



**GRAND RAPIDS
PUBLIC UTILITIES**
Service is Our Nature

**GRAND RAPIDS
PUBLIC UTILITIES COMMISSION**

A Component Unit of the
City of Grand Rapids, Minnesota

Annual Comprehensive Financial Report

As of and for the Fiscal Year Ended December 31, 2023

Prepared by:

Business Services Department

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

A Component Unit of the City of Grand Rapids, Minnesota

TABLE OF CONTENTS As of and for the Year Ended December 31, 2023

INTRODUCTORY SECTION

Letter of Transmittal	i – ix
Certificate of Achievement	x
Organization	xi
Organization Chart	xii

FINANCIAL SECTION

Independent Auditors' Report	xiii – xv
-------------------------------------	-----------

Required Supplementary Information

Management's Discussion and Analysis (Unaudited)	xvi – xxiv
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Basic Financial Statements

Statements of Net Position	1 – 2
Statements of Revenues, Expenses, and Changes in Net Position	3
Statements of Cash Flows	4 – 5
Notes to Financial Statements	6 – 30

Required Supplementary Information

Schedule of Proportionate Share of Net Pension Liability	31
Schedule of Contributions – Pension	31
Notes to Required Supplementary Information	32 – 35

Supplementary Information

2023 Combining Schedules of Revenues and Expenses	36
Schedule of Changes in Utility Plant	37
Schedule of Changes in Accumulated Depreciation	38
Schedule of Contributions to the City of Grand Rapids	39

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

A Component Unit of the City of Grand Rapids, Minnesota

TABLE OF CONTENTS As of and for the Year Ended December 31, 2023

STATISTICAL SECTION

Financial Trends

Contents	40
Net Position by Component	41 – 42
Changes in Net Position	43
Operating Revenues by Source	44
Operating Expenses by Source	45 – 46
Nonoperating Revenues and Expenses	47 – 48
Annual Capital Contributions by Source	49 – 50

Revenue Capacity

Electric Production and Distribution	51
kWh Sold or Accounted for by Customer Class	52 – 53
Number of Electric Customer Meters by Type	54 – 55
Electric Rates – City Customers	56
Electric Rates – Rural Customers	57
Water Production and Distribution	58
Water Distribution by Customer Class	59
Number of Water and Wastewater Collection Customer Meters by Type	60
Water and Wastewater Collection Rates – City Customers	61
Water and Wastewater Collection Rates – Rural Customers	62
Ten Largest Customers	63
Wastewater Collection and Treatment	64 – 65

Debt Capacity

Ratios of Outstanding Debt by Type	66
Pledged Revenue Coverage	67

Demographic and Economic Information

Demographic and Economic Statistics	68
Principal Employers	69

Operating Information

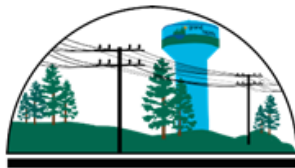
Full-Time Equivalent Commission Employees by Function	70 – 71
Operating and Capital Indicators – Electric	72 – 73
Operating and Capital Indicators – Water and Wastewater	74 – 75
Selected Financial Operating and Operating Ratios – Electric	76 – 77

Auditors' Report on Legal Compliance

78

INTRODUCTORY SECTION

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GRAND RAPIDS
PUBLIC UTILITIES

Service is Our Nature

500 SE Fourth Street • Grand Rapids, Minnesota 55744

April 22, 2024

Members of the Commission
Grand Rapids Public Utilities Commission
500 SE 4th Street
Grand Rapids, Minnesota 55744

The Annual Comprehensive Financial Report of the Grand Rapids Public Utilities Commission (GRPUC) for the year ended December 31, 2023, is hereby submitted. This report was prepared by the Business Services Department, with the assistance of our independent auditing firm, CliftonLarsonAllen, (CLA) LLP. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the GRPUC. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position, results of operations, and cash flows of the GRPUC. All disclosures necessary to enable the reader to gain the maximum understanding of the financial activities of the GRPUC have been included. More information regarding the financial activities of the GRPUC can be found in Management's Discussion and Analysis found in the Financial Section of this report.

The GRPUC is a component unit of the City of Grand Rapids, Minnesota. Management of the GRPUC is responsible for establishing and maintaining an internal control structure designed to ensure that assets are protected from loss, theft, or misuse, and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

An independent audit of the GRPUC is performed each year to provide some assurance to the members of the Commission that accounting principles are correctly and consistently applied, and that assets are properly safeguarded. The certified public accounting firm of CLA, LLP conducted this year's audit. Based on the audit, CLA, LLP issued an unmodified opinion on the financial statements for the year ended December 31, 2023. The auditor's opinion accompanies this report.

GENERAL INFORMATION

The City of Grand Rapids is situated on the banks of the Mississippi River, in north central Minnesota. The city is located approximately 175 miles north of the Minneapolis-St. Paul metropolitan area, in northcentral Minnesota, and is the county seat of Itasca County.

On March 30, 1910, the Grand Rapids Village Council adopted a resolution establishing a Water, Light, Power and Building Commission for the Village of Grand Rapids. In 1949, in accordance with state statutes, the Water, Light, Power and Building Commission was changed to a Public Utilities Commission. The Grand Rapids Public Utilities Commission is a branch of the city government charged by Section 412.321, Minnesota Statutes with full control, operation and management of the electrical power distribution system, the water production, treatment and distribution systems, and the wastewater collection and treatment systems. The area served by the GRPUC includes the Cities of Grand Rapids, LaPrairie, Cohasset and certain other outlying areas.

The GRPUC distributes electrical power to 6,082 city customers, 1,214 rural customers (including the City of LaPrairie), and 371 off-peak customers. One industrial customer is also served. Minnesota Power (MP) provides wholesale electric service under a contract that expires December 31, 2029, unless prior to that date, a new customer of GRPU with a 15-minute peak of equal to or greater than 10 MW locates in the IEDC Eco Industrial Park, which would then extend the Term of Agreement through December 31, 2034. The contract requires no minimum purchase of power and provides that GRPUC may add new renewable generation capacity up to ten percent (10%) (non-cumulative) of the total GRPUC load, based on the previous year's average annual billed demand, excluding any existing renewable generation capacity prior to September 1, 2015.

In addition, beginning in 2022, a new electric service agreement was negotiated with the 13 Northeast Minnesota Municipal Power Agency (NEMMPA) Municipal Customers. This contract expires December 31, 2029. The agreement includes a flat customer charge per month, a predetermined yearly base capacity charge, a yearly predetermined base energy charge, a yearly predetermined incremental capacity charge, and a yearly predetermined incremental energy charge.

Power is received at 115 kV and transformed to 22.9 kV for distribution to 6 major substations, 5 rural step-down stations, or directly transformed to consumer applicable voltages. The main 115 kV to 22.9 kV substation was constructed in 2005 at a cost of \$2.3 million dollars and financed through reserves. The Tioga 115 kV to 22.9 kV substation was constructed in 2018 for \$1.4 million dollars. The electrical distribution system consists of 157 overhead and 225 underground conductor miles. The GRPUC is responsible for all construction, operation, and maintenance of the electric distribution system.

The GRPUC provides potable water for 3,290 city customers, 6 industrial customers, the City of LaPrairie, and Itasca Community College. The source of water is five wells with a combined pumping capacity from 1,600 to over 2,500 gallons per minute. The GRPUC owns one water treatment facility capable of treating 3.24 million gallons of water per day. Water treatment consists of aeration, gravity filtration, and zeolite softening. Treated water is stored in a 0.5 million gallon underground water reservoir and pumped to the distribution system using high service pumps. The distribution system includes three 0.5 million gallons elevated storage reservoirs and 82 miles of cast and ductile iron distribution mains consisting mostly of 6", 8" and 12" pipe. The GRPUC is responsible for the construction, operation, and maintenance of the production and treatment facilities and the replacement of the distribution system assets.

Wastewater collection and treatment services are provided to 3,217 city customers and 17 rural customers. The GRPUC also provides treatment for one industrial customer, the City of Cohasset, the City of LaPrairie, and Itasca Community College. Wastewater collection is provided through a 69-mile system of gravity and force mains. The system includes 16 sewage lift stations located throughout the city.

GENERAL INFORMATION (cont.)

The Wastewater Treatment Facilities consist of the Industrial Screening/Pumping Station, the Industrial Primary Treatment Plant, the Secondary Treatment Plant and the Industrial Sludge Landfill. These facilities treat an average of 5.5 million gallons of waste effluent per day; 4.0 million gallons from UPM/Blandin Paper Company and 1.5 million gallons from domestic users. The GRPUC is responsible for the replacement, operation, and maintenance of the wastewater collection system and the construction, operation and maintenance of the wastewater treatment facilities.

In 1996, the Grand Rapids Public Utilities Commission constructed a new service center building to house the Utilities' business office and the Electric, Water Distribution, and Wastewater Collection Departments. The City of Grand Rapids contracts a portion of the building space that is used by the City's Public Works Department. The combined service center facility has allowed the GRPUC and the City to combine certain functions in order to provide better and more efficient services to their constituents.

The GRPUC adopts an annual, non-appropriated budget that includes both capital outlays and operating revenues and expenses. The budget is based on the overall financial plan for the GRPUC, taking into consideration the results of various rate studies that project anticipated revenues and required expenses over a five to seven-year period. Budget-to-actual comparisons are made on a quarterly basis with appropriate action taken at that time.

FACTORS AFFECTING FINANCIAL CONDITION

LOCAL ECONOMY

The City of Grand Rapids is in the heart of a prime resort and recreational area in north central Minnesota and is a major commercial and industrial center for the area. The tourism industry also contributes heavily to the local economy. Recent annexations have increased the City's population from 8,543 in 2005 to 11,346 in 2023.

Forestry and its related products and activities are a major element of the local economy. The UPM Kymmene Blandin Paper Company operates a large paper mill in the city and is a major employer with approximately 225 employees. Another major employer is the Grand Itasca Clinic and Hospital with over 500 employees. In 2005, Grand Itasca completed construction of a \$62 million health care campus.

Independent School District #318 (ISD #318) serves over 4,000 students including the greater Grand Rapids area and has recently completed building two new elementary schools costing over \$60 million. ISD #318 has over 1,000 employees.

The city is the regional headquarters for the Minnesota Department of Natural Resources. Other major employers are the City and County government, Northland Counseling, Arrowhead Promotion & Fulfillment, and Wal-Mart Stores, Inc. Grand Rapids is also home to All Season Vehicles (ASV) holdings, majority owned by Manitex International, an affiliate of Yanmar Holdings. Iron mining and taconite pellet processing are located in nearby communities and contribute to the employment opportunities for City residents and to the area economy.

FACTORS AFFECTING FINANCIAL CONDITION (cont.)

LONG-TERM FINANCIAL PLANNING

The GRPUC contracted with the Minnesota Municipal Utilities Association in 2023 to assist with an update to the 2007 strategic business plan. Input for the update came from employees, customers, stakeholders, and City of Grand Rapids. GRPUC confirmed our mission is to empower the GRPU team members to deliver safe, reliable, affordable, sustainable, and customer-focused utility services for our community. The strategic plan includes five pillars which support the mission and focus on (1) uninterrupted, high-quality utility services; (2) strategic and sustainable fiscal management; (3) engaging and educating the community; (4) use and stewardship of the natural environment; and (5) operational excellence. From the strategic plan and five pillars, annual operational plans will be set.

In 2022, the GRPUC contracted with Dave Berg Consulting, Inc. to complete a Cost of Service and Rate Design Study for the electric, water, and wastewater utilities. The existing electric utility rates were based on the recommendations provided in the 2019 cost of service study. In 2021, GRPUC re-negotiated the wholesale power agreement, and that new agreement structure significantly changed the cost-of-service components. As a result, it was prudent to update the Cost of Service and Rate Recommendation Study. For the water and wastewater utilities, GRPUC had not completed a cost-of-service study in over a decade. In 2019 when GRPUC conducted the electric utility study, the AMI water meter data available was not yet available, therefore; GRPUC chose to postpone the water and wastewater rate study until actual customer meter data was able to be utilized. The 2022 study was able to utilize actual GRPUC AMI customer data.

SEH was hired in 2020 to complete updates to the Comprehensive Water and Wastewater System Plans. The focus of the plans was to analyze existing utility facilities and to anticipate future system needs based primarily on projected growth within the City of Grand Rapids. A general discussion on the ability to serve adjacent communities was also conducted. The Comprehensive Water and Wastewater System Plans serve as a guide for improvements required to continue to provide reliable water and wastewater system services to GRPU customers.

In 2020, Widseth, Smith, Nolting was hired to perform an electric distribution study. The scope of work included engineering work and analysis to diagnose and develop a remediation plan for electric distribution voltage issues and faults within the GRPUC service territory.

RELEVANT FINANCIAL POLICIES

Utility rates are reviewed annually and adjusted per financial plans or as needed. Cost of service and rate design studies are conducted routinely for each of the utilities. Ancillary charges and special service charges, applicable to each utility, are also reviewed and updated as needed. In 2022, David Berg Consulting conducted electric, water, and wastewater collection cost of service and rate design studies to review GRPUC retail electric, water, and wastewater collection rates. The results of the studies were presented to the GRPU Commission with a five-year financial plan and financial performance indicators. In early 2023, ancillary charges were reviewed and some charges were changed.

In 1997, the GRPUC entered into a payment-in-lieu-of-tax (PILOT) agreement with the City of Grand Rapids and amended the agreement in December 2009. The PILOT agreement provides the terms and conditions under which the GRPUC will make payments in-lieu of taxes to the City and how the City will pay for Utility supplied services. Terms of this agreement may be modified by the GRPUC after meeting and conferring with the City Council. Previously, the GRPUC transferred 4.84 mills (one mill equals one-tenth of a cent) per kilowatt-hour sold at retail to the city as an in-lieu of tax payment, with a minimum annual PILOT of \$823,000. Effective January 1, 2013, the payment in-lieu of tax increased to 5.00 mills per kilowatt-hour sold, with a minimum annual payment of \$868,000.

FACTORS AFFECTING FINANCIAL CONDITION (cont.)

MAJOR INITIATIVES

The following major projects were undertaken in 2023:

Electric Department

- > Inspected and replaced a portion of the system power poles.
- > Celebrated with the community the community solar garden plus battery storage project with a ribbon cutting event in June.
- > Worked in conjunction with Minnesota Power to use the battery storage at the community solar garden to offset the community's peak energy usage.
- > Prepared for several commercial and residential customer new requests for services with supply chain challenges.
- > Worked with Itasca County to install electric infrastructure for the Itasca County fairground's campground improvements.
- > Performed vegetation management internally with 365 hours by electric department employees.
- > Participated in the Itasca County mass casualty storm event training in April.
- > Replaced failed AMI Gateways with new models for improved reliability.
- > Continued to analyze electric distribution system low reliability areas and correct issues.
- > Developed new outage management system reports to track electric system outages.
- > Reviewed electric department policies and procedures including interdepartmental policies and procedures.

Water and Wastewater Department

- > Replaced aged water treatment plant turbidity meters.
- > Upgraded communication systems between water treatment plant and remote wells.
- > Worked with the City on Forest Lake School property renovation project.
- > Developed and recommended meter use, water leak, and drought policies.
- > Presented PFAS (per and polyfluoroalkyl) substances information to commission and community.
- > Contracted with Stantec for engineering services for landfill phases 1-4 Kettle D.
- > Installed security fencing around wells and water treatment plant.
- > Purchased land at 902 NE 6th Avenue adjacent to the water treatment plant for future water utility usage.
- > Contracted with Thein Well Company for the rehabilitation of well #2.
- > Completed with the City Sylvan Bay area reconstruction project water and sanitary sewer.
- > Completed with the City phase one on 7th Avenue SE overlay project.
- > Installed generators and switches for lift stations 2 and 3.
- > Replaced aged water treatment plant sludge pump.
- > Upgraded high service pump controls.
- > Finished rehabilitation of Well #1.
- > Rehabilitated Well #2.

FACTORS AFFECTING FINANCIAL CONDITION (cont.)

MAJOR INITIATIVES (cont.)

Business Services Department

- > Implemented 2022 cost of service rate studies for electric, water, and wastewater collection with rate adjustment approved by the Commission.
- > Developed and presented for adoption a Revenue Policy, Grant Policy, Capital Improvement Plan Policy, and revised Investment Policy and Debt Management Policy.
- > Partnered with the City of Grand Rapids Finance Department to develop an RFP for auditing services. Reviewed and recommended to the City of Grand Rapids and GRPUC new auditors for both the City and GPRUC – CliftonLarsonAllen, LLP.
- > Reviewed and recommended issuing debt for the Grand Rapids/Cohasset Industrial Park Utility Extension/Watermain Loop project and Sylvan Bay Phase 1 infrastructure project. Issued \$4,750,000 of debt in October 2023.
- > Reviewed, recommended, and received commission approval for ancillary service fee changes, multi-family unit residential water rates, and new water irrigation services fee.
- > Reviewed and evaluated responses to the joint enterprise resources planning software request for proposal with the City. Started negotiations with the top vendor response to the RFP.
- > Continued to review, revise, and develop accounting, finance, and customer policies and procedures including interdepartmental policies and procedures.
- > Continued to streamline some inter-governmental billing for services with City of Grand Rapids.

Administration

- > Continued to implement the Policy Governance Model, in collaboration with the Commission, by reviewing and updating Commission policies and internal procedures (SOPs).
- > Hired Executive Assistant, PT Special Engineering Project Coordinator, PT Special ERP implementation project coordinator, and two Wastewater Treatment Plant Operators.
- > Established a new information services department with four positions to be shared with the City of Grand Rapids for increased data utilization in organizational decision making. Developed job descriptions and hired two employees and one internal promotion.
- > Contracted with Gallagher for an employee compensation and classification study.
- > Administered safety management with zero reportable accidents for the calendar year.
- > Sunset external contracted information technology provider and transitioned to joint City of Grand Rapids and GRPU shared information technology services department.
- > Remodeled combined service center lunchroom, replaced coated flooring, and remodeled building space to office city management closer to public works crew.
- > Reviewed and recommended a revised 2023-2024 comprehensive services agreement with the City of LaPrairie.
- > Improved customer communications via updated and improved website.
- > Improved internal communication with an intranet platform for a one-stop shop for all employees “tool box”.
- > Mentored two groups of Itasca Community College engineering students: one group on the Solar Plus Battery Storage Project ribbon cutting event, and another group on a wastewater treatment sludge landfill cover options project.

FACTORS AFFECTING FINANCIAL CONDITION (cont.)

MAJOR INITIATIVES (cont.)

Projects for 2024 include:

Electric Department

- > Inspect and replace a portion of the distribution system power poles.
- > Improve on monitoring the usage of the solar garden battery to offset the community's peak energy usage.
- > Complete energy saving lighting at combined service center.
- > Prepare for several commercial and residential customer new requests for services with continued supply chain challenges.
- > Finalize phase three implementation of the new outage management system to track electric system outages on a public map interface.
- > Start a redundant power supply to the community business corridor and improve reliability.
- > Convert Maple Street from overhead to underground for improved reliability.
- > Convert alley between SW 1st and 2nd Avenue North of SW 4th Street from overhead to underground for improved reliability.
- > Finalize GIS security lighting location and light replacement to LED.
- > Complete a feasibility study for the Tioga substation expansion.
- > Receive critical aerial bucket truck replacement.
- > Participate in a summer line worker internship program in conjunction with a regional college.

Water and Wastewater Department

- > Upgrade security systems at the water treatment plant.
- > Water treatment plant renovation of critical equipment due to end of useful life.
- > Develop a plan to replace bad sections of wastewater collection mains identified from jetting/televising.
- > Curb stop replacements throughout the city.
- > South tower coating repairs.
- > Finish repairs to Parkson Domestic Screen for domestic waste.
- > Work with the City on Paradise Park additional water infrastructure project.
- > Lift station #3 and #13 controls update.
- > Water and sanitary sewer replacement for 3rd Ave. NE (5th-8th) and 7th Street NE.
- > Well 4 Rehabilitation.
- > New flow meter for services to City of Cohasset
- > Install a permanent pump lifting structure at lift station #1.
- > Lift station #2 force main replacement.

FACTORS AFFECTING FINANCIAL CONDITION (cont.)

