for resale	92,928	42,387
Other production	10,567	16,123
Distribution and transmission	26,392	35,344
Bus and garage operations	3,190	5,571
Other services	4,749	5,162
Customer accounts	8,568	12,313
Administrative and general	35,045	33,791
Maintenance	41,403	48,951
Depreciation and amortization	68,345	64,650
Payments in lieu of taxes	16,639	14,291
Other taxes	687	589
Total operating expenses	<u>423,356</u>	<u>365,587</u>
Operating income	<u>131,384</u>	<u>64,242</u>
Nonoperating Revenues (Expenses)		
Interest income	4,420	5,416
Net increase (decrease) in fair value of investments	(6,519)	5,157
Investment income (loss)	1,778	(676)
Interest expense, net	(19,473)	(20,787)
Operation of recreational facilities, net	(191)	(249)
Amortization of debt-related costs	2,354	2,066
Other, net	4,232	4,921
Net nonoperating revenues (expenses)	<u>(13,399)</u>	<u>(4,152)</u>
Change in net position before contributions	<u>117,985</u>	<u>60,090</u>
Capital Contributions		
Contributions in aid of construction	5,724	8,614
Donated property	2,100	16,728
Reduction of plant costs recovered through contributions	(6,241)	(24,494)
Net capital contributions	<u>1,583</u>	<u>848</u>
Change in net position	<u>119,568</u>	<u>60,938</u>
Net Position		
Beginning of year	<u>1,263,797</u>	<u>1,202,859</u>
End of year	<u>\$ 1,383,365</u>	<u>\$ 1,263,797</u>

City Utilities of Springfield, Missouri
(A Component Unit of the City of Springfield, Missouri)
Statements of Cash Flows
Years Ended September 30, 2021 and 2020
(in Thousands)

	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities		
Receipts from customers	\$ 503,209	\$ 431,636
Payments to suppliers	(282,062)	(225,095)
Payments to employees	(64,304)	(63,834)
Payments in lieu of taxes	(16,278)	(14,168)
Claims paid	(411)	(759)
	<u>140,154</u>	<u>127,780</u>
Cash Flows from Noncapital Financing Activities		
Receipts from federal and state grants	<u>4,386</u>	<u>4,264</u>
	<u>4,386</u>	<u>4,264</u>
Cash Flows from Capital and Related Financing Activities		
Purchases of capital assets, net of removal	(134,287)	(104,514)
Proceeds from the issuance of capital obligations	54,553	35,447
Repayment of long-term obligations	(34,875)	(33,205)
Interest paid	(20,904)	(22,325)
	<u>(135,513)</u>	<u>(124,597)</u>
Cash Flows from Investing Activities		
Sale and maturities of investment securities	65,992	132,263
Purchase of investment securities	(69,900)	(131,729)
Interest received	5,256	5,895
Equity investment in The Energy Authority, net	737	(1,306)
Equity investment in Prepaid Gas Services, net	-	(90)
Equity investment in Partnership Industrial Center, net	(5)	(5)
	<u>2,080</u>	<u>5,028</u>
Net cash provided by investing activities	<u>2,080</u>	<u>5,028</u>
Net increase in cash	11,107	12,475
Cash, Beginning of Year	<u>40,551</u>	<u>28,076</u>
Cash, End of Year	<u>\$ 51,658</u>	<u>\$ 40,551</u>

City Utilities of Springfield, Missouri
(A Component Unit of the City of Springfield, Missouri)
Statements of Cash Flows
Years Ended September 30, 2021 and 2020
(in Thousands)

	<u>2021</u>	<u>2020</u>
Reconciliation of Operating Income to Net Cash		
Provided by Operating Activities		
Operating income	\$ 131,384	\$ 64,242
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization expense	68,345	64,650
Depreciation included in vehicle and power production	2,370	2,173
Miscellaneous income	98	198
Operation of recreational facilities	(191)	(250)
Change in assets, deferred outflows of resources, liabilities, and deferred inflows of resources		
Customer and other accounts receivable	(4,427)	(2,829)
Unbilled revenues	(649)	2,131
Recoverable fuel costs	(34,011)	12,470
Price risk management assets	(4,771)	(2,958)
Inventories	2,064	(6,522)
Prepayments and prepaid insurance	(55)	(288)
Other noncurrent assets	2,930	(2,146)
Deferred outflows related to pensions	3,227	(18,637)
Accounts payable	5,998	(364)
Customer deposits	197	104
Accrued liabilities	5,797	(1,035)
Net pension (asset) liability	(157,677)	35,686
Deferred inflows related to pensions	118,851	(17,634)
Other noncurrent liabilities	674	(1,211)
	<u>140,154</u>	<u>127,780</u>
Net cash provided by operating activities	\$	\$
Noncash Capital Financing Activities		
Capital assets acquired through contributions from developers	\$ 2,101	\$ 16,728
Capital assets acquisitions included in accounts payable	\$ 15,520	\$ 21,584
Noncash Investing Activities		
Net increase (decrease) in fair value of investments	\$ (6,519)	\$ 5,157

City Utilities of Springfield, Missouri
(A Component Unit of the City of Springfield, Missouri)
Notes to Financial Statements
September 30, 2021 and 2020

Note 1: Summary of Significant Accounting Policies

Reporting Entity

City Utilities of Springfield, Missouri (City Utilities) is a municipally owned utility, which is a component unit of the City of Springfield, Missouri (the “City”), as provided for in the City Charter. City Utilities is comprised of the electric, natural gas, transportation, telecommunications/broadband and water departments. As of September 30, 2021, City Utilities serves approximately 119,000 electric customers, 85,000 natural gas customers and 84,000 water customers in the Springfield metropolitan area.

For financial reporting purposes, City Utilities includes all funds that are controlled by the Board of Public Utilities, as determined on the basis of financial interdependency, selection of management, ability to influence operations and budget adoption. No other funds or entities met any of these criteria.

Basis of Accounting

City Utilities activities are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. As required in Section 16.11 of the City Charter, City Utilities’ accounting records are maintained in accordance with accounting principles generally accepted in the United States of America for regulated utilities and generally follow accounting policies and procedures established for investor-owned natural gas and electric utilities by the Federal Energy Regulatory Commission (FERC) and for investor-owned water utilities by the National Association of Regulatory Utility Commissioners (NARUC).

The financial statements are prepared in accordance with generally accepted accounting principles and follow accounting guidance provided by the Governmental Accounting Standards Board (GASB) in the regulated operations provisions of GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which permit certain entities with cost-based rates to defer certain costs or income that would otherwise be recognized when incurred to the extent that the rate-regulated entity is recovering or expects to recover such amounts in future rates charged to its customers. Regulatory assets are the deferral of costs expected to be recovered in future customer rates and regulatory liabilities represent current recovery of expected future costs. If City Utilities was required to terminate the application of these regulated operations provisions, it would have to record the amounts of all regulatory assets and liabilities in the statements of revenues, expenses and changes in net position.

City Utilities of Springfield, Missouri
(A Component Unit of the City of Springfield, Missouri)
Notes to Financial Statements
September 30, 2021 and 2020

Net Position

Net position is classified into three components – net investment in capital assets, restricted and unrestricted. These classifications are defined as follows:

- Net investment in capital assets - consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any debt that is attributable to those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt are included in this component of net position. If there are significant unspent related debt proceeds at year end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets.
- Restricted - consists of assets that have constraints placed upon their use imposed either by creditors (such as through debt covenants) or through laws, regulations or constraints imposed by law through constitutional provisions or enabling legislation, reduced by any liabilities to be paid from these assets. When an obligation is incurred for which both restricted and unrestricted net position is available, it is City Utilities' policy first to apply restricted resources in satisfying that obligation, followed by the utilization of unrestricted resources.
- Unrestricted - consists of net position that does not meet the definition of restricted or net investment in capital assets.

Revenues and Expenses

Revenue is recognized as services are rendered and includes an estimate for electricity and natural gas delivered but unbilled at the end of each reporting period. An estimate for water service delivered but unbilled is recorded at year end. Operating revenues include revenues from the provision and delivery of services to customers. Operating revenues reported in the statements of revenues, expenses and changes in net position are shown net of discounts and estimated allowances for bad debts.

Telecommunications/Broadband offers Ethernet and broadband services over its fiber optic network. As permitted by Section 16.1 of the City Charter, City Utilities provides certain telecommunications services to the medical, education, utility and government communities in the Springfield metropolitan area. SpringNet's Network Expansion Project will provide area businesses and residential neighborhoods with high-speed broadband access.

Operating expenses consist of costs incurred through the provision and delivery of electricity, natural gas, transportation, telecommunications/broadband and water to customers.

City Utilities of Springfield, Missouri
(A Component Unit of the City of Springfield, Missouri)
Notes to Financial Statements
September 30, 2021 and 2020

Capital Assets and Depreciation

The cost of additions and betterments of the utility plant is capitalized. Cost includes material, labor, vehicle and equipment usage, related overhead items, capitalized interest and certain administrative and general expenses. Currently, City Utilities has a capitalization threshold of \$5,000 for individual plant assets and no capitalization threshold for mass assets.

Costs for maintenance and renewals of items not considered to be units of property are charged to operating expense as incurred. When composite units of depreciable property are retired, the original cost and removal cost, less salvage, are charged to accumulated depreciation. The composite rates used are as follows:

	Average Composite Rates	
	2021	2020
Electric	2.2%	2.4%
Natural gas	3.0%	3.0%
Telecommunications/Broadband	6.7%	6.8%
Water	2.0%	2.0%

Transportation, office and computer equipment, vehicles and work equipment and certain other administrative assets are depreciated using the specific-identification method. When assets depreciated using the specific-identification method are retired, a gain or loss is recorded. The estimated useful lives for these assets are as follows:

	Estimated Lives (in Years)
Transportation	5 to 40
Common	5 to 50
Customer service	9 to 10

City Utilities of Springfield, Missouri
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Notes to Financial Statements
September 30, 2021 and 2020

Capital Asset Impairment

City Utilities evaluates capital assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital asset has occurred. No asset impairment was recognized during the years ended September 30, 2021 and 2020.

Capitalization of Interest

Net interest costs related to acquiring or constructing certain utility plant are capitalized as a part of the cost of the related asset. City Utilities capitalizes interest on construction projects financed with revenue bonds, commercial paper and renewal and replacement funds. City Utilities has adopted GASB Statement No. 89 but has elected to continue including the interest incurred before the end of a construction period in the historical cost of the capital assets for our FERC records in accordance with GASB Statement No. 62. The interest amounts capitalized as part of acquiring the assets as of September 30, 2021 is \$1 million. Information regarding capitalized interest is as follows (in thousands):

	2021	2020
Interest expense, gross	\$ 20,508	\$ 21,966
Capitalized interest	(1,035)	(1,179)
Interest expense, net	\$ 19,473	\$ 20,787
Average interest rate	2.9%	3.1%

Investments and Investment Income

Investments in U.S. Treasury securities, U.S. government agency securities and mortgage-backed securities are reported at fair value based on quoted market prices, plus accrued interest. All investments are held in City Utilities' name.

