

**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 Years Ended December 31, 2021 and 2020

Prepared by:

Business Services Department

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

A Component Unit of the City of Grand Rapids, Minnesota

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GRAND RAPIDS
PUBLIC UTILITIES

Service is Our Nature

500 SE Fourth Street • Grand Rapids, Minnesota 55744

June 2, 2022

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, 2021 is hereby submitted. This report was prepared by the Business Services Department, with the assistance of our independent auditing firm, Baker Tilly US, 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 Baker Tilly US, LLP conducted this year's audit. Based on the audit, Baker Tilly US, LLP issued an unmodified opinion on the financial statements for the years ended December 31, 2021 and 2020. 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 5,888 city customers, 1,201 rural customers (including the City of LaPrairie), and 375 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 2019, the generation capacity charge for each year is based on the previous year generation capacity charge adjusted as determined by the power supply formula rate for capacity, except that the charge will not be more than 2% higher, or more than 1% lower, than the previous year's charge. GRPUC negotiated a new wholesale Electric Service Agreement with Minnesota Power effective in 2022 that extends through December 31, 2029.

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 150 overhead and 222 underground conductor miles. The GRPUC is responsible for all construction, operation, and maintenance of the electric distribution system.

The GRPUC provides potable water for 3,285 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 .5 million gallon elevated storage reservoirs and 81 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 3,209 city customers and 14 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 68-mile system of gravity and force mains. The system includes 14 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 leases a portion of the building 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 expenditures 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 located 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 11,126 in 2021.

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 600 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.

LONG-TERM FINANCIAL PLANNING

In September 2007, the GRPUC contracted with Collaboration Unlimited to assist with the development of a Strategic Business Plan (SBP). Input for the plan came from employees, customers, representatives of the City of Grand Rapids and other stakeholders.

FACTORS AFFECTING FINANCIAL CONDITION (cont.)

LONG-TERM FINANCIAL PLANNING (cont.)

The GRPUC also formed a Community Advisory Panel which contributed ideas, opinions and information, as well as reviewed and provided comments on the planning documents. The SBP communicates the overarching Strategic Framework that provides broad and enduring guidance. The more focused Annual Business Plan consists of operational goals, financial goals, and resource requirements. The Plan begins with a vision to the year 2015.

In 2000, the GRPUC contracted with R.W. Beck, Inc. to complete a 10-year comprehensive capital improvement plan for the electric distribution system. The GRPUC also hired R. W. Beck, Inc. to perform a management and operation review of the electric department which was completed in March 2001. The recommendations of that study are reviewed and implemented when deemed beneficial to the Utilities. 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.

TKDA Engineers were hired in 2002 to complete a Comprehensive Water System Study applicable to the next ten years. The study addressed water production, treatment and pumping capacities, as well as distribution and fire flow capabilities. Water production, treatment and pumping capacities were found to be adequate. Several of the distribution/fire flow system improvements identified in the study were implemented. The remainder of the recommendations, whose implementation is based on growth, will be phased in as required to meet demand for service. In 2019, Short Elliot Hendrickson performed a comprehensive water and sewer study. The project scope was to assess current flow and pressure scenarios, system deficiencies, and develop a capital improvement plan.

In 2009, the GRPUC authorized construction of the \$31.0 million Wastewater Treatment Facility (WWTF) Phase 1 Improvement Project. GRPUC received \$4.5 million in state and federal grants and a low interest loan for up to \$28.5 million from the Minnesota Public Facilities Authority (PFA) to complete the financing of the project. To ensure ratepayers and city taxpayers were not liable in the event of a default, the facilities' largest user backed 91.8% of the PFA loan with an irrevocable draw letter of credit. The facility came on line April 2011.

The GRPUC also contracted with Kaeding and Associates in 2001 to design and assist in the implementation of a Supervisory Control and Data Acquisition (SCADA) System for its Water Production and Treatment Facilities (WPTF). The SCADA system selected for the Water Treatment Facility is the standard that will be deployed throughout the utility. The system has also been installed in portions of the Wastewater Treatment Facility, the Electric Distribution System, and was implemented as part of the Phase 1 WWTF Improvements project.

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 2020, David Berg Consulting conducted an electric cost of service and rate design study to review GRPUC retail electric rates. The results of the study were presented to the GRPU Commission with a five-year financial plan and financial performance indicators.

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 2021:

Electric Department

- > Inspected and replaced a portion of the system power poles.
- > Completed the conversion of the NW 5th Street electric distribution system from an overhead to an underground system for the City of Grand Rapids trail project.
- > Continued to analyze electric distribution system low reliability areas and correct issues.
- > Removed overhead electrical lines and re-routed fiber lines around Itasca County Justice Center construction project. Converted City Hall from an overhead to an underground electrical service and removed several businesses electrical services as part of the Justice Center construction project.
- > Implemented phase one of a new outage management system to track electric system outages.
- > Replaced nine AMI gateway modems enabling the transfer to 4G and 5G cellular systems.
- > Completed the utility's portion of the Itasca Clean Energy Solar Plus Battery Storage Project planned to be energized in 2022.
- > Reviewed electric department policies and procedures including interdepartmental policies and procedures.
- > Coordinated with several utilities and contractors to successfully restore GRPUC electric service outages to customers, caused by the July 26 storm, in a timely manner. This declared county-wide large July 26 storm emergency affected 65% of GRPUC customers.
- > Received \$332,479 of grants from MN Homeland Security Department for costs associated with the county-wide declared July 26 storm emergency.

Water and Wastewater Department

- > Finished deployment of water meters and nodes for the AMI installation project. Supply chain issues prevented installation of the last one percent meter and nodes.
- > Replaced deteriorated water and sewer mains, manholes and customer service lines in conjunction with the City of Grand Rapids reconstruction project for NE 2nd Avenue (7th St. and 9th St.).
- > Completed the project to add candy-cane style hydrant markers throughout the water distribution system.
- > Continued to systematically replace aging equipment in the water treatment plant and distribution system such as high service pump controls, pumps and valve pit communication devices.
- > Continued to systematically replace aging equipment in the wastewater collection system such as lift station pumps, pump control systems and cellular based alarm systems.
- > Received MPCA certification of GRPU internal lab to be able to test key analytics for compliance with wastewater permit.
- > Completed the super-oxygenation project to oxygenate the industrial influent to reduce odors and eliminate chemical usage at the primary plant.
- > Purchased 2019 Vactor 2100 Plus jetter vac truck on a Peterbuilt chassis as well as an Envirosight camera and trailer which replaced the twenty-year-old Vac-con jetter vac truck.
- > Replaced the high-speed gearboxes on two aeration basin mixers and replace waste activated sludge pump 1 at the secondary plant.

FACTORS AFFECTING FINANCIAL CONDITION (cont.)

MAJOR INITIATIVES (cont.)

- > Completed the required federal AIWA risk and resilience for the water system.
- > Successfully implemented the approved GRPUC drought plan upon notice from MN DNR during summer drought conditions.

Business Services Department

- > Implemented upgrade of financial system software to GP Dynamics 2018 and associated Cogsdale and other third-party software. Trained GRPUC staff on the software changes.
- > Selected and began to implement a fully automated payroll time entry and time off approval system for all GRPUC employees.
- > Started to review, revise, and develop accounting, finance, and customer policies and procedures including interdepartmental policies and procedures.
- > Initiated review and realigned various work flow processes performed by customer service team members.
- > Provided training for new CSR team members due to several retirements.
- > Completed the AMI water meter node installation project.

Administration

- > Implemented the Policy Governance Model, in collaboration with the Commission, by reviewing and updating Commission policies and internal procedures (SOPs).
- > Completed off-boarding six employees with 178 years of experience. Five employees retired with 160 years of experience.
- > Hired and on-boarded four new employees.
- > Administered safety management with one reportable accident for the calendar year.
- > Finalized the combination of the Water-Sewer and the Wastewater Treatment Departments into the Water-Wastewater Department, updated job descriptions, posted for and filled positions.
- > Worked collectively with NEMMPA to negotiate 13 local municipal wholesale electric service agreements.
- > Replaced the Commission meeting software platform in conjunction with the City of Grand Rapids.
- > Presented the Itasca Clean Energy Solar plus Battery Storage Project at several peer and community organizations.

Projects for 2022 include:

Electric Department

- > Inspect and replace a portion of the system power poles.
- > Update the electric cost of service rate study originally developed in 2019.
- > Energize the community solar garden battery and monitor the usage of the battery to offset the community's peak energy usage.
- > Implement energy saving lighting at combined service center.

FACTORS AFFECTING FINANCIAL CONDITION (cont.)

MAJOR INITIATIVES (cont.)

- > Prepare for several commercial and residential customer new requests for services with supply chain challenges.
- > Finalize implementation and training of the new outage management system to track electric system outages.
- > Convert Crystal Springs single phase overhead distribution to underground for improved reliability.
- > Contract for aerial photography of GRPUC service area to be used with GIS software.
- > 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.
- > Replace failed AMI Gateways with new models for improved reliability.

Water and Wastewater Department

- > Replace the aging water treatment plant filter blower, air compressor, filter effluent valve and high service pump 2 controls.
- > Replace the aging and failing east and west valve pit valves.
- > Replace water hydrants for the Highway 2 west connection trail in conjunction with City of Grand Rapids reconstruction projects.
- > Perform mid-Tower coating repairs.
- > Upgrade security systems at the water treatment plant.
- > Perform a water leak study of the GRPUC distribution system.
- > Replace aged water treatment plant influent and effluent flow meters.
- > Water treatment plant renovation of critical equipment due to end of useful life.
- > Replace aged water treatment plant sludge pump.
- > Rehabilitation of Well #1.
- > Upgrade communication systems between water treatment plant and remote wells.
- > Replace aged water treatment plant turbidity meters.
- > Clean and replace water treatment plant aerator media.
- > Conduct a cost of service rate study for the water, wastewater collection, and wastewater treatment systems.
- > Replace 12 bad sections of wastewater collection mains identified from jetting/televising.
- > Work with City of Grand Rapids on 7th Avenue SE overlay project.
- > Purchase generators and switches for lift stations 2 and 3.
- > Update controls on lift stations 6 and 7.
- > Repair Parkson Domestic Screen for domestic waste.
- > Replace second and third screws of the custom sludge screw conveyor.
- > Research options to reduce landfill leachate generation for phases 1-4 and kettle D.
- > Overhaul repairs to aged aeration basin mixers at the secondary waste treatment plant.