MAJOR INITIATIVES (cont.)**Business Services Department**

- > Finish negotiations with preferred joint enterprise resource planning software vendor and begin implementation of software with City of Grand Rapids.
- > Develop an implementation approach to support the successful implementation of new joint enterprises resources planning software with City of Grand Rapids.
- > Successfully assist in implementing new utility billing software, customer portal, and mobile service orders.
- > Implement new audit team processes and completed first year audit with new external auditing firm.
- > Continue to review, revise, and develop accounting, finance, and customer policies and procedures including interdepartmental policies and procedures.
- > Review and improve various workflow processes performed by business service team members.
- > Review treasury and cash management functions to improve and streamline internal processes.

Administration Department

- > Continue implementing the Policy Governance Model, in collaboration with the Commission, by reviewing and updating Commission policies and internal procedures (SOPs).
- > Support the implementation of new utility billing software and enterprise resource planning software.
- > Continue to improve overall efficiency through updated workflows and procedures.
- > Prepare to renegotiate key contracts for water and wastewater services with major customers.
- > Continue to improve customer communications via updated and improved website.
- > Continue to improve internal communication with an intranet platform for a one-stop shop for all employees.
- > Implement quarterly reporting to the governing body for the 2023 revised strategic plan.
- > Roof replacement on the Combined Service Center building.
- > Implement the comprehensive classification and compensation study.
- > Implement a pay for performance structure with the utility management team.
- > Review customer load management programs and discuss revisions or new customer programs.
- > Negotiate a new contract with the local union.
- > Develop new information systems department team and set goals.

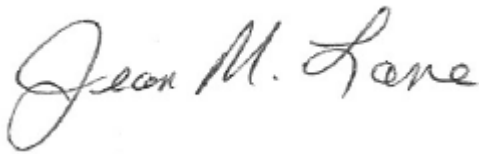
AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Grand Rapids Public Utilities Commission for its Annual Comprehensive Financial Report for the fiscal year ended December 31, 2022. This was the twenty-third year that the GRPUC has received this prestigious award. In order to be awarded a Certificate of Achievement, the utility must publish an easily readable and efficiently organized Annual Comprehensive Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current Annual Comprehensive Financial Report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report on a timely basis could not have been accomplished without the efficient and dedicated services of the business services and administration team members of the GRPUC. We would also like to extend our appreciation to the independent auditors who contributed to the preparation of this report and to thank the members of the Commission for their interest and support in planning and conducting the financial operations of the GRPUC in a responsible and progressive manner.

Respectfully submitted,



Jean M. Lane

Jean M. Lane
Business Services Manager

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Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Grand Rapids Public Utilities Commission
Minnesota**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

December 31, 2022

Christopher P. Morill

Executive Director/CEO

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

ORGANIZATION
December 31, 2023

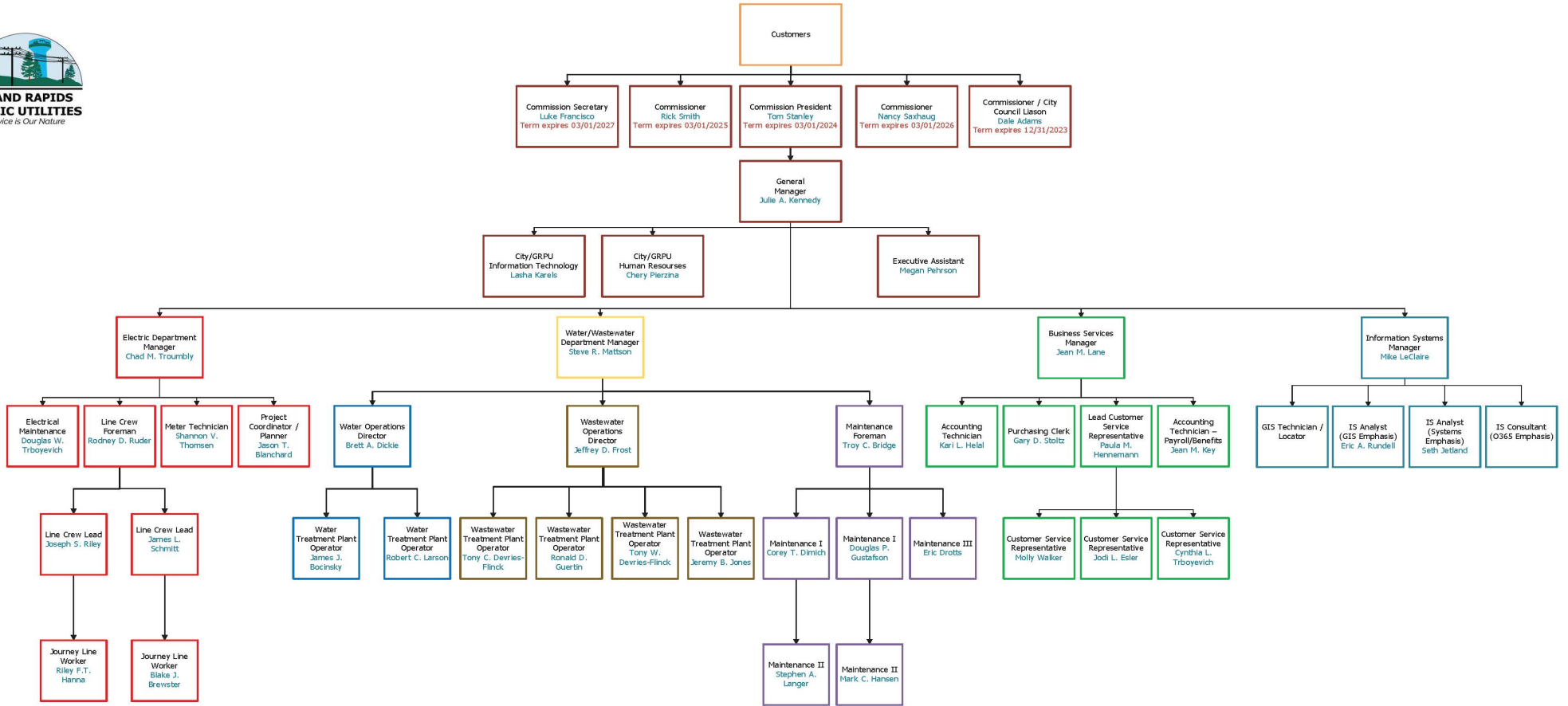
The Grand Rapids Public Utilities Commission, Grand Rapids, Minnesota was established in 1910 by City Council resolution. The members of the Commission are appointed to three-year terms by the City Council. The Commission manages and controls the electric, water, and wastewater collection and treatment of the City.

COMMISSION

<u>Position</u>	<u>Name</u>	<u>Expires</u>
President	Tom Stanley	3/1/2028
Secretary	Luke Francisco	3/1/2027
Commission Member	Nancy Saxhaug	3/1/2026
Commission Member	Rick Smith	3/1/2025
Commission Member	Dale Adams	12/31/2024

ADMINISTRATION

General Manager	Julie A. Kennedy
Business Services Manager	Jean M. Lane
Electric Distribution Manager	Chad M. Troumbly
Water/Wastewater Manager	Steven R. Mattson



Updated 12/28/2023

FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

Grand Rapids Public Utilities Commission
Grand Rapids, Minnesota

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Grand Rapids Public Utilities Commission (GRPUC), a component unit of the City of Grand Rapids, Minnesota, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the GRPUC's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the GRPUC as of December 31, 2023, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Emphasis of Matter

As described in Note 18 to the financial statements, net position was restated for liabilities that were not properly stated in the prior year. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the GRPUC's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the GRPUC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the GRPUC's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of proportionate share of net pension liability, schedule of contributions – pension be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the GRPUC's basic financial statements. The 2023 combining schedule of revenues and expenses, schedule of changes in utility plant, schedule of changes in accumulated depreciation, and schedule of contributions to the City of Grand Rapids are presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 GAAS. In our opinion, the 2023 combining schedule of revenues and expenses, schedule of changes in utility plant, schedule of changes in accumulated depreciation, and schedule of contributions to the City of Grand Rapids are fairly stated in all material respects, in relation to the financial statements as a whole.

Other Information

Management is responsible for the other information included in the Annual Comprehensive Financial Report. The other information comprises the Introductory Section and Statistical Section but does not include the basic financial statements and our auditors' report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

CliftonLarsonAllen LLP

St. Cloud, Minnesota
April 22, 2024

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS As of and for the Year Ended December 31, 2023 (UNAUDITED)

The management of the Grand Rapids Public Utilities Commission (GRPUC) offers readers of the GRPUC's financial statements this narrative overview and analysis of the financial activities of the GRPUC for the years ended December 31, 2023 and 2022. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on page – i - ix of this report.

FINANCIAL HIGHLIGHTS

- > The GRPUC's net position increased by \$3,224,424, after the restatement, or 6.04%, from 2022 to 2023. An increase in total net position is based mainly on increases in capital assets and a decrease in other liabilities.
- > Total operating revenues decreased \$685,343, or 2.57%, between 2022 and 2023. Electric revenues were \$1,129,116, or 5.91%, lower than the previous year due to small decreases in the residential, commercial, and industrial customer sales. Overall, kWh sales were down 2.41% from 2022. Water operating revenues increased by \$472,591, or 25.14%, due to an increase in city and rural sales. The number of water gallons sold increased overall by 4.87%. Wastewater collection revenues were up \$181,860, or 9.78%, from 2022, primarily due to an increase in wastewater collection sales. Wastewater treatment revenues were \$210,678, or 5.50%, lower than in 2022, due to decreased demand costs to treat a major customer wastewater by the GRPUC.
- > Total operating expenses increased by \$1,030,697, or 4.06%, over the previous year. Higher purchased power costs of \$511,983 and combined domestic/industrial wastewater treatment costs of \$404,200 were the main cause of the 2023 increase.
- > Total electric department operating expenses increased by \$628,225, or 3.91%. The increase in the purchased power expense of \$511,983, or 4.34% is the main cause of the increase. Water department operating expenses increased \$350,748, or 19.33%, with increases in production costs of \$103,655, or 17.52%, and in distribution expenses of \$158,224, or 40.62%. Wastewater collection and treatment departments combined operating expenses increased by \$1,098,156 or 16.98%. Increases in treatment expenses for domestic and industrial of \$975,990, or 24.65% account for most of the increase in costs.
- > Non-operating revenues increased \$69,673 or 14.09%, in 2023, due to an increase in investment income. Overall, non-operating expenses were up by \$32,466 or 2.30%, mainly due to an increase in interest expense.

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS As of and for the Year Ended December 31, 2023 (UNAUDITED)

OVERVIEW OF THE FINANCIAL STATEMENTS

The GRPUC provides electric distribution, water production, treatment and distribution and wastewater collection and treatment services to the City of Grand Rapids and certain outlying areas. The GRPUC is a component unit of the City of Grand Rapids. The GRPUC's financial information is presented similar to enterprise funds, which are used to account for operations that are financed and operated in a manner similar to private business or where the governing body has decided that the determination of revenues earned, costs incurred, and net income is necessary for management accountability.

An analysis of the GRPUC's financial position begins with a review of the Statement of Net Position, and the Statement of Revenues, Expenses, and Changes in Net Position. These two statements report the GRPUC's net position and changes therein. The net position – the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources – is key to measuring the financial health of the GRPUC. Over time, increases or decreases in the net position value are an indication of whether the financial position is improving or deteriorating. However, it should be noted that the financial position might also be affected by other non-financial factors, including economic conditions, customer growth, weather conditions, and changing regulations.

FINANCIAL ANALYSIS

The Statement of Net Position includes information on all of the GRPUC's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as *net position*. This statement provides the basis for evaluating the capital structure and assessing the liquidity and financial flexibility of the GRPUC.

Table 1
Condensed Statement of Net Position

	2023	2022	Change
Net Capital Assets	\$ 64,401,730	\$ 58,449,377	\$ 5,952,353
Current Assets	12,810,828	11,870,881	939,947
Other Assets	17,644,006	20,748,723	(3,104,717)
Total Assets	94,856,564	91,068,981	3,787,583
Deferred Outflows of Resources	733,855	1,176,090	(442,235)
Total Assets and Deferred Outflows	\$ 95,590,419	\$ 92,245,071	\$ 3,345,348
Current Liabilities	4,111,342	4,389,354	(278,012)
Long-Term Liabilities	19,533,861	21,233,196	(1,699,335)
Total Liabilities	23,645,203	25,622,550	(1,977,347)
Net Investment in Capital Assets	47,512,259	44,370,092	3,142,167
Restricted Net Position	2,574,040	3,170,872	(596,832)
Unrestricted Net Position	9,634,063	5,786,192	3,847,871
Total Net Position	59,720,362	53,327,156	6,393,206
Deferred Inflows of Resources	12,224,854	13,295,365	(1,070,511)
Total Liabilities, Net Position and Deferred Inflows	\$ 71,945,216	\$ 66,622,521	\$ 5,322,695

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Year Ended December 31, 2023
(UNAUDITED)

FINANCIAL ANALYSIS (cont.)

As shown in the above table, net position increased by \$3,222,424, after the restatement, or 2.00%, to \$59,720,362 in 2023. The change was due to increases in current assets and a decrease in other liabilities.

The specific nature or source of these changes becomes more evident in the Statement of Revenues, Expenses, and Changes in Net Position as shown in Table 2.

The Statement of Revenues, Expenses, and Changes in Net Position provides an indication of the GRPUC's financial.

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GRAND RAPIDS PUBLIC UTILITIES COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Year Ended December 31, 2023
(UNAUDITED)

FINANCIAL ANALYSIS (cont.)

Table 2
Condensed Statement of Revenues
Expenses, and Changes in Net Position

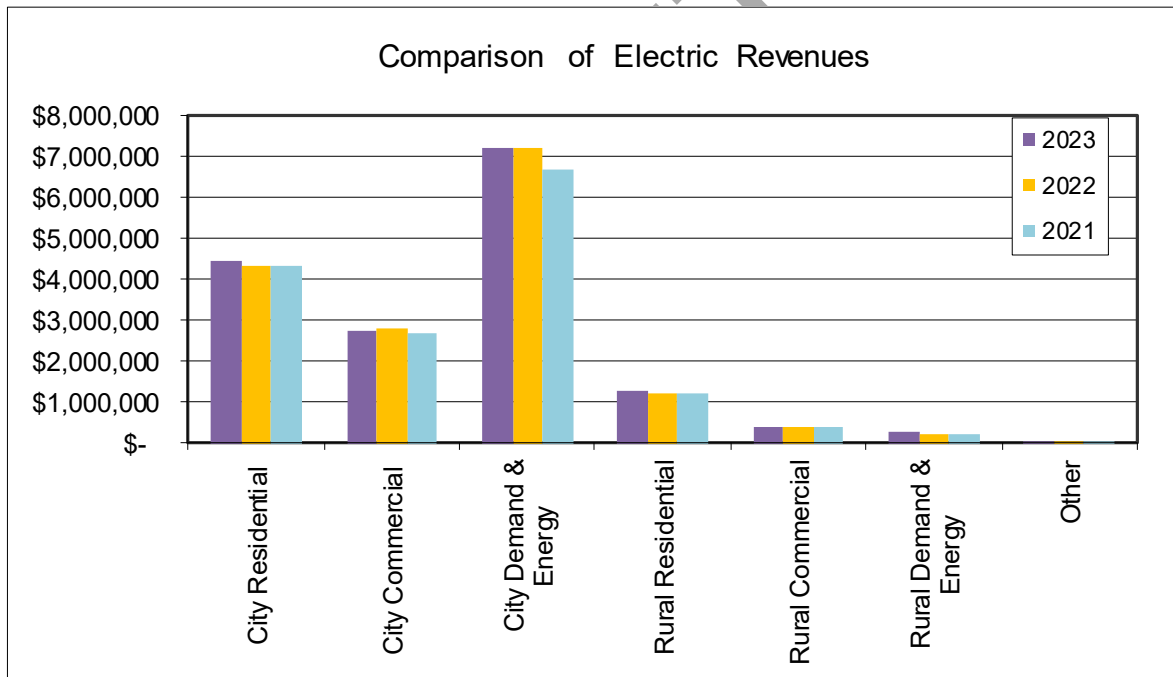
	2023	2022	Change
Operating Revenues			
Electric	\$ 17,991,569	\$ 19,132,451	\$ (1,140,882)
Water	2,352,711	1,874,237	478,474
Wastewater collection	2,041,644	1,853,901	187,743
Wastewater treatment	3,618,951	3,829,629	(210,678)
Total Operating Revenues	26,004,875	26,690,218	
Operating Expenses			
Production	695,313	619,882	75,431
Purchased Power	12,309,911	11,797,928	511,983
Distribution/collection	2,281,669	2,113,977	167,692
Customer accounts	558,476	663,767	(105,291)
Administrative and general	2,103,456	2,104,239	(783)
Service center	194,120	195,345	(1,225)
Domestic wastewater treatment	822,020	604,589	217,431
Industrial wastewater treatment	4,113,584	3,926,815	186,769
Depreciation and amortization	3,350,671	3,371,981	(21,310)
Total Operating Expenses	26,429,220	25,398,523	
Non-Operating Revenues (Expenses)			
Interest income (loss)	232,714	(86,061)	318,775
Demand interest payments	307,421	470,362	(162,941)
Gain (loss) on property disposition	(24,881)	(26,063)	1,182
Interest expense	(492,048)	(416,963)	(75,085)
Bond fees	(3,101)	(3,771)	670
Amortization fees	(22,105)	(38,660)	16,555
City land improvements	(2,856)	(4,402)	1,546
Combined service center contract revenues	24,000	24,100	(100)
Payment in lieu of taxes	(868,840)	(870,377)	1,537
Total Non-Operating Revenues (Expenses)	(849,696)	(951,835)	
Income (Loss) Before Contributions	(1,274,041)	339,860	(1,613,901)
Capital Contributions	4,496,465	1,753,848	2,742,617
Changes in Net Position	3,222,424	2,093,708	1,128,716
Beginning Net Position	56,497,938	54,404,230	
Total Net Position - Ending	\$ 59,720,362	\$ 56,497,938	

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Year Ended December 31, 2023
(UNAUDITED)

FINANCIAL ANALYSIS (cont.)

Total operating revenues in 2023 decreased \$685,343, or 2.57% from 2022. Electric revenues decreased \$1,129,116 or 5.91%, a decrease in the purchased power adjustment pass-through of \$1,286,293 or 50.29% was the main cause of the decrease. Water revenues increased by \$472,591, or 25.14%, due to a 15% rate increase and increase in sales for city and rural classes. Wastewater collection revenues increased by \$181,860, or 9.785%, primarily attributable to a 5% rate increase and increase in city residential and commercial sales. Wastewater Treatment operating revenues decreased by \$210,678, or 5.50%, due to decreased costs covered by a major industrial customer. Total operating expenses increased \$1,030,697 or 4.06%, over the prior year. All expense classes were higher, except purchased power which was lower. The largest increase in expenses were \$380,209 for administration and general or 22.05% higher and \$520,221 or 15.27% for industrial wastewater treatment. Non-operating revenues increased \$69,673 or 14.09%, in 2023, due to an increase in investment income. Overall, non-operating expenses were up by \$32,466 or 2.30%, mainly due to an increase in interest expense.

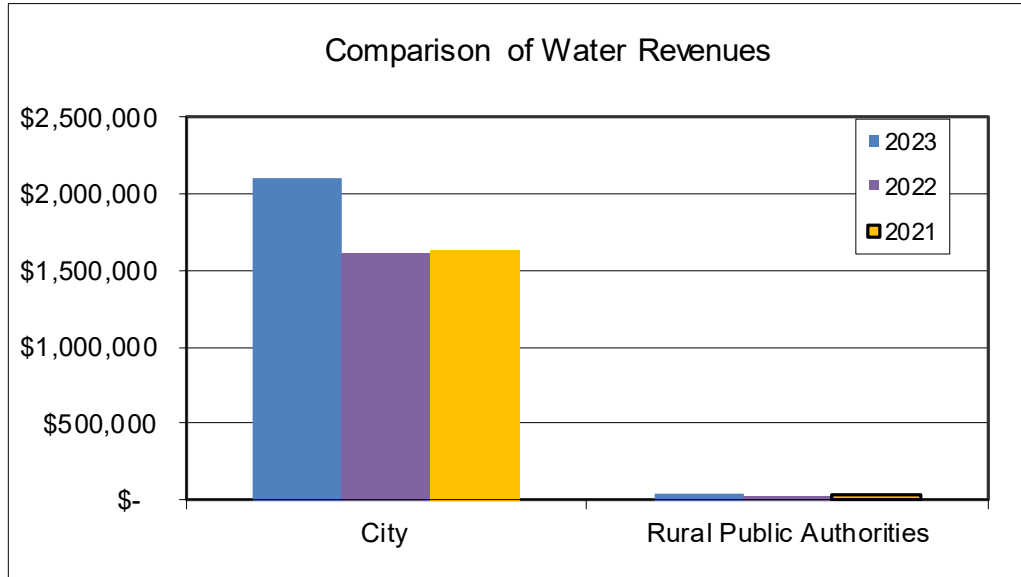


In 2023, electric sales revenues increased \$115,825, or 0.71%, over 2022 sales. Most classes of revenue sales slightly increased over 2022.