Investment income includes dividend and interest income, realized gains and losses on investments carried at other than fair value and the net change for the year in the fair value of investments carried at fair value.

City Utilities of Springfield, Missouri
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Notes to Financial Statements
September 30, 2021 and 2020

Inventories

Materials and supplies inventories and natural gas stored underground are stated at the average cost. Coal inventory is stated at the lower of cost (last-in, first-out) or market.

Deferred Outflows and Inflows of Resources

Unamortized Loss on Reacquired Debt

Costs incurred in connection with the refinancing of various bond issuances are being amortized over the remaining life of the old bonds or the life of the new bonds, whichever is shorter. Amortization is recorded in nonoperating expenses. At September 30, 2021 and 2020, the unamortized loss balance of \$13.3 million and \$14.2 million, respectively, was recorded as a deferred outflow of resources in the Statements of Net Position.

Pension Related

Deferred outflows and deferred inflows of resources related to pensions are discussed in the Defined Benefit Pension Plan note (*Note 5*).

Fair Value Adjustments in Derivative Instruments

As of September 30, 2021, City Utilities had purchased financial instruments to reduce, or hedge, the volatility of natural gas costs for fiscal years 2021 through 2025. As of September 30, 2021 and 2020, the market value of the unexpired instruments were included as an asset and a liability on the Statements of Net Position with the offset of the monthly fair market value adjustment included as deferred inflows and outflows of resources until the hedging instruments are matched with the corresponding monthly purchased natural gas costs.

Contributions in Aid of Construction (CIAC)

Capital contributions are received from developers and other third parties primarily to offset the costs associated with expansion of the system. City Utilities follows FERC guidelines for Electric and Natural Gas and NARUC guidelines for Water in the recording of CIAC. These guidelines direct the utility to record these contributions as a contra asset in the Utility's accounting records. In order to comply with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, while continuing to follow the FERC and NARUC guidelines, CIAC is recorded as other income and offset by a regulatory deferral in the same amount. As the Transportation utility does not follow FERC guidelines, capital contributions are recorded as revenue without an offsetting regulatory deferral.

City Utilities of Springfield, Missouri
(A Component Unit of the City of Springfield, Missouri)
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Electric Fuel and Purchased Natural Gas Adjustments

General Ordinance Numbers 6139 and 5780 require City Utilities to adjust customers' electric and natural gas billing components for changes between estimated and actual costs of electric fuel, purchased power and purchased natural gas to City Utilities. Such cost includes amounts recognized in connection with financial instruments used to manage the overall cost of natural gas. An over-recovery of \$2.8 million and an under-recovery of \$7.3 million for electric fuel and an under-recovery of \$3 million and over-recovery of \$931,000 for purchased natural gas adjustment clauses were recorded at September 30, 2021 and 2020, respectively, as a net deferred outflow or inflow of resources in the Statements of Net Position. Per Board resolution dated February 25, 2021 and approval by City Council, the gas under recovery related to the polar vortex in February 2021 shall be recovered over a 24-month period beginning April 2021. As of September 30, 2021 the under-recovered balance is \$31.5 million

Cash

City Utilities has securities pledged by Bank of America, to cover certain deposits in excess of Federal Deposit Insurance Corporation (FDIC) insurance levels. These securities have a fair value of at least 100% of the amount of total deposits in excess of \$250,000 in accordance with the City Charter, Section 19.13. City Utilities considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Environmental Matters

City Utilities accrues environmental costs based on expected cash flows when an obligating event occurs and at least one component of the liability can be reasonably estimated. Such accruals are adjusted as additional information becomes known or circumstances change.

In accordance with GASB Statement No. 49, Accounting and Financial Reporting for Pollution Remediation Obligations, City Utilities recorded a liability for estimated remediation costs for a former manufactured gas holder site in fiscal year 2015. City Utilities' property at 320 N. Main in Springfield is the site of a former gas holder and cleaning house that served a manufactured gas plant previously operated by Springfield Gas & Electric. City Utilities never operated the holder site. The Final Remediation Action Plan was approved by Missouri Department of Natural Resources (MDNR) in January 2016. Initial site mobilization began in November 2015 and all remediation activities and site restoration were completed in fiscal year 2017. On November 26, 2018, City Utilities received final approval from MDNR for the Removal Action Completion and Ambient Air Monitoring Reports. During fiscal year 2020, City Utilities discussed with MDNR options, that included installation of a groundwater monitoring well network, toward possible next steps in upcoming fiscal years before final site closure is approved. However, no definite plans or actions are required at this time. As of September 30, 2021, estimated total remediation costs for the project remained just over \$6.8 million.

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Vacation and Sick Leave

Under the terms of City Utilities' personnel policy, employees are granted vacation and sick leave. In the event of termination, an employee is paid for accumulated vacation days. Employees may carry over, from year to year, a maximum of 80 earned vacation hours with a maximum of 40 hours transferred as vacation and a maximum of 40 hours transferred to sick leave. Sick leave can be accumulated and paid, in the event of termination, at a rate of 60% of accumulated sick leave depending on hire date and reason for termination. The liability for accrued vacation and sick leave is presented as a current and as a noncurrent liability in the accompanying statements of net position, representing the estimated amounts to be paid in future years to current employees for services rendered through the current year.

Agent Multiple Employer Defined Benefit Pension Plan

City Utilities participates in an agent multiple-employer defined benefit pension plan. For purposes of measuring the net pension (asset) liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Missouri Local Government Employees Retirement System (LAGERS) and additions to/deductions from LAGERS fiduciary net position have been determined on the same basis as they are reported by LAGERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Management's Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources, and the disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant items subject to such estimates and assumptions include the useful lives of fixed assets, allowances for doubtful accounts, fixed assets, inventory, investments, reserve for employee benefit obligations, environmental liabilities and other contingencies. The current economic environment has increased the degree of uncertainty inherent in those estimates and assumptions.

New Accounting Pronouncements

GASB Statement No. 84, Fiduciary Activities was issued in January 2017. This statement describes four fiduciary funds that should be reported if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. The criteria for identifying fiduciary activities are established and the focus for the criteria is on (1) whether a government is controlling the assets of the activity and (2) the beneficiaries with whom a fiduciary relationship exists. The provisions of the statement are

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effective for financial statements for periods beginning after December 15, 2019. City Utilities has determined that any of the above fiduciary activities would be immaterial to overall financial statements balances or did not meet the definition of a fiduciary activity. Continual monitoring will be applied to ensure future fiduciary activities are evaluated for materiality.

GASB Statement No. 87, Leases was issued in June 2017 and is effective for periods starting after June 15, 2021. The requirements of this statement will increase the usefulness of governmental financial statements by requiring lessees and lessors to report leases under a single model. This statement will also provide useful information by requiring footnote disclosure related to the timing, significance, and purpose of the leasing arrangement. City Utilities will be implementing this statement beginning with fiscal year 2022.

GASB Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period was issued June 2018 and is effective for periods starting after December 15, 2020 with earlier application encouraged. The objectives of this Statement are to enhance the relevance and comparability of information about capital assets and the cost of borrowing and to simplify accounting for interest cost incurred before the end of the construction period. This statement requires that the interest cost incurred before the end of the construction period be recognized as an expense in the period in which the cost is incurred and no longer included in the historical cost of a capital asset. City Utilities also follows the accounting guidance of the Federal Energy Regulatory Commission (FERC) which considers the interest cost incurred before the end of a construction period as part of the historical cost of the capital asset. City Utilities has elected to continue including the interest incurred before the end of a construction period in the historical cost of the capital asset for our FERC records. The interest amounts capitalized for rate-making purposes as part of the cost of acquiring the assets will be capitalized as a regulatory asset for financial reporting purposes in compliance with GASB Statement No. 62 beginning in fiscal year 2021 per Board Resolution dated May 2021.

GASB Statement No. 90, Majority Equity Interests was issued August 2018 and is effective for periods starting after December 15, 2019. This statement will improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and will improve the relevance of financial statement information for certain component units. City Utilities previously reported majority equity interests using the equity method as indicated by this standard so the implementation of this statement will not have a significant impact on City Utilities.

GASB Statement No. 96, Subscription-Based Information Technology Arrangements was issued May 2020 and is effective for periods starting after June 15, 2022 with earlier application encouraged. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement establishes that a SBITA results in a right-to-use subscription asset and a corresponding subscription liability; and provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. City Utilities has not completed the process of evaluating the impact of this statement on its financial statements.

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Note 2: Capital Assets

Capital asset activity for the year ended September 30, 2021, is as follows (in thousands):

	September 30, 2020	Increases	Decreases	September 30, 2021
Public utility				
Nondepreciable assets				
Land	\$ 56,306	\$ -	\$ -	\$ 56,306
Construction work in progress	95,962	125,642	(112,183)	109,421
Depreciable assets				
Electric	1,562,457	31,634	(119,811)	1,474,280
Natural gas	273,445	14,408	867	288,720
Transportation	33,021	260	(327)	32,954
Water	404,128	18,670	672	423,470
Customer service	16,152	1,756	(426)	17,482
Telecommunications/Broadband	83,415	49,376	1,036	133,827
Common	65,571	1,088	12,396	79,055
Total capital assets	2,590,457	242,834	(217,776)	2,615,515
Less accumulated depreciation	(993,881)	(70,322)	88,971	(975,232)
Net capital assets	\$ 1,596,576	\$ 172,512	\$ (128,805)	\$ 1,640,283

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Capital asset activity for the year ended September 30, 2020, is as follows (in thousands):

	September 30, 2019	Increases	Decreases	September 30, 2020
Public utility				
Nondepreciable assets				
Land	\$ 56,284	\$ 22	\$ -	\$ 56,306
Construction work in progress	67,950	122,305	(94,293)	95,962
Depreciable assets				
Electric	1,532,428	46,936	(16,907)	1,562,457
Natural gas	255,785	18,564	(904)	273,445
Transportation	32,067	951	3	33,021
Water	381,138	25,769	(2,779)	404,128
Customer service	16,244	54	(146)	16,152
Telecommunications/Broadband	66,521	10,122	6,772	83,415
Common	59,892	5,670	9	65,571
Total capital assets	<u>2,468,309</u>	<u>230,393</u>	<u>(108,245)</u>	<u>2,590,457</u>
Less accumulated depreciation	<u>(948,086)</u>	<u>(68,424)</u>	<u>22,629</u>	<u>(993,881)</u>
Net capital assets	<u>\$ 1,520,223</u>	<u>\$ 161,969</u>	<u>\$ (85,616)</u>	<u>\$ 1,596,576</u>

As of September 30, 2021 and 2020, depreciation expense was reduced by \$1,750,000 and \$1,719,000, respectively, for the recognition of the deferred inflow of resources related to contributions in aid of construction and regulatory accounting treatment of allowance for funds used during construction (AFUDC) for the year ended September 30, 2021.