Business Services Department

- > Implement focused enterprise resource planning software training for GRPUC team members on real time issues with external software trainers.
- > Complete implementation of a fully automated payroll time entry and time off approval system for all GRPUC employees.

FACTORS AFFECTING FINANCIAL CONDITION (cont.)

MAJOR INITIATIVES (cont.)

- > Develop an enterprise resource planning software request for proposal in partnership with City of Grand Rapids.
- > Realign tasks for information technology support with external contractors to allow focus internally on exporting data from current software.
- > Continue to review, revise, and develop accounting, finance, and customer policies and procedures including interdepartmental policies and procedures.
- > Review and improve various work flow processes performed by business service team members.
- > Implement use of purchasing cards for small purchases improving accounts payable efficiency.
- > Implement use of electronic vendor payments.
- > Cross-train business services team members on critical core payroll and accounts payable functions.
- > Streamline inter-governmental billing for services with City of Grand Rapids.

Administration Department

- > Continue implementing the Policy Governance Model, in collaboration with the Commission, by reviewing and updating Commission policies and internal procedures (SOPs).
- > Continue to improve overall efficiency through updated workflows and procedures.
- > Improve customer communications via updated and improved website.
- > Improve internal communication with an intranet platform for a one-stop shop for all employees.
- > Prepare documentation to conduct a classification and compensation study in late 2022/early 2023.
- > Mentor 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.
- > Celebrate with the community the Itasca Clean Energy Solar Plus Battery Storage Project by hosting tours and providing education on solar energy.
- > Complete off-boarding two employees retiring with 33 years of combined experience.
- > Complete on-boarding three employee positions.
- > Prepare to renegotiate key contracts for water and wastewater services with major customers.
- > Presentation at MN State Legislature for possible bond funding of the water treatment plant rehabilitation project.

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, 2020. This was the twenty-first 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
Business Services Manager



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, 2020

Christopher P. Morill

Executive Director/CEO

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

ORGANIZATION
DECEMBER 31, 2021

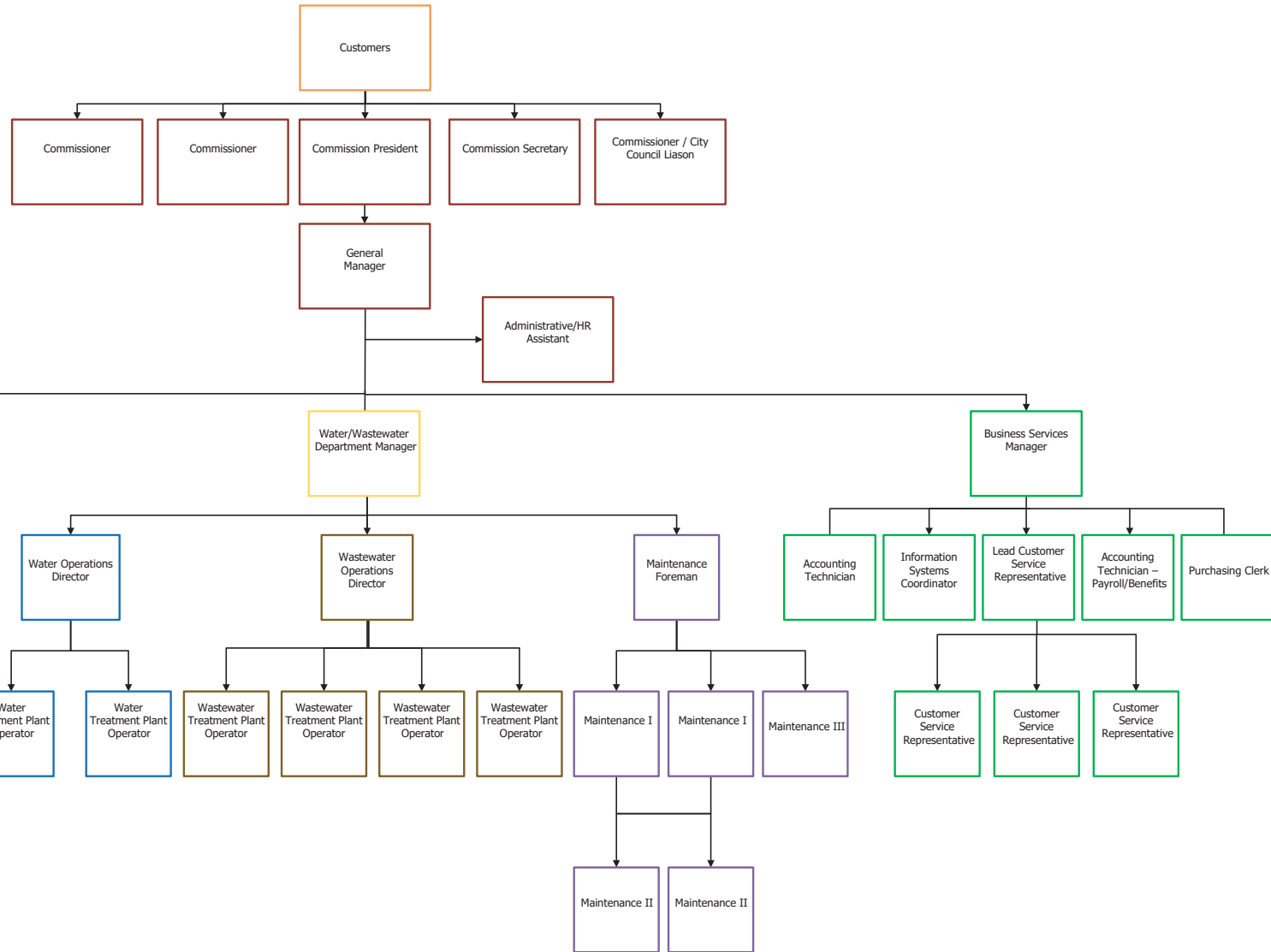
The Grand Rapids Public Utilities Commission, Grand Rapids, Minnesota was established in 1910 by City Council resolution. The members of the Commission are appointed to three year terms by the City Council. The Commission manages and controls the electric, water and wastewater collection and treatment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

COMMISSION

<u>Position</u>	<u>Name</u>	<u>Term Expires</u>
President	Tom Stanley	3/1/2024
Secretary	Kathy Kooda	3/1/2022
Commission Member	Luke Francisco	3/1/2023
Commission Member	Rick Smith	3/1/2025
Commission Member	Rick Blake	1/1/2022

ADMINISTRATION

General Manager.....	Julie A. Kennedy
Business Services Manager.....	Jean M. Lane
Electric Distribution Manager.....	Jeremy J. Goodell
Water/Wastewater Manager.....	Steven R. Mattson



2021-12-03 Organizational Chart

Independent Auditors' Report

To the Commission of
Grand Rapids Public Utilities Commission

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 years ended December 31, 2021 and 2020, 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, 2021 and 2020, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 GRPUC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 required supplementary information, as listed in the table of contents 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 as a whole. The supplementary information as listed in the table of contents is 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 auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects, in relation to the financial statements as a whole.

Other 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.

Baker Tilly US, LLP

Madison, Wisconsin
June 2, 2022

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS As of and for the Years Ended December 31, 2021 and 2020 (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, 2021 and 2020. 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 pages i – ix of this report. The GRPUC implemented Governmental Accounting Standards Board Statement No. 34 – *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* – for the first time in 2003.

FINANCIAL HIGHLIGHTS

- > The GRPUC's net position decreased by \$111,341 or 0.22%, from 2020 to 2021. A decrease in total assets is based mainly on decreases in accounts receivables, decreases in capital assets, and decreases in total liabilities.
- > Total operating revenues increased \$2,822,288, or 12.55%, between 2020 and 2021. Electric revenues were \$2,881,137, or 18.79%, higher than the previous year due to increases in the purchase power adjustment to residential, commercial, and industrial customer sales. Overall, kWh sales were up 1.46% from 2020. Water operating revenues increased by \$108,469, or 6.10%, due to increases in city and rural sales and miscellaneous services. The number of water gallons sold increased overall by 10.59%. Wastewater collection revenues were up \$69,847, or 3.89%, from 2020, primarily due to an increase in wastewater collection sales. Wastewater treatment revenues were \$237,165, or 6.60%, lower than in 2020, due to decreased demand costs to treat a major customer wastewater by the GRPUC.
- > Total operating expenses increased by \$3,083,607, or 13.44%, over the previous year. Higher purchased power costs of \$2,541,351 and distribution/collection of \$556,611 costs were the main causes of the 2021 increase.
- > Total electric department operating expenses increased by \$2,899,336, or 19.53%. Increases in purchased power expense of \$2,541,351, or 22.96% and distribution of \$410,571 or 44.82% are offset by decreases in the other operating expenses of \$52,586 or 1.84%. Water department operating expenses increased \$189,297, or 11.65%, with increases in production costs of \$47,948, or 8.82%, and in distribution expenses of \$83,151, or 27.14%, also increases in general administration of \$15,178 or 4.73%. Wastewater collection department operating expenses increased by \$236,266 or 19.11%. Increases in collection expenses of \$62,889, or 28.85%, and increases in domestic treatment of \$38,988 or 7.58% along with increases in other expenses of \$134,389 or 26.63% account for the increased costs. Total operating expenses in the Wastewater Treatment department decreased by \$241,292 or 4.61%. Decreases in the service center costs of \$19,785 or 13.68%, the primary plant II of \$504,790 or 28.38%, the screen house of \$11,928 or 4.50%, were offset by a increases in sludge disposal expenses of \$128,085 or 29.84% and secondary treatment facility of \$205,815 or 14.12% resulting in the total decrease in wastewater treatment costs.
- > Non-operating revenues decreased \$102,940 or 12.69%, in 2021, due to decreases in investment income, demand interest payments, grants, and lease revenue. Overall, non-operating expenses were up by \$353,266 or 23.74%, mainly due to city land improvements.