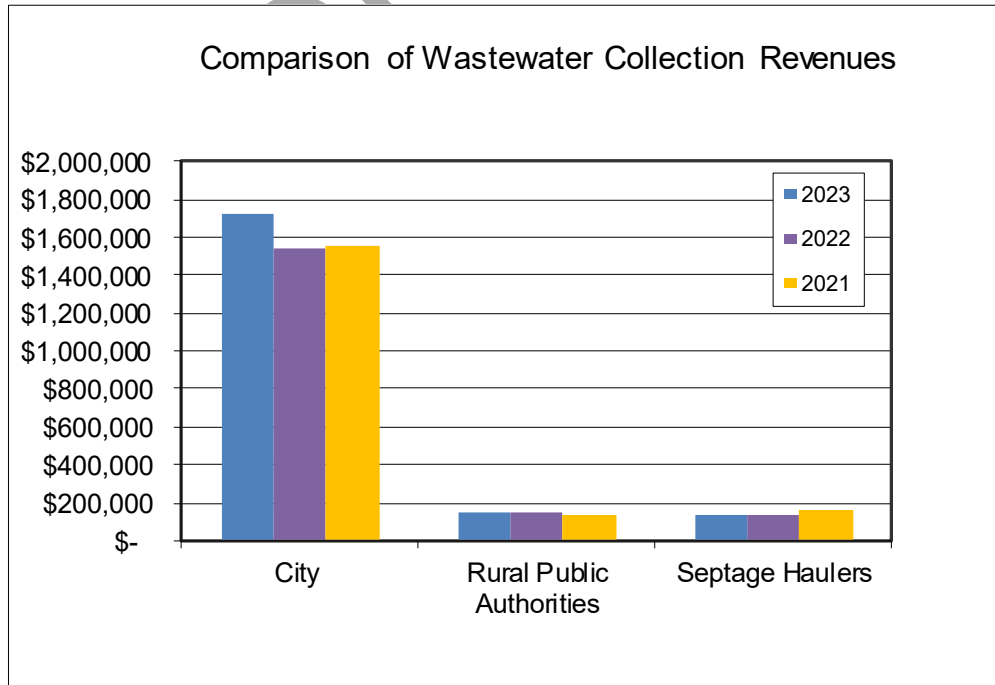
GRAND RAPIDS PUBLIC UTILITIES COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Year Ended December 31, 2023
(UNAUDITED)

FINANCIAL ANALYSIS (cont.)



Water sales increased \$506,914 or 30.75%, in 2023 over the previous year. Revenues in all customer classes were higher than in 2022.



Wastewater Collection utility revenues for 2023 increased \$191,501 or 10.48%, over 2022 revenues. City & rural public authorities and septic haulers revenue sales classes were all higher.

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS As of and for the Year Ended December 31, 2023 (UNAUDITED)

FINANCIAL ANALYSIS (cont.)

The Statement of Cash Flows reports the cash provided and used by operating activities, as well as other cash sources such as investment income and cash payments for repayment of debt and capital additions.

Table 3
Condensed Statements of Cash Flows

	<u>2023</u>	<u>2022</u>	<u>Change</u>
Cash Flows From:			
Operating activities	\$ 3,468,590	\$ 4,672,765	\$ (1,204,175)
Noncapital financing activities	(1,191,765)	(404,417)	(787,348)
Capital and related financing activities	(2,306,441)	(3,307,198)	1,000,757
Investing activities	<u>(2,596,240)</u>	<u>(478,329)</u>	<u>(2,117,911)</u>
Net Change in Cash and Cash Equivalents	<u>(2,625,856)</u>	<u>482,821</u>	<u>(3,108,677)</u>
Cash and Cash Equivalents - End of Year	<u>\$ 3,366,929</u>	<u>\$ 5,992,785</u>	<u>\$ (2,625,856)</u>

Cash and Cash Equivalents decreased by \$2,625,856 in 2023. A decrease in cash from operating activities, noncapital financing activities, and investing activities was offset by an increase in cash from capital and related financing activities were the major impacts on cash balances.

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS As of and for the Year Ended December 31, 2023 (UNAUDITED)

FINANCIAL ANALYSIS (cont.)

During 2023, net capital assets increased 9,601,239 or 7.88%. Electric department capital assets increased \$839,361, or 2.32%. Additions due to several overhead to underground projects were most of the increase. Water department capital assets increased \$4,390,070, or 24.40% resulting from one new water main and one replacement main project. Wastewater Collection capital assets increased \$4,129,481 or 51.37% resulting from one new sanitary sewer main and one replacement project. Wastewater Treatment assets increased by \$242,327, or 0.419%, mainly due to replacement of equipment. The decrease in Construction Work in Progress was related to several completed projects.

Table 4
Condensed Schedule of Capital Assets

	2023	2022	Change
Capital Assets - Electric			
Distribution	\$ 32,136,198	\$ 31,436,713	\$ 699,485
General	4,837,423	4,697,547	139,876
Total Electric Capital Assets	<u>36,973,621</u>	<u>36,134,260</u>	<u>839,361</u>
Capital Assets - Water			
Production	4,769,885	4,613,342	156,543
Distribution	16,765,132	12,531,606	4,233,526
General	844,887	844,886	1
Total Water Capital Assets	<u>22,379,904</u>	<u>17,989,834</u>	<u>4,390,070</u>
Capital Assets - Wastewater Collection			
Collection	11,322,865	7,193,385	4,129,480
General	844,887	844,886	1
Total Wastewater Collection Capital Assets	<u>12,167,752</u>	<u>8,038,271</u>	<u>4,129,481</u>
Capital Assets - Wastewater Treatment Facilities			
Treatment Facilities	59,895,677	59,653,350	242,327
Total Wastewater Treatment Capital Assets	<u>59,895,677</u>	<u>59,653,350</u>	<u>242,327</u>
Total Capital Assets	131,416,954	121,815,715	9,601,239
Less: Accumulated Depreciation	(67,211,409)	(63,997,856)	(3,213,553)
Construction Work in Progress	196,186	631,518	(435,332)
Net Capital Assets	<u>\$ 64,401,731</u>	<u>\$ 58,449,377</u>	<u>\$ 5,952,354</u>

More detailed information on capital asset activity can be found in Note 6 of the *Notes to Financial Statements*.

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS As of and for the Year Ended December 31, 2023 (UNAUDITED)

LONG-TERM DEBT

On December 31, 2023, the GRPUC had four bond issues, one revenue note, and zero long term capital leases outstanding.

Late in 2009, the \$28,509,779 Taxable General Obligation Wastewater Revenue Note, Series 2009E was issued. This financing was used to fund the construction of the Wastewater Treatment Facility Phase 1 Improvements Project. Proceeds from the note were released as project costs were incurred. The project was completed in 2012, with the final debt principal amount of \$26,370,232. The repayment of this note is secured by a letter of credit for which 91.8% of the principal and interest payments are due on the debt.

The General Obligation Utility Revenue Bonds, Series 2012D were issued in April 2012 to fund the wastewater collection lift station #1 reconstruction project for \$265,000 and the Pokegama Avenue/4th Street South water and wastewater collection main replacement projects for \$1,760,000. These bonds were called in 2021 with a current refunding and issuance of General Obligation Utility Revenue Refunding Bonds, Series 2021D. The General Obligation Utility Revenue Refunding Bonds, Series 2021D were issued December 2021 with a principal of \$1,120,000. The General Obligation Utility Revenue Bonds, Series 2012D bond principal of \$1,270,000 was paid off on February 1, 2022.

In September 2013, the General Obligation Utility Revenue Bonds, Series 2013C were issued in the amount of \$2,305,000 to fund construction of the Industrial Force Main, Segment B project. These bonds were called in 2021 with an advanced refunding and issuance of \$1,210,000 Taxable General Obligation Revenue Refunding Bonds, Series 2021C. The General Obligation Utility Revenue Bonds, Series 2013C bond principal of \$155,000 was paid off on February 1, 2023.

In October 2015, the GRPUC entered into a tax-exempt lease/purchase agreement for \$1,700,000 to finance the acquisition of an Advanced Metering Infrastructure and Automated Meter Reading (AMI/AMR) System for its electric, water and wastewater collection customers. The lease/purchase agreement was paid off in November 2021 with the issuance of \$775,500 General Obligation Revenue Refunding Bonds Series, 2021A with a maturity of October 2025.

The General Obligation Utility Revenue Bonds, Series 2023B were issued in November 2023 to fund the sanitary sewer and water main replacement projects for Sylvan Bay phase one project for \$2,750,000 and the sanitary sewer extension and water main loop for the Grand Rapids/Cohasset Industrial Park project for \$1,825,000.

Additional information on the GRPUC's long-term debt can be found in Note 10 of the Notes to Financial Statements.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Grand Rapids Public Utilities Commission finances to all those with an interest in the GRPUC's finances. If you have questions about this report, or need additional financial information, contact the Business Services Manager, Grand Rapids Public Utilities Commission, 500 SE 4th Street, Grand Rapids, MN 55744.

BASIC FINANCIAL STATEMENTS

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GRAND RAPIDS PUBLIC UTILITIES COMMISSION

STATEMENT OF NET POSITION

As of December 31, 2023

	<u>2023</u>
ASSETS	
CURRENT ASSETS	
Cash and investments	\$ 6,947,782
Accounts receivable	3,014,529
Lease receivable	179,129
Due from City of Grand Rapids	115,442
Materials and supplies	760,068
Interest receivable	83,587
Prepaid expenses	157,979
Restricted accounts receivable - current portion	<u>1,552,312</u>
Total Current Assets	<u>12,810,828</u>
NONCURRENT ASSETS	
Designated cash and investments	2,309,721
Restricted accounts receivable - non-current portion	8,397,538
Capital Assets	
Plant in service	131,416,954
Accumulated depreciation	(67,211,409)
Construction work in progress	196,185
Other Assets	
Other long-term receivables	73,418
Lease receivable	1,352,222
Other Assets	109,416
Non-utility property (net of amortization)	485,297
Financial assurance landfill closure	<u>4,916,394</u>
Total Noncurrent Assets	<u>82,045,736</u>
Total Assets	<u>94,856,564</u>
DEFERRED OUTFLOWS OF RESOURCES	
Service territory acquisition	116,905
Loss on refunding of debt	63,360
Pension	<u>553,590</u>
Total Deferred Outflows of Resources	<u>733,855</u>

See accompanying notes to financial statements.

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

STATEMENT OF NET POSITION

As of December 31, 2023

	<u>2023</u>
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	\$ 1,273,752
Due to City of La Prairie	16,795
Sales tax payable	78,799
Due to City of Grand Rapids	90,646
Accrued compensated absences	214,287
Accrued interest	21,935
Accrued payroll	69,553
Current liabilities:	
Current portion of due to primary government	1,968,000
Customer deposits	377,575
Total Current Liabilities	<u>4,111,342</u>
NONCURRENT LIABILITIES	
Due to primary government, net premium and discount	14,984,831
Accrued compensated absences	98,534
Net pension liability	2,108,142
Landfill closure/post closure costs	2,342,354
Total Noncurrent Liabilities	<u>19,533,861</u>
Total Liabilities	<u>23,645,203</u>
DEFERRED INFLOWS OF RESOURCES	
Demand payment deferral	9,949,850
Other deferred credits	28,497
Leases	1,531,351
Pension	715,156
Total Deferred Inflows of Resources	<u>12,224,854</u>
NET POSITION	
Net investment in capital assets	47,512,259
Restricted for	
Financial Assurance	2,574,040
Unrestricted	<u>9,634,063</u>
TOTAL NET POSITION	<u>\$ 59,720,362</u>

See accompanying notes to financial statements.

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the Year Ended December 31, 2023

	<u>2023</u>
OPERATING REVENUES	
Electric	\$ 17,991,569
Water	2,352,711
Wastewater collection	2,041,644
Wastewater treatment	<u>3,618,951</u>
Total Operating Revenues	<u>26,004,875</u>
OPERATING EXPENSES	
Production	695,313
Purchased power	12,309,911
Distribution/collection	2,281,669
Customer accounts	558,476
Administrative and general	2,103,456
Service center	194,120
Domestic wastewater treatment	822,020
Industrial wastewater treatment	4,113,584
Depreciation and amortization	<u>3,350,671</u>
Total Operating Expenses	<u>26,429,220</u>
OPERATING INCOME (LOSS)	<u>(424,345)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income (loss)	232,714
Demand interest payments	307,421
Gain (loss) on property disposition	(24,881)
Interest expense	(492,048)
Bond fees	(3,101)
Amortization of debt premiums and discounts	2,067
Amortization of regulatory asset	(13,612)
Amortization of loss on refunding	(10,560)
Combined service center contract revenues	24,000
City land improvements	(2,856)
Payment in lieu of taxes	<u>(868,840)</u>
Total Nonoperating Revenues (Expenses)	<u>(849,696)</u>
Income (Loss) Before Contributions	(1,274,041)
CAPITAL CONTRIBUTIONS - CONNECTION FEES	100,625
CAPITAL CONTRIBUTIONS - FROM MUNICIPALITY	5,233,264
CAPITAL CONTRIBUTIONS - TO MUNICIPALITY	<u>(837,424)</u>
CHANGES IN NET POSITION	3,222,424
NET POSITION - Beginning of Year	53,327,156
Correction of an error	<u>3,170,782</u>
NET POSITION - Beginning of Year, As Restated	<u>56,497,938</u>
NET POSITION - END OF YEAR	<u>\$ 59,720,362</u>

See accompanying notes to financial statements.

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

STATEMENT OF CASH FLOWS For the Year Ended December 31, 2023

	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Received from customers	\$ 26,013,902
Combined service center contract revenues	24,000
Paid to suppliers for goods and services	(19,671,867)
Paid to employees for services	<u>(2,897,445)</u>
Net Cash Flows From Operating Activities	<u>3,468,590</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Demand interest payments	304,283
Payments to financial assurance account	(543,322)
City land improvements	(2,856)
Transfer to primary government	<u>(949,870)</u>
Net Cash Flows From Noncapital and Related Financing Activities	<u>(1,191,765)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(4,831,440)
Acquisition of service territory	34,337
Lease payments	179,489
Principal payments on long-term debt	(1,920,500)
Proceeds from debt issue	4,575,000
Premium on debt issue	152,736
Interest paid on long-term debt and lease payments	<u>(496,063)</u>
Net Cash Flows From Capital and Related Financing Activities	<u>(2,306,441)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment income (loss)	165,281
Sale of investments	3,611,779
Purchase of investments	<u>(6,373,300)</u>
Net Cash Flows From Investing Activities	<u>(2,596,240)</u>
Net Change in Cash and Cash Equivalents	(2,625,856)
CASH AND CASH EQUIVALENTS – Beginning of Year	<u>5,992,785</u>
CASH AND CASH EQUIVALENTS – END OF YEAR	<u>\$ 3,366,929</u>

See accompanying notes to financial statements.

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

STATEMENT OF CASH FLOWS (CONTINUED) For the Year Ended December 31, 2023

	<u>2023</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH	
FLOWS FROM OPERATING ACTIVITIES	
Operating income (loss)	\$ (424,345)
Adjustments to reconcile operating income (loss) to cash from operating activities	
Nonoperating revenue	(155,489)
Depreciation and amortization	3,350,671
(Increase) Decrease in assets and deferred outflows of resources:	
Accounts receivable	302,802
Financial Assurance Landfill	976,464
Deferred outflows of resources - Pension	397,338
Supplies	29,234
Prepays	(20,545)
Increase (Decrease) in assets and deferred inflows of resources:	
Accounts payable	(151,880)
Accrued liabilities	(49,827)
Landfill closure/post closure costs	(379,712)
Unearned revenue	(117,024)
Change in net pension liability	(909,391)
Change in deferred inflows of resources - pension	<u>620,294</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ 3,468,590</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS	
TO STATEMENTS OF NET POSITION	
Cash and investments	\$ 6,947,782
Designated cash and investments	<u>2,309,721</u>
Sub-totals	9,257,503
Less: Noncash equivalents	<u>(5,890,574)</u>
CASH AND CASH EQUIVALENTS	<u>\$ 3,366,929</u>

See accompanying notes to financial statements.

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Grand Rapids Public Utilities Commission (GRPUC) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to enterprise funds of governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

GRPUC provides water supply and distribution, electric distribution and wastewater collection and treatment operations to properties within the City of Grand Rapids (municipality) as well as to certain other areas outside the municipality. GRPUC accounts for the cost of water, electric and wastewater operations on a continuing basis and is governed by the Grand Rapids Public Utilities Commission (Commission), which is appointed by the city council. Customer rates and service rates are established by the Commission. The significant accounting principles and policies utilized by GRPUC are described below.

REPORTING ENTITY

GRPUC is a component unit of the municipality. Component units are legally separate organizations for which elected officials of the primary government (municipality) are financially accountable. Component unit status is determined using the following criteria:

The municipality is financially accountable if it appoints a voting majority of the organization's governing body and is either:

1. Able to impose its will on that organization, or
2. There is a potential for the organization to provide specific financial benefits to, or impose financial burdens on the municipality. The municipality may be financially accountable if an organization is fiscally dependent on the municipality.

Since GRPUC is responsible for payment of certain general obligation debt, it has the potential to impose a financial burden on the municipality. This capability qualifies GRPUC as a component unit of the municipality.

There are no component units of GRPUC.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION

The term measurement focus is used to denote what is being measured and reported in GRPUC's operating statement. GRPUC is accounted for on the flow of economic resources measurement focus. The fundamental objective of this focus is to measure whether GRPUC is better or worse off economically as a result of events and transactions of the period.

The term basis of accounting is used to determine when a transaction or event is recognized on GRPUC's operating statement. GRPUC uses the full accrual basis of accounting. Under this basis, revenues are recorded when earned and expenses are recorded when incurred, even though actual payment or receipt may not occur until after the period ends.

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION (cont.)

GRPUC is presented as a component unit of the municipality. GRPUC is presented similar to enterprise funds which are used to account for operations that are financed and operated in a manner similar to private business or where the governing body has decided that the determination of revenues earned, costs incurred and net income is necessary for management accountability.

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 and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

Deposits and Investments

GRPUC's cash and cash equivalents are considered to be cash and investments having original maturities of three months or less from the date of acquisition.

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on methods and inputs as outlined in Note 2. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. Fair values may have changed significantly after year end.

GRPUC has adopted a formal investment policy. The policy follows the state statute for allowable investments.

Designated Assets

GRPUC has established various accounts to maintain assets designated for various purposes. Designated assets are designated for the following purposes:

Electric Replacement Funds – represents funds set aside for specific future capital improvement projects.

Watermain Replacement Funds - represents funds set aside for specific future capital improvement projects.

Wastewater-Sewer Main Replacement Funds - represents funds set aside for specific future capital improvement projects.

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (cont.)

Receivables/Payables

Outstanding balances between GRPUC and the primary government are reported as due from/to the City. Transactions between GRPUC and the primary government that are representative of lending/borrowing arrangements outstanding at year end are referred to as advances to/from the City.

An allowance for doubtful accounts is recorded annually based on historical experience and management's evaluation of receivables at the end of each year. Bad debts are charged against revenue when deemed uncollectible. Receivables are reported net of the allowance for doubtful accounts of \$413,148 at December 31, 2023.