Note 3: Investments

City Utilities maintains cash and investment securities. The Utility bond ordinances permit investments only in direct obligations of the U.S. government such as bills, notes or bonds and any other obligations guaranteed as to payment of principal and interest by the U.S. government or any agency or instrumentality thereof. City Utilities is also authorized to invest in interest-earning investment contracts for which the underlying securities must be U.S. Treasury notes, bonds, bills or other obligations guaranteed by the U.S. government or any agency or instrumentality thereof. Funds in the form of overnight bank deposits and cash on deposit are required to be insured by the FDIC or collateralized by permitted investments held by City Utilities' agents in City Utilities' name. The intention of the investment portfolio is to hold until maturity so any maturities within the year are reinvested and not reclassified as current, other than short term maturities.

City Utilities' investment portfolio includes securities that are either insured or registered, or for which the securities are held by City Utilities' agents in City Utilities' name.

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The following represents City Utilities' total cash and investments at September 30, 2021 and 2020 (in thousands):

	2021	2020
U.S. Treasury securities	\$ 55,766	\$ 52,837
U.S. Government agencies	15,099	15,432
Mortgage-backed securities	164,193	170,154
Accrued interest	<u>620</u>	<u>702</u>
 Total investments	 235,678	 239,125
 Cash	 <u>51,658</u>	 <u>40,551</u>
 Total cash and investments	 <u><u>\$ 287,336</u></u>	 <u><u>\$ 279,676</u></u>

Cash and investments are included in the following statements of net position accounts at September 30, 2021 and 2020 (in thousands):

	2021	2020
Funds for bonded indebtedness	\$ 6,421	\$ 6,422
Designated improvement accounts	173,198	156,562
Working capital account	56,059	76,141
Cash	<u>51,658</u>	<u>40,551</u>
 Total cash and investments	 <u><u>\$ 287,336</u></u>	 <u><u>\$ 279,676</u></u>

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As of September 30, 2021 and 2020, City Utilities held cash and investments for restricted and designated purposes as follows (in thousands):

	<u>2021</u>	<u>2020</u>
Funds for bonded indebtedness	\$ 6,421	\$ 6,422
Designated funds		
Board authorized		
Disaster, contingency and pollution reserve funds	71,181	82,075
Trunked radio system reserve	1,075	1,075
Fuel over-recovery	2,779	7,271
Chief Financial Officer authorized	<u>98,163</u>	<u>66,141</u>
Total reserved	179,619	162,984
Unreserved	<u>107,717</u>	<u>116,692</u>
Total cash and investments	<u>\$ 287,336</u>	<u>\$ 279,676</u>

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of City Utilities’ investment in a single issuer. As a means of limiting concentration of credit risk, City Utilities’ investment policy targets a concentration of less than 40% in any one agency and will include a minimum of 10% Treasury securities on a book value basis. City Utilities met this target as of September 30, 2021 and 2020. Investments greater than 5% of total investments as of September 30, 2021 and 2020, were as follows:

	<u>2021</u>	<u>2020</u>
Federal Home Loan Mortgage Corporation	5%	6%
Federal National Mortgage Association - Mortgage Backed Securities	23%	31%
U.S. Treasury Bills and Notes	20%	19%
Federal Home Loan Mortgage Corporation - Mortgage Backed Securities	33%	27%

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Interest Rate Risk – Interest rate risk is the risk that the fair value of City Utilities’ fixed income investments will decrease as a result of increases in interest rates. As a means of limiting its exposure to interest rate risk, City Utilities’ investment policy prohibits investments that are highly sensitive to interest rate changes.

As of September 30, 2021, City Utilities’ investment portfolio matures as follows (in thousands):

	Recorded Value	Less than 1 Year	2-3 Years	4-5 Years	More than 5 Years
U.S. Treasury securities	\$ 55,766	\$ -	\$ 20,687	\$ 20,744	\$ 14,335
U.S. Government agencies	15,099	15,099	-	-	-
Mortgage-backed securities	164,193	38,062	38,487	20,996	66,648
Accrued interest	620	620	-	-	-
Total investments	\$ 235,678	\$ 53,781	\$ 59,174	\$ 41,740	\$ 80,983

As of September 30, 2020, City Utilities’ investment portfolio matures as follows (in thousands):

	Recorded Value	Less than 1 Year	2-3 Years	4-5 Years	More than 5 Years
U.S. Treasury securities	\$ 52,837	\$ 10,178	\$ 10,422	\$ 21,560	\$ 10,677
U.S. Government agencies	15,432	-	15,432	-	-
Mortgage-backed securities	170,154	50,356	39,270	17,349	63,179
Accrued interest	702	702	-	-	-
Total investments	\$ 239,125	\$ 61,236	\$ 65,124	\$ 38,909	\$ 73,856

Credit Risk – Credit risk is the risk that City Utilities will not recover its investment due to the inability of the counterparty to fulfill its obligations. As a means of limiting credit risk, City Utilities’ investment policy permits investments in U.S. government-backed securities or in investment contracts collateralized by U.S. government-backed securities. As of September 30, 2021 and 2020, City Utilities’ investments in U.S. government agencies and mortgage-backed securities were all assigned long-term ratings of Aaa by Moody’s Investors Service and AA+ by Standard and Poor’s.

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Note 4: Long-Term Obligations

The following is a summary of long-term obligations outstanding (in thousands) as of September 30:

	2021	2020
Board of Public Utilities obligations under the June 2012 lease financing agreement; 2.00% to 5.00%; due December 1, 2012 to 2021	\$ 6,960	\$ 13,580
Board of Public Utilities obligations under the October 2014 lease financing agreement; 3.00% to 5.00%; due September 1, 2015 to September 1, 2029	22,870	25,210
Public Utility Refunding Revenue Bonds, Series 2015; 3.25% to 5.00% due August 1, 2015 to 2036	429,120	448,975
Board of Public Utilities obligations under the October 2015 lease financing agreement; at 5.00% due December 1, 2015 to December 1, 2021	350	6,410
Board of Public Utilities taxable obligations under the November 2019 lease financing agreement; at variable rate due through May 1, 2023	90,000	35,447
Total	549,300	529,622
Current maturities of long-term obligations	(30,610)	(34,875)
Total long-term obligations outstanding, net of current maturities	518,690	494,747
Unamortized debt premium, net of debt discount	30,440	34,114
Total long-term obligations	\$ 549,130	\$ 528,861

All long-term debt obligations are collateralized by the change in net position and revenues of City Utilities.

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Long-term debt and other long-term liabilities activity for the year ended September 30, 2021, were as follows (in thousands):

	Bonds and Obligations Payable			Bonds and Obligations Payable		
	September 30, 2020	Additions	Reductions	September 30, 2021	Amount Due in One Year	
Revenue bonds - public utility	\$ 448,975	\$ -	\$ (19,855)	\$ 429,120	\$ (20,845)	
Other obligations	80,647	54,553	(15,020)	120,180	(9,765)	
Total	<u>529,622</u>	<u>54,553</u>	<u>(34,875)</u>	<u>549,300</u>	<u>(30,610)</u>	
Less unamortized debt premium, net of debt discount	<u>34,114</u>	<u>-</u>	<u>(3,674)</u>	<u>30,440</u>	<u>-</u>	
Total	<u>\$ 563,736</u>	<u>\$ 54,553</u>	<u>\$ (38,549)</u>	<u>\$ 579,740</u>	<u>\$ (30,610)</u>	
Other long-term liabilities						
Vacation and sick leave	\$ 25,466	\$ 14,025	\$ (14,511)	\$ 24,980	\$ 10,585	
Net pension (asset) liability	53,643	-	(53,643)	-	-	
Other	5,886	831	-	6,717	-	
Total	<u>\$ 84,995</u>	<u>\$ 14,856</u>	<u>\$ (68,154)</u>	<u>\$ 31,697</u>	<u>\$ 10,585</u>	

Long-term debt and other long-term liabilities activity for the year ended September 30, 2020, were as follows (in thousands):

	Bonds and Obligations Payable			Bonds and Obligations Payable		
	September 30, 2019	Additions	Reductions	September 30, 2020	Amount Due in One Year	
Revenue bonds - public utility	\$ 467,885	\$ -	\$ (18,910)	\$ 448,975	\$ 19,855	
Other obligations	59,495	35,447	(14,295)	80,647	15,020	
Total	<u>527,380</u>	<u>35,447</u>	<u>(33,205)</u>	<u>529,622</u>	<u>34,875</u>	
Less unamortized debt premium, net of debt discount	<u>37,788</u>	<u>-</u>	<u>(3,674)</u>	<u>34,114</u>	<u>-</u>	
Total	<u>\$ 565,168</u>	<u>\$ 35,447</u>	<u>\$ (36,879)</u>	<u>\$ 563,736</u>	<u>\$ 34,875</u>	
Other long-term liabilities						
Vacation and sick leave	\$ 24,563	\$ 11,987	\$ (11,084)	\$ 25,466	\$ 10,603	
Net pension liability	17,957	36,427	(741)	53,643	-	
Other	10,735	-	(4,849)	5,886	-	
Total	<u>\$ 53,255</u>	<u>\$ 48,414</u>	<u>\$ (16,674)</u>	<u>\$ 84,995</u>	<u>\$ 10,603</u>	

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The debt service to maturity on the outstanding bonds and obligations as of September 30, 2021, is summarized in the following table (in thousands):

	<u>Principal</u>	<u>Interest</u>
2022	\$ 30,610	\$ 18,377
2023	39,470	14,479
2024	55,695	11,627
2025	56,980	12,592
2026	43,270	13,259
2027-2031	151,755	50,795
2032-2036	<u>171,520</u>	<u>21,120</u>
Total	<u>\$ 549,300</u>	<u>\$ 142,249</u>

City Utilities' long-term debt is publicly traded infrequently; therefore, a current market price is not readily available for these bonds and leases. The fair value of long-term debt is estimated based upon market prices for similar issues or on the current rates offered for instruments of the same remaining maturities.