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.

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS As of and for the Years Ended December 31, 2021 and 2020 (UNAUDITED)

OVERVIEW OF THE FINANCIAL STATEMENTS (cont.)

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, 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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>Change 2021-2020</u>	<u>Change 2020-2019</u>
Current and Other Assets	\$ 30,362,009	\$ 29,688,627	\$ 32,255,591	\$ 673,382	\$ (2,566,964)
Capital Assets	60,439,330	63,066,249	63,266,625	(2,626,919)	(200,376)
Total Assets	<u>90,801,339</u>	<u>92,754,876</u>	<u>95,522,216</u>	<u>(1,953,537)</u>	<u>(2,767,340)</u>
Deferred Outflows of Resources	1,407,112	447,702	449,406	959,410	(1,704)
Long-Term Debt Outstanding	17,186,187	17,201,201	19,238,438	(15,014)	(2,037,237)
Other Liabilities	9,280,217	9,760,312	9,671,939	(480,095)	88,373
Total Liabilities	<u>26,466,404</u>	<u>26,961,513</u>	<u>28,910,377</u>	<u>(495,109)</u>	<u>(1,948,864)</u>
Deferred Inflows of Resources	14,508,599	14,896,276	17,105,020	(387,677)	(2,208,744)
Net Investment in					
Capital Assets	43,337,623	45,010,756	43,027,147	(1,673,133)	1,983,609
Restricted	3,537,622	796,279	1,252,688	2,741,343	(456,409)
Unrestricted	4,358,203	5,537,754	5,676,390	(1,179,551)	(138,636)
Total Net Position	<u>\$ 51,233,448</u>	<u>\$ 51,344,789</u>	<u>\$ 49,956,225</u>	<u>\$ (111,341)</u>	<u>\$ 1,388,564</u>

As shown in the above table, net position decreased by \$111,341 or 0.22%, to \$51,233,448 in 2021. The change was due to decreases in total assets and increase in deferred outflow which was offset by decreases in long-term debt and deferred inflows.

In 2020, net position increased by \$1,388,564, or 2.78%, to \$51,344,789. Decreases in total assets and deferred outflows were offset by decreases in long-term debt and deferred inflows.

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS As of and for the Years Ended December 31, 2021 and 2020 (UNAUDITED)

FINANCIAL ANALYSIS (cont.)

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 health.

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

	2021	2020	2019	Change 2021-2020	Change 2020-2019
OPERATING REVENUES					
Electric	\$ 18,212,360	\$ 15,331,223	\$ 15,418,632	\$ 2,881,137	\$ (87,409)
Water	1,886,511	1,778,042	1,831,540	108,469	(53,498)
Wastewater collection	1,866,283	1,796,436	1,808,115	69,847	(11,679)
Wastewater treatment	3,354,423	3,591,588	3,485,898	(237,165)	105,690
Total Operating Revenues	<u>25,319,577</u>	<u>22,497,289</u>	<u>22,544,185</u>	<u>2,822,288</u>	<u>(46,896)</u>
OPERATING EXPENSES					
Production	591,648	543,700	508,915	47,948	34,785
Purchased power	13,611,143	11,069,792	11,336,920	2,541,351	(267,128)
Distribution/collection	1,996,952	1,440,341	1,460,272	556,611	(19,931)
Customer accounts	655,130	451,528	524,056	203,602	(72,528)
Administrative and general	1,724,030	1,675,285	1,640,373	48,745	34,912
Service center	164,112	144,214	170,066	19,898	(25,852)
Domestic wastewater treatment	553,020	514,032	520,359	38,988	(6,327)
Industrial wastewater treatment	3,406,594	3,640,009	3,626,299	(233,415)	13,710
Depreciation	3,321,732	3,461,853	3,143,889	(140,121)	317,964
Total Operating Expenses	<u>26,024,361</u>	<u>22,940,754</u>	<u>22,931,149</u>	<u>3,083,607</u>	<u>9,605</u>
NON-OPERATING REVENUES (EXPENSES)					
Investment income (loss)	15,677	30,745	50,825	(15,068)	(20,080)
Demand interest payments	445,886	486,434	545,700	(40,548)	(59,266)
Landfill contribution	110,000	110,000	210,000	-	(100,000)
Grant revenues	84,329	145,672	10,000	(61,343)	135,672
Gain (loss) on property disposition	26,246	(547)	(82,422)	26,793	81,875
Interest expense	(538,572)	(589,496)	(659,524)	50,924	70,028
Bond fees	(3,750)	(4,995)	(4,719)	1,245	(276)
Amortization of debt premium, discounts, and regulatory assets	(23,298)	(19,707)	(22,583)	(3,591)	2,876
City land improvements	(393,640)	-	-	(393,640)	-
Combined service center lease revenues	26,124	38,351	46,761	(12,227)	(8,410)
Payment in lieu of taxes	(882,288)	(873,537)	(871,916)	(8,751)	(1,621)
Total Non-Operating Revenues (Expenses)	<u>(1,133,286)</u>	<u>(677,080)</u>	<u>(777,878)</u>	<u>(456,206)</u>	<u>100,798</u>
Income (Loss) Before Contributions	(1,838,070)	(1,120,545)	(1,164,842)	(717,525)	44,297
Capital Contributions	1,726,729	2,509,109	3,217,027	(782,380)	(707,918)
Changes in Net Position	(111,341)	1,388,564	2,052,185	(1,499,905)	(663,621)
Beginning Net Position	51,344,789	49,956,225	47,904,040	1,388,564	2,052,185
Total Net Position - Ending	<u>\$ 51,233,448</u>	<u>\$ 51,344,789</u>	<u>\$ 49,956,225</u>	<u>\$ (111,341)</u>	<u>\$ 1,388,564</u>

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS As of and for the Years Ended December 31, 2021 and 2020 (UNAUDITED)

FINANCIAL ANALYSIS (cont.)

Total operating revenues in 2021 increased \$2,822,288, or 12.55% from 2020. Electric revenues increased \$2,881,137, or 18.79%, increases in all classes of revenue, with a significant increase in purchased power adjustment of \$2 million. Water revenues increased by \$108,469, or 6.10%, due to increases in all classes of sales. Wastewater collection revenues increased \$69,847, or 3.89%, primarily attributable to an increase in city residential and commercial sales. Wastewater Treatment operating revenues decreased by \$237,165, or 6.60%, due to decreased costs covered by an industrial customer. Total operating expenses increased \$3,083,607, or 13.44%, over the prior year. All expense classes were higher, except industrial wastewater and depreciation which were lower. A significant increase in expenses was \$2,541,351 in purchased power or 22.96% higher. Non-operating revenues decreased \$102,940 or 12.69%, in 2021, due to lower demand interest payments, investment income, and grant revenue. Overall, non-operating expenses were up by \$353,266 or 23.74%, mainly due to city land improvements.

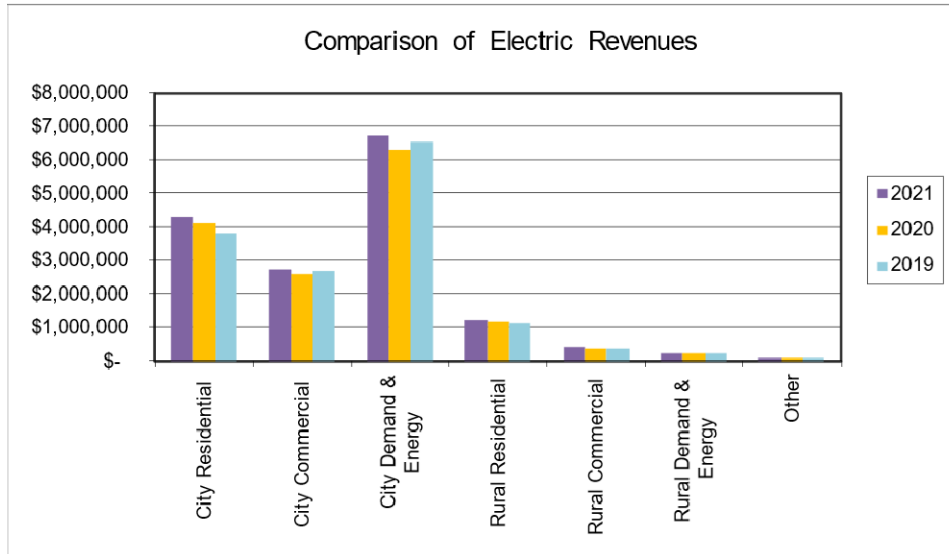
In 2020, total operating revenues decreased \$46,896, or 0.21% from the previous year. Electric revenues decreased \$87,409, or 0.57%, increases in commercial and industrial sales were offset by reductions in other operating revenues. Water revenues decreased by \$53,498, or 2.92%, due to reduction in commercial and industrial sales. Wastewater collection revenues declined \$11,679, or 0.65%, primarily attributable to a decrease in commercial and residential sales. Wastewater Treatment operating revenues rose by \$105,690, or 3.03%, due to increased costs covered by industrial customer. Total operating expenses increased \$9,605, or 0.04%, over the prior year. Higher production, administrative, wastewater treatment, and depreciation expenses were offset by reductions in purchased power, utility distribution, and customer accounts. Non-operating revenues decreased \$52,084 or 6.03%, in 2020, due to lower demand interest payments and landfill contribution. Overall, non-operating expenses were down by \$152,882, or 9.32%, mainly due to a reduction in interest expense.