Leases

GRPUC is a lessor because it leases capital assets to other entities. As a lessor, GRPUC reports a lease receivable and corresponding deferred inflow of resources in the financial statements. GRPUC continues to report and depreciate the capital assets being leased as capital assets.

Materials and Supplies

Materials and supplies are generally used for construction, operation and maintenance work, not for resale. They are valued using the average cost method and charged to construction or expense when used.

Prepaid Expenses

Prepaid expenses are recorded for insurance, maintenance, and service contracts. Costs under these agreements are expensed over the time periods covered by the agreements.

Restricted Assets

Mandatory segregations of assets are presented as restricted assets. Such segregations are required by bond agreements and other external parties.

Non-utility Property

GRPUC has multiple constructed landfill sites. The costs incurred to construct the sites are shown as non-utility property.

Capital Assets

Capital assets are defined by GRPUC as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year.

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (cont.)

Capital Assets (cont.)

Capital assets are recorded at cost or the estimated acquisition value at the time of contribution to GRPUC. Major outlays for capital assets are capitalized as projects are constructed. Capital assets are depreciated using the straight-line method over the following useful lives:

	<u>Years</u>
Buildings	50
Production systems	20 – 25
Distribution systems	25 – 33
Machinery and equipment	10
Intangibles	10

Donated capital assets are valued at their estimated acquisition value at the date donated.

Compensated Absences

Sick Leave and Vacation

Under GRPUC's plan, PTO is earned and accrued monthly. Unused PTO that exceeds the maximum accrual may be transferred to a post-employment Health Care Savings Plan (HCSP). There is also a limited accrual for Extended Illness Benefit (EIB). Unused EIB may be converted to the HCSP at termination of service with GRPUC. A liability is recognized for all PTO and EIB accrued under the GRPUC's compensated absence benefit plan. When unused benefits are converted to HCSP accounts, the funds are transferred to the trustee of the plan, and GRPUC no longer has a liability for these amounts.

Minnesota statutes authorize Minnesota State Retirement System (MSRS) to offer health care savings plans (HCSP) to governmental employees. The plan allows employees to save money, tax-free, to use upon termination of employment to pay for eligible health care expenses. MSRS acts as trustee of the plans and the State Board of Investment manages the investment of employee funds.

Customer Deposits

Customer deposits are recorded for security deposits paid by customers to receive utility services. Deposits are returned to customers with good credit history in accordance with criteria established in GRPUC policies. Customers are paid interest on deposits at the rate established annually by the Minnesota Department of Commerce.

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (cont.)

Due to Primary Government

Long-term debt and other obligations are reported as the City of Grand Rapids liabilities paid for by GRPUC. Bond premiums, discounts and the loss on refunding of debt are deferred and amortized over the life of the bonds using the effective interest method.

Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA except that PERA's fiscal year end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Postemployment Benefits Other Than Pension

In June 2015, the GASB issued Statement No. 75 - *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. This statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended*, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB*. This statement establishes standards of accounting and financial reporting for OPEB expense and related OPEB liabilities or assets. OPEB refers to postemployment benefits other than pension benefits such as postemployment healthcare benefits. GRPUC elected not to implement GASB Statement No. 75 due to the fact that the implementation would not have any material impact on its financial condition, results of operations, and footnote disclosures.

Deferred Outflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period. GRPUC will not recognize the related outflow until a future event occurs.

Deferred Inflows of Resources

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (cont.)

Demand Payment Deferral

GRPUC has contracts with UPM Blandin Paper Company (UPM Blandin) whereby UPM Blandin pays demand charges for principal and interest on certain debt issues. For ratemaking purposes, the commission has elected to defer the recognition of the revenue until the debt service for the bonds is made. Revenue is recognized as nonoperating revenues or capital contributions depending on the purpose of the debt issue.

REVENUES AND EXPENSES

GRPUC distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a utility's principal ongoing operations. The principal operating revenues of GRPUC are charges to customers for sales and services. Operating expenses for component units include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Charges for Services

Billings are rendered and recorded monthly based on metered usage. The commission does accrue revenues beyond billing dates.

Capital Contributions

Cash and capital assets are contributed to GRPUC from customers, the municipality or external parties. The value of property contributed to GRPUC is reported as revenues on the statements of revenues, expenses and changes in net position.

Electric Power Costs

Monthly bills from the wholesale power supplier, which are for power costs to the last day of the month are reflected in the accounts.

ADOPTION OF NEW ACCOUNTING STANDARDS

In May 2020, the Governmental Accounting Standards (GASB) issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This standard defines a subscription-based information technology arrangement (SBITA); establishes that a SBITA results in a right-to-use subscription asset (an intangible asset) and a corresponding subscription liability; provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and requires note disclosures regarding a SBITA.

GRPUC adopted the requirements of the guidance effective January 1, 2023, and has applied the provisions of this standard to the beginning of the period of adoption. The implementation of this standard did not result in any material agreements begin identified.

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2023

NOTE 2 – DEPOSITS AND INVESTMENTS

The GRPUC's cash and investments at year end were comprised of the following:

Petty Cash	\$ 1,000
Deposits	3,365,929
Investments	5,890,574
Total	<u>\$ 9,257,503</u>

Reconciliation to the financial statements per statement of net position:

Designated Cash and Investments	
Electric Replacement Funds	\$ 1,247,342
Watermain Replacement Funds	790,364
Wastewater-Sewer Main Replacement Funds	272,015
Current Cash and Investments	6,947,782
Total	<u>\$ 9,257,503</u>

Investment of GRPUC funds is restricted by state law, bond fund resolutions and GRPUC investment policy to:

- > Government bonds, notes, bills, mortgages, and other securities, which are direct obligations of the United States or its agencies.
- > Negotiable or non-negotiable instruments that are issued by commercial banks and insured by the Federal Deposit Insurance Corporation (FDIC). Interest bearing deposits in authorized depositories must be fully insured or collateralized.
- > Repurchase agreements fully collateralized by securities described above, if the repurchase agreements are only entered into with an entity which is a primary reporting dealer to the Federal Reserve Bank of New York, or one of the 100 largest U.S. commercial banks.
- > Any security which is general obligation of the State of Minnesota or any of its municipalities.
- > Commercial paper issued by the United States corporations or their Canadian subsidiaries that is the highest quality and matures in 270 days or less.
- > Statewide investment pools that invest in authorized investments according to MN Statutes 118A.
- > Money market mutual funds that invest in authorized instruments according to MN Statutes 118A.

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for time and savings accounts (including NOW accounts), \$250,000 for interest-bearing demand deposit accounts (interest bearing and noninterest bearing). In addition, if deposits are held in an institution outside of the state in which the government is located, insured amounts are further limited to a total of \$250,000 for the combined amount of all deposit accounts.

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2023

NOTE 2 – DEPOSITS AND INVESTMENTS (cont.)

At December 31, 2023, the entire bank balance, deposits and investments were covered by federal depository insurance, Securities Investor Protection Corporation or by collateral held by GRPUC's agent in GRPUC's name.

GRPUC categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation of inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. GRPUC uses the yield based metric approach to value its certificates of deposits, and U.S. Agencies which is a level 2 input. The fair value of investments in entities that calculate a net asset value (NAV) per share are determined using the NAV in lieu of the leveling methodology described above. The Minnesota Municipal Money Market Fund (The Fund) is measured at net asset value (NAV). The fund is an external investment pool not registered with the SEC that follows the same regulatory rules of the SEC under rule 2a7 and is managed by the Board and Minnesota Statutes. The fair value of the pool is the same as the value of the pool shares. The investment in the Fund is not subject to the credit risk classifications as noted in paragraph 9 of GASB Statement No. 40.

The categorization of financial assets at December 31, 2023 consisted of the following:

Type	Level 1	Level 2	Level 3	Total
Term Series	\$ -	\$ 250,000	\$ -	\$ 250,000
Government Agencies Notes	-	999,565	-	999,565
CD's	-	4,052,236	-	4,052,236
Total	\$ -	\$5,301,801	\$ -	
NAV Funds				588,773
Total Investments				\$5,890,574

Custodial Credit Risk

Deposits

Custodial credit risk is the risk that in the event of a financial institution failure, GRPUC's deposits may not be returned to the utility.

GRPUC does not have any deposits exposed to custodial credit risk.

GRPUC's investment policy addresses this risk by requiring deposits to be fully insured or collateralized.

Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, GRPUC will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

GRPUC does not have any investments exposed to custodial credit risk.

GRPUC's investment policy does not address this risk.

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2023

NOTE 2 – DEPOSITS AND INVESTMENTS (cont.)

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation.

As of December 31, 2023, GRPUC's investments were rated as follows:

Investment Type	S & P Rating
Negotiable CDs	NA
Government Agencies Notes	AA+
Term Series	AA+
Money Market	NA

* NA - Not Rated

GRPUC's investment policy does not address this risk.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. GRPUC's investment policy does not address this risk.

Interest Rate Risk

Interest rate risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit.

As of December 31, 2023, GRPUC's investments were as follows:

Investment Type	Investment Maturities (in Years)			Fair Market Value
	Less Than 1	1-5	6-10	
Negotiable CDs	\$ 1,993,800	\$ 2,058,436	\$ -	\$ 4,052,236
Government Agencies Notes	-	999,565	-	999,565
Term Series	250,000	-	-	250,000
Money Market	588,773	-	-	588,773
Total	\$ 2,832,573	\$ 3,058,001	\$ -	\$ 5,890,574

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2023

NOTE 2 – DEPOSITS AND INVESTMENTS (cont.)

Interest Rate Risk (cont.)

GRPUC's investment policy addresses this risk. The policy recommends no more than 40% of the total deposits and investments extend beyond five years and in no circumstances should any extend beyond ten years.

NOTE 3 – RECEIVABLES/PAYABLES TO PRIMARY GOVERNMENT

The following is a schedule of balances as of December 31, 2023.

Due to City of Grand Rapids	
Utility Bills and Service Center Operating Costs	\$ 115,442
Due from City of Grand Rapids	
General Operating and Capital Costs	\$ 90,646

GRPUC has a contract agreement with the municipality whereby the City is contracted to pay a portion of the Public Works/Public Utilities Service Center. The contract expires on September 1, 2095; however, the contract may be terminated by the City on September 1 of any year, by notice of termination not later than the preceding July 1.

The contract payments are subject to annual appropriation by the City and are based on 41% of the service center operating costs.

Total contract revenues were \$24,000 for 2023.

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2023

NOTE 4 – LEASES

LONG-TERM- LEASE RECEIVABLES

GRPUC, acting as lessor, leases space for antenna on the roof of their building under long-term, noncancelable lease agreement. The lease expires in 2035. During the year ended December 31, 2023, the GRPUC recognized \$179,489 and \$9,951 in lease revenue and interest revenue, respectively, pursuant to the contract.

Total future minimum lease payments to be received under the lease agreement are as follows:

Lease Receivable			
Year Ending December 31,	Principal	Interest	Total
2024	\$ 179,129	\$ 5,540	\$ 184,669
2025	184,504	5,706	190,210
2026	190,039	5,877	195,916
2027	195,741	6,054	201,795
2028	172,538	5,336	177,874
2029-2033	534,585	16,533	551,118
2034 - 2035	74,815	2,314	77,129
Total	\$ 1,531,351	\$ 47,360	\$ 1,578,711

Changes in the lease receivable for the year is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Lease Receivable	\$ 1,705,262	\$ -	\$ 173,911	\$ 1,531,351

NOTE 5 – RESTRICTED ASSETS

REVENUE BOND ACCOUNTS

Certain receivables from UPM are restricted for the payment of debt:

Demand Payment Accounts Receivable	
Receivables to be used for future repayment of wastewater treatment debt	\$ 9,949,850

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2023

NOTE 6 – CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets for 2023 follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Capital Assets, Not Being Depreciated				
Construction in Progress	\$ 631,518	\$ 5,935,448	\$ 6,370,780	\$ 196,186
Land and Land Rights	1,964,831	44,786	-	2,009,617
Total Capital Assets, Not Being Depreciated	<u>2,596,349</u>	<u>5,980,234</u>	<u>6,370,780</u>	<u>2,205,803</u>
Capital Assets, Being Depreciated/Amortized				
Intangibles	711,725	-	-	711,725
Infrastructure	47,196,464	8,945,240	-	56,141,704
Buildings and Improvements	34,194,508	377,788	-	34,572,296
Machinery and Equipment	37,748,187	363,015	129,590	37,981,612
Total Capital Assets, Being Depreciated/ Depreciated/Amortized	<u>119,850,884</u>	<u>9,686,043</u>	<u>129,590</u>	<u>129,407,337</u>
Less Accumulated Depreciation/Amortization for:				
Intangibles	(533,396)	(62,855)	-	(596,251)
Infrastructure	(21,159,799)	(1,235,381)	-	(22,395,180)
Buildings and Improvements	(24,519,897)	(693,167)	-	(25,213,064)
Machinery and Equipment	(17,784,764)	(1,324,927)	(102,777)	(19,006,914)
Total Accumulated Depreciation/Amortization	<u>(63,997,856)</u>	<u>(3,316,330)</u>	<u>(102,777)</u>	<u>(67,211,409)</u>
Total Capital Assets, Being Depreciated/ Amortized, Net	<u>55,853,028</u>	<u>6,369,713</u>	<u>26,813</u>	<u>62,195,928</u>
Net Capital Assets	<u>\$ 58,449,377</u>	<u>\$ 12,349,947</u>	<u>\$ 6,397,593</u>	<u>\$ 64,401,731</u>

Reductions in accumulated depreciation may exceed deletions of capital assets due to the cost of removal.

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2023

NOTE 7 – NON-UTILITY PROPERTY AND DEFERRED CREDITS

LANDFILL SITES

During 2011-2012, GRPUC constructed landfill sites to dispose of industrial waste from UPM Blandin Paper. Cost of the sites is deferred and expensed over the estimated useful life of the individual site. A portion of the cost for the Landfill Phase 8 site was reimbursed by UPM Blandin Paper and is recorded as a deferred credit. These deferred credits are amortized as revenue over the life of the landfill. A portion of the 2011A bonds were issued for the landfill phase 8 project that finished construction in January 2013. UPM Blandin Paper pays a demand charge in amounts sufficient to pay principal and interest on these bonds. For rate making purposes, the Commission has elected to defer the demand charge revenue until the debt service is paid.

	Landfill Phase 8
Cost	\$ 1,068,608
Estimated useful life	20 years
Remaining useful life	9 years, 1 month
2023 non-utility property	\$ 485,297
2023 expense amortization	\$ 53,430
2023 deferred revenue	\$ 28,498
2023 revenue amortization	\$ 3,137

NOTE 8 – SERVICE TERRITORY ACQUISITION

In 2015, GRPUC acquired an electric service territory from another utility. The transaction qualified as a government acquisition under GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*. The total purchase price of the service territory was \$181,424 which consisted of \$44,468 of depreciated assets, and \$136,956 of lost revenues to the seller. The lost revenues are considered net position acquired and are shown as a deferred outflow on the Statement of Net Position. The deferred outflow of resources will be amortized over ten years beginning in 2015.

In 2019, GRPUC acquired an electric service territory from another utility. The transaction was similar in nature to the transaction listed above. The total purchase price of the service territory was \$281,549 which consisted of \$75,130 of depreciated assets, and \$206,419 of lost revenues to the seller. The lost revenues are considered net position acquired and are shown as a deferred outflow on the Statement of Net Position. The deferred outflow of resources will be amortized over ten years beginning in 2019.

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2023

NOTE 9 – Due to Primary Government and LONG-TERM DEBT

Long-term bonds consist of the following as of December 31, 2023:

Description of Issue	Interest Rate	Issue Date	Final Maturity	Original Issue	Principal Outstanding
Direct Placement Bonds -					
2009E Taxable GO WW Revenue Note	2.900%	11/10/2009	8/20/2029	\$ 26,370,232	\$ 9,575,000
2021A GO Utility Revenue	0.25 - 0.63%	5/27/2021	10/15/2025	872,000	389,000
2021C GO Utility Revenue	0.45 - 1.25%	9/2/2021	2/1/2029	1,210,000	1,160,000
2021D GO Utility Revenue	2.0 - 3.0%	12/9/2021	2/1/2033	1,120,000	1,025,000
2023B GO Utility Revenue	4.0 - 5.0%	11/9/2023	2/1/2039	4,575,000	4,575,000
Total Due to Primary Government				<u>\$ 34,147,232</u>	<u>\$ 16,724,000</u>

General obligation revenue bonds requirements to maturity follow:

Year Ending	Direct Placement		Bonds	
	Principal	Interest	Principal	Interest
2024	\$ 1,484,000	\$ 277,675	\$ 484,000	\$ 192,443
2025	1,527,000	234,639	650,000	241,103
2026	1,571,000	190,356	525,000	225,959
2027	1,617,000	144,797	540,000	209,330
2028	1,664,000	97,904	555,000	191,709
2029-2033	1,712,000	49,648	2,155,000	693,563
2034-2038	-	-	1,825,000	283,813
2039	-	-	415,000	8,819
Total	<u>\$ 9,575,000</u>	<u>\$ 995,019</u>	<u>\$ 7,149,000</u>	<u>\$ 2,046,737</u>

All utility revenues net of specified operating expenses are pledged as security of the above revenue bonds until the bonds are defeased. Principal and interest paid for 2023 was \$2,331,998. Total customer gross revenues as defined for the same periods were \$26,105,490. Annual principal and interest payments are expected to require 9% of gross revenues on average.

Long-term obligation activity for the year ended December 31, 2023 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Long-Term Debt	\$ 3,052,500	\$ 4,575,000	\$ 478,500	\$ 7,149,000	\$ 484,000
Long-Term Debt - Direct Placement	11,017,000	-	1,442,000	9,575,000	1,484,000
Unamortized Premium and Discounts	83,705	152,736	7,610	228,831	-
Compensated Absences	280,634	246,396	214,209	312,821	214,287
Landfill Closure Costs	2,722,066	-	379,712	2,342,354	-
Total	<u>\$ 17,155,905</u>	<u>\$ 4,974,132</u>	<u>\$ 2,522,031</u>	<u>\$ 19,608,006</u>	<u>\$ 2,182,287</u>

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2023

NOTE 9 – Due to Primary Government and LONG-TERM DEBT (cont.)

REFUNDING TRANSACTIONS

On May 27, 2021, the 2021A bonds in the amount of \$872,000 were issued with an average interest rate of 0.40% to current refund \$850,525 of the 2015 AMI and AMR Contract.

On August 10, 2021, the 2021C bonds in the amount of \$1,210,000 were issued with an average interest rate of 0.450% to advance refund \$1,100,000 of outstanding bonds with an average interest rate of 3.89%.

The cash flow requirements on the old bonds prior to the advance refunding for 2021C bond were \$1,660,538 from 2022 through 2029. The cash flow requirements on the new bonds are \$1,583,395 from 2022 through 2029. The advance refunding resulted in an economic gain of \$74,189.

On November 23, 2021, the 2021D bonds in the amount of \$1,120,000 were issued with an average interest rate of 1.4% to current refund \$1,170,000 of outstanding bonds with an average interest rate of 2%.

The cash flow requirements on the old bonds prior to the current refunding was \$1,375,425 from 2023 through 2033. The cash flow requirements on the new bonds are \$1,296,161 from 2023 through 2033. The current refunding resulted in an economic gain of \$74,586.

NOTE 10 – NET POSITION

GASB Statement No. 34 requires the classification of net position into three components – net investment in capital assets, restricted; and unrestricted. These classifications are defined as follows:

Net investment in capital assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted – This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position – The component of net position consists of net position that does not meet the definition of “restricted” or “net investment in capital assets.”

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

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2023

NOTE 11 – EMPLOYEES' RETIREMENT SYSTEM

DEFINED BENEFIT PENSION PLANS – STATEWIDE

Plan Description

The GRPUC participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA's defined benefit pension plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

All full-time and certain part-time employees of the GRPUC are covered by the General Employees Plan. General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

Benefits Provided

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state Legislature. Vested, terminated employees who are entitled to benefits but are not receiving them yet are bound by the provisions in effect at the time they last terminated their public service.