The estimated fair value of long-term debt at September 30, 2021 and 2020, is as follows (in thousands):

	<u>2021</u>	<u>2020</u>
Fair value of long-term debt	<u>\$ 654,030</u>	<u>\$ 663,776</u>

The projection for the November 2019 lease financing agreement interest was based on the current rate as of September 30, 2021. In November 2019, City Utilities entered into a lease financing agreement for the SpringNet Fiber Expansion Project. City Utilities is able to borrow up to \$90 million until May 2023 at a variable rate based on LIBOR, which was 0.65% at September 30, 2021. As of September 30, 2021, City Utilities borrowed \$90.0 million with no principal payments due. Under the terms of the agreement, the outstanding amount borrowed as of May 2023 may be converted to a three-year term loan with principal payments due in equal quarterly installments.

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City Utilities has pledged specific revenue streams to secure the repayment of certain outstanding debt issues. The following table lists those revenues and the corresponding debt issue, the amount and term of pledge remaining, the current year principal and interest on the debt, the amount of pledged revenue recognized during the current fiscal year, and the approximate percentage of the revenue stream that has been committed if estimable (dollars in thousands):

Issue	Type Revenue Pledged	Amount of Pledge	Term of Commitment	Percentage of Revenue Pledged	Principal and Interest for the Year Ended 2021
City Utilities Debt Obligations	Operating Revenue	\$ 691,549	Through 2036	10%	\$ 55,918

Certain of City Utilities' long-term obligations contain restrictions that require the maintenance of coverage ratios as defined in the related agreements. City Utilities' calculations of these ratios are performed in accordance with the long-term obligation agreements and are used solely to determine compliance with such covenants. City Utilities was in compliance with these covenants as of September 30, 2021 and 2020.

Note 5: Defined Benefit Pension Plan

Plan Description

City Utilities' defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. City Utilities participates in the Missouri Local Government Employees Retirement System (LAGERS). LAGERS is an agent multiple-employer, statewide public employee pension plan established in 1967 and administered in accordance with RSMo. 70.600-70.755. As such, it is LAGERS responsibility to administer the law in accordance with the expressed intent of the General Assembly. The plan is qualified under the Internal Revenue Code Section 401(a) and is tax exempt. The responsibility for the operations and administration of LAGERS is vested in the LAGERS Board of Trustees consisting of seven persons. LAGERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by accessing the LAGERS website at www.molagers.org.

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Benefits Provided

LAGERS provides retirement, death and disability benefits. Benefit provisions are adopted by the governing body of City Utilities, within the options available in the state statutes governing LAGERS. All benefits vest after 5 years of credited service. Employees who retire on or after age 60 with 5 or more years of service are entitled to an allowance for life based upon the benefit program information provided below. Employees may retire with an early retirement benefit with a minimum of 5 years of credited service and after attaining age 55 and receive a reduced allowance.

	<u>2021</u>	<u>2020</u>
Benefit multiplier	2%	2%
Final average salary	3 years	3 years
Member contribution	0%	0%

Benefit terms provide for annual post-retirement adjustments to each member's retirement allowance subsequent to the member's retirement date. The annual adjustment is based on the increase in the Consumer Price Index and is limited to 4% per year.

Employees Covered by Benefit Terms

At June 30, 2021 and 2020, the measurement date for the net pension (asset) liability at September 30, 2021 and 2020, the following employees were covered by the benefit terms:

	<u>2021</u>	<u>2020</u>
Inactive employees or beneficiaries currently receiving benefits	946	936
Inactive employees entitled to but not yet receiving benefits	78	81
Active employees	<u>928</u>	<u>903</u>
	<u>1,952</u>	<u>1,920</u>

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Contributions

City Utilities is required to contribute amounts at least equal to the actuarially determined rate, as established by LAGERS. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance an unfunded accrued liability. Full-time employees of the employer generally do not contribute to the pension. City Utilities' contribution rate is 23.5% and 22.8% of annual covered payroll during fiscal years 2021 and 2020, respectively. City Utilities contributed \$19.4 million and \$18.4 million during fiscal years 2021 and 2020, respectively.

Net Pension (Asset) Liability

City Utilities' net pension (asset) liability as of September 30, 2021 and 2020, was measured as of June 30, 2021 and 2020, respectively, and the total pension liability used to calculate the net pension (asset) liability was determined by an actuarial valuation as of February 28, 2021 and February 29, 2020, respectively. The roll-forward of total pension liability from February 28, 2021 and February 29, 2020, to June 30, 2021 and 2020, respectively, reflects expected service costs and interest reduced by actual benefit payments and administrative expenses.

Actuarial Assumptions

The total pension liability in the February 28, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75% wage inflation, 2.25% price inflation
Salary increase	2.75% to 6.75% including wage inflation
Investment rate of return	7.00%, net of investment expenses

Mortality rates were determined by applying the MP-2020 mortality improvement scale to 115% of the PubG-2010 Retiree mortality tables.

The total pension liability in the February 29, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Inflation	3.25% wage inflation, 2.5% price inflation
Salary increase	3.25% to 6.55% including wage inflation
Investment rate of return	7.25%, net of investment expenses

Mortality rates were determined by applying the MP-2015 mortality improvement scale to the RP-2014 mortality tables. The actuarial assumptions used in the February 29, 2020, valuation were based on the results of the actuarial experience study for the period March 1, 2010 through February 28, 2015.

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The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses and inflation) were developed for each major asset class. These ranges 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. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Alpha	15.00%	3.67%
Equity	35.00%	4.78%
Fixed income	31.00%	1.41%
Real assets	36.00%	3.29%
Strategic Assets	8.00%	5.25%
Cash/Leverage	-25.00%	-0.29%

Discount Rate

The discount rate used to measure the total pension liability is 7% and 7.25% for 2021 and 2020, respectively. The projection of cash flows used to determine the discount rate assumes that employer contributions will be made at the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payment to determine the total pension liability.

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

The following represents the Net Pension Asset of City Utilities, calculated using the discount rate of 7.00%, as well as what City Utilities' Net Pension Asset would be using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate.

	1% Decrease 6.00%	Current Single Discount Rate Assumption 7.00%	1% Increase 8.00%
Total Pension Liability	\$ 767,176	\$ 683,032	\$ 612,499
Plan Fiduciary Net Position	787,067	787,067	787,067
Net Pension (Asset) Liability	<u>\$ (19,891)</u>	<u>\$ (104,035)</u>	<u>\$ (174,568)</u>

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

For the year ended September 30, 2021, City Utilities recognized pension income of \$15.8 million dollars. City Utilities reported deferred outflows and inflows of resources related to the pension plan from the following sources (in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 7,627	\$ (6,915)
Assumption changes	-	(13,905)
Net difference between projected and actual earnings on pension plan investments	-	(81,856)
Contributions subsequent to the measurement date*	<u>5,464</u>	<u>-</u>
	<u>\$ 13,091</u>	<u>\$ (102,676)</u>

*The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the total pension liability for the year ending September 30, 2022.

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For the year ended September 30, 2020, City Utilities recognized pension expense of \$18.1 million dollars. City Utilities reported deferred outflows and inflows of resources related to the pension from the following sources (in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 10,832	\$ (269)
Assumption changes	351	-
Net difference between projected and actual earnings on pension plan investments	16,444	-
Contributions subsequent to the measurement date*	5,134	-
	<u>\$ 32,761</u>	<u>\$ (269)</u>

*The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the total pension liability for the year ending September 30, 2021.

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

2022	\$ (24,825)
2023	(19,445)
2024	(21,518)
2025	(29,261)
2026	-
	<u> </u>
Total	<u>\$ (95,049)</u>

Payable to the Pension Plan

At September 30, 2021 and 2020, City Utilities reported a payable of \$2.1 and \$2.0 million, respectively, for the outstanding amount of contributions to the pension plan required for the year-end.

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Note 6: Purchase Obligations

Obligations to Purchase Electric Power and Energy

Diamond Vista Wind Project

City Utilities has a purchased power agreement with Diamond Vista Wind Project to receive power through January 10, 2038. CU agrees to purchase power from the 97.65 MW capacity wind generation facility at a fixed price. The average cost was \$467,000 and \$438,000 per month for fiscal years ended September 30, 2021 and 2020, respectively.

Frontier Windpower

Effective November 2015, City Utilities signed a purchased power agreement with Frontier Windpower. The 22-year agreement allows CU to purchase power from the 200 MW wind generation facility at an annual fixed price. For fiscal years ended September 30, 2021 and 2020, the average cost was \$1,067,000 and \$998,000, respectively, per month.

Southwestern Power Administration

City Utilities has a purchased power agreement with the Southwestern Power Administration (SWPA) effective through September 30, 2023. Under this agreement, City Utilities purchases 50 MW of generation and transmission capacity and must take a minimum of 3,000 MWh of peaking energy each month. City Utilities must also purchase a minimum of 60,000 MWh for the year. For fiscal years ended September 30, 2021 and 2020, the cost of peaking capacity was \$2.7 million for both years and the minimum for peaking energy was \$954,000 and \$930,000, respectively, per month. The peaking rate is periodically adjusted.

Southwest Power Pool

In March 2014, City Utilities began buying and selling power in the Southwest Power Pool (SPP) Integrated Marketplace. As a Regional Transmission Operator (“RTO”), SPP is mandated by FERC to ensure reliable supplies of power, adequate transmission infrastructure, and competitive wholesale prices of electricity. SPP maintains a bid-based energy market, in which City Utilities offers essentially all of its generation and purchases much of its load requirement from the SPP market in accordance with the SPP Tariff. During the twelve periods ended September 30, 2021 and 2020 of participation in the SPP Integrated Marketplace, CU had sales of \$88.4 million and \$13.9 million, respectively, and purchased power of \$31.4 million and \$23.3 million, respectively. CU participates in the ancillary services market operated by SPP. The ancillary market is an extension of the existing energy market in which SPP assumes the responsibility of maintaining sufficient generation reserves. In the ancillary services market, SPP provides the reserves for CU’s load, and CU may offer to sell reserves from its generating units.

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Strata Solar

As of June 2014, City Utilities began receiving solar power from Strata Solar based on a 25-year agreement, signed in October 2013 that allows CU to purchase all of the energy generated at a fixed price of \$0.815 per kWh. The 4.95 MW solar farm known as the CU Solar Farm was constructed on CU property but is owned by Strata Solar with an option for CU to purchase in the future. For fiscal years ended September 30, 2021 and 2020, purchases were \$625,000 and \$589,000, respectively.

Smoky Hills Wind Project II

City Utilities has a purchased power agreement with Smoky Hills Wind Project II (Smoky Hills) to receive power through December 31, 2028. City Utilities will purchase 31.09% of the total energy output of phase II of the Smoky Hills wind energy project. Effective January 1, 2021, the purchase percentage decreased to 31.09% from 33.67% of total energy output. The average cost during fiscal years 2021 and 2020 was \$646,000 and \$664,000, respectively, per month.