In 2019, total operating revenues decreased \$147,333, or 0.65% from the previous year. Electric revenues decreased \$746, due to reductions in commercial and industrial sales. Water revenues increased by \$122,225, or 7.15%, due to an increase in city and rural water sales. Wastewater collection revenues rose \$78,159, or 4.52%, primarily attributable to an increase in city and rural sales. Wastewater Treatment operating revenues fell by \$346,971, or 9.05%, due to reduced industrial treatment costs at the Wastewater Treatment facilities. Total operating expenses decreased \$45,572, or 0.20%, over the prior year. Higher production, purchased power, administrative, distribution, and depreciation expenses were offset by reductions in wastewater treatment costs. Non-operating revenues increased by \$12,923 or 1.52% in 2019, due to higher investment income and landfill contribution. Overall, non-operating expenses were down by \$80,454, or 4.67%, mainly due to a reduction in the interest expense.

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

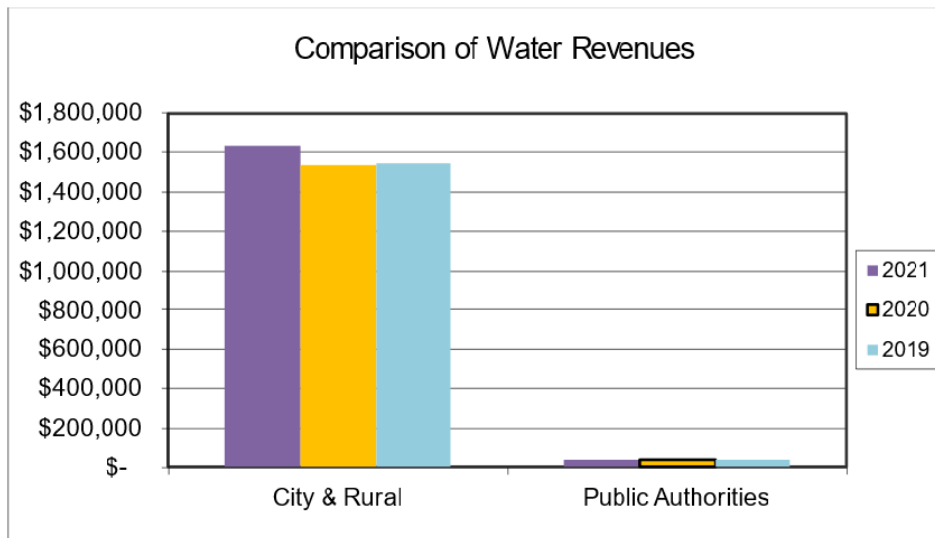
MANAGEMENT'S DISCUSSION AND ANALYSIS
 As of and for the Years Ended December 31, 2021 and 2020
 (UNAUDITED)

FINANCIAL ANALYSIS (cont.)



In 2021, electric sales revenues increased \$801,283, or 5.41%, over 2020 sales. All classes of revenue increased over 2020.

Electric sales revenues for 2020 were \$46,010, or 0.31%, higher than the previous year. Sales revenues were higher in city residential and other and all other classes were lower in 2020.



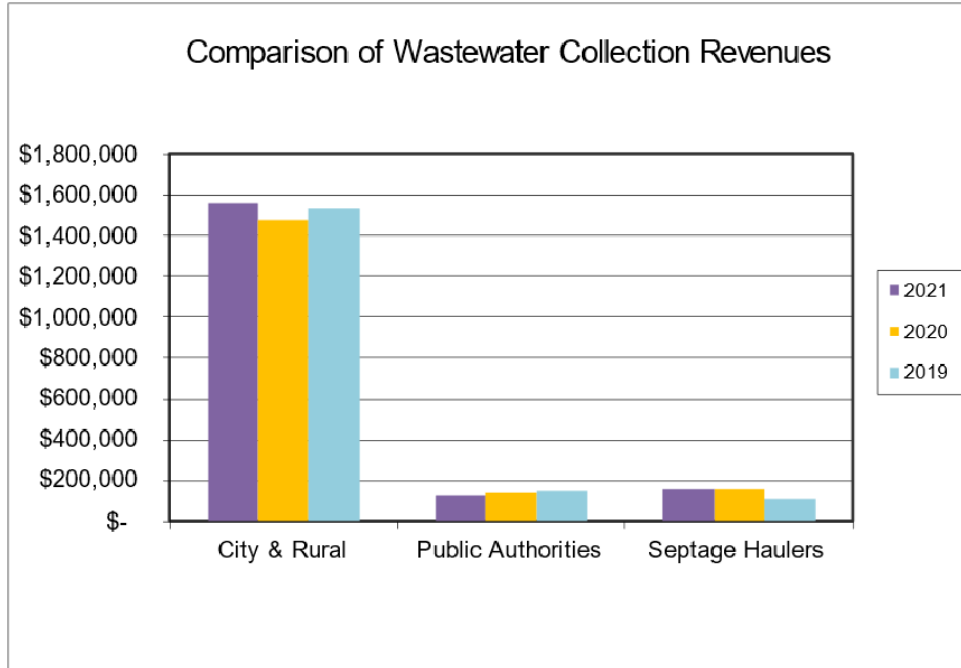
Water sales increased \$103,862, or 6.63%, in 2021 over the previous year. Revenues in all customer classes were higher than in 2020.

Water sales decreased \$11,138, or 0.71%, in 2020 over the previous year. Revenues in city & rural customer class was slightly lower and public authorities customer class was slightly higher than in 2019.

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Years Ended December 31, 2021 and 2020
(UNAUDITED)

FINANCIAL ANALYSIS (cont.)



Wastewater Collection utility revenues for 2021 increased \$75,532, or 4.27%, over 2020 revenues. City & rural and septic haulers revenue sales classes were higher and Public Authorities were lower.

Wastewater Collection utility revenues for 2020 decreased \$15,714, or 0.88%, over 2019 revenues. All revenue sales classes were lower, except septic haulers.

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Years Ended December 31, 2021 and 2020
(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

	2021	2020	2019	Change 2021-2020	Change 2020-2019
Cash Flows From:					
Operating activities	\$ 3,211,861	\$ 3,143,435	\$ 3,099,353	\$ 68,426	\$ 44,082
Noncapital financing activities	(749,563)	(248,911)	(342,098)	(500,652)	93,187
Capital and related financing activities	(544,434)	(4,324,119)	(2,614,585)	3,779,685	(1,709,534)
Investing activities	(16,792)	37,256	38,180	(54,048)	(924)
Net Change in Cash and Cash Equivalents	1,901,072	(1,392,339)	180,850	3,293,411	(1,573,189)
Cash and Cash Equivalents - Beginning of Year	3,608,892	5,001,231	4,820,381	(1,392,339)	180,850
Cash and Cash Equivalents - End of Year	\$ 5,509,964	\$ 3,608,892	\$ 5,001,231	\$ 1,901,072	\$(1,392,339)

Cash and Cash Equivalents increased by \$1,901,072 in 2021. An increase in cash from operations and capital related financing activities and a decrease in cash from noncapital and investing activities were the major impacts on cash balances. The majority of the increase was \$1,170,000 restricted cash held to pay off debt in early 2022.

Cash and Cash Equivalents decreased by \$1,392,339, in 2020. An increase in cash from operations and a decrease in cash from noncapital and capital 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 Years Ended December 31, 2021 and 2020 (UNAUDITED)

FINANCIAL ANALYSIS (cont.)

During 2021, net capital assets decreased \$2,626,919. Electric department capital assets increased \$548,492, or 1.56%. Additions due to several overhead to underground projects made up most of the increase. Water department capital assets increased \$42,528, or 0.24%. Wastewater Collection capital assets decreased \$101,088 or 1.27%. Increase in water capital assets were mainly to purchases of equipment. The wastewater collection decrease in capital assets was related to retirement of equipment. Wastewater Treatment assets increased by \$853,084, or 1.44%, mainly due acquisition of replacement equipment. The decrease in Construction Work in Progress was related to reclassification and close out of several completed projects.

Table 4
Condensed Schedule of Capital Assets

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>Change 2021-2020</u>	<u>Change 2020-2019</u>
Capital Assets - Electric					
Distribution	\$ 30,961,610	\$ 30,441,062	\$ 29,824,213	\$ 520,548	\$ 616,849
General	4,690,234	4,662,290	4,592,163	27,944	70,127
Total Electric Capital Assets	<u>35,651,844</u>	<u>35,103,352</u>	<u>34,416,376</u>	<u>548,492</u>	<u>686,976</u>
Capital Assets - Water					
Production	4,594,566	4,574,713	4,574,713	19,853	0
Distribution	12,393,107	12,375,090	11,818,281	18,017	556,809
General	781,706	777,048	765,361	4,658	11,687
Total Water Capital Assets	<u>17,769,379</u>	<u>17,726,851</u>	<u>17,158,355</u>	<u>42,528</u>	<u>568,496</u>
Capital Assets - Wastewater Collection					
Collection	7,070,610	7,176,356	6,193,501	(105,746)	982,855
General	781,706	777,048	765,361	4,658	11,687
Total Wastewater Collection Capital Assets	<u>7,852,316</u>	<u>7,953,404</u>	<u>6,958,862</u>	<u>(101,088)</u>	<u>994,542</u>
Capital Assets - Wastewater Treatment					
Treatment Facilities	59,947,781	59,094,697	59,349,013	853,084	(254,316)
Total Wastewater Treatment Capital Assets	<u>59,947,781</u>	<u>59,094,697</u>	<u>59,349,013</u>	<u>853,084</u>	<u>(254,316)</u>
Total Capital Assets	121,221,320	119,878,304	117,882,606	1,343,016	1,995,698
Less: Accumulated Depreciation	(61,044,276)	(57,982,508)	(54,913,024)	(3,061,768)	(3,069,484)
Construction Work in Progress	<u>262,286</u>	<u>1,170,453</u>	<u>297,043</u>	<u>(908,167)</u>	<u>873,410</u>
Net Capital Assets	<u>\$ 60,439,330</u>	<u>\$ 63,066,249</u>	<u>\$ 63,266,625</u>	<u>\$ (2,626,919)</u>	<u>\$ (200,376)</u>

During 2020, net capital assets decreased \$200,376. Electric department capital assets increased \$686,976, or 2.00%. Additions due to the Advanced Metering Infrastructure (AMI) project made up most of the increase. Water department capital assets increased \$568,496, or 3.31%. Wastewater Collection capital assets increased \$994,542, or 14.29%. Increases in water and wastewater collection capital assets were mainly related to infrastructure projects for the City. Wastewater Treatment assets decreased by \$254,316, or 0.43%, mainly due retirement of equipment. The decrease in Construction Work in Progress was related to the AMI project.