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for coordinated members is 1.2% for each of the first 10 years of service and 1.7% for each additional year. Under Method 2, the accrual rate for coordinated members is 1.7% for all years of service. For members hired prior to July 1, 1989 a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1% and a maximum of 1.5%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. In 2023, legislation repealed the statute delaying increases for members retiring before full retirement age.

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2023

NOTE 11 – EMPLOYEES’ RETIREMENT SYSTEM (cont.)

DEFINED BENEFIT PENSION PLANS – STATEWIDE (cont.)

Contributions

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature.

Coordinated Plan members were required to contribute 6.50% of their annual covered salary in calendar year 2023. The GRPUC was required to contribute 7.50% for Coordinated Plan members in calendar year 2023. The GRPUC contributions to the General Employee Fund for the year ended December 31, 2023 was \$2,949,611. The GRPUC’s contributions were equal to the required contributions as set by state statute.

Pension Costs

At December 31, 2023 the GRPUC reported a liability of \$2,108,142 for its proportionate share of the General Employees Fund’s net pension liability. The GRPUC’s net pension liability reflected a reduction due to the State of Minnesota’s contribution of \$16 million in 2023. The State of Minnesota is considered a non-employer contributing entity and the state’s contribution meets the definition of a special funding situation. The State of Minnesota’s proportionate share of the net pension liability associated with the GRPUC totaled \$58,055, for a total net pension liability of \$2,166,197. The net pension liability was measured as of June 30, 2023 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The GRPUC’s proportionate share of the net pension liability was based on the GRPUC’s contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2022 through June 30, 2023, relative to the total employer contributions received from all of PERA’s participating employers. At June 30, 2023, the GRPUC’s proportion share was .0377% at the end of the measurement period and .0381% for the beginning of the period.

For the year ended December 31, 2023, the GRPUC recognized pension expense of \$326,967 for its proportionate share of the General Employees Plan’s pension expense. In addition, the GRPUC recognized an additional \$261 as pension expense (and miscellaneous revenue) in 2023 for its proportionate share of the State of Minnesota’s contribution of \$16 million to the General Employees Fund.

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2023

NOTE 11 – EMPLOYEES’ RETIREMENT SYSTEM (cont.)

DEFINED BENEFIT PENSION PLANS – STATEWIDE (cont.)

Pension Costs (cont.)

At December 31, 2023, the GRPUC reported its proportionate share of the General Employees Plan’s deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 69,232	\$ 14,523
Changes in Actuarial Assumptions	341,279	577,824
Difference Between Projected and Actual Investment Earnings	-	78,837
Changes in Proportion	30,582	43,972
Contributions Paid to PERA Subsequent to the Measurement Date	112,497	-
Total	\$ 553,590	\$ 715,156

The \$112,497 reported as deferred outflows of resources related to pensions resulting from GRPUC contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	Pension Expense Amounts
2024	\$ 35,198
2025	(306,708)
2026	43,179

Actuarial Methods and Assumptions

The total pension liability in the June 30, 2023, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 7.0%. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 7.0% was deemed to be within that range of reasonableness for financial reporting purposes.

Inflation is assumed to be 2.25% for the General Employees Plan. Benefit increases after retirement are assumed to be 1.25 percent for the General Employees Plan.

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2023

NOTE 11 – EMPLOYEES’ RETIREMENT SYSTEM (cont.)

DEFINED BENEFIT PENSION PLANS – STATEWIDE (cont.)

Actuarial Methods and Assumptions (cont.)

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25% after one year of service to 3.0% after 27 years of service.

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table.

Actuarial assumptions for the General Employees Plan are reviewed every four years. The most recent four-year experience study for the General Employees Plan was completed in 2022. The assumption changes were adopted by the Board and became effective with the July 1, 2023 actuarial valuation.

The following changes in actuarial assumptions occurred in 2023:

- > The investment return assumption and single discount rate were changed from 6.5% to 7.00%.

The following changes in plan provisions occurred in 2023:

- > An additional one-time direct state aid contribution of \$170,1 million will be contributed to the Plan on October 1, 2023.
- > The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.
- > The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- > A one-time, non-compounding benefit increase of 2.5% minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

Long-Term Expected Return on Investment

The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness on a regular basis of the long-term expected rate of return using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of geometric 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
Domestic Equity	33.5%	5.10%
International Equity	16.5%	5.30%
Fixed Income	25.0%	0.75%
Private Markets	25.0%	5.90%
Total	<u>100.0%</u>	

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2023

NOTE 11 – EMPLOYEES’ RETIREMENT SYSTEM (cont.)

DEFINED BENEFIT PENSION PLANS – STATEWIDE (cont.)

Discount Rate

The discount rate used to measure the total pension liability in 2023 was 7.00% in 2023. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Pension Liability Sensitivity

The following presents the GRPUC’s proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the GRPUC’s proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate.

The sensitivity analysis of December 31, 2023 follows:

Description	1% Higher	Current Discount Rate	1% Lower
General Employees Fund Discount Rate	6.00%	7.00%	8.00%
GRPUC's Proportionate Share of the General Employees Fund Net Pension Liability	\$ 3,729,472	\$ 2,108,142	\$ 774,536

Pension Plan Fiduciary Net Position

Detailed information about each pension plan’s fiduciary net position is available in a separately issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at www.mnpera.org.

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2023

NOTE 12 – POST-EMPLOYMENT HEALTH CARE SAVINGS ACCOUNT

Minnesota Statutes Chapter 352.98 authorizes Minnesota State Retirement System (MSRS) to offer plans for health care savings accounts (HCSA) to governmental employees. MSRS received its private letter ruling establishing these plans as tax exempt benefits on July 29, 2002. The plans allow employees to save money, tax-free, to use upon termination of employment to pay for eligible health care expenses. MSRS acts as trustee of the plans and the State Board of Investment manages the investment of employee funds.

CONTRIBUTIONS TO HCSA

Unused PTO that exceeds the maximum accrual per the collective bargaining agreement on the employees anniversary date is transferred into an extended illness bank (EIB). Unused EIB that exceeds the maximum accrual per the collective bargain agreement on the employees anniversary date is transferred into a post-employment health care savings plan (HCSA). Upon retirement, or being declared permanently totally disabled, or upon resignation after twenty (20) years of service or more the balance of an employee's EIB account shall be paid into a post-employment HCSA per the adopted HCSA Plan Policy. This same PTO, EIB, and HCSA benefits are available to non-union employees per the GRPUC personnel policy. There are no other provisions for contributions to the HCSA plan. When unused benefits are converted to an employee's HCSA, the funds are transferred to the trustee of the plan, and the GRPUC no longer has a liability for these amounts.

CHANGES TO HCSA PLANS

Any changes in contributions to the HCSA must be agreed to by the employer and the collective bargaining unit. In the case of employees not covered by the collective bargaining unit, amounts to be contributed must be outlined in the written personnel policy.

NOTE 13 – PAYMENTS IN LIEU OF TAXES

Effective January 1, 1997, GRPUC and the City of Grand Rapids established a formal agreement for payments in lieu of taxes (PILOT) from the GRPUC to the City. This payment was equal to 7% of gross retail electric sales for the prior year. Beginning January 1, 2010, the PILOT agreement was modified, and the annual cash payment changed to 4.84 mills per kWh sold, with a minimum annual payment of \$823,000. The agreement was modified again in 2012. Beginning January 1, 2013, the annual cash PILOT was increased to 5.00 mills per kWh sold, with a minimum annual payment of \$868,000. In 2015, a resolution was approved to exclude kilowatt hours sold in electric service territory acquisitions made after January 1, 2015, for a period of time equivalent to the time basis used in the lost revenue calculation; typically a period of ten years from the date of the electric service territory acquisition.

The amount of the PILOT, including cash and utility supplied services, to the City for 2023 was \$868,840.

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2023

NOTE 14 – LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

State and federal laws and regulations require the Commission to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 20 years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the Commission reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date, in accordance with Governmental Accounting Standards Board Statement No. 18, *Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs*.

The \$2,342,354 reported as the landfill closure and postclosure care liability at December 31, 2023, represents the cumulative amount reported to date based on the use of 47.64% of the estimated capacity of the currently permitted landfill. GRPUC will recognize the remaining costs of closure and postclosure care of \$2,574,040 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2023. Actual costs may be higher or lower due to inflation, changes in technology, or changes in regulations.

Under the 1996-2001 permit, landfill sites C, D, E and F were filled to capacity. The 2001 - 2006 permit included Kettle D and landfill Phases One through Four. Phases Five through Eight were added under the new permit effective September 2006 to September 2011. Kettle D was filled in 2006 and closed in 2008. Phases One-Four were filled and began the closure process in 2007. Final closure on Phases One – Four was completed in 2010. Construction of Phases Five and Six was completed in 2008. Phases Five and Six were put into service in 2008 and have an estimated life of 10 years. Phase 7 was constructed in 2010 and placed into service in 2010 with an estimated life of 10 years. Construction of Phase 8 began in 2011 and was placed into service in 2013.

On February 15, 2023, UPM Blandin Paper Company established an irrevocable letter of credit for \$4,916,394 with Nordea Bank on behalf of GRPUC. The purpose of the letter of credit is to provide assurance that funds will be available when needed for closure, post-closure care of, and/or contingency action of the landfill.

Closure costs relate to open and planned landfill sites. There are no sites that will be closed within one year. Post-closure costs cover all sites, including those that are already closed. No issues have been identified that would require post-closure costs to be incurred, and no issues are anticipated in the next year.

NOTE 15 – RISK MANAGEMENT

GRPUC is exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets, errors and omissions, workers compensation, and health care of its employees. These risks are covered through the purchase of commercial insurance, with minimal deductibles. Settled claims have not exceeded the commercial liability in any of the past three years. There were no significant reductions in coverage compared to the prior year.

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2023

NOTE 16 – MAJOR CUSTOMER AND DEMAND PAYMENT DEFERRAL

GRPUC has a contract with UPM Blandin Paper Company (UPM Blandin) where UPM Blandin reimburses GRPUC for expenses associated with the operations of the industrial wastewater treatment plant. Amounts charged for wastewater treatment service was \$3,618,951. GRPUC also has contracts with UPM Blandin whereby UPM Blandin pays demand charges for principal and interest on the General Obligation Revenue Bonds Series 2009E and 2021C. For ratemaking purposes, the commission has elected to defer the recognition of the revenue until the debt service on the bonds are paid. The total demand charges paid by UPM Blandin for 2023 was \$1,666,177.

NOTE 17 – COMMITMENTS AND CONTINGENCIES

POWER CONTRACT

Minnesota Power (MP) provides wholesale electric service under a contract that expires December 31, 2029, unless prior to that date, a new customer of GRPUC with a 15-minute peak of equal to or greater than 10 MW locates in the IEDC Eco Industrial Park. The contract requires no minimum purchase of power and provides that GRPUC may add new renewable generation capacity up to ten percent (10%) (non-cumulative) of the total GRPUC load, based on the previous year's average annual billed demand, excluding any existing renewable generation capacity prior to September 1, 2015.

In addition, beginning in 2022, a new electric service agreement was negotiated with the 13 Northeast Minnesota Municipal Power Agency (NEMMPA) Municipal Customers. This contract expires December 31, 2029. The agreement includes a flat customer charge per month, a predetermined yearly base capacity charge, a yearly predetermined base energy charge, a yearly predetermined incremental capacity charge, and a yearly predetermined incremental energy charge. The contract also contains a base energy adjustment which reflects the sum of (1) a projection of fuel and purchased power costs for the upcoming service year; and (2) a true-up of any variances between projected and actual fuel and purchased power costs for services to NEMMPA Municipal Customers. Grand Rapids Public Utilities Commission is a member of NEMMPA. The peak power requirements for 2023 was 30,231 kW.

GRPUC entered into a Municipal Minnesota Interconnect agreement on September 16, 2021, with MP. The GRPUC, as the area EPS Operator, and MP, as the Interconnect Customer, both agree to allow each party to connect to the other party's area electric power system related solar equipment at the Itasca Clean Energy Solar Plus Battery Storage project in Grand Rapids, Minnesota.

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2023

NOTE 17 – COMMITMENTS AND CONTINGENCIES (cont.)

OPEN CONTRACTS

GRPUC has several active projects as of December 31, 2023. At year end, GRPUC's commitments with contractors are as follows:

Project	Spent to Date	Remaining Commitment
Procise Solutions, Inc. for IT professional Services	\$ 2,301	\$ 2,949
Altec Industries - Model AT41ME Bucket Truck	-	238,071
Stantec Consulting - engineering services Landfill 1-4-Kettle D	17,217	6,723
Neslon Roofing - reroof north portion CSC	50,244	51,653
MMUA - professional services strategic planning	6,193	3,807
CLA - professional services contract 2023-2028	-	220,834
MMUA - safety professional services	6,830	27,320
CLA - professional services regulatory accounting report	630	4,370
Procise Solutions - professional services consulting	-	11,550
Procise Solutions - IT professional services	-	10,000

PENDING CLAIMS AND LEGAL PROCEEDINGS

From time to time, GRPUC is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management and GRPUC's attorney that the likelihood is remote that any such claims or proceedings will have a material adverse effect on GRPUC's financial position or results of operations.

GRANTS

The GRPUC has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grants. Management believes such disallowances, if any, would be immaterial.

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2023

NOTE 18 – RESTATEMENT

GRPUC restated the December 31, 2022 Statement of Net Position, Statement of Revenues, Expenses and Changes in Net position, and Statement of Cash Flows for the correction of an error related to the landfill closure/postclosure costs. It was noted in the prior year that the liability was overstated and did not account for the capacity used.

The following table summarizes the breakdown of the current year restatement relate to the prior period adjustment:

Net Position - Beginning of Year, as Previously Reported	\$ 53,327,156
Correction of an error	<u>3,170,782</u>
Net Position - Beginning of Year, as Restated	<u><u>\$ 56,497,938</u></u>

DRAFT

REQUIRED SUPPLEMENTARY INFORMATION

DRAFT

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY General Employees Retirement Fund Last Ten Years* (Unaudited)

Fiscal Year Ending June 30,	Employer's Proportion of the Net Pension Liability	Employer's Proportionate Share of the Net Pension Liability	State Proportionate Share of the Net Pension Liability	Total Share of Employer's Proportionate Share of the Net Pension Liability	Covered Payroll	Proportionate Share of the Net Pension Liability as a % of its Covered Payroll	Plan Fiduciary Net Position as a % of the Total Pension Liability
2023	0.0377%	\$ 2,108,142	\$ 58,055	\$ 2,166,197	\$ 2,949,611	73.44%	83.10%
2022	0.0381%	3,017,533	88,652	3,106,185	2,857,386	108.71%	76.70%
2021	0.0370%	1,580,066	48,214	1,628,280	2,820,276	57.73%	87.00%
2020	0.0387%	2,320,242	71,560	2,391,802	2,763,178	86.56%	79.10%
2019	0.0370%	2,045,647	63,664	2,109,311	2,618,728	80.55%	80.20%
2018	0.0394%	2,185,750	198,631	2,384,381	2,648,413	90.03%	79.50%
2017	0.0404%	2,579,109	32,422	2,611,531	2,602,004	100.37%	75.90%
2016	0.0389%	3,158,487	41,243	3,199,730	2,415,909	132.44%	68.90%
2015	0.0404%	2,093,738	-	2,093,738	2,372,323	88.26%	78.20%

* This schedule is presented prospectively beginning with the fiscal year ended December 31, 2015.

SCHEDULE OF CONTRIBUTIONS General Employees Retirement Fund Last Ten Years*

Year Ended December 31,	Contractually Required Contribution (a)	Contributions in Relation to the Contractually Required Contributions in (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (d)	Contributions as a % of Covered Payroll (b/d)
2023	\$ 224,650	\$ 224,650	-	2,995,333	7.50%
2022	214,304	214,304	-	2,857,387	7.50%
2021	211,521	211,521	-	2,820,280	7.50%
2020	205,333	205,333	-	2,737,773	7.50%
2019	205,477	205,477	-	2,739,693	7.50%
2018	194,844	194,844	-	2,597,920	7.50%
2017	199,725	199,725	-	2,663,000	7.50%
2016	189,105	189,105	-	2,521,400	7.50%
2015	175,652	175,652	-	2,342,027	7.50%

* This schedule is presented prospectively beginning with the fiscal year ended December 31, 2015.

See independent auditors' report and accompanying notes to required supplementary information.

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION For the Year Ended December 31, 2023 (Unaudited)

NOTE 1 – Changes in Significant Pension Plan Provision, Actuarial Methods, and Assumptions

2023 Changes

The following change in actuarial assumptions occurred in 2023:

- > The investment return assumption and single discount rate were changed from 6.5% to 7.00%..

The following change in plan provisions occurred in 2023:

- > An additional one-time direct state aid contribution of \$170,1 million will be contributed to the Plan on October 1, 2023.
- > The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.
- > The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- > A one-time, non-compounding benefit increase of 2.5% minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

2022 Changes

The following change in actuarial assumptions occurred in 2022:

- > The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

The following change in plan provisions occurred in 2022:

- > There were no changes in plan provisions since the previous valuation.

2021 Changes

The following change in actuarial assumptions occurred in 2021:

- > The investment return and single discount rates were changed from 7.50% to 6.50%, for financial reporting purposes.
- > The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

The following change in plan provisions occurred in 2021:

- > There were no changes in plan provisions since the previous valuation.

2020 Changes

The following change in plan provisions occurred in 2020:

- > Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020 through December 31, 2023 and 0.0% after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION For the Year Ended December 31, 2023 (Unaudited)

The following changes in actuarial assumptions occurred in 2020:

- > The price inflation assumption was decreased from 2.50% to 2.25%.
- > The payroll growth assumption was decreased from 3.25% to 3.00%.
- > Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- > Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- > Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- > Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- > The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- > The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- > The assumed spouse age difference was changed from two years older for females to one year older.
- > The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

2019 Changes

The following change in plan provisions occurred in 2019:

- > The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The State's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

The following changes in actuarial assumptions occurred in 2019:

- > The mortality projection scale was changed from MP-2017 to MP-2018.

2018 Changes

The following change in plan provisions occurred in 2018:

- > The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- > Interest credited on member contributions decreased from 4.00% to 3.00%, beginning July 1, 2018.
- > Deferred augmentation was changed to 0.00%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION For the Year Ended December 31, 2023 (Unaudited)

- > Contribution stabilizer provisions were repealed.
- > Postretirement benefit increases were changed from 1.00% per year with a provision to increase to 2.50% upon attainment of 90.00% funding ratio to 50.00% of the Social Security Cost of Living Adjustment, not less than 1.00% and not more than 1.50%, beginning January 1, 2019.
- > For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- > Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

The following changes in actuarial assumptions occurred in 2018:

- > The morality projection scale was changed from MP-2015 to MP-2017.
- > The assumed post-retirement increase was changed from 1.0% per year through 2044 and 2.50% per year thereafter to 1.25% per year.

2017 Changes

The following change in plan provisions occurred in 2017:

- > The State's contribution for the Minneapolis Employees Retirement Fund equals \$16,000,000 in 2017 and 2018, and \$6,000,000 thereafter.
- > The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from \$21,000,000 to \$31,000,000 in calendar years 2019 to 2031. The state's contribution changed from \$16,000,000 to \$6,000,000 in calendar years 2019 to 2031.

The following changes in actuarial assumptions occurred in 2017:

- > The combined service annuity (CSA) loads were changed from 0.80% for active members and 60.00% for vested and non-vested deferred members. The revised CSA load are now 0.00% for active member liability, 15.00% for vested deferred member liability, and 3.00% for non-vested deferred member liability.
- > The assumed postretirement benefit increase rate was changed for 1.00% per year for all years to 1.00% per year through 2044 and 2.50% per year thereafter.

2016 Changes

The following change in plan provisions occurred in 2016:

- > There have been no changes since the prior valuation.

The following changes in actuarial assumptions occurred in 2016:

- > The assumed postretirement benefit increase rate was changed from 1.00% per year through 2035 and 2.50% per year thereafter to 1.00% per year for all years.
- > The assumed investment return was changed from 7.90% to 7.50%. The single discount rate changed from 7.90% to 7.50%.
- > Other assumptions were changed pursuant to the experience study June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION For the Year Ended December 31, 2023 (Unaudited)

2015 Changes

The following change in plan provisions occurred in 2015:

- > On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increase the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised; the State's contribution of \$6.0 million, which meets the special funding situation definition, was due September 2015.