Obligations to Purchase Coal

Navajo Transitional Energy Company LLC

On October 28, 2020, a Confirmation Letter Agreement was executed for the purchase of coal from the Antelope Mine during the period of January 1, 2021 through December 31, 2023. Under the terms of this agreement, City Utilities' coal purchase obligation is \$9,366,000, \$6,318,000, and \$4,218,000 for calendar years 2021, 2022, and 2023, respectively. As of September 30, 2021, City Utilities had purchased \$9,749,000 of coal for the contract period ending December 31, 2021. The minimum tonnage requirement has been met for calendar year 2021.

On June 7, 2021 a Confirmation Letter Agreement was executed for the purchase of coal from the Antelope Mine during the period of August 1, 2021 through December 31, 2024. Under the terms of this agreement, City Utilities' coal purchase obligation is \$5,586,175, \$11,162,500, \$7,923,500, and \$12,510,000 for calendar years 2021, 2022, 2023 and 2024, respectively. As of September 30, 2021, City Utilities had purchased \$2,591,886 of coal for the contract period ending December 31, 2021. Management believes the minimum tonnage requirement will be met for calendar year 2021.

Obligations to Purchase Rail Services

BNSF Railway Company

Effective December 17, 2014, City Utilities entered into an agreement with BNSF Railway Company to purchase rail services for transporting coal to City Utilities' power stations, terminating on December 31, 2019. On July 1, 2017, October 15, 2018, and September 15, 2020, amendments were made to the agreement. Under the terms of these agreements, City Utilities of Springfield minimum tonnage declaration is 900,000 minus up to 160,000 tons for January 1, 2020 through December 31, 2020; 900,000 tons plus up to 160,000 tons during January 1, 2021 through December 31, 2021; and 900,000 tons for January 1, 2022 through December 31, 2022. As of

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September 30, 2021, City Utilities has tendered coal tonnage of 1,046,080 for the agreement period ending December 31, 2021. Management believes the minimum tonnage requirement will be met for calendar year 2021.

Obligations for Transportation and Storage Services of Natural Gas

Southern Star Central Gas Pipeline, Inc. and Enable Gas Transmission, LLC

City Utilities has signed agreements with Southern Star Central Gas Pipeline, Inc. and Enable Gas Transmission, LLC for transportation and/or storage services of natural gas, with various terms expiring in 1 to 20 years. For fiscal years ended September 30, 2021 and 2020, the amount paid to Southern Star was \$11.0 million and \$10.1 million, respectively. The amounts paid to Enable were \$2.3 million and \$2.2 million, respectively.

Obligations for Purchased Natural Gas

Public Energy Authority of Kentucky (PEAK)

During the fourth quarter of 2018, City Utilities entered into a 30-year natural gas supply contract with the Public Energy Authority of Kentucky (PEAK) for approximately 17 percent of our annual natural gas requirements. PEAK completed a 30-year natural gas pre-pay transaction using tax exempt bond financing that closed on September 25, 2018; City Utilities was a participant in the deal. Natural gas flows began on April 1, 2019, and City Utilities will achieve total natural gas savings of \$3.4 million versus market prices over the initial term of the deal. The last date of natural gas flow in the initial term of the deal is November 30, 2024. At the conclusion of the initial term, PEAK, and the counterparty to the transaction, will negotiate an extension of the contractual natural gas discounts based on future interest rate levels at that time. City Utilities is not required to purchase natural gas after the initial term unless the discount to market is \$0.20 per Dth or greater; parties to the agreement believe that it is probable that volumes will be taken for the full 30-year duration of the agreement. For fiscal years ended September 30, 2021 and 2020, the amount paid to PEAK was \$6.0 million and \$3.5 million, respectively.

Note 7: Equity Interest

Equity Interest in the Energy Authority

City Utilities is an equity member of The Energy Authority (TEA), a power marketing joint venture based in Jacksonville, Florida and incorporated in Georgia. As of September 30, 2021, TEA was comprised of seven municipal utilities with equity interests, including five large partners with ownership interests of 17.65% each. The large partners are JEA (formerly the Jacksonville Energy Authority) of Florida, the Municipal Energy Authority of Georgia (MEAG Power), the South Carolina Public Service Authority (Santee Cooper), Nebraska Public Power District and American Municipal Power Inc. City Utilities and the Gainesville Regional Utilities are medium equity partners with ownership interests of 5.88% each. As a member of TEA, City Utilities benefits from the risk management strategies maintained by TEA that seek to avoid financial losses by limiting

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financial exposure as a result of unexpected unit outages and volatile market prices. City Utilities also receives resource management services from TEA. City Utilities uses the equity method of accounting to record its investment in TEA. The investment is recorded within other non-current assets on the statement of net position. In accordance with the membership agreement between City Utilities and its joint venture members, City Utilities has provided TEA with guarantees that result in a maximum exposure of \$8.6 million to secure power-marketing transactions. Total guarantees including a letter of credit are \$9.6 million. City Utilities' guarantees are effective until its participation in the joint venture ends. The membership agreement provides for the addition of new members with a 75% approval of the existing members voting rights.

For the year ended September 30, 2021, total net position of TEA was approximately \$69 million, an increase of \$19 million from the prior year.

Complete separate financial statements for TEA may be obtained at The Energy Authority, 301 W. Bay St., Suite 2600, Jacksonville, Florida 32202.

Equity Interest in Prepaid Natural Gas Services

City Utilities entered into a partnership agreement with American Municipal Power, Inc. (AMP) to participate in prepaid natural gas services to be managed by The Energy Authority (TEA). Amounts expended are accounted for using the equity method. The net profits or losses of the partnership will be allocated on a pro-rata basis divided equally between the Prepaid Gas Services (PGS) Members in the PGS Project. As of September 30, 2021, City Utilities had incurred \$90,000 in expenses associated with the start-up of the partnership.

Note 8: Related-Party Transactions

City Utilities is required by the City Charter to make certain payments and provide certain services to the City. The operations of City Utilities reflect payments in lieu of taxes to the City.

City Utilities also provided services, such as energy for street lighting and other electric, natural gas and water services, without charge to the City. At September 30, 2021 and 2020, the estimated cost of providing such services was \$12.8 million and \$12.5 million, respectively.

City Utilities participated in a partnership agreement with the City, the Springfield Area Chamber of Commerce, and the Springfield Business and Industrial Development Corporation, a Missouri not-for-profit corporation, to govern the process of development, management and selling of an industrial center in the City. Under this agreement, City Utilities is responsible for utilities consisting of natural gas, water, electricity and broadband services. Amounts expended for the industrial centers are accounted for using the equity method and are recorded in other noncurrent assets. The net profits or net losses of the partnership are allocated based upon each partner's percentage of the partnership's capital accounts. For the industrial park located on the west side of the City, as of September 30, 2021, City Utilities had incurred \$2.2 million for land and improvements, recognized losses of \$150,000 and received \$184,000 in distributions, for a net equity balance of \$1.9 million.

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During 2006, the City and City Utilities agreed to a joint venture to develop a landfill natural gas project at the City's Noble Hill Landfill. The project includes an Electric Generation System (EGS) and a Gas Collection and Condensate Treatment System (GCCTS). City Utilities constructed and owns the EGS that includes power generation equipment with a target capacity of 3.2 MW with a total project cost of \$3.7 million. City Utilities also constructed transmission lines with a total project cost of \$1.1 million. City Utilities paid the City \$1.5 million for the initial construction of GCCTS. The City will retain ownership of all assets associated with the GCCTS.

Note 9: Planned Construction

As of September 30, 2021, anticipated capital expenditures for extending and improving the Utility during the 2022 fiscal year are estimated to be approximately \$96.0 million. Major capital initiatives include installation of Advanced Metering Infrastructure for Natural Gas and Water, replacement of natural gas mains, water mains and the electric poles.

The SpringNet Network Expansion project continues to be a major initiative to promote economic development by promoting highspeed broadband service. The SpringNet Fiber Expansion project, with a projected total cost of \$145.5 million, will meet the needs for customer broadband services in Springfield. Project-to-date expenditures through fiscal year 2021 are \$120.5 million. This project is expected to be completed in fiscal year 2023.

Note 10: Air Quality Standards

The Clean Air Act Amendments of 1990 (the Act) mandated reduced sulfur dioxide (SO₂) and nitrogen dioxide (NO_x) emissions from electric utility power plants. The Act established a market-based compliance program which allows the selling and trading of SO₂ allowances. An "allowance" is the authorization to emit one ton of sulfur dioxide in a given year. Management believes that City Utilities is in full compliance with the emissions standards under the Act. No allowances were sold during the fiscal year ended September 30, 2021. City Utilities accounts for its allowances under the inventory method.

In July 2011, EPA promulgated the Cross-State Air Pollution Rule (CSAPR) to replace the Clean Air Interstate Rule (CAIR). CSAPR restricted emissions in the original 28 CAIR states and added three more states to the control region.

Phase 1 of CSAPR began January 1, 2015, and Phase 2 implementation began on January 1, 2017. Further, based on the "good neighbor" policy under the Act, Missouri's CSAPR ozone season (OS) NO_x allowances were reduced an additional 27 percent from the original Phase 2 emission levels that began May 1, 2017. Although the "CSAPR Update" was challenged in the D.C. Circuit, these additional reductions are deemed necessary for downwind regions of the U.S. to meet the 2008 National Ambient Air Quality Standard (NAAQS) for ozone. Based on expected unit allocations (i.e., SO₂, NO_x, and OS NO_x) and operational forecasts, City Utilities holds sufficient allowances for its

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generating assets. Management believes that City Utilities is in full compliance with current CSAPR requirements.