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS As of and for the Years Ended December 31, 2021 and 2020 (UNAUDITED)

LONG-TERM DEBT

At December 31, 2021 the GRPUC had five bond issues, one revenue note, and zero long term capital leases outstanding. Proceeds from the General Obligation Water Revenue Note of 1999 were used to construct an elevated water storage tank. The 2009A Taxable General Obligation Wastewater Revenue Bonds were used to construct Phase 7 of the Industrial Sludge Landfill.

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 91.8% of the principal and interest payments due on the debt.

In 2011, the GRPUC approved the issuance and sale of \$3,965,000 Taxable General Obligation Wastewater Revenue and Refunding Bonds. Proceeds of the bonds were used for an advance crossover refunding of the 2001A General Obligation Wastewater Revenue Bond amounts maturing from December 2013 to December 2021. The refunding bond amount of \$2.9 million was used to refund the 2001A bonds at the call date of December 1, 2012. The remaining bond proceeds of \$975,000 were used to construct Phase 8 of the Industrial Sludge Landfill. These bonds were paid off in 2021.

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 Taxable 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 taxable refunding bonds were issued in September 2021 and the Taxable General Obligation Utility Revenue Bonds, Series 2013C will be 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.

A lease purchase agreement for \$142,571 was entered into in February 2017 to finance the acquisition of a John Deere loader and this lease purchase agreement was paid off in 2020. In 2018, two additional leases, for \$103,265 and \$125,984, were used to finance two new trucks for the Wastewater Treatment Facility. The truck leases were paid off in 2021. See Note 6 for additional information on leases.

Additional information on the GRPUC's long-term debt can be found in Note 10 of the notes to financial statements.

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Years Ended December 31, 2021 and 2020
(UNAUDITED)

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

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

STATEMENTS OF NET POSITION As of December 31, 2021 and 2020

	2021	2020
ASSETS		
CURRENT ASSETS		
Cash and investments	\$ 3,689,146	\$ 4,340,686
Accounts receivable	3,229,994	3,135,303
Due from City of Grand Rapids	18,505	133,387
Materials and supplies	613,402	659,088
Interest receivable	4,197	4,728
Prepaid expenses	129,278	272,089
Restricted cash and investments - current portion	1,605,313	582,657
Restricted accounts receivable - current portion	1,599,161	2,035,830
Total Current Assets	<u>10,888,996</u>	<u>11,163,768</u>
NONCURRENT ASSETS		
Restricted cash and investments - non-current portion	2,367,505	794,549
Restricted accounts receivable - non-current portion	11,815,292	13,235,844
Capital Assets		
Plant in service	121,221,320	119,878,304
Accumulated depreciation	(61,044,276)	(57,982,508)
Construction work in progress	262,286	1,170,453
Other Assets		
Other investments	-	10,000
Other long-term receivables	12,320	98,990
Regulatory assets	159,654	99,663
Non-utility property (net of amortization)	592,157	645,588
Financial assurance landfill closure	4,526,085	3,640,225
Total Noncurrent Assets	<u>79,912,343</u>	<u>81,591,108</u>
Total Assets	<u>90,801,339</u>	<u>92,754,876</u>
DEFERRED OUTFLOWS OF RESOURCES		
Service territory acquisition	185,580	219,917
Loss on refunding of debt	84,480	-
Pension	1,137,052	227,785
Total Deferred Outflows of Resources	<u>1,407,112</u>	<u>447,702</u>

LIABILITIES

	<u>2021</u>	<u>2020</u>
CURRENT LIABILITIES		
Accounts payable	\$ 1,832,215	\$ 1,424,978
Due to City of La Prairie	12,930	13,399
Sales tax payable	105,664	58,216
Due to City of Grand Rapids	129,038	166,264
Accrued compensated absences	219,594	224,059
Unearned revenues	113,392	111,227
Accrued interest - lease obligation	-	6,943
Current portion of lease obligation	-	230,395
Accrued payroll	58,672	91,546
Current liabilities payable from restricted assets:		
Current portion of long-term debt	1,859,000	2,107,000
Accrued interest	170,729	187,198
Customer deposits	435,196	430,330
Total Current Liabilities	<u>4,936,430</u>	<u>5,051,555</u>
NONCURRENT LIABILITIES		
Long-term debt, net premium and discount	15,327,187	15,094,201
Customer advances for construction	-	2,500
Lease obligation	-	733,897
Accrued compensated absences	96,636	118,893
Net pension liability	1,580,066	2,320,242
Landfill closure/post closure costs	4,526,085	3,640,225
Total Noncurrent Liabilities	<u>21,529,974</u>	<u>21,909,958</u>
 Total Liabilities	 <u>26,466,404</u>	 <u>26,961,513</u>
	DEFERRED INFLOWS OF RESOURCES	
Demand payment deferral	12,915,642	14,681,597
Other deferred credits	34,772	37,909
Pension	1,558,185	176,770
 Total Deferred Inflows of Resources	 <u>14,508,599</u>	 <u>14,896,276</u>
	NET POSITION	
Net investment in capital assets	43,337,623	45,010,756
Restricted for		
Capital replacement	2,367,622	796,279
Debt service	1,170,000	-
Unrestricted	4,358,203	5,537,754
 TOTAL NET POSITION	 <u>\$ 51,233,448</u>	 <u>\$ 51,344,789</u>

See accompanying notes to financial statements.

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the Years Ended December 31, 2021 and 2020

	2021	2020
OPERATING REVENUES		
Electric	\$ 18,212,360	\$ 15,331,223
Water	1,886,511	1,778,042
Wastewater collection	1,866,283	1,796,436
Wastewater treatment	3,354,423	3,591,588
Total Operating Revenues	25,319,577	22,497,289
OPERATING EXPENSES		
Production	591,648	543,700
Purchased power	13,611,143	11,069,792
Distribution/collection	1,996,952	1,440,341
Customer accounts	655,130	451,528
Administrative and general	1,724,030	1,675,285
Service center	164,112	144,214
Domestic wastewater treatment	553,020	514,032
Industrial wastewater treatment	3,406,594	3,640,009
Depreciation and amortization	3,321,732	3,461,853
Total Operating Expenses	26,024,361	22,940,754
OPERATING INCOME (LOSS)	(704,784)	(443,465)
NONOPERATING REVENUES (EXPENSES)		
Investment income	15,677	30,745
Demand interest payments	445,886	486,434
Landfill contribution	110,000	110,000
Gain (loss) on property disposition	26,246	(547)
Interest expense	(538,572)	(589,496)
Bond fees	(3,750)	(4,995)
Amortization of debt premiums and discounts	(2,641)	(2,883)
Amortization of regulatory asset	(20,657)	(16,824)
Combined service center lease revenues	26,124	38,351
Grant revenue	84,329	145,672
City land improvements	(393,640)	-
Payment in lieu of taxes	(882,288)	(873,537)
Total Nonoperating Revenues (Expenses)	(1,133,286)	(677,080)
Income (Loss) Before Contributions	(1,838,070)	(1,120,545)
CAPITAL CONTRIBUTIONS - CONNECTION FEES	89,307	36,383
CAPITAL CONTRIBUTIONS - MUNICIPALITY	-	75,000
CAPITAL CONTRIBUTIONS	1,637,422	2,397,726
CHANGES IN NET POSITION	(111,341)	1,388,564
NET POSITION - Beginning of Year	51,344,789	49,956,225
NET POSITION - END OF YEAR	\$ 51,233,448	\$ 51,344,789

See accompanying notes to financial statements.

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

STATEMENTS OF CASH FLOWS For the Years Ended December 31, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Received from customers	\$ 25,556,707	\$ 22,404,242
Combined service center lease revenues	26,124	38,351
Paid to suppliers for goods and services	(19,504,454)	(16,608,792)
Paid to employees for services	(2,866,516)	(2,690,366)
Net Cash Flows From Operating Activities	3,211,861	3,143,435
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Demand interest payments	445,886	486,434
Landfill contributions	110,000	110,000
Principal payments on long-term debt - landfill	(110,000)	(110,000)
Non-capital grant received	84,329	145,672
Interest paid on long-term debt - landfill	(3,850)	(7,480)
City land improvements	(393,640)	-
Payment in lieu of taxes to City of Grand Rapids	(882,288)	(873,537)
Net Cash Flows From Noncapital and Related Financing Activities	(749,563)	(248,911)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(634,230)	(3,322,387)
Capital contributions received	1,685,370	1,789,463
Capital lease payments	(964,292)	(256,747)
Principal payments on long-term debt	(2,104,415)	(1,929,001)
Proceeds from debt issue	2,031,632	-
Interest paid on long-term debt and lease payments	(558,499)	(605,447)
Net Cash Flows From Capital and Related Financing Activities	(544,434)	(4,324,119)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	16,208	37,256
Sale of investments	1,384,000	1,629,000
Purchase of investments	(1,417,000)	(1,629,000)
Net Cash Flows From Investing Activities	(16,792)	37,256
Net Change in Cash and Cash Equivalents	1,901,072	(1,392,339)
CASH AND CASH EQUIVALENTS – Beginning of Year	3,608,892	5,001,231
CASH AND CASH EQUIVALENTS – END OF YEAR	\$ 5,509,964	\$ 3,608,892