The following changes in actuarial assumptions occurred in 2015:

- > The assumed postretirement benefit increase rate was changed from 1.00% per year through 2030 and 2.50% per year thereafter to 1.00% per year through 2035 and 2.50% per year thereafter.

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SUPPLEMENTARY INFORMATION

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GRAND RAPIDS PUBLIC UTILITIES COMMISSION

COMBINING SCHEDULE OF REVENUES AND EXPENSES
For the Year Ended December 31, 2023

	Electric	Water	Wastewater Collection	Wastewater Treatment	Totals
OPERATING REVENUES					
Utility revenues - city	\$ 14,387,509	\$ 2,111,286	1,725,901	\$ 3,618,951	\$ 21,843,647
Utility revenues - rural	1,925,276	44,131	293,065	-	2,262,472
Security lighting	40,339	-	-	-	40,339
Total Retail Sales	16,353,124	2,155,417	2,018,966	3,618,951	24,146,458
Purchased power adjustment pass-through	1,271,597	-	-	-	1,271,597
Total Utility Revenues	17,624,721	2,155,417	2,018,966	3,618,951	25,418,055
Other Operating Revenue					
Pole rentals	27,942	-	-	-	27,942
Other	124,013	197,294	22,678	-	343,985
Penalties	214,893	-	-	-	214,893
Total Operating Revenues	17,991,569	2,352,711	2,041,644	3,618,951	26,004,875
OPERATING EXPENSES					
Production	-	695,313	-	-	695,313
Purchased power	12,309,911	-	-	-	12,309,911
Distribution/collection	1,310,474	547,719	423,476	-	2,281,669
Customer accounts	373,127	106,164	79,185	-	558,476
Administrative and general	1,348,222	483,216	272,018	-	2,103,456
Service center	194,120	-	-	-	194,120
Domestic wastewater treatment	-	-	822,020	-	822,020
Industrial wastewater treatment	-	-	-	4,113,584	4,113,584
Depreciation and amortization	1,124,230	356,754	268,673	1,601,014	3,350,671
Total Operating Expenses	16,660,084	2,189,166	1,865,372	5,714,598	26,429,220
OPERATING INCOME (LOSS)	1,331,485	163,545	176,272	(2,095,647)	(424,345)
NONOPERATING REVENUES (EXPENSES)					
Interest income (loss)	222,763	9,951	-	-	232,714
Demand interest payments	-	-	-	307,421	307,421
Gain (loss) on property disposition	1,931	-	-	(26,812)	(24,881)
Interest expense	(18,744)	(76,417)	(10,104)	(386,783)	(492,048)
Bond fees	-	(488)	(263)	(2,350)	(3,101)
Amortization of debt premiums and discounts	-	2,709	(642)	-	2,067
Amortization of regulatory asset	(2,996)	(642)	1,459	(11,433)	(13,612)
Amortization of loss on refunding	-	-	-	(10,560)	(10,560)
Combined service center contract revenues	8,000	8,000	8,000	-	24,000
City land improvements	(2,856)	-	-	-	(2,856)
Payment in lieu of taxes	(868,840)	-	-	-	(868,840)
Total Nonoperating Revenues (Expenses)	(660,742)	(56,887)	(1,550)	(130,517)	(849,696)
INCOME (LOSS) BEFORE CONTRIBUTIONS	670,743	106,658	174,722	(2,226,164)	(1,274,041)
CAPITAL CONTRIBUTIONS - CONNECTION FEES	93,349	-	1,000	6,276	100,625
CAPITAL CONTRIBUTIONS - FROM MUNICIPALITY	-	1,683,555	1,921,133	1,628,576	5,233,264
CAPITAL CONTRIBUTIONS - TO MUNICIPALITY	-	(559,061)	(278,363)	-	(837,424)
CHANGES IN NET POSITION	\$ 764,092	\$ 1,231,152	\$ 1,818,492	\$ (591,312)	\$ 3,222,424

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

SCHEDULE OF CHANGES IN UTILITY PLANT As of December 31, 2023

	Balance 1-1-23	Increases	Decreases	Adjustments	Balance 12-31-23
ELECTRIC DEPARTMENT					
Distribution					
Land and land improvements	\$ 263,320	\$ -	\$ -	\$ -	\$ 263,320
Intangibles	89,359	-	-	-	89,359
Structures and improvements	411,762	-	-	-	411,762
Distribution system	28,465,151	593,384	-	-	29,058,535
Street and security lighting system	189,586	2,435	-	-	192,021
Machinery and equipment	<u>2,017,535</u>	<u>168,256</u>	<u>64,590</u>	-	<u>2,121,201</u>
Total Electric Department	<u>31,436,713</u>	<u>764,075</u>	<u>64,590</u>	-	<u>32,136,198</u>
WATER DEPARTMENT					
Production					
Land and land improvements	255,508	44,786	-	-	300,294
Structures and improvements	1,691,894	-	-	-	1,691,894
Wells, pumps and accessories	489,826	43,852	-	-	533,678
Water treatment plant equipment	<u>2,176,114</u>	<u>67,905</u>	-	-	<u>2,244,019</u>
Total Production	<u>4,613,342</u>	<u>156,543</u>	-	-	<u>4,769,885</u>
Distribution					
Distribution system	12,275,231	4,233,526	-	-	16,508,757
Intangibles	1,467	-	-	-	1,467
Machinery and equipment	<u>254,908</u>	-	-	-	<u>254,908</u>
Total Distribution	<u>12,531,606</u>	<u>4,233,526</u>	-	-	<u>16,765,132</u>
Total Water Department	<u>17,144,948</u>	<u>4,390,069</u>	-	-	<u>21,535,017</u>
WASTEWATER COLLECTION DEPARTMENT					
Distribution					
Land	75,041	-	-	-	75,041
Treatment plant	460,477	-	-	-	460,477
Collection system	5,966,256	4,074,480	-	-	10,040,736
Intangibles	2,804	-	-	-	2,804
Machinery and equipment	<u>688,807</u>	<u>55,000</u>	-	-	<u>743,807</u>
Total Wastewater Collection Department	<u>7,193,385</u>	<u>4,129,480</u>	-	-	<u>11,322,865</u>
WASTEWATER TREATMENT DEPARTMENT					
Land	773,038	-	-	-	773,038
Domestic treatment facility	2,293,972	106,673	-	-	2,400,645
Screen house	5,359,481	-	-	-	5,359,481
Industrial treatment facility	6,710,437	-	-	-	6,710,437
Industrial primary plant II	25,688,117	71,854	65,000	-	25,694,971
Sludge disposal	1,089,470	-	-	-	1,089,470
Service center building	3,069,356	-	-	-	3,069,356
Secondary treatment facility	<u>14,669,479</u>	<u>128,800</u>	-	-	<u>14,798,279</u>
Total Wastewater Treatment Department	<u>59,653,350</u>	<u>307,327</u>	<u>65,000</u>	-	<u>59,895,677</u>
GENERAL PLANT					
Land and improvements	597,924	-	-	-	597,924
Intangibles	618,095	-	-	-	618,095
Service center	4,697,545	139,878	-	-	4,837,423
Communications equipment	110,691	-	-	-	110,691
Automated meter read equipment	<u>363,064</u>	-	-	-	<u>363,064</u>
Total General Plant	<u>6,387,319</u>	<u>139,878</u>	-	-	<u>6,527,197</u>
Total Utility Plant in Service	121,815,715	9,730,829	129,590	-	131,416,954
Construction Work in Progress	<u>631,518</u>	<u>5,935,448</u>	<u>6,370,780</u>	-	<u>196,186</u>
TOTAL INVESTMENT IN UTILITY PLANT	<u>\$ 122,447,233</u>	<u>\$ 15,666,277</u>	<u>\$ 6,500,370</u>	<u>\$ -</u>	<u>\$ 131,613,140</u>

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

SCHEDULE OF CHANGES IN ACCUMULATED DEPRECIATION
As of December 31, 2023

	Composite Depreciation Rates	Balance 1-1-23	Increases	Decreases	Adjustments	Balance 12-31-23	Percent of Plant Balance
ELECTRIC DEPARTMENT							
Distribution							
Intangibles		\$ 40,794	\$ 12,985	\$ -	\$ -	\$ 53,779	
Structures and improvements		168,037	9,453	-	-	177,490	
Distribution system		13,269,877	832,079	-	-	14,101,956	
Street and security lighting system		61,022	7,097	-	-	68,119	
Machinery and equipment		1,813,179	71,018	64,590	-	1,819,607	
Total Electric Department	2.9%	15,352,909	932,632	64,590	-	16,220,951	50.5%
WATER DEPARTMENT							
Production							
Structures and improvements		1,199,573	32,570	-	-	1,232,143	
Wells, pumps and accessories		403,645	7,074	-	-	410,719	
Water treatment plant equipment		2,058,102	30,856	-	-	2,088,958	
Total Production		3,661,320	70,500	-	-	3,731,820	
Distribution							
Distribution system		5,302,113	248,669	-	-	5,550,782	
Intangibles		1,467	-	-	-	1,467	
Machinery and equipment		210,715	13,588	-	-	224,303	
Total Distribution		5,514,295	262,257	-	-	5,776,552	
Total Water Department	1.7%	9,175,615	332,757	-	-	9,508,372	44.2%
WASTEWATER COLLECTION DEPARTMENT							
Distribution							
Treatment plant		279,111	6,754	-	-	285,865	
Collection system		2,184,164	146,045	-	-	2,330,209	
Intangibles		2,804	-	-	-	2,804	
Machinery and equipment		277,933	91,876	-	-	369,809	
Total Wastewater Collection Department	2.6%	2,744,012	244,675	-	-	2,988,687	26.4%
WASTEWATER TREATMENT DEPARTMENT							
Domestic treatment facility		1,523,429	93,758	-	-	1,617,187	
Screen house		1,913,132	135,333	-	-	2,048,465	
Industrial treatment facility		6,331,685	42,563	-	-	6,374,248	
Industrial primary plant II		10,685,331	910,801	38,189	-	11,557,943	
Sludge disposal		582,495	50,849	-	-	633,344	
Service center building		1,105,526	103,202	-	-	1,208,728	
Secondary treatment facility		10,945,880	264,508	-	-	11,210,388	
Total Wastewater Treatment Department	2.7%	33,087,478	1,601,014	38,189	-	34,650,303	57.9%
GENERAL PLANT							
Intangibles		488,331	49,869	-	-	538,200	
Service center		2,905,634	133,264	-	-	3,038,898	
Communications equipment		83,617	3,008	-	-	86,625	
Automated meter read equipment		160,260	19,113	-	-	179,373	
Total General Plant	3.2%	3,637,842	205,254	-	-	3,843,096	58.9%
TOTAL ACCUMULATED DEPRECIATION	2.6%	\$ 63,997,856	\$ 3,316,332	\$ 102,779	\$ -	\$ 67,211,409	51.1%

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

SCHEDULE OF CONTRIBUTIONS TO THE CITY OF GRAND RAPIDS
For the Year Ended December 31, 2023

	<u>2023 Payment in Lieu of Taxes</u>
CASH	
Annual cash payment	\$ 868,000
LABOR AND MATERIALS PROVIDED	
Miscellaneous city services	<u>840</u>
 TOTAL CONTRIBUTIONS	 <u>\$ 868,840</u>

This schedule does not include:

1. Administrative costs
2. Employee benefits
3. Water used for City purposes
4. Improvements to City land made by the utility

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STATISTICAL SECTION

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Grand Rapids Public Utilities Commission
STATISTICAL SECTION (UNAUDITED)

This portion of the Grand Rapids Public Utilities Commission's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Commission's overall financial health.

Contents	Page
Financial Trends These schedules contain trend information to help the reader understand how the Commission's financial performance and well-being have changed over time.	41 - 50
Revenue Capacity These schedules contain information to help the reader assess the Commission's most significant revenue source, utility revenues.	51 - 65
Debt Capacity These schedules present information to help the reader assess the affordability of the Commission's current levels of outstanding debt and the Commission's ability to issue additional debt in the future.	66 - 67
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the Commission's financial activities take place.	68 - 69
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the Commission's financial report relates to the services the Commission provides.	70 - 77

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

Net Position by Component,
Last Ten Fiscal Years

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Primary government				
Net investment in capital assets	\$ 37,929,100	\$ 38,291,017	\$ 39,374,349	\$ 40,813,404
Restricted	787,591	958,832	1,181,470	939,416
Unrestricted	<u>7,673,506</u>	<u>5,712,824</u>	<u>5,162,793</u>	<u>5,579,512</u>
Total primary government net position	<u>\$ 46,390,197</u>	<u>\$ 44,962,673</u>	<u>\$ 45,718,612</u>	<u>\$ 47,332,332</u>

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GRAND RAPIDS PUBLIC UTILITIES COMMISSION

Net Position by Component (Continued),
Last Ten Fiscal Years

2018	2019	2020	2021	2022	2023
\$ 41,199,607	\$ 43,027,147	\$ 45,010,756	\$ 43,337,623	\$ 44,370,092	\$ 47,512,259
880,250	1,252,688	796,279	3,537,622	2,768,460	2,574,040
5,834,183	5,676,390	5,537,754	4,358,203	6,188,604	9,634,063
\$ 47,914,040	\$ 49,956,225	\$ 51,344,789	\$ 51,233,448	\$ 53,327,156	\$ 59,720,362

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GRAND RAPIDS PUBLIC UTILITIES COMMISSION

CHANGES IN NET POSITION Last Ten Fiscal Years

Fiscal Year	Operating Revenues	Operating Expenses	Operating Income (Loss)	Total Nonoperating Revenues/ (Expenses)	Income/ (Loss) before Capital Contributions	Capital Contributions	Change in Net Position
2014	\$ 22,519,788	\$ 23,232,724	\$ (712,936)	\$ (469,479)	\$ (1,182,415)	\$ 1,795,836	\$ 613,421
2015	22,765,420	23,357,337	(591,917)	(502,478)	(1,094,395)	1,740,699	646,304
2016	22,520,487	23,527,444	(1,006,957)	(412,909)	(1,419,866)	2,175,805	755,939
2017	23,704,579	23,445,121	259,458	(1,021,838)	(762,380)	2,376,100	1,613,720
2018	22,691,518	22,976,721	(285,203)	(871,255)	(1,156,458)	1,738,166	581,708
2019	22,544,185	22,931,149	(386,964)	(777,878)	(1,164,842)	3,207,027	2,042,185
2020	22,497,289	22,940,754	(443,465)	(677,080)	(1,120,545)	2,509,109	1,388,564
2021	25,314,524	26,024,361	(709,837)	(1,128,233)	(1,838,070)	1,726,729	(111,341)
2022	26,690,218	25,398,523	1,291,695	(951,835)	3,398,600	1,753,848	2,093,708
2023	26,004,875	26,429,220	(424,345)	(849,696)	(1,274,041)	4,496,465	3,222,424

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GRAND RAPIDS PUBLIC UTILITIES COMMISSION

OPERATING REVENUES BY SOURCE Last Ten Fiscal Years

Fiscal Year	Electric Revenues	Water Revenues	Wastewater Collection Revenues	Wastewater Treatment Revenues	Total
2014	\$ 14,822,539	\$ 1,581,167	\$ 1,535,584	\$ 4,580,498	\$ 22,519,788
2015	14,944,554	1,668,295	1,515,178	4,637,393	22,765,420
2016	14,764,345	1,622,794	1,413,578	4,719,770	22,520,487
2017	15,849,263	1,689,970	1,665,847	4,499,499	23,704,579
2018	15,419,378	1,709,315	1,729,956	3,832,869	22,691,518
2019	15,418,632	1,831,540	1,808,115	3,485,898	22,544,185
2020	15,331,223	1,778,042	1,796,436	3,591,588	22,497,289
2021	18,212,360	1,881,458	1,866,283	3,354,423	25,314,524
2022	19,120,685	1,880,120	1,859,784	3,829,629	26,690,218
2023	17,991,569	2,352,711	2,041,644	3,618,951	26,004,875

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GRAND RAPIDS PUBLIC UTILITIES COMMISSION

OPERATING EXPENSES BY SOURCE Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Production</u>	<u>Purchased Power</u>	<u>Distribution/ Collection</u>	<u>Customer Accounts</u>	<u>Administrative and General</u>
2014	\$ 509,114	\$ 10,867,361	\$ 1,446,044	\$ 483,864	\$ 1,509,813
2015	566,272	10,507,885	1,444,665	509,824	1,601,170
2016	497,804	10,423,456	1,514,328	528,368	1,862,302
2017	502,694	10,991,941	1,490,156	485,147	1,640,048
2018	496,597	11,169,489	1,302,074	520,420	1,723,205
2019	508,915	11,336,920	1,460,272	524,056	1,640,373
2020	543,700	11,069,792	1,440,341	451,528	1,675,285
2021	591,648	13,611,143	1,996,952	655,130	1,724,030
2022	619,882	11,797,928	2,113,977	663,767	2,104,239
2023	695,313	12,309,911	2,281,669	558,476	2,103,456

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GRAND RAPIDS PUBLIC UTILITIES COMMISSION

OPERATING EXPENSES BY SOURCE (CONTINUED)
Last Ten Fiscal Years

<u>Service Center</u>	<u>Communications</u>	<u>Domestic Wastewater Treatment</u>	<u>Industrial Wastewater Treatment</u>	<u>Depreciation and Amortization</u>	<u>Total Operating Expenses</u>
\$ 174,823	\$ -	\$ 514,602	\$ 4,945,000	\$ 2,782,103	\$ 23,232,724
146,593	480	558,669	4,982,319	3,039,460	23,357,337
141,329	-	577,033	5,069,119	2,913,705	23,527,444
176,784	-	524,932	4,617,591	3,015,828	23,445,121
141,992	-	543,806	3,973,241	3,105,897	22,976,721
170,066	-	520,359	3,626,299	3,143,889	22,931,149
144,214	-	514,032	3,640,009	3,461,853	22,940,754
164,112	-	553,020	3,406,594	3,321,732	26,024,361
195,345	-	604,589	3,926,815	3,371,981	25,398,523
194,120	-	822,020	4,113,584	3,350,671	26,429,220

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GRAND RAPIDS PUBLIC UTILITIES COMMISSION

NONOPERATING REVENUES AND EXPENSES Last Ten Fiscal Years

Fiscal Year	Investment Income (Loss)	Demand Interest Payments	Landfill Contribution	Grant Revenues	Gain (Loss) on Property Disposition	Interest Expense	Bond Fees
2014	\$ 13,622	\$ 805,596	\$ 395,000	\$ -	\$ 9,942	\$ (946,263)	\$ (2,325)
2015	37,376	674,892	415,000	-	-	(888,317)	(2,875)
2016	40,886	692,800	430,000	-	(761)	(854,681)	(4,713)
2017	38,310	640,948	200,000	-	(392,642)	(776,953)	(3,175)
2018	26,473	600,024	200,000	-	(90,353)	(726,421)	(5,167)
2019	50,825	545,700	210,000	10,000	(82,422)	(659,524)	(4,719)
2020	30,745	486,434	110,000	145,672	(547)	(589,496)	(4,995)
2021	20,730	445,886	110,000	84,329	26,246	(538,572)	(3,750)
2022	(86,061)	470,362	-	-	(26,063)	(416,963)	(3,771)
2023	232,714	307,421	-	-	(24,881)	(492,048)	(3,101)

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GRAND RAPIDS PUBLIC UTILITIES COMMISSION

NONOPERATING REVENUES AND EXPENSES (CONTINUED) Last Ten Fiscal Years

Capitalized Interest	Amortization of Debt Premiums, Discounts, Regulatory Asset and Loss on Refundng	Combined Service Center Contract Revenues	Payment in Lieu of Taxes	Special Pension Funding Contribution Revenue	City Land Improvements	Total Nonoperating Expenses
\$ -	\$ (26,356)	\$ 152,472	\$ (871,167)	\$ -	\$ -	\$ (469,479)
9,494	(26,356)	151,682	(873,374)	-	-	(502,478)
18,899	(24,308)	146,927	(870,255)	12,297	-	(412,909)
-	(22,845)	167,417	(872,898)	-	-	(1,021,838)
-	(22,845)	23,866	(876,832)	-	-	(871,255)
-	(22,583)	46,761	(871,916)	-	-	(777,878)
-	(19,707)	38,351	(873,537)	-	-	(677,080)
-	(23,298)	26,124	(882,288)	-	(393,640)	(1,128,233)
-	(38,660)	24,100	(870,377)	-	(4,402)	(951,835)
-	(22,105)	24,000	(868,840)	-	(2,856)	(849,696)