EPA published the Mercury and Air Toxics Standard (MATS) in 2012. City Utilities examined the impacts of this rule along with promulgated rules pertaining to industrial boiler emissions and National Ambient Air Quality Standards. At that time, our analysis indicated the need to install new capital control equipment totaling \$33 million spread over fiscal years 2013-16 to comply with these measures. The MATS compliance date began April 2015; however, utilities were afforded a one-year compliance extension to allow time for equipment installation. A contract to procure and install this equipment was awarded in fiscal 2013. JTEC completed installation of the control equipment in early 2015. JRPS units' upgrades were completed in September 2015. Additionally, semi-continuous mercury monitoring equipment was procured, installed and certified at JTEC ahead of the compliance deadline. In 2015, prior to the effective date of impending more stringent regulations, City Utilities decided to cease burning coal at JRPS. This allowed the facility to become an area (minor) source of hazardous air pollutant (HAP) emissions and removed the units as affected sources under MATS and the industrial boiler MACT provisions. These changes were approved by MDNR and codified in the Title V Operating Permit for JRPS (OP2016-003) dated January 29, 2016. On June 29, 2015, the Supreme Court in a 5-4 decision (*Michigan v. EPA*), decided that cost should be considered when EPA deemed it "appropriate and necessary" to regulate power plants under Section 112(n)(1)(A) of the Act. In so doing, the Court remanded EPA's MATS rule back to the United States Circuit Court of Appeals for the District of Columbia to decide the ultimate fate of the rule. In February 2019, the Trump administration made efforts in a proposed rulemaking to address the Court's finding of "appropriate and necessary" that would include cost considerations. On May 22, 2020, EPA published a final rule in the Federal Register in response to the *Michigan v. EPA* decision to reconsider its Supplemental Cost Finding for MATS and determined that it was not "appropriate and necessary" to regulate HAP emissions from coal- and oil-fired EGUs. However, EPA determined that this correction did not remove the source category for the CAA section 112(n) listing. No revisions to the MATS rule were made following EPA's final residual risk and technology review (RTR) conducted as part of this process. The direct final rule was legally challenged by both industrial and environmental groups. Currently, the rule remains in effect. Subsequently, the Biden Administration reviewed the previous administration's position and is in the process of reconsidering previous actions regarding the "appropriate and necessary" finding, as well as the RTR process. Additionally, the Biden administration is considering revisions to the MATS rule would lower thresholds for HAPs or the surrogate parameters. Management believes that City Utilities is fully compliant with the MATS monitoring, reporting, and notification requirements and will continue to meet future regulatory standards should the current administration choose to adjust them.

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Other Standards

In June 2014, EPA proposed regulations to govern emissions of carbon dioxide (CO₂) from fossil fuel power plants. In August 2015, EPA finalized regulations referred to as the Clean Power Plan (CPP) for the sole purpose of reducing carbon dioxide emissions from the utility sector. On October 23, 2015, the final rule was published in the Federal Register requiring States to cut their CO₂ emissions 32% from 2005 levels by 2030. The rule became effective December 22, 2015. In February 2016, the United States Supreme Court stayed implementation of the CPP rule until after all legal challenges were satisfied. In September 2016, the en banc U.S. Court of Appeals for the District of Columbia Circuit heard oral arguments on the merits of the CPP in *West Virginia v. EPA*. The court never issued a ruling on the merits due to the change in administrations. Further, on October 10, 2017, the EPA Administrator signed an advanced notice of proposed rulemaking (ANPRM) to repeal the final rule regulating greenhouse gas emissions from existing power plants under Section 111(d) of the Act. The proposed rule was published in the Federal Register on October 16, 2017. The ANPRM and other rule reviews are consistent with Executive Order 13783 that was issued by the President on March 28, 2017. Initially, the Court paused ruling on the litigation and later dismissed the case due to EPA's decision to reconsider and revise the rulemaking.

On August 21, 2018, the EPA proposed the Affordable Clean Energy (ACE) rule that would curb CO₂ emissions from existing sources but not to the extent and levels proposed under the CPP. On July 8, 2019, EPA published in the Federal Register the proposed rule repealing the CPP, provided emission guidelines for controlling CO₂ emissions from existing Electric Generating Units by finalizing the ACE rule, including revisions to the state implementing regulations. The rule became effective on September 6, 2019. The rule was legally challenged by environmental and public health groups, 21 state attorney generals, including the District of Columbia. Oral arguments in the U.S. Court of Appeals for the District of Columbia in the ACE litigation (*American Lung Association, et al. v. EPA*) were heard on October 8, 2020. On January 19, 2021, the U.S. Court of Appeals for the District of Columbia issued its ruling vacating the ACE rule, including changes to the implementing rule and remanded the matter back to EPA. On February 22, 2021, the D.C. Circuit issued an order to stay the mandate that could have allowed the 2015 Clean Power Plan (CPP) rule to be re-instated following the vacatur of the ACE rule. The order allows the current EPA to decide "afresh" how to regulate greenhouse gas emissions from coal-fired Electric Generating Units (EGUs). City Utilities continues to monitor closely both a legislative and regulatory actions that may impact CU's affect units.

In addition to uncertainties over future SO₂ and NO_x rules, including the second implementation phase under the Regional Haze Rule (RHR), City Utilities is monitoring regulations on power plant waste disposal and effluent water quality. EPA proposed revisions to water effluent discharge guidelines in June 2013. The EPA Administrator signed the final rule for the Effluent Limitation Guidelines (ELG) for Steam Electric Generation Point Sources on September 30, 2015. The rule became effective 60 days after publication in the Federal Register. The rule required the dry handling of both bottom and fly ash from exiting coal-fired boilers with generation capacity greater than 50 MW. City Utilities addressed the ELG rule by designing and constructing a self-supporting, impervious basin (i.e., Bottom Ash Dewatering Tank) at its John Twitty Energy Center (JTEC).

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Bottom ash is sluiced from JTEC Unit 1 to the holding tank and dewatered prior to removal to the permitted onsite landfill. Fly ash has been handled dry for some time at both power stations. In April 2017, EPA paused future compliance dates under the rule for two (2) years, as EPA reconsidered the best available technology economically achievable (BAT) limits. On August 31, 2020, the EPA finalized the revised technology-based effluent limitations guidelines and standards for bottom ash transport water (BA). City Utilities has positioned itself to meet current and future compliance technology/limits when rule becomes effective. Further, EPA finalized the Coal Combustion Residuals (CCR) rule in April 2015. The rule extended the effective date until October 19, 2015, with compliance provisions beginning on the effective date. City Utilities determined to discontinue operation of its surface impoundments at both power stations. City Utilities awarded a consultant contract to assist with the multi-year, multifaceted provisions of the rule pertaining to the CCR landfills. At minimum, costs were incurred to investigate stability, location restrictions, and install groundwater monitoring systems. Compliance with the rule began October 19, 2015. By June 2017, the surface impoundments at both locations were completely empty of all remaining ash and soils have been capped with a vegetative cover. Groundwater monitoring installation provisions under the rule were met in October 2017. The initial and subsequent annual groundwater monitoring reports are certified and posted in January each year. CU continues to conduct required sampling, analyses and validation of the groundwater monitoring data. Currently, City Utilities is under assessment monitoring provisions for both its JRPS and JTEC utility waste landfills. Management expects to fully meet the on-going compliance schedule outlined in the federal regulation for CCR landfills, including requirements under the State program.

Note 11: Legal Proceedings

Through the performance of operations, City Utilities is sometimes named as a defendant in litigation, usually relating to claims for personal injury or property damage. Insurance coverage is maintained for such claims to the extent deemed prudent by management. Although the outcome of the claims and proceedings against City Utilities cannot be predicted with certainty, management believes that there are no existing claims or proceedings that are likely to have a material adverse effect on City Utilities' financial position, results of operations or cash flows.

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Risk Management

City Utilities is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; directors' or officers' liabilities; fiduciary and employee benefits responsibilities; employment practices; errors and omissions; injuries to employees and the public; and acts of God. For risks of loss related to property, City Utilities places \$1,000,000,000 in coverage, excess of a \$2,000,000 deductible. City Utilities self-insures general and auto liability and places \$125,000,000 in coverage, excess of a \$2,000,000 retention. There were no liability insurance recoveries in the current year and settled claims have not exceeded coverage in any of the past three fiscal years.

City Utilities has a self-insured retention of \$300,000 for Director's and Officer's Liability with a limit of \$20,000,000. Additionally, CU carries a Fiduciary and Employee Benefits Liability limit of \$10,000,000 over its self-insured retention of \$25,000. For Employment Practices Liability, City Utilities purchases a limit of \$10,000,000 with self-insured retention of \$150,000. City Utilities places a Cyber Liability policy with limits of \$10,000,000, subject to a \$100,000 retention.

City Utilities has a self-insured retention for Workers' Compensation and retains \$750,000 for each accident. City Utilities maintains Statutory Excess Workers' Compensation Insurance. City Utilities also has a self-insured retention of \$350,000 per employee for medical and health claims and maintains Stop Loss Insurance for excess claims.

City Utilities analyzes its exposures for self-insured risks on an incurred loss basis. In connection with this analysis, City Utilities estimates the outstanding liabilities for the current year end and forecasts ultimate incurred losses and incurred but not reported losses for future years based on historical data. City Utilities periodically reviews insured and uninsured exposures and recommends reserves to reflect retained and excess exposures.

Note 12: Disclosure About the Fair Value of Financial Instruments

Fair value is the exchange price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date.

GASB Statement No. 72, *Fair Value Measurement and Application*, establishes a fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in an active market for identical assets or liabilities and the lowest priority to unobservable inputs. 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 three levels of fair value hierarchy defined in GASB Statement No. 72 are as follows:

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Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Pricing inputs are other than quoted market prices in the active markets included in Level 1, which are either directly or indirectly observable for the asset or liability as of the reporting date. Level 2 inputs include the following:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability; or
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 2 assets and liabilities primarily include U.S. Treasury, federal agency securities and other U.S. government secured mortgage bonds, held in City Utilities funds and certain investments in current assets.

Level 3 – Pricing inputs include significant inputs that are unobservable and cannot be corroborated by market data. Level 3 assets and liabilities are valued based on internally developed models and assumptions or methodologies using significant unobservable inputs. City Utilities currently does not have Level 3 assets or liabilities.

City Utilities performs an analysis annually to determine the appropriate hierarchy level classification of the assets and liabilities that are included within the scope of GASB Statement No. 72. Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to their fair value measurement.