	2021	2020
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH		
FLOW FROM OPERATING ACTIVITIES		
Operating income (loss)	\$ (704,784)	\$ (443,465)
Adjustments to reconcile operating income (loss) to cash from operating activities		
Nonoperating revenue	22,374	33,356
Depreciation and amortization	3,321,732	3,461,853
Changes in assets, deferred outflows, liabilities, and deferred inflows		
Accounts receivable	236,986	(77,266)
Other current assets	188,497	(125,568)
Other assets	(832,429)	221,783
Accounts payable	406,768	341,181
Other current liabilities	10,474	5,372
Other liabilities	(54,617)	9,058
Deferred inflows of resources	884,888	(170,090)
Pension related deferrals and liabilities	(268,028)	(112,779)
NET CASH FLOWS FROM OPERATING ACTIVITIES	\$ 3,211,861	\$ 3,143,435
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENTS OF NET POSITION		
Cash and investments	\$ 3,689,146	\$ 4,340,686
Restricted cash and investments - current portion	1,605,313	582,657
Restricted cash and investments	2,367,505	794,549
Other investments	-	10,000
Sub-totals	7,661,964	5,727,892
Less: Noncash equivalents	(2,152,000)	(2,119,000)
CASH AND CASH EQUIVALENTS	\$ 5,509,964	\$ 3,608,892
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Deposits to escrow for bond refunding	\$ 1,170,368	\$ -
Debt issuance costs paid by bond refunding	\$ 91,314	\$ -
Capital contributions - municipality	\$ -	\$ 75,000
Capital receivable from grant and customers	\$ 84,939	\$ 707,308

See accompanying notes to financial statements.

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2021 and 2020

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 Years Ended December 31, 2021 and 2020

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.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This statement establishes requirements for interest cost incurred before the end of a construction period. GRPUC adopted this statement effective January 1, 2021 and there was no financial impact.

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.

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 \$268,129 and \$251,557 at December 31, 2021 and 2020, respectively.

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2021 and 2020

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

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

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. Current liabilities payable from these restricted assets are so classified.

Regulatory Assets

The Commission has approved bond issuance and water tower painting costs to be recorded as regulatory assets.

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 \$500 and an estimated useful life in excess of one year.

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.

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2021 and 2020

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

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

Other Investments

GRPUC has the following investments:

	<u>2021</u>	<u>2020</u>
Property/Casualty Deductible – Internally restricted resources to be used for the general aggregate deductible on property/casualty insurance policy.	\$ -	\$ 10,000
Totals	<u>\$ -</u>	<u>\$ 10,000</u>

Unearned Revenues

GRPUC has received advance payment for leasing antenna space on its water towers. These payments were \$113,392 and \$111,227 for 2021 and 2020, respectively.

Compensated Absences

Sick Leave and Vacation

GRPUC's policy was to permit employees to accumulate earned but unused vacation and sick pay benefits. Vacation and sick leave were recorded as expenses and liabilities as the benefits accrued to the employees. Employees were permitted to accumulate a limited amount of earned but unused vacation benefits which was to be paid to employees upon separation from GRPUC service.

In accordance with the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*, no liability was recorded for nonvesting accumulating rights to receive sick pay benefits. However, a liability was recognized for that portion of accumulating sick leave benefits that was vested as severance pay.

GRPUC offered its employees the option of taking 50% of vested sick leave as a lump sum severance payment upon retirement, or 100% of sick leave to be paid by the utility for future health care benefits. To become vested for these benefits an employee must have had five years of service to receive the lump sum payment. There was no vesting requirement for the payment of future health care benefits.

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2021 and 2020

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

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

Compensated Absences (cont.)

Sick Leave and Vacation (cont.)

Beginning August 2006, there was a change in GRPUC's compensated absence benefit policy, and GRPUC's vacation and sick leave benefit accruals were converted to a Paid Time Off (PTO) plan. Under the 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.

Customer Advances for Construction

This account represents customer advances for construction which may be refundable in part or whole.

Long-Term Obligations

Long-term debt and other obligations are reported as GRPUC liabilities. 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.

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2021 and 2020

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

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

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

A deferred outflow of resources represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expenses) until that future time. See Notes 9 and 12 for additional details.

Deferred Inflows of Resources

A deferred inflow of resources represents an acquisition of net position that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that future time. Other deferred credits represent unamortized landfill closure costs. See Notes 7 and 12 for additional details.

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.

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2021 and 2020

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

REVENUES AND EXPENSES (cont.)

Charges for Services

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

Current electric rates were approved by the commission and placed into effect on May 5, 2021.

Current water rates were approved by the commission and placed into effect on September 1, 2018.

Current wastewater rates were approved by the commission and placed into effect on September 1, 2018.

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.

EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT PERIOD FINANCIAL STATEMENTS

GASB has approved GASB Statement No. 87, *Leases*, Statement No. 91, *Conduit Debt Obligations*, Statement No. 92, *Omnibus 2020*, Statement No. 94 *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, Statement No. 96 *Subscription-Based Information Technology Arrangements*, Statement No. 97 *Certain Component Unit Criteria*, and *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. When they become effective, application of these standards may restate portions of these financial statements.

COMPARATIVE DATA

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2021 and 2020

NOTE 2 – DEPOSITS AND INVESTMENTS

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

	Carrying Value as of December 31,		Associated Risks
	2021	2020	
Demand deposits and cash on hand	\$ 5,609,964	\$ 3,608,892	Custodial Custodial, credit, interest rate, concentration of credit
U.S. agencies, implicitly guaranteed	1,070,000	-	
Certificates of deposits – negotiable	<u>982,000</u>	<u>2,119,000</u>	Custodial, credit, concentration of credit, and interest rate
Total Cash and Investments	<u>\$ 7,661,964</u>	<u>\$ 5,727,892</u>	

Reconciliation to Financial Statements Per Statements of Net Position

Cash and cash equivalents	\$ 3,689,146	\$ 4,340,686
Restricted cash and investments	3,972,818	1,377,206
Other investments	<u>-</u>	<u>10,000</u>
Total Cash and Investments	<u>\$ 7,661,964</u>	<u>\$ 5,727,892</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 Years Ended December 31, 2021 and 2020

NOTE 2 – DEPOSITS AND INVESTMENTS (cont.)

At December 31, 2021 and 2020, 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.

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.

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, 2021 and 2020, GRPUC's investments were rated as follows:

<u>Investment Type</u>	<u>Standard and Poor's Investors Services</u>
US Agencies implicitly guaranteed	AA+
Certificates of deposits – negotiable	Not rated

GRPUC's investment policy does not address this risk.

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2021 and 2020

NOTE 2 – DEPOSITS AND INVESTMENTS (cont.)

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.

At December 31, 2021 and 2020, the investment portfolio was concentrated as follows:

Issuer	Investment Type	Percentage of Portfolio	
		2021	2020
Federal Home Loan Bank	Certificates of deposit – negotiable	52%	-%
Sallie Mae Bank	Certificates of deposit – negotiable	12%	12%
American Express National Bank	Certificates of deposit – negotiable	12%	12%
Beal Bank	Certificates of deposit – negotiable	-%	12%
Goldman Sachs Bank	Certificates of deposit – negotiable	12%	-%
BMW Bank North America	Certificates of deposit – negotiable	12%	-%
Midfirst Bank	Certificates of deposit – negotiable	-%	9%
BMW Bank	Certificates of deposit – negotiable	-%	12%
BMO Harris Bank	Certificates of deposit – negotiable	-%	12%
Safra National Bank	Certificates of deposit – negotiable	-%	9%
Eaglemark Savings Bank	Certificates of deposit – negotiable	-%	12%
Washington Trust Bank	Certificates of deposit – negotiable	-%	12%

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, 2021, GRPUC's investments were as follows:

Investment Type	Fair Value	Maturity (In Years)		
		Less than 1 Year	1 - 5 Years	> 5 Years
U.S Agencies – implicitly guaranteed	\$ 1,070,000	\$ -	\$ 1,070,000	\$ -
Certificates of deposit – negotiable	\$ 982,000	\$ 735,000	\$ 247,000	\$ -

As of December 31, 2020, GRPUC's investments were as follows:

Investment Type	Fair Value	Maturity (In Years)		
		Less than 1 Year	1 - 5 Years	> 5 Years
Certificates of deposit – negotiable	\$ 2,119,000	\$ 1,137,000	\$ 982,000	\$ -

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2021 and 2020

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, 2021 and 2020.

Due To	Due From	2021		2020	
		Amount	Principal Purpose	Amount	Principal Purpose
GRPUC	Primary government	<u>\$ 18,505</u>	Utility bills and service center operating costs	<u>\$ 133,387</u>	Utility bills and service center operating costs
Primary government	GRPUC	<u>\$ 129,038</u>	General operating and capital costs	<u>\$ 166,264</u>	General operating and capital costs

The receivable from the primary government in 2020 contains \$75,000 for reimbursement of capital projects that is shown as a capital contribution from the municipality on the Statement of Revenues, Expenses, and Changes in Net Position.

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

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

Total lease revenues were \$26,124 and \$38,351 for 2021 and 2020, respectively.