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GRAND RAPIDS PUBLIC UTILITIES COMMISSION

ANNUAL CAPITAL CONTRIBUTIONS BY SOURCE Last Ten Fiscal Years

Fiscal Year	Electric Connection Fees	Water Connection Fees	Wastewater Collection Connection Fees	Water Capital Contributions (Refunds)
2014	\$ 61,913	\$ 11,870	\$ 200	\$ -
2015	22,402	8,302	200	-
2016	31,138	25,049	5,780	-
2017	26,990	12,842	900	-
2018	13,463	8,896	8,839	-
2019	19,797	11,549	900	-
2020	25,285	10,098	1,000	-
2021	66,954	20,953	1,400	-
2022	142,203	18,556	1,200	-
2023	93,349	6,276	1,000	1,124,494

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GRAND RAPIDS PUBLIC UTILITIES COMMISSION

ANNUAL CAPITAL CONTRIBUTIONS BY SOURCE (CONTINUED)
Last Ten Fiscal Years

Wastewater Collection Capital Contributions (Refunds)	Wastewater Treatment Capital Contributions (Refunds)	Municipality Contribution for Capital Projects	Grants for Capital Projects	Total
\$ -	\$ 1,721,853	\$ -	\$ -	\$ 1,795,836
-	1,709,795	-	-	1,740,699
-	2,113,838	-	-	2,175,805
-	2,335,368	-	-	2,376,100
-	1,706,968	-	-	1,738,166
-	3,174,781	-	-	3,207,027
-	2,087,661	75,000	310,065	2,509,109
-	1,637,422	-	-	1,726,729
-	1,591,889	-	-	1,753,848
1,642,770	1,628,576	-	-	4,496,465

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GRAND RAPIDS PUBLIC UTILITIES COMMISSION

ELECTRIC PRODUCTION AND DISTRIBUTION
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Power Purchased (kWh)</u>	<u>kWh Sold or Accounted for</u>	<u>Unaccounted for kWh</u>	<u>Percent Line Loss</u>	<u>Peak Demand (kW)</u>	<u>Average Peak Demand for Year (kW)</u>	<u>Average Load Factor for Year</u>
2014	173,983,760	164,329,995	9,653,765	5.6%	30,560	26,413	75.4%
2015	175,232,840	168,465,879	6,766,961	3.9%	30,892	26,558	75.7%
2016	172,648,880	159,786,606	12,862,274	7.4%	30,540	26,056	75.7%
2017	164,976,040	157,576,190	7,399,850	4.5%	29,024	25,543	73.9%
2018	162,918,560	156,835,682	6,082,878	3.7%	29,960	25,768	72.7%
2019	158,656,040	150,836,024	7,739,965	4.9%	29,488	24,963	72.8%
2020	156,479,120	150,501,080	5,696,609	3.6%	30,004	24,467	73.5%
2021	159,330,440	152,984,662	6,345,778	4.0%	31,868	25,666	71.6%
2022	163,132,152	156,690,841	6,441,311	4.0%	29,859	25,412	73.3%
2023	159,352,627	152,909,054	6,443,573	4.0%	30,231	26,318	69.6%

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GRAND RAPIDS PUBLIC UTILITIES COMMISSION

kWh SOLD OR ACCOUNTED FOR BY CUSTOMER CLASS
Last Ten Fiscal Years

Fiscal Year	City Residential	City Commercial	City Demand and Energy	Rural Residential	Rural Commercial
2014	35,244,349	24,477,249	59,109,959	9,450,486	2,896,935
2015	34,835,964	23,315,674	64,893,170	9,471,678	2,881,858
2016	33,843,733	22,508,782	59,632,888	8,867,254	2,847,978
2017	34,200,970	23,477,446	56,899,637	8,686,092	3,011,103
2018	36,061,124	23,128,684	57,746,351	9,370,894	3,004,178
2019	34,223,484	22,702,020	56,712,411	8,949,898	2,918,739
2020	37,254,052	21,801,229	54,270,228	9,536,982	2,876,997
2021	37,531,633	21,776,800	55,195,224	9,845,575	3,224,425
2022	36,863,676	22,383,198	57,247,640	9,310,494	3,258,792
2023	35,915,175	22,557,609	57,646,461	9,315,365	3,122,815

Note: All data in kWh

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GRAND RAPIDS PUBLIC UTILITIES COMMISSION

kWh SOLD OR ACCOUNTED FOR BY CUSTOMER CLASS (CONTINUED)
Last Ten Fiscal Years

Rural Demand and Energy	Industrial	Dual Fuel	Street Lighting	Security Lighting	Total kWh Sold or Accounted for
2,629,303	21,953,868	6,965,635	1,315,943	286,268	164,329,995
2,772,963	22,840,000	5,803,624	1,371,223	279,725	168,465,879
2,314,820	22,893,934	5,292,302	1,306,067	278,848	159,786,606
2,195,613	21,855,145	5,727,004	1,242,582	280,598	157,576,190
2,434,108	17,488,247	6,241,085	1,077,931	283,080	156,835,682
2,463,562	15,945,355	5,650,533	980,732	289,290	150,836,024
2,203,449	15,874,761	5,443,937	931,259	308,186	150,501,080
2,262,462	17,338,841	4,622,712	882,943	303,794	152,984,409
2,324,586	19,685,238	4,471,442	836,290	309,485	156,690,841
2,349,544	16,280,261	4,601,690	810,594	309,540	152,909,054

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GRAND RAPIDS PUBLIC UTILITIES COMMISSION

NUMBER OF ELECTRIC CUSTOMER METERS BY TYPE Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>City Residential</u>	<u>City Commercial</u>	<u>Rural Residential</u>	<u>Rural Commercial</u>
2014	4,407	1,179	1,000	158
2015	4,493	1,190	999	163
2016	4,577	1,192	1,005	163
2017	4,582	1,191	1,008	160
2018	4,572	1,197	1,011	164
2019	4,717	1,214	1,006	177
2020	4,716	1,214	1,006	181
2021	4,678	1,210	1,015	186
2022	4,830	1,233	1,007	215
2023	4,811	1,132	1,024	183

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GRAND RAPIDS PUBLIC UTILITIES COMMISSION

NUMBER OF ELECTRIC CUSTOMER METERS BY TYPE (CONTINUED)
Last Ten Fiscal Years

<u>Industrial</u>	<u>Dual Fuel</u>	<u>Total Electric Customers</u>	<u>Security Lights</u>	<u>Water Heater Control Customers</u>	<u>Windsense Customers</u>
9	366	7,119	445	705	98
10	374	7,229	441	707	99
12	372	7,321	441	699	-
12	370	7,323	437	700	-
11	366	7,321	440	685	-
11	378	7,503	469	694	-
12	375	7,504	471	685	-
22	345	7,456	352	683	-
22	374	7,681	445	681	-
20	371	7,541	451	682	-

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GRAND RAPIDS PUBLIC UTILITIES COMMISSION

ELECTRIC RATES - CITY CUSTOMERS Last Ten Fiscal Years

	<u>2014</u> <u>(Aug)</u>	<u>2015</u>	<u>2016</u>	<u>2017</u> <u>(Mar)</u>	<u>2018</u> <u>(Sept)</u>	<u>2019</u>	<u>2020</u> <u>(Sept)</u>	<u>2021</u> <u>(April)</u>	<u>2022</u> <u>(April)</u>	<u>2023</u>
City Residential :										
Customer Charge	\$ 6.65	\$ 6.65	\$ 6.65	\$ 6.89	\$ 9.50	\$ 9.50	\$ 9.75	\$ 10.00	\$ 10.25	\$ 10.40
All kWh per month	-	-	-	-	-	-	-	-	-	-
First 500 kWh per month	0.0779	0.0779	0.0779	0.0807	0.0837	0.0837	0.0854	0.0871	0.0888	0.0900
Over 500 kWh per month	0.1012	0.1012	0.1012	0.1048	0.1078	0.1078	0.1100	0.1122	0.1144	0.1159
City Commercial:										
Customer Charge	12.80	12.80	12.80	13.26	17.75	17.75	18.25	18.75	19.25	19.55
All kWh per month	0.0934	0.0934	0.0934	0.0967	0.0997	0.0997	0.1017	0.1037	0.1058	0.1072
First 10,000 kWh per month	-	-	-	-	-	-	-	-	-	-
Over 10,000 kWh per month	-	-	-	-	-	-	-	-	-	-
Load Management Heating:										
Customer Charge	6.65	6.65	6.65	6.89	7.50	7.50	7.75	8.00	8.25	8.40
Energy Charge: Per kWh	0.0561	0.0561	0.0561	0.0581	0.0611	0.0611	0.0623	0.0635	0.0648	0.0699
Load Management - Storage Heat:										
Customer Charge	6.65	6.65	6.65	6.89	7.50	7.50	7.75	8.00	8.25	8.40
Energy Charge: Per kWh	0.0467	0.0467	0.0467	0.0484	0.0514	0.0514	0.0524	0.0534	0.0545	0.0630
Load Management Cooling - Continuous Control:										
Customer Charge	6.65	6.65	6.65	6.89	7.50	7.50	7.75	8.00	8.25	8.40
Energy Charge: Per kWh	0.0561	0.0561	0.0561	0.0581	0.0611	0.0611	0.0623	0.0635	0.0648	0.0699
Load Management Cooling - Cycled Control:										
Customer Charge	6.65	6.65	6.65	6.89	7.50	7.50	7.75	8.00	8.25	8.40
Energy Charge: Per kWh	0.0779*	0.0779*	0.0779*	0.0807*	0.0837	0.0837	0.0837	0.0871	0.0888	0.0888
* kWh chged @ normal rate for customer class										
Monthly Credit	8.75	8.75	8.75	9.06	9.83	9.83	9.83	9.83	9.83	9.83
Controlled Water Heating:										
Monthly Credit	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
City Demand & Energy:										
Customer Charge	-	-	-	-	17.75	17.75	25.00	26.00	27.00	28.00
Demand Charge: Per kWh	15.85	15.85	15.85	16.41	16.41	16.41	16.74	17.07	17.41	17.64
Energy Charge: Per kWh	0.0437	0.0437	0.0437	0.0453	0.0483	0.0483	0.0493	0.0503	0.0513	0.0520
Minimum kW/month	10	10	10	10	10	10	10	10	10	10
Industrial:										
Customer Charge	-	-	-	-	17.75	17.75	25.00	26.00	27.00	28.00
Demand Charge: Per kW	15.85	15.85	15.85	16.41	16.41	16.41	16.74	17.07	17.41	17.64
Energy Charge: Per kWh	0.0437	0.0437	0.0437	0.0453	0.0483	0.0483	0.0493	0.0503	0.0513	0.0520
Minimum kW/month	10	10	10	10	10	10	10	10	10	10
Entertainment Lighting Rate:										
Seasonal Evening										
Customer Charge	9.10	9.10	9.10	9.42	12.75	12.75	12.75	12.75	12.75	12.75
Energy Charge: Per kWh/mo	0.0968	0.0968	0.0968	0.1002	0.1032	0.1032	0.1032	0.1032	0.1032	0.1032

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

ELECTRIC RATES-RURAL CUSTOMERS Last Ten Fiscal Years

	<u>2014</u> <u>(Aug)</u>	<u>2015</u>	<u>2016</u>	<u>2017</u> <u>(Mar)</u>	<u>2018</u> <u>(Sept)</u>	<u>2019</u>	<u>2020</u> <u>(Sept)</u>	<u>2021</u> <u>(April)</u>	<u>2022</u> <u>(April)</u>	<u>2023</u>
Rural Residential:										
Customer Charge	\$ 7.65	\$ 7.65	\$ 7.65	\$ 7.92	\$ 10.50	\$ 10.50	\$ 10.75	\$ 11.00	\$ 11.25	\$ 11.40
All kWh per month	-	-	-	-	-	-	-	-	-	-
First 500 kWh per month	0.0814	0.0814	0.0814	0.0843	0.0873	0.0873	0.0890	0.0907	0.0922	0.0936
Over 500 kWh per month	0.1047	0.1047	0.1047	0.1084	0.1114	0.1114	0.1136	0.1158	0.1180	0.1195
Rural Commercial;										
Customer Charge	13.80	13.80	13.80	14.29	18.75	18.75	19.25	19.75	20.25	20.55
All kWh per month	0.0971	0.0971	0.0971	0.1006	0.1036	0.1036	0.1056	0.1076	0.1097	0.1111
First 10,000 kWh per month	-	-	-	-	-	-	-	-	-	-
Over 10,000 kWh per month	-	-	-	-	-	-	-	-	-	-
Load Management Heating:										
Customer Charge	6.65	6.65	6.65	6.89	7.50	7.50	7.75	8.00	8.25	8.40
Energy Charge: Per kWh	0.0561	0.0561	0.0561	0.0581	0.0611	0.0611	0.0623	0.0635	0.0648	0.0699
Load Management - Storage Heat:										
Customer Charge	6.65	6.65	6.65	6.89	7.50	7.50	7.75	8.00	8.25	8.40
Energy Charge: Per kWh	0.0467	0.0467	0.0467	0.0484	0.0514	0.0514	0.0524	0.0534	0.0545	0.0630
Load Management Cooling - Continuous Control:										
Customer Charge	6.65	6.65	6.65	6.89	7.50	7.50	7.75	8.00	8.25	8.40
Energy Charge: Per kWh	0.0561	0.0561	0.0561	0.0581	0.0611	0.0611	0.0623	0.0635	0.0648	0.0699
Load Management Cooling - Cycled Control:										
Customer Charge	6.65	6.65	6.65	6.89	7.50	7.50	7.75	8.00	8.25	8.40
Energy Charge: Per kWh	0.0814*	0.0814*	0.0814*	.0807*	0.0837	0.0837	0.0837	0.0837	0.0888	0.0888
* kWh chged @ normal rate for customer class										
Monthly Credit	8.75	8.75	8.75	9.06	9.83	9.83	9.83	9.83	9.83	9.83
Controlled Water Heating:										
Monthly Credit	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Rural Demand & Energy:										
Customer Charge	-	-	-	-	18.75	18.75	25.00	26.00	27.00	28.00
Demand Charge: Per kWh	16.65	16.65	16.65	17.24	17.24	17.24	17.59	17.07	17.41	17.64
Energy Charge: Per kWh	0.0473	0.0473	0.0473	0.0490	0.0520	0.0520	0.0530	0.0540	0.0550	0.0557
Minimum kW/month	10	10	10	10	10	10	10	10	10	10

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

WATER PRODUCTION AND DISTRIBUTION Last Ten Fiscal Years

Fiscal Year	Gallons of Water Pumped	Gallons of Water Used in Processing	Gallons of Water to System	Gallons of Water Distributed	Unaccounted for Gallons	Percent System Loss
2014	445,065	49,915	395,150	329,199	65,951	16.7%
2015	530,167	138,781	391,386	351,196	40,190	10.3%
2016	535,997	152,819	383,178	312,765	70,413	18.4%
2017	507,151	131,338	375,813	319,578	56,235	15.0%
2018	361,329	13,859	347,470	308,695	38,775	11.2%
2019	374,602	34,422	340,180	307,253	32,698	9.6%
2020	399,832	56,480	343,352	298,465	43,946	12.8%
2021	454,165	84,684	369,481	331,125	38,356	10.4%
2022	462,231	111,530	350,701	314,260	36,441	10.4%
2023	521,606	156,315	365,291	329,576	36,085	9.9%

Note: Data in 1000's of gallons

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GRAND RAPIDS PUBLIC UTILITIES COMMISSION

WATER DISTRIBUTION BY CUSTOMER CLASS Last Ten Fiscal Years

Fiscal Year	City Residential	City Commercial	City Industrial	Rural Industrial	System Maintenance	Total Water Gallons Distributed
2014	99,195	154,695	46,666	12,922	15,721	329,199
2015	99,848	163,164	51,413	12,441	24,330	351,196
2016	95,217	156,454	46,810	11,208	3,076	312,765
2017	94,029	157,087	43,717	9,829	14,916	319,578
2018	93,541	162,494	38,815	9,357	4,488	308,695
2019	91,068	165,426	34,730	9,518	6,511	307,253
2020	92,271	153,309	36,191	9,654	7,040	298,465
2021	100,328	168,860	46,783	10,424	4,730	331,125
2022	92,464	156,578	46,660	9,426	9,132	314,260
2023	100,276	176,351	40,611	9,633	4,032	330,903

Notes: Data in 1000's of gallons.

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GRAND RAPIDS PUBLIC UTILITIES COMMISSION

NUMBER OF WATER AND WASTEWATER COLLECTION CUSTOMER METERS BY TYPE Last Ten Fiscal Years

Fiscal Year	City Residential	City Commercial	Rural Residential	Rural Commercial	City Industrial	Rural Industrial	Total Water Customers
2014	2,533	643	-	-	6	2	3,184
2015	2,547	652	-	-	6	2	3,207
2016	2,552	677	-	-	6	2	3,237
2017	2,561	685	-	-	6	2	3,254
2018	2,565	692	-	-	6	2	3,265
2019	2,570	698	-	-	6	2	3,276
2020	2,577	697	-	-	6	2	3,282
2021	2,581	704	-	-	6	2	3,293
2022	2,585	698	-	-	6	2	3,291
2023	2,607	681	-	-	6	2	3,296

Fiscal Year	City Residential	City Commercial	Rural Residential	Rural Commercial	City Industrial	Rural Industrial	Total Wastewater Collection Customers
2014	2,539	605	4	13	1	3	3,165
2015	2,553	611	4	13	1	3	3,185
2016	2,557	626	4	13	1	3	3,204
2017	2,564	630	4	11	1	4	3,214
2018	2,573	625	4	9	1	4	3,216
2019	2,578	629	4	9	1	4	3,225
2020	2,582	626	4	9	1	4	3,226
2021	2,586	623	4	9	1	4	3,227
2022	2,590	618	4	9	1	3	3,225
2023	2,594	623	4	11	1	2	3,235

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

WATER AND WASTEWATER COLLECTION RATES - CITY CUSTOMERS Last Ten Fiscal Years

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u> (Mar)	<u>2018</u> (Sept)	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Water Rates										
Base rate (meter size)										
5/8" - 3/4"	\$ 6.08	\$ 6.08	\$ 6.08	\$ 6.25	\$ 8.50	\$ 8.50	\$ 8.50	\$ 8.50	\$ 8.67	\$ 9.90
1"	8.51	8.51	8.51	8.70	11.84	11.84	11.84	11.84	12.08	13.80
1 1/4"	10.94	10.94	10.94	11.20	13.61	13.61	13.61	13.61	13.87	15.85
1 1/2"	10.94	10.94	10.94	11.20	15.24	15.24	15.24	15.24	15.54	17.76
2"	17.63	17.63	17.63	18.10	24.63	24.63	24.63	24.63	25.12	28.70
3"	66.88	66.88	66.88	68.55	93.26	93.26	93.26	93.26	95.13	108.70
4"	85.12	85.12	85.12	87.20	118.64	118.64	118.64	118.64	121.01	138.27
6"	127.68	127.68	127.68	130.85	178.02	178.02	178.02	178.02	181.58	207.48
Usage rate (per 1,000 gallons)										
First 10,000 gallons	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Next 30,000 gallons	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Next 210,000 gallons	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Next 250,000 gallons	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Residential:										
First 4,000 gallons	3.58	3.58	3.58	3.65	3.72	3.72	3.72	3.72	3.79	4.36
Next 4,000 gallons	4.48	4.48	4.48	4.60	4.69	4.69	4.69	4.69	4.78	5.50
Next 22,000 gallons	5.59	5.59	5.59	5.75	5.87	5.87	5.87	5.87	5.99	6.89
All gallons over 30,000	8.95	8.95	8.95	9.20	9.38	9.38	9.38	9.38	9.57	11.01
Commercial:										
First 40,000 gallons	3.09	3.09	3.09	3.20	3.26	3.26	3.26	3.26	3.33	3.94
Next 360,000 gallons	3.86	3.86	3.86	3.95	4.03	4.03	4.03	4.03	4.11	4.87
All gallons over 400,000	4.94	4.94	4.94	5.05	5.15	5.15	5.15	5.15	5.25	6.22
Industrial:										
First 400,000 gallons	2.69	2.69	2.69	2.75	2.81	2.81	2.81	2.81	3.33	3.76
All gallons over 400,000	3.36	3.36	3.36	3.45	3.52	3.52	3.52	3.52	4.11	4.64
Wastewater Base Charge	6.56	6.56	6.56	8.00	10.80	10.80	10.80	10.80	11.02	11.50
Wastewater Collection Rates (per 1,000 gallons)										
Residential	3.50	3.50	3.50	4.25	4.35	4.35	4.35	4.35	4.44	4.68
Commercial	3.86	3.86	3.86	4.70	4.80	4.80	4.80	4.80	4.90	4.99