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Recurring Measurements

The following table presents the fair value measurement of assets recognized in the accompanying statements of net position measured at fair value on a recurring basis and the level within the fair value hierarchy in which fair value measurements fall at September 30, 2021 and 2020 (in thousands):

	2021			
	Level 1	Level 2	Level 3	Total
Investments by Fair Value Level				
Debt securities				
U.S. Treasury securities	\$ -	\$ 55,766	\$ -	\$ 55,766
U.S. Government agencies	-	15,099	-	15,099
Mortgage-backed securities	-	164,193	-	164,193
Total debt securities	<u>\$ -</u>	<u>\$ 235,058</u>	<u>\$ -</u>	<u>\$ 235,058</u>
Derivative Instruments				
Price risk management assets				
Natural gas options - long	\$ 4,661	\$ -	\$ -	\$ 4,661
Natural gas futures - long	-	-	-	-
Total price risk management assets	<u>4,661</u>	<u>-</u>	<u>-</u>	<u>4,661</u>
Total derivative instruments	<u>\$ 4,661</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,661</u>
	2020			
	Level 1	Level 2	Level 3	Total
Investments by Fair Value Level				
Debt securities				
U.S. Treasury securities	\$ -	\$ 52,837	\$ -	\$ 52,837
U.S. Government agencies	-	15,432	-	15,432
Mortgage-backed securities	-	170,154	-	170,154
Total debt securities	<u>\$ -</u>	<u>\$ 238,423</u>	<u>\$ -</u>	<u>\$ 238,423</u>
Derivative Instruments				
Price risk management assets				
Natural gas options - long	\$ 427	\$ -	\$ -	\$ 427
Natural gas futures - long	(537)	-	-	(537)
Total price risk management assets	<u>(110)</u>	<u>-</u>	<u>-</u>	<u>(110)</u>
Total derivative instruments	<u>\$ (110)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (110)</u>

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September 30, 2021 and 2020

Investments and Financial Derivatives

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

Note 13: Financial Derivatives

City Utilities engages in hedging activities in an effort to minimize risk from volatile natural gas prices and power cost risk associated with exposure to congestion costs. Derivative instruments are recognized at fair value on the statements of net position and the unrealized gains or losses recorded in regulatory assets or liabilities in accordance with GASB Statement No. 62, or GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, unless an exception to this accounting is met.

As of September 30, 2021, City Utilities held financial instruments that were purchased to reduce or hedge the volatility of natural gas costs. The notional amount on these financial instruments range from 10 to 30 contracts per month with a quantity of 10,000 MMBtu per contract. As of September 30, 2021, the average strike price ranges between \$2.25 and \$3.81 per MMBTU. The contracts were entered into between March 2016 and September 2021 and mature between December 2021 and December 2024. At September 30, 2021, the market values of the unexpired instruments were included as an asset on the statements of net position with the offset of the monthly fair market value adjustment included as a deferred inflow until the hedging instruments are matched with the corresponding monthly purchased natural gas costs. At September 30, 2021 and 2020, the market values of the unexpired instruments were \$4.7 million and (\$110,000) respectively.

City Utilities of Springfield, Missouri
(A Component Unit of the City of Springfield, Missouri)
Notes to Financial Statements
September 30, 2021 and 2020

September 30, 2021

Notional Amount (Number of contracts)	Effective Date	Termination Date	Fixed Price per MMBtu
Synthetic Calls	Monthly starting	Monthly through	
30	10/1/2021	12/31/2021	\$3.06 future
30	10/1/2021	12/31/2021	\$2.25
Calls	Monthly starting	Monthly through	
10	1/1/2022	12/31/2022	\$4.00
10	1/1/2023	12/31/2023	\$3.75
10	1/1/2024	12/31/2024	\$3.75
10	12/1/2021	3/31/2022	\$7.00

September 30, 2020

Notional Amount (Number of contracts)	Effective Date	Termination Date	Fixed Price per MMBtu
Synthetic Calls	Monthly starting	Monthly through	
30	10/1/2021	12/31/2021	\$3.06 future
30	10/1/2021	12/31/2021	\$2.25

City Utilities uses Auction Revenue Rights (ARRs) and Transmission Congestion Rights (TCRs) in the Southwest Power Pool (SPP) Integrated Marketplace to hedge against transmission congestion charges. These financial instruments were designed primarily to allow firm transmission customers the opportunity to offset price differences due to transmission congestion costs between resources and loads. Awarded ARRs provide a fixed revenue stream to offset congestion costs. TCRs can be acquired through the conversion of ARRs or purchases from SPP auctions or secondary market trades. The financial transactions for all ARRs and TCRs in SPP are netted and recorded as other purchases, as City Utilities is generally a net purchaser in SPP. Unearned revenues are recorded for awarded ARRs, net of conversion of TCRs, until the revenues are realized in the SPP Integrated Market financial transactions. Outstanding TCR positions are recorded on the statement of net position until expired. The balance of TCRs reported was \$3,231,000 and \$3,868,000 as of September 30, 2021 and 2020, respectively.

City Utilities of Springfield, Missouri
(A Component Unit of the City of Springfield, Missouri)
Notes to Financial Statements
September 30, 2021 and 2020

Note 14: Subsequent Events

SpringNet Fiber Expansion Project Financing

As of September 30, 2021, City Utilities fully borrowed \$90 million against the 2019 lease financing agreement with US Bank for the SpringNet Fiber Expansion Project. Subsequently, City Utilities secured \$129 million of Certificates of Participation (COPs) in September 2021, which closed on October 7, 2021. The \$129 million fully paid the \$90 million 2019 lease financing agreement and secured additional funds for the SpringNet Fiber Expansion Project. Principal payments are due annually through November 2036 and interest payments are due semi-annually at coupon rates ranging from 0.45% to 2.50%. Interest and principal payments commence May 2022 and November 2022, respectively.

Required Supplementary Information

City Utilities of Springfield, Missouri
(A Component Unit of the City of Springfield, Missouri)

Required Supplementary Information

Schedule of City Utilities' Changes in Net Pension (Asset) Liability and Related Ratios

September 30, 2021 and 2020

(In Thousands)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total Pension Liability							
Service cost	\$ 9,806	\$ 9,545	\$ 9,418	\$ 9,355	\$ 9,198	\$ 9,188	\$ 8,936
Interest on the total pension liability	48,891	46,759	44,968	43,369	41,854	39,582	37,903
Difference between expected and actual experience	(8,754)	9,442	4,707	1,420	(460)	(10,678)	4,040
Assumption changes	(17,610)	-	-	-	-	21,480	-
Benefit payments, including refunds	(37,057)	(35,863)	(33,103)	(31,161)	(28,445)	(28,026)	(27,684)
Net Change in Total Pension Liability	<u>(4,724)</u>	<u>29,883</u>	<u>25,990</u>	<u>22,983</u>	<u>22,147</u>	<u>31,546</u>	<u>23,195</u>
Total Pension Liability, beginning of year	<u>687,756</u>	<u>657,873</u>	<u>631,883</u>	<u>608,900</u>	<u>586,753</u>	<u>555,207</u>	<u>532,012</u>
Total pension liability, end of year	<u>683,032</u>	<u>687,756</u>	<u>657,873</u>	<u>631,883</u>	<u>608,900</u>	<u>586,753</u>	<u>555,207</u>
Plan Fiduciary Net Position							
Contributions - employer	19,440	18,374	18,199	17,893	17,583	16,984	17,178
Contributions - employee	68	-	-	215	349	119	-
Pension plan net investment income	170,762	8,370	39,757	68,867	59,811	(993)	10,265
Benefit payments, including refunds	(37,057)	(35,863)	(33,103)	(31,161)	(28,445)	(28,026)	(27,684)
Pension plan administrative expense	(200)	(259)	(229)	(159)	(157)	(155)	(170)
Other	(59)	3,575	(37)	379	1,270	42	(5,652)
Net Change in Plan Fiduciary Net Position	<u>152,954</u>	<u>(5,803)</u>	<u>24,587</u>	<u>56,034</u>	<u>50,411</u>	<u>(12,029)</u>	<u>(6,063)</u>
Plan Fiduciary Net Position, Beginning of Year	<u>634,113</u>	<u>639,916</u>	<u>615,329</u>	<u>559,295</u>	<u>508,884</u>	<u>520,913</u>	<u>526,976</u>
Plan Fiduciary Net Position, End of year	<u>787,067</u>	<u>634,113</u>	<u>639,916</u>	<u>615,329</u>	<u>559,295</u>	<u>508,884</u>	<u>520,913</u>
City Utilities Net Pension (Asset) Liability	<u>\$ (104,035)</u>	<u>\$ 53,643</u>	<u>\$ 17,957</u>	<u>\$ 16,554</u>	<u>\$ 49,605</u>	<u>\$ 77,869</u>	<u>\$ 34,294</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	115.23%	92.20%	97.27%	97.38%	91.85%	86.73%	93.82%
Covered Employee Payroll	\$ 82,873	\$ 80,981	\$ 78,710	\$ 78,335	\$ 77,436	\$ 75,517	\$ 74,330
Net Pension (Asset) Liability as a Percentage of Covered Employee Payroll	(125.53%)	66.24%	22.81%	21.13%	64.06%	103.11%	46.14%

This schedule presents the information available to City Utilities and will include ten-year trend information once available.

In accordance with GASB 68, information presented in this schedule was determined as of the measurement date (June 30) of the net pension (asset) liability.

In 2016, amounts reported as changes in assumptions resulted primarily from a change in the mortality tables. In 2021, amounts reported as change in assumptions resulted primarily from a decrease in the discount rate from 7.25% to 7%.

City Utilities of Springfield, Missouri
(A Component Unit of the City of Springfield, Missouri)
Required Supplementary Information
Schedule of City Utilities' Contributions
September 30, 2021 and 2020
(In Thousands)

Fiscal Year	Actuarially Determined Contribution	Contribution in Relation	Contribution Deficiency*	Covered Employee Payroll	Contribution as Percentage
2012	\$ 15,650,432	\$ 14,672,279	\$ 978,152	\$ 69,867,997	21.00%
2013	16,369,192	15,389,838	979,354	69,953,809	22.00%
2014	16,977,181	16,903,685	73,495	73,494,286	23.00%
2015	17,250,031	17,250,032	(1)	75,327,646	22.90%
2016	17,224,630	17,224,628	2	78,293,772	22.00%
2017	17,299,688	17,299,689	(0)	79,356,369	21.80%
2018	18,088,924	18,088,925	(2)	79,337,384	22.80%
2019	18,151,516	18,151,517	(1)	79,962,624	22.70%
2020	18,507,301	18,507,302	(1)	81,172,367	22.80%
2021	19,671,240	19,671,240	(0)	83,707,401	23.50%

* Deficiency is a result of the limitation of Missouri State Statute 70.730, which limits increases to the contribution percentage to 1% per year.

Notes to Schedule of Contributions

Valuation Date February 28, 2021

Notes: The roll-forward of total pension liability from February 28, 2021, to June 30, 2021, reflects expected service cost and interest reduced by actual benefit payments.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method Entry Age Normal and Modified Terminal Funding

Amortization Method Level Percentage of Payroll, Closed

Remaining Amortization
Period Multiple bases from 8 to 15 years

Asset Valuation Method 5-year smoothed market: 20% corridor

Inflation 2.75% wage inflation; 2.25% price inflation

Salary Increases 2.75% to 6.75% including wage inflation

Investment Rate of Return 7.00%, net of investment expenses

Retirement Age
Conditions Experience-based table of rates that are specific to the type of eligibility

City Utilities of Springfield, Missouri
(A Component Unit of the City of Springfield, Missouri)
Required Supplementary Information
Schedule of City Utilities' Contributions
September 30, 2021 and 2020
(In Thousands)

Mortality	<p>The healthy retiree mortality tables, for post-retirement mortality, used in evaluating allowances to be paid were 115% of the PubG-2010 Retiree Mortality Table for males and females. The disabled retiree mortality tables, for post-retirement mortality, used in evaluating allowances to be paid were 115% of the PubNS-2010 Disabled Mortality Table for males and females. The pre-retirement mortality tables used were 75% of the PubG-2010 Employee Mortality Table for males and females of General groups and 75% of the PubS-2010 Employee Mortality Table for males and females of Police, Fire and Public Safety groups.</p> <p>Mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scale to the above described tables.</p>
Other Information	None

In accordance with GASB 68, information presented in this schedule was determined as of City Utilities' fiscal year end (September 30).