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2021 and 2020

NOTE 4 – RESTRICTED ASSETS

REVENUE BOND ACCOUNTS

Certain proceeds of GRPUC’s revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net position because their use is limited by applicable bond covenants. The following revenue bond accounts are reported as restricted assets:

	<u>2021</u>	<u>2020</u>
G.O. Water Revenue Note		
Fund established by note agreement which requires semiannual deposits of amounts necessary to meet principal and interest payments	\$ -	\$ 150,597
Sanitary Sewer Collection and Treatment Infrastructure Replacement Fund		
Resources to be used for future replacement of domestic sanitary sewer infrastructure and plant.	526,815	225,548
Water Main Replacement Fund		
Resources used for future water main replacements and upgrades.	873,351	569,001
Electric Replacement Fund		
Resources used for future electric replacements and upgrades	967,339	-
Consumer Deposit Funds		
Resources to be used for refunds of customer security deposits.	435,313	432,060
2012D Bond Redemption Fund		
Resources to be used to call 2012D bond in February 2022	1,170,000	-
Demand Payment Accounts Receivable		
Receivables to be used for future repayment of wastewater treatment debt	<u>13,414,453</u>	<u>15,271,674</u>
Totals	<u>\$ 17,387,271</u>	<u>\$ 16,648,880</u>

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2021 and 2020

NOTE 5 – CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets for 2021 follows:

	Balance 1/1/21	Additions/ Reclassifications	Deletions/ Reclassifications	Balance 12/31/21
Capital assets, not being depreciated/amortized				
Land and land rights	\$ 1,964,831	\$ -	\$ -	\$ 1,964,831
Capital assets being depreciated/amortized				
Intangibles	536,181	69,967	-	606,148
Infrastructure	45,990,398	517,076	36,824	46,470,650
Buildings and improvements	34,201,700	44,862	91,307	34,155,255
Machinery and equipment	37,185,194	924,187	84,945	38,024,436
Total Capital Assets Being Depreciated/Amortized	117,913,473	1,556,092	213,076	119,256,489
Total Capital Assets	119,878,304	1,556,092	213,076	121,221,320
Less: Accumulated depreciation/amortization				
Intangibles	(406,202)	(63,741)	-	(469,943)
Infrastructure	(18,787,370)	(1,204,447)	56,801	(19,935,016)
Buildings and improvements	(26,657,792)	(710,576)	3,553,058	(23,815,310)
Machinery and equipment	(12,131,144)	(4,860,663)	167,800	(16,824,007)
Total Accumulated Depreciation/Amortization	(57,982,508)	(6,839,427)	3,777,659	(61,044,276)
Construction work in progress (non-depreciable)	1,170,453	785,897	1,694,064	262,286
Net Capital Assets	\$ 63,066,249			\$ 60,439,330

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 Years Ended December 31, 2021 and 2020

NOTE 5 – CHANGES IN CAPITAL ASSETS (cont.)

A summary of changes in capital assets for 2020 follows:

	Balance 1/1/20	Additions/ Reclassifications	Deletions/ Reclassifications	Balance 12/31/20
Capital assets, not being depreciated/amortized				
Land and land rights	\$ 1,964,831	\$ -	\$ -	\$ 1,964,831
Capital assets being depreciated/amortized				
Intangibles	531,463	4,718	-	536,181
Infrastructure	44,489,799	1,502,532	1,933	45,990,398
Buildings and improvements	34,396,383	162,210	356,893	34,201,700
Machinery and equipment	36,500,130	685,251	187	37,185,194
Total Capital Assets Being Depreciated/Amortized	115,917,775	2,354,711	359,013	117,913,473
Total Capital Assets	117,882,606	2,354,711	359,013	119,878,304
Less: Accumulated depreciation/amortization				
Intangibles	(356,182)	(50,020)	-	(406,202)
Infrastructure	(17,394,531)	(1,396,659)	3,820	(18,787,370)
Buildings and improvements	(25,856,503)	(1,158,181)	356,892	(26,657,792)
Machinery and equipment	(11,305,808)	(825,336)	-	(12,131,144)
Total Accumulated Depreciation/Amortization	(54,913,024)	(3,430,196)	360,712	(57,982,508)
Construction work in progress (non-depreciable)	297,043	2,418,749	1,545,339	1,170,453
Net Capital Assets	\$ 63,266,625			\$ 63,066,249

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 Years Ended December 31, 2021 and 2020

NOTE 6 – LEASES

In 2015, GRPUC entered into a lease agreement to finance the addition of an Advanced Metering Infrastructure and Automated Meter Reading (AMI/AMR) system for 7,200 electric and 3,200 water and sewer customers served. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date.

The asset acquired through a capital lease is as follows:

	<u>2021</u>	<u>2020</u>
AMI/AMR Assets	\$ 1,700,000	\$ 1,700,000
Total Assets Acquired Through Capital Lease	1,700,000	1,700,000
Less: Accumulated depreciation	<u>(140,893)</u>	<u>(118,240)</u>
Totals	<u>\$ 1,559,107</u>	<u>\$ 1,581,760</u>

2021A General Obligation Bonds were issued to redeem 2021 – 2025 maturities on AMI lease. Closing occurred on May 27th, 2021. No further payments are required.

In 2017, GRPUC entered into a lease agreement with Deere Credit, Inc. to finance the addition of a 2017 John Deere Loader. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date. The lease liability at the end of 2019 was \$34,000 and was paid off in 2020.

The asset acquired through a capital lease is as follows:

	<u>2021</u>	<u>2020</u>
John Deere Loader	\$ 142,571	\$ 142,571
Total Assets Acquired Through Capital Lease	142,571	142,571
Less: Accumulated depreciation	<u>(57,028)</u>	<u>(42,771)</u>
Totals	<u>\$ 85,543</u>	<u>\$ 99,800</u>

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2021 and 2020

NOTE 6 – LEASES (cont.)

In 2018, GRPUC entered into a lease agreement with Mercedes Benz to finance the addition of a 2018 Freightliner Water Truck. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date.

The asset acquired through a capital lease is as follows:

	<u>2021</u>	<u>2020</u>
Freightliner Water Truck	\$ 125,984	\$ 125,984
Total Assets Acquired Through Capital Lease	125,984	125,984
Less: Accumulated depreciation	<u>(37,794)</u>	<u>(25,196)</u>
Totals	<u>\$ 88,190</u>	<u>\$ 100,788</u>

No further lease payments are required as the last payment was made in May, 2021.

In 2018, GRPUC entered into a lease agreement with Mercedes Benz to finance the addition of a 2018 Freightliner Dump Truck. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date.

The asset acquired through a capital lease is as follows:

	<u>2021</u>	<u>2020</u>
Freightliner Dump Truck	\$ 103,265	\$ 103,265
Total Assets Acquired Through Capital Lease	103,265	103,265
Less: Accumulated depreciation	<u>(30,981)</u>	<u>(20,654)</u>
Totals	<u>\$ 72,284</u>	<u>\$ 82,611</u>

No further lease payments are required as the last payment was made in May, 2021.

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2021 and 2020

NOTE 7 – NON-UTILITY PROPERTY AND DEFERRED CREDITS

LANDFILL SITES

During 1997-1998, 2006-2007, 2009-2010 and 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. The entire cost of the 1997 and a portion of the 2007 site was reimbursed by UPM Blandin Paper and is recorded as a deferred credit. The 1997, 2007, and 2009 landfill sites have been fully amortized. These deferred credits are amortized as revenue over the life of the landfill. The 2006A bonds were issued to fund the remaining portion of the 2007 landfill project. The 2009A bonds were issued to fund the 2009 landfill project and a portion of the 2011A bonds were issued for the 2011 project. 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.

	2011 Landfill Phase 8
Cost	\$ 1,068,608
Estimated useful life	20 years
2021 non-utility property	\$ 592,157
2020 non-utility property	\$ 645,588
2021 expense amortization	\$ 53,430
2020 expense amortization	\$ 53,430
2021 deferred revenue	\$ 34,772
2020 deferred revenue	\$ 37,909
2021 revenue amortization	\$ 3,137
2020 revenue amortization	\$ 3,137

NOTE 8 – REGULATORY ASSETS

BOND ISSUANCE COSTS

Bond issuance costs are recovered through rates over the life of the debt. The Commission has elected to create a regulatory asset for this cost and amortize it over the life of the debt using the effective interest rate method. The unamortized balance at December 31, 2021 and 2020 is \$159,654 and \$99,663, respectively. See note 18 for additional information on regulatory assets.

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2021 and 2020

NOTE 9 – 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.

NOTE 10 – LONG-TERM DEBT

The following general obligation revenue bonds and notes have been issued:

- General Obligation Wastewater Revenue Note, Series 2009E
- General Obligation Wastewater Revenue and Refunding Bonds, Series 2011A
- General Obligation Utility Revenue Bonds, Series 2012D
- General Obligation Wastewater Revenue Bonds, Series 2013C
- General Obligation Bond 2021A
- General Obligation Bond 2021C
- General Obligation Bond 2021D

Date	Purpose	Final Maturity	Interest Rates	Original Amount	Outstanding Amount 12/31/21
Nov. 10, 2009	Improvements to wastewater treatment facility	Aug. 20, 2029	2.9%	\$ 26,370,232	\$ 12,419,000
Sept. 1, 2011	Landfill site construction	Dec. 1, 2021	0.6 – 3.5	3,965,000	-
April 1, 2012	Improvements to water and wastewater facilities	Feb. 1, 2033	2.0 – 3.35	2,025,000	1,270,000
July 15, 2013	Industrial force main, Segment B Project	Feb. 1, 2029	2.0 – 4.5	2,305,000	305,000
May 27, 2021	Refunding of the City's Master Tax-Exempt Lease/Purchase Agreement	Oct. 15, 2025	0.25 – 0.63	872,000	775,500
Sept. 2, 2021	Refunding of certain outstanding G.O. bonds	Feb. 1, 2029	0.45 – 1.25	1,210,000	1,210,000
Dec. 9, 2021	Refunding of certain outstanding G.O. bonds	Feb. 1, 2033	2.0 – 3.0	1,120,000	1,120,000

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2021 and 2020

NOTE 10 – LONG-TERM DEBT (cont.)

General obligation revenue bonds and notes debt service requirements to maturity follow:

Year Ending December 31	Bonds		Direct Placement		Total
	Principal	Interest	Principal	Interest	
2022	\$ 1,652,000	\$ 445,847	\$ 207,000	\$ 32,479	\$ 2,337,326
2023	1,702,000	398,006	323,500	42,185	2,465,691
2024	1,589,000	304,763	484,000	38,018	2,415,781
2025	1,632,000	260,166	486,000	33,040	2,411,206
2026	1,686,000	214,006	300,000	27,646	2,227,652
2027 – 2031	5,523,000	364,449	1,105,000	64,164	7,056,613
2032 – 2033	210,000	6,903	200,000	4,000	420,903
Totals	<u>\$ 13,994,000</u>	<u>\$ 1,994,140</u>	<u>\$ 3,105,500</u>	<u>\$ 241,532</u>	<u>\$ 19,335,172</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 2021 and 2020 were \$2,717,734 and \$2,612,562, respectively. Total customer gross revenues as defined for the same periods were \$27,574,635 and \$24,931,222, respectively. Annual principal and interest payments are expected to require 6% of gross revenues on average.