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

WATER AND WASTEWATER COLLECTION RATES - RURAL CUSTOMERS Last Ten Fiscal Years

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u> (Mar)	<u>2018</u> (Sept)	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u> (Feb)	<u>2023</u>
Water Rates										
Base rate (meter size)										
5/8" - 3/4"	\$ 6.69	\$ 6.69	\$ 6.69	\$ 6.85	N/A	N/A	N/A	N/A	N/A	N/A
1"	9.36	9.36	9.36	9.60	N/A	N/A	N/A	N/A	N/A	N/A
1 1/4"	12.03	12.03	12.03	12.35	N/A	N/A	N/A	N/A	N/A	N/A
1 1/2"	12.03	12.03	12.03	12.35	N/A	N/A	N/A	N/A	N/A	N/A
2"	19.39	19.39	19.39	19.90	N/A	N/A	N/A	N/A	N/A	N/A
3"	73.57	73.57	73.57	75.40	N/A	N/A	N/A	N/A	N/A	N/A
4"	93.63	93.63	93.63	95.95	N/A	N/A	N/A	N/A	N/A	N/A
6"	140.45	140.45	140.45	143.95	N/A	N/A	N/A	N/A	N/A	N/A
Usage rate (per 1,000 gallons)										
First 10,000 gallons	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Next 30,000 gallons	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Next 210,000 gallons	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Next 250,000 gallons	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Residential:										
First 4,000 gallons	3.94	3.94	3.94	4.00	N/A	N/A	N/A	N/A	N/A	N/A
Next 4,000 gallons	4.93	4.93	4.93	5.05	N/A	N/A	N/A	N/A	N/A	N/A
Next 22,000 gallons	6.15	6.15	6.15	6.30	N/A	N/A	N/A	N/A	N/A	N/A
All gallons over 30,000	9.85	9.85	9.85	10.05	N/A	N/A	N/A	N/A	N/A	N/A
Commercial:										
First 40,000 gallons	3.40	3.40	3.40	3.50	N/A	N/A	N/A	N/A	N/A	N/A
Next 360,000 gallons	4.25	4.25	4.25	4.35	N/A	N/A	N/A	N/A	N/A	N/A
All gallons over 400,000	5.43	5.43	5.43	5.55	N/A	N/A	N/A	N/A	N/A	N/A
Industrial:										
First 400,000 gallons	2.67	2.67	2.67	2.75	2.92	2.92	2.92	2.92	2.92	2.92
All gallons over 400,000	3.34	3.34	3.34	3.40	3.64	3.64	3.64	3.64	3.64	3.64
Wastewater Base Charge	7.22	7.22	7.22	8.80	11.80	11.80	11.80	11.80	12.04	12.04
Wastewater Collection Rates (per 1,000 gallons)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Residential	3.85	3.85	3.85	4.70	4.80	4.80	4.80	4.80	4.90	4.99
Commercial	4.24	4.24	4.24	5.15	5.25	5.25	5.25	5.25	5.36	5.45

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

TEN LARGEST CUSTOMERS Current Year and Nine Years Ago

	Fiscal Year 2023			
Customer	Water Revenue		Wastewater Collection Revenue	
	Amount	%	Amount	%
UPM Blandin Paper Co.	\$ 100,268	4.88%	\$ 23,479	1.26%
City of Cohasset	-	-	115,829	6.21%
Zips Car Wash LLC	71,321	3.47%	61,389	3.29%
Wastewater Treatment Plant	49,746	2.42%	-	-
City of LaPrairie	43,519	2.12%	29,349	1.57%
Grand Itasca Clinic & Hospital	35,964	1.75%	33,324	1.79%
School District 318	30,572	1.49%	24,369	1.31%
Housing and Redevelopment	29,883	1.45%	21,394	1.15%
City of Grand Rapids	27,459	1.34%	8,885	0.48%
Grand Hospitality LLC	20,836	1.01%	17,676	0.95%
Majestic Pine Grand LLC	18,096	0.88%	13,092	0.70%
Subtotal (10 largest)	427,663	20.82%	348,787	18.69%
Balance from other customers	1,626,401	79.18%	1,517,637	81.31%
Grand Totals	\$ 2,054,064	100.00%	\$ 1,866,424	100.00%

	Fiscal Year 2014			
Customer	Water Revenue		Wastewater Collection Revenue	
	Amount	%	Amount	%
Blandin Paper Co.	\$ 112,049	7.81%	\$ 117,716	8.50%
City of Cohasset	-	-	79,906	5.77%
Wastewater Treatment Plant	41,124	2.87%	-	-
City of LaPrairie	41,451	2.89%	22,244	1.61%
Grand Itasca Clinic & Hospital	26,968	1.88%	23,822	1.72%
Housing and Redevelopment	24,847	1.73%	17,985	1.30%
School District 318	18,331	1.28%	16,937	1.22%
Grand Hospitality LLC	13,883	0.97%	13,075	0.94%
YMCA	10,844	0.76%	10,257	0.74%
Evergreen Terrace	11,922	0.83%	11,552	0.83%
Pine Ridge Apartments	10,877	0.76%	12,325	0.89%
Subtotal (10 largest)	312,296	21.77%	325,819	23.54%
Balance from other customers	1,122,306	78.23%	1,058,425	76.46%
Grand Totals	\$ 1,434,602	100.00%	\$ 1,384,244	100.00%

Notes: Dollar values reflected include base rate charges, as well as multiple meters on various accounts

Due to changes in Minnesota state statutes, the Commission is no longer allowed to disclose information on its electric customers.

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

WASTEWATER COLLECTION AND TREATMENT Last Ten Fiscal Years

Fiscal Year	Influent					
	Flow			Total Suspended Solids		
	Domestic (1,000 gal.)	Industrial (1,000 gal.)	Total Flow (1,000 gal.)	Domestic (tons)	Industrial (tons)	Total Suspended Solids (tons)
2014	463,292	1,806,423	2,269,715	656	15,950	16,606
2015	456,310	1,931,150	2,387,460	623	14,729	15,352
2016	500,030	1,927,860	2,427,890	533	14,335	14,868
2017	486,150	1,936,610	2,422,760	558	14,604	15,162
2018	460,390	1,557,460	2,017,850	588	11,207	11,795
2019	553,030	1,419,130	1,972,160	619	8,839	9,458
2020	516,680	1,416,590	1,933,270	568	7,357	7,925
2021	466,790	1,520,450	1,987,240	623	7,928	8,551
2022	513,820	1,539,690	2,053,510	574	9,732	10,306
2023	509,460	1,303,060	1,812,520	598	6,571	7,169

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GRAND RAPIDS PUBLIC UTILITIES COMMISSION

WASTEWATER COLLECTION AND TREATMENT (CONTINUED) Last Ten Fiscal Years

Biochemical Oxygen Demand			Effluent			
Domestic (tons)	Industrial (tons)	Total BOD (tons)	Flow (1,000 gal.)	Total Suspended Solids (tons)	Biochemical Oxygen Demand (tons)	Landfill Solids (cubic yards)
471	6,999	7,470	2,275,943	23	24	61,812
379	6,683	7,062	2,398,538	24	22	60,084
410	4,887	5,297	2,446,389	27	27	58,956
440	7,905	8,345	2,439,620	23	25	60,874
482	5,520	6,002	2,029,600	17	27	51,312
503	3,069	3,572	1,985,330	18	28	41,136
441	2,981	3,422	1,946,180	18	33	35,928
467	4,603	5,070	1,979,620	29	78	44,700
488	6,758	7,246	2,063,990	34	65	48,612
511	4,439	4,950	1,821,690	21	33	33,912

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GRAND RAPIDS PUBLIC UTILITIES COMMISSION

RATIOS OF OUTSTANDING DEBT BY TYPE Last Ten Fiscal Years

Fiscal Year	General Obligation Revenue Bonds	G.O. Revenue Notes (1)	Long-Term Payable to City	Leases Payable	Total		As a Share of Personal Income
					Amount	Per Capita	
2014	8,315,000	21,526,000	435,800	-	30,276,800	2,785.61	N/A
2015	7,406,386	20,315,000	223,600	268,233	28,213,219	2,595.75	N/A
2016	6,438,149	19,068,000	114,400	1,549,353	27,169,902	2,499.76	N/A
2017	5,684,912	17,785,000	-	1,492,754	24,962,666	2,183.01	N/A
2018	4,925,000	16,464,000	-	1,469,887	22,858,887	2,007.10	N/A
2019	4,135,000	15,105,000	-	1,221,038	20,461,038	1,796.56	N/A
2020	3,420,000	13,781,000	-	964,292	18,165,292	1,594.85	N/A
2021	4,767,187	12,419,000	-	-	17,186,187	1,508.88	N/A
2022	3,052,500	11,017,000	-	-	14,069,500	1,246.96	N/A
2023	7,149,000	9,575,000	-	-	16,724,000	1,474.00	N/A

(1) The 2011 G.O. Revenue Bond amount includes \$2,990,000 issued to refund 2001A G.O. Wastewater Revenue Bonds in 2011.
(1) In 2013, \$20,470,482 (\$22,299,000 x 91.8%) in G.O. Revenue Notes are secured by a Bank Letter of Credit

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

PLEDGED REVENUE COVERAGE Last Ten Fiscal Years

Fiscal Year	Gross Revenues	Gross Expenses (1)	Net Revenue Available for Debt Service	Debt Service			Coverage Ratio
				Principal	Interest	Total	
2014	25,159,990	21,321,788	3,838,202	2,165,200	951,267	3,116,467	123%
2015	25,341,316	21,191,251	4,150,065	2,323,200	892,280	3,215,480	129%
2016	25,167,258	21,484,755	3,682,503	2,476,847	865,130	3,341,977	110%
2017	26,130,624	21,694,833	4,435,791	2,341,570	797,146	3,138,716	141%
2018	24,961,381	20,838,009	4,123,372	2,338,115	736,683	3,074,798	134%
2019	24,973,471	20,741,598	4,231,873	2,397,849	681,623	3,079,472	137%
2020	25,238,556	20,352,985	4,885,571	2,295,745	607,455	2,903,200	168%
2021	27,641,962	23,584,917	4,057,045	3,167,792	609,813	3,777,605	107%
2022	27,102,618	22,926,982	4,175,636	3,030,000	465,198	3,495,198	119%
2023	26,569,010	23,947,389	2,621,621	1,920,500	338,386	2,258,886	116%

(1) Excludes interest expense, bond fees, amort of issuance costs and depreciation

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

DEMOGRAPHIC AND ECONOMIC STATISTICS Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Population</u>	<u>Personal Income</u>	<u>Per Capita Personal Income</u>	<u>Unemployment Rate</u>
2014	10,869	N/A	N/A	9.90%
2015	10,869	N/A	N/A	7.60%
2016	10,869	N/A	N/A	6.70%
2017	11,435	N/A	N/A	8.47%
2018	11,389	N/A	N/A	10.60%
2019	11,389	N/A	N/A	6.10%
2020	11,390	N/A	N/A	5.60%
2021	11,390	N/A	N/A	5.28%
2022	11,283	N/A	N/A	4.61%
2023	11,346	N/A	N/A	4.00%

Source: Minnesota Department of Employment and Economic Development

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

PRINCIPAL EMPLOYERS Current Year and Nine Years Ago

Taxpayer	2023			2014		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
ISD #318 (1)	716	1	8.94%	624	1	6.68%
Grand Itasca Clinic & Hospital	526	2	6.57%	600	2	6.43%
Itasca County	421	3	5.26%	420	4	4.50%
Northland Counseling Center, Inc.	250	4	3.12%	-	-	-
ASV Inc. (3)	250	5	3.12%	450	9	4.82%
UPM Blandin Paper Mill	226	6	2.82%	460	3	4.93%
North Homes, Inc.	250	7	3.12%	-	-	-
Arrowhead Promotion & Fulfillment	220	8	2.75%	290	7	3.11%
Wal-Mart	183	9	2.29%	300	5	3.21%
City of Grand Rapids (1)	179	10	2.24%	234	8	2.51%
Grand Village Nursing Home (2)	-	-	-	160	10	1.71%
Magnetation (4)	-	-	-	300	6	3.21%
Total	3,221		40.24%	3,838		41.10%
All other employers	4,784		59.76%	5,500		58.90%
Total	8,005		100.00%	9,338		100.00%

Source: Minnesota Department of Employment and Economic Development

- (1) Includes full- and part-time employees.
- (2) Itasca County Nursing Home dba Grand Village
- (3) Formerly Terex Corp., Inc.
- (4) Includes all employees in the State of Minnesota

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

FULL-TIME EQUIVALENT COMMISSION EMPLOYEES BY FUNCTION Last Ten Fiscal Years

	2014	2015	2016	2017
Administration	2	2	3	2
Customer Service and Billing	4	4	4	4
Electric	10	10	9	10
Finance and Accounting	4	4	4	4
Meter Reading	2	2	2	1
Wastewater Treatment	11	11	11	11
Water Distribution/Wastewater Collection	4	4	4	4
Water Treatment	2	2	2	2
Total Employees	39	39	39	38
 Commissioners	 5	 5	 5	 5

Source: GRPUC payroll records

Notes:

All managers and supervisors are included with their departments

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GRAND RAPIDS PUBLIC UTILITIES COMMISSION

FULL-TIME EQUIVALENT COMMISSION EMPLOYEES BY FUNCTION (CONTINUED)
Last Ten Fiscal Years

<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
2	2	2	2	2	2
4	5	5	5	4	4
10	9	9	9	10	10
4	5	6	6	5	6
1	0	0	0	0	0
11	11	9	9	10	10
3	3	2	2	2	2
2	2	3	3	3	3
<u>37</u>	<u>37</u>	<u>36</u>	<u>36</u>	<u>36</u>	<u>37</u>
5	5	5	5	5	5

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GRAND RAPIDS PUBLIC UTILITIES COMMISSION

OPERATING AND CAPITAL INDICATORS - ELECTRIC Last Ten Fiscal Years

<u>Electric</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Number of substations	5	5	5	5
Main substation capacity (MVA)	54	54	54	54
Distribution transformer capacity (KVA)	131,843	99,403	116,723	116,723
Miles of electric overhead line (not including neutral conductor)	145	150	149	150
Miles of electric underground line	199	205	211	211

Source: GRPUC mapping system

MVA = megavolt ampere - added Tioga Substation

KVA = kilovolt ampere

N/A = not available

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GRAND RAPIDS PUBLIC UTILITIES COMMISSION

OPERATING AND CAPITAL INDICATORS - ELECTRIC (CONTINUED)
Last Ten Fiscal Years

<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
5	6	6	6	6	6
54	54	54	73	73	73
112,741	116,723	118,396	119,632	121,437	124,460
149	150	150	157	157	157
222	222	222	219	221	225

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GRAND RAPIDS PUBLIC UTILITIES COMMISSION

OPERATING AND CAPITAL INDICATORS - WATER AND WASTEWATER Last Ten Fiscal Years

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<u>Water</u>				
Number of treatment plants	1	1	1	1
Treatment capacity (MGD)	3.24	3.24	3.24	3.24
Water Storage Capacity (MG)	2	2	2	2
Number of wells	5	5	5	5
Number of booster stations	1	1	1	1
Number of pressure districts	3	3	3	3
Miles of water main	79	81	81	81
<u>Wastewater</u>				
Number of treatment plants	2	2	2	2
Treatment capacity (MGD)	15.2	15.2	15.2	15.2
Number of lift stations	11	11	13	13
Number of pump stations	1	1	2	2
Miles of wastewater collection main	68	68	68	68

Source: GRPUC GIS mapping system

MGD = millions of gallons per day

MG = million gallons

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

OPERATING AND CAPITAL INDICATORS - WATER AND WASTEWATER (CONTINUED)
Last Ten Fiscal Years

2018	2019	2020	2021	2022	2023
1	1	1	1	1	1
3.24	3.24	3.24	3.24	3.24	3.24
2	2	2	2	2	2
5	5	5	5	5	5
1	1	1	1	1	1
3	3	3	3	3	3
81	81	81	81	81	82
2	2	2	2	2	2
15.2	15.2	15.2	15.2	15.2	15.2
13	14	14	14	14	16
2	2	2	2	2	2
68	68	68	68	68	69

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GRAND RAPIDS PUBLIC UTILITIES COMMISSION

ELECTRIC DEPARTMENT SELECTED FINANCIAL AND OPERATING RATIOS (Unaudited)

	2023	2022	Industry Average (2023)*
FINANCIAL RATIOS			
Electric revenue per kWh			
All retail customers	\$ 0.107	\$ 0.104	\$ 0.105
Residential customers	\$ 0.119	\$ 0.112	\$ 0.121
Commercial customers	\$ 0.108	\$ 0.104	\$ 0.111
Industrial customers	\$ 0.088	\$ 0.086	\$ 0.081
Electric operating ratio	0.898	0.067	0.901
Net income (loss) per electric revenue dollar	\$ 0.065	\$ 0.180	\$ 0.041
Uncollectible accounts per electric revenue dollar	\$ 0.0228	\$ 0.0204	\$ 0.0005
OPERATING RATIOS			
Retail customers per non-power-generation employee	766	850	272
Total electric O&M expense per kWh sold	\$ 0.083	\$ 0.083	\$ 0.091
Total electric O&M expense (excluding power supply expense) per retail customer	\$ 170	\$ 150	\$ 616
Total power supply expense per kWh sold	\$ 0.081	\$ 0.075	\$ 0.073
Purchased power cost per kWh purchased	\$ 0.077	\$ 0.072	\$ 0.071
Retail customers per meter reader	7,668	7,652	7,260
Distribution O&M expense per retail customer	\$ 170	\$ 150	\$ 192
Distribution O&M expense per circuit mile	\$ 3,447	\$ 3,041	\$ 6,772

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

ELECTRIC DEPARTMENT SELECTED FINANCIAL AND OPERATING RATIOS (CONTINUED) (Unaudited)

	2023	2022	Industry Average (2023)*
Customer accounting, service and sales expense per retail customer	\$ 49	\$ 62	\$ 75
Administrative and general expense per retail customer	\$ 148	\$ 141	\$ 218
Energy loss percentage	4.04%	3.95%	3.31%
System load factor	69.6%	73.3%	56.6%

* APPA "Financial and Operating Ratios of Public Power Utilities" published December 2022, using 2021 data.

**MINNESOTA LEGAL COMPLIANCE
INDEPENDENT AUDITORS' REPORT**

Grand Rapids Public Utilities Commission
Grand Rapids Public Utilities

We have audited, in accordance with auditing standards general accepted in the United States of America, the financial statements of Grand Rapids Public Utilities Commission as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Grand Rapids Public Utilities Commission's basic financial statements, and have issued our report thereon dated April 22, 2024.

In connection with our audit, nothing came to our attention that caused us to believe that Grand Rapids Public Utilities Commission failed to comply with the provisions of the contracting – bid laws, depositories of public funds and public investments, conflicts of interest, public indebtedness, claims and disbursements and miscellaneous provisions sections of the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding Grand Rapids Public Utilities Commission's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

This purpose of this report is solely to describe to the scope of our testing of compliance relating to the provisions of the *Minnesota Legal Compliance Audit for Cities* and the results of that testing and not to provide an opinion on compliance. Accordingly, this report is not suitable for any other purpose.

CliftonLarsonAllen LLP

St. Cloud, Minnesota
April 22, 2024