Supplementary Information

City Utilities of Springfield, Missouri
(A Component Unit of the City of Springfield, Missouri)
Combining Schedule of Revenues, Expenses and Changes in Net Position
Year Ended September 30, 2021
(In Thousands)

	Electric	Natural Gas	Trans- portation	SpringNet	Water	Eliminations	Total
Operating revenues	\$ 361,266	\$ 138,026	\$ 701	\$ 18,733	\$ 56,005	\$ (19,991)	\$ 554,740
Operating expenses							
Production fuel and purchased power	128,651	-	-	-	-	(13,808)	114,843
Natural gas purchased for resale	-	92,928	-	-	-	-	92,928
Other production	7,222	-	-	-	5,674	(2,329)	10,567
Distribution and transmission	20,059	5,705	-	-	2,937	(2,309)	26,392
Bus and garage operations	-	-	3,470	-	-	(280)	3,190
Other services	-	-	-	5,082	-	(333)	4,749
Customer accounts	3,859	2,334	-	15	2,481	(121)	8,568
Administrative and general	20,674	4,856	2,009	2,472	5,829	(795)	35,045
Maintenance	31,798	3,831	1,094	-	4,681	(1)	41,403
Depreciation and amortization	44,976	7,698	2,170	5,748	7,753	-	68,345
Payments in lieu of taxes	10,734	3,621	28	-	2,256	-	16,639
Other taxes	-	9	-	678	-	-	687
Total operating expenses	<u>267,973</u>	<u>120,982</u>	<u>8,771</u>	<u>13,995</u>	<u>31,611</u>	<u>(19,976)</u>	<u>423,356</u>
Operating income	<u>93,293</u>	<u>17,044</u>	<u>(8,070)</u>	<u>4,738</u>	<u>24,394</u>	<u>(15)</u>	<u>131,384</u>
Nonoperating revenues (expenses)							
Interest income							4,420
Net decrease in fair value of investments							(6,519)
Investment income							1,778
Interest expense, net							(19,473)
Operation of recreational facilities, net						15	(191)
Amortization of debt-related costs							2,354
Other, net							4,232
Net nonoperating revenues (expenses)						<u>15</u>	<u>(13,399)</u>
Change in net position before contributions						<u>-</u>	<u>117,985</u>
Capital contributions							
Contributions in aid of construction	453	1,123	1,583	1,398	1,167	-	5,724
Donated property	1,161	331	-	-	608	-	2,100
Reduction of plant costs recovered through contributions	<u>(1,614)</u>	<u>(1,454)</u>	<u>1,583</u>	<u>(1,398)</u>	<u>(1,775)</u>	<u>-</u>	<u>(6,241)</u>
Net capital contributions	<u>-</u>	<u>-</u>	<u>1,583</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,583</u>
Change in net position							119,568
Net position							
Beginning of year							1,263,797
End of year							<u>\$ 1,383,365</u>

City Utilities of Springfield, Missouri
(A Component Unit of the City of Springfield, Missouri)
Combining Schedule of Revenues, Expenses and Changes in Net Position
Year Ended September 30, 2020
(In Thousands)

	Electric	Natural Gas	Trans- portation	SpringNet	Water	Eliminations	Total
Operating revenues	\$ 287,216	\$ 81,488	\$ 791	\$ 16,238	\$ 56,669	\$ (12,573)	\$ 429,829
Operating expenses							
Production fuel and purchased power	92,846	-	-	-	-	(6,431)	86,415
Natural gas purchased for resale	-	42,387	-	-	-	-	42,387
Other production	11,861	-	-	-	6,632	(2,370)	16,123
Distribution and transmission	24,809	8,266	-	-	4,600	(2,331)	35,344
Bus and garage operations	-	-	5,863	-	-	(292)	5,571
Other services	25	-	-	5,466	-	(329)	5,162
Customer accounts	5,570	3,417	-	20	3,492	(186)	12,313
Administrative and general	18,967	4,807	2,049	2,764	5,836	(632)	33,791
Maintenance	34,871	5,130	1,499	-	7,452	(1)	48,951
Depreciation and amortization	44,145	6,973	2,452	3,706	7,374	-	64,650
Payments in lieu of taxes	8,979	3,040	32	-	2,240	-	14,291
Other taxes	-	10	-	579	-	-	589
Total operating expenses	<u>242,073</u>	<u>74,030</u>	<u>11,895</u>	<u>12,535</u>	<u>37,626</u>	<u>(12,572)</u>	<u>365,587</u>
Operating income	<u>45,143</u>	<u>7,458</u>	<u>(11,104)</u>	<u>3,703</u>	<u>19,043</u>	<u>(1)</u>	<u>64,242</u>
Nonoperating revenues (expenses)							
Interest income							5,416
Net increase in fair value of investments							5,157
Investment loss							(676)
Interest expense, net							(20,787)
Operation of recreational facilities, net						1	(249)
Amortization of debt-related costs							2,066
Other, net							4,921
Net nonoperating revenues (expenses)						<u>1</u>	<u>(4,152)</u>
Change in net position before contributions						<u>-</u>	<u>60,090</u>
Capital contributions							
Contributions in aid of construction	881	1,140	848	4,113	1,632	-	8,614
Donated property	1,152	4,806			10,770	-	16,728
Reduction of plant costs recovered through contributions	<u>(2,033)</u>	<u>(5,946)</u>		<u>(4,113)</u>	<u>(12,402)</u>	<u>-</u>	<u>(24,494)</u>
Net capital contributions	<u>-</u>	<u>-</u>	<u>848</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>848</u>
Change in net position							60,938
Net position							
Beginning of year							<u>1,202,859</u>
End of year							<u>\$ 1,263,797</u>

City Utilities of Springfield, Missouri
(A Component Unit of the City of Springfield, Missouri)
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2021

Federal Grantor/Pass- Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Grant or Other Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
<i>Federal Transit Cluster</i>					
U.S. Department of Transportation/ Federal Transit - Formula Grants	20.507	None	MO-2020-011-00 MO-2020-011-01 MO-2021-035-00	\$ -	\$ 2,411,776
U.S. Department of Transportation/ COVID-19 - Federal Transit - Formula Grants	20.507	None	MO-2020-012-00	-	2,000,000
				-	4,411,776
U.S. Department of Transportation/ Bus and Bus Facilities Formula Program	20.526	None	MO-2020-001-00 MO-2021-005-00	-	1,476,329
Total Federal Transit Cluster				-	5,888,105
<i>Transit Services Programs Cluster</i>					
U.S. Department of Transportation/ Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	None	MO-2019-010-02	-	84,848
Total Transit Services Programs Cluster				-	84,848
Department of the Treasury/Greene County MO/ Coronavirus Relief Fund Grant	21.019	711	-	-	48,900
U.S. Department of Transportation/MoDOT State Planning and Research	20.505	MO-80-X009	-	-	15,000
Total Federal Awards				\$ -	\$ 6,036,853

City Utilities of Springfield, Missouri
(A Component Unit of the City of Springfield, Missouri)
Notes to Schedule of Expenditures of Federal Awards
Year Ended September 30, 2021

Notes to Schedule

1. The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal award activity of City Utilities under programs of the federal government for the year ended September 30, 2021. The accompanying notes are an integral part of this Schedule. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of City Utilities, it is not intended to and does not present the financial position, changes in net position, or cash flows of City Utilities.
2. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles in the Uniform Guidance or other applicable regulatory guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. City Utilities has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**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 Auditor's Report

The Honorable Mayor and Members of the City
Council of the City of Springfield, Missouri
City Utilities of Springfield, Missouri
Springfield, Missouri

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of City Utilities of Springfield, Missouri (City Utilities), which comprise the statement of net position as of September 30, 2021, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 7, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City Utilities' 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 City Utilities' internal control. Accordingly, we do not express an opinion on the effectiveness of City Utilities' internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal 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 may exist that have not been identified.

The Honorable Mayor and Members of the City
Council of the City of Springfield, Missouri
City Utilities of Springfield, Missouri

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City Utilities' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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.

BKD, LLP

Springfield, Missouri
January 7, 2022

Report on Compliance for the Major Federal Program and Report on Internal Control Over Compliance

Independent Auditor's Report

The Honorable Mayor and Members of the City
Council of the City of Springfield, Missouri
City Utilities of Springfield, Missouri
Springfield, Missouri

Report on Compliance for the Major Federal Program

We have audited City Utilities of Springfield, Missouri's (City Utilities) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on City Utilities' major federal program for the year ended September 30, 2021. City Utilities' major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, contracts, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for City Utilities' major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City Utilities' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of City Utilities' compliance.

The Honorable Mayor and Members of the City
Council of the City of Springfield, Missouri
City Utilities of Springfield, Missouri

Opinion on the Major Federal Program

In our opinion, City Utilities complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2021.

Report on Internal Control Over Compliance

Management of City Utilities of Springfield, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City Utilities' internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City Utilities' internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

BKD, LLP

Springfield, Missouri
January 7, 2022

City Utilities of Springfield, Missouri
(A Component Unit of the City of Springfield, Missouri)
Schedule of Findings and Questioned Costs (Continued)
Year Ended September 30, 2021

7. City Utilities' major program was:

Cluster/Program	Assistance Listing Number
Federal Transit Cluster	20.507 and 20.526

8. The threshold used to distinguish between Type A and Type B programs was \$750,000.

9. City Utilities qualified as a low-risk auditee? Yes No

City Utilities of Springfield, Missouri
(A Component Unit of the City of Springfield, Missouri)
Schedule of Findings and Questioned Costs (Continued)
Year Ended September 30, 2021

Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Finding
	No matters are reportable.

Findings Required to be Reported by the Uniform Guidance

Reference Number	Finding	Questioned Costs
	No matters are reportable.	

City Utilities of Springfield, Missouri
(A Component Unit of the City of Springfield, Missouri)
Summary Schedule of Prior Year Audit Findings
Year Ended September 30, 2021

Reference Number	Summary of Finding	Status
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No matters are reportable.