Long-term obligation activity for the years ended December 31, 2021 and 2020 is as follows:

	Balance 1/1/21	Additions	Retirements	Balance 12/31/21	Due Within One Year
Long-term debt	\$ 17,201,000	\$ -	\$ 3,207,000	\$ 13,994,000	\$ 1,652,000
Long-term debt - Direct placement	-	3,202,000	96,500	3,105,500	207,000
Unamortized premium and discounts	201	91,304	4,818	86,687	-
Lease obligation	964,292	-	964,292	-	-
Customer advances for construction	2,500	-	2,500	-	-
Accrued compensated absences	342,952	263,548	290,270	316,230	219,594
Net pension liability	2,320,242	-	740,176	1,580,066	-
Landfill closure costs	3,640,225	885,860	-	4,526,085	-
Totals	<u>\$ 24,471,412</u>	<u>\$ 4,442,712</u>	<u>\$ 5,305,556</u>	<u>\$ 23,608,568</u>	<u>\$ 2,078,594</u>

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2021 and 2020

NOTE 10 – LONG-TERM DEBT (cont.)

	Balance 1/1/20	Additions	Retirements	Balance 12/31/20	Due Within One Year
Long-term debt	\$ 19,240,000	\$ -	\$ 2,039,000	\$ 17,201,000	\$ 2,107,000
Unamortized premium and discounts	(1,562)	-	(1,763)	201	-
Lease obligation	1,221,040	-	256,748	964,292	230,395
Customer advances for construction	2,500	-	-	2,500	-
Accrued compensated absences	323,986	259,134	240,168	342,952	224,059
Net pension liability	2,045,647	274,595	-	2,320,242	-
Landfill closure costs	3,808,578	-	168,353	3,640,225	-
Totals	<u>\$ 26,640,189</u>	<u>\$ 533,729</u>	<u>\$ 2,702,506</u>	<u>\$ 24,471,412</u>	<u>\$ 2,561,454</u>

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 AMR Lease.

The cash flow requirements on the lease prior to the refunding for 2021A bond were \$875,427 from 2021 through 2025. The cash flow requirements on the new bonds are \$881,627 from 2021 through 2025. The current refunding resulted in an economic loss of (\$5,909).

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 net proceeds were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the old bonds. As a result, that portion of the old bonds are considered defeased and the liability for that portion of the old bonds has been removed from the statement of net position. The defeased debt outstanding is \$1,100,000 as of December 31, 2021.

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 net proceeds were used to prepay a portion of the outstanding debt service requirements on the old bonds. The proceeds were deposited into GRPUC's checking account to be used to pay off the old bonds when callable on February 1, 2022.

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.

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2021 and 2020

NOTE 11 – 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.

NOTE 12 – 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.

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2021 and 2020

NOTE 12 – EMPLOYEES’ RETIREMENT SYSTEM (cont.)

DEFINED BENEFIT PENSION PLANS – STATEWIDE (cont.)

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 percent for each of the first 10 years of service and 1.7 percent for each additional year. Under Method 2, the accrual rate for coordinated members is 1.7 percent 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. Beginning in 2019, the postretirement increase is equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. 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. For 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. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

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 percent of their annual covered salary in calendar year 2021 and 2020. The GRPUC was required to contribute 7.50 percent for Coordinated Plan members in calendar year 2021 and 2020. The GRPUC contributions to the General Employee Fund for the years ended December 31, 2021 and 2020, were \$211,521 and \$205,333, respectively. The GRPUC’s contributions were equal to the required contributions as set by state statute.

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2021 and 2020

NOTE 12 – EMPLOYEES’ RETIREMENT SYSTEM (cont.)

DEFINED BENEFIT PENSION PLANS – STATEWIDE (cont.)

Pension Costs

At December 31, 2021 and 2020, the GRPUC reported a liability of \$1,580,066 and \$2,320,242, respectively, 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 2021 and 2020. 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 \$48,214 and \$71,560 in 2021 and 2020, respectively. The net pension liability was measured as of June 30, 2021 and 2020 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, 2020 through June 30, 2021 and July 1, 2019 through June 30, 2020, relative to the total employer contributions received from all of PERA’s participating employers. At June 30, 2021 and 2020, the GRPUC’s proportion share was .0387 percent and .0370 percent, respectively, which was an increase of .0017 percent and a decrease of .0024, respectively, from its proportion measured as of June 30, 2020 and 2019, respectively.

For the years ended December 31, 2021 and 2020, the GRPUC recognized pension expense of \$(56,506) and \$92,554, respectively, for its proportionate share of the General Employees Plan’s pension expense. In addition, the GRPUC recognized an additional \$3,890 and \$6,228 as pension expense (and miscellaneous revenue) in 2021 and 2020, respectively, for its proportionate share of the State of Minnesota’s contribution of \$16 million for both years, to the General Employees Fund.

At December 31, 2021, 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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 9,708	\$ 48,612
Changes in actuarial assumptions	964,755	36,049
Differences between projected and actual investment earnings	-	1,363,797
Changes in proportion	46,996	109,727
Contributions paid to PERA subsequent to the measurement date	115,593	-
Totals	\$ 1,137,052	\$ 1,558,185

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2021 and 2020

NOTE 12 – EMPLOYEES’ RETIREMENT SYSTEM (cont.)

DEFINED BENEFIT PENSION PLANS – STATEWIDE (cont.)

Pension Costs (cont.)

At December 31, 2020, 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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 20,278	\$ 8,779
Changes in actuarial assumptions	-	85,459
Difference between projected and actual investment earnings	33,400	-
Changes in proportion	70,492	82,532
Contributions paid to PERA subsequent to the measurement date	103,615	-
Totals	\$ 227,785	\$ 176,770

\$115,593 and \$103,615 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, 2022 and December 31, 2021, respectively. 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 Amount
2022	\$ (104,237)
2023	(23,927)
2024	(35,326)
2025	(373,236)
Thereafter	-
Total	\$ (536,726)

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2021 and 2020

NOTE 12 – EMPLOYEES’ RETIREMENT SYSTEM (cont.)

DEFINED BENEFIT PENSION PLANS – STATEWIDE (cont.)

Actuarial Assumptions

The total pension liability in the June 30, 2021 and 2020, actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

	<u>2021</u>	<u>2020</u>
Inflation	2.25%	2.25%
Active Member Payroll Growth	3.00%	3.00%
Investment Rate of Return	6.50%	7.50%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants for all plans were based on RP 2014 tables for males or females, as appropriate, with slight adjustments to fit PERA’s experience. Cost of living benefit increases for retirees are assumed to be 1.25 per year for the General Employee Plan.

Actuarial assumptions used in the June 30, 2021 and 2020, valuation were based on the results of actuarial experience studies. The most recent four year experience study in the General Employees Plan was completed in 2020. The assumption changes were adopted by the Board and become effective with the July 1, 2021 actuarial valuation.

The following changes in actuarial assumptions occurred in 2021:

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

The following changes in plan provisions occurred in 2021:

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

The following changes in actuarial assumptions occurred in 2020:

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

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2021 and 2020

NOTE 12 – EMPLOYEES’ RETIREMENT SYSTEM (cont.)

DEFINED BENEFIT PENSION PLANS – STATEWIDE (cont.)

Actuarial Assumptions (cont.)

- > 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.

The following changes 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.

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 as of June 30, 2021 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%
Private Markets	25%	5.90%
Fixed Income	25%	0.75%
Unallocated Cash	<u>0.0%</u>	0.00%
Total	<u>100%</u>	

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2021 and 2020

NOTE 12 – EMPLOYEES’ RETIREMENT SYSTEM (cont.)

DEFINED BENEFIT PENSION PLANS – STATEWIDE (cont.)

Actuarial Assumptions (cont.)

The target allocation and best estimates of geometric real rates of return for each major asset class as of June 30, 2020 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	35.5%	5.10%
International Equity	17.5%	5.30%
Private Markets	25%	5.90%
Fixed Income	20%	0.75%
Unallocated Cash	<u>2%</u>	0.00%
Total	<u>100%</u>	

Discount Rate

The discount rate used to measure the total pension liability in 2021 was 6.50% and 7.5% in 2020. 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, 2021 follows:

	1% Decrease in Discount Rate (5.5%)	Discount Rate (6.5%)	1% Increase in Discount Rate (7.5%)
GRPUC’s proportionate share of the General Employees Plan net pension liability:	\$3,222,528	\$1,580,066	\$232,326

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2021 and 2020

NOTE 12 – EMPLOYEES’ RETIREMENT SYSTEM (cont.)

DEFINED BENEFIT PENSION PLANS – STATEWIDE (cont.)

The sensitivity analysis of December 31, 2020 follows:

	<u>1% Decrease in Discount Rate (6.5%)</u>	<u>Discount Rate (7.5%)</u>	<u>1% Increase in Discount Rate (8.5%)</u>
GRPUC’s proportionate share of the General Employees Fund net pension liability:	\$3,718,543	\$2,320,242	\$1,166,756

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.

NOTE 13 – 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.

In 2006, at the time of conversion to the PTO plan, up to 40 hours of accumulated, unused sick leave was converted to PTO. Any excess sick leave was converted to EIB, subject to a maximum initial EIB account balance of 320 hours. Any remaining sick leave balance that was not converted to PTO or EIB was contributed on the employee’s behalf to a post-employment HCSA.

At the time of conversion, excess sick leave of \$477,554 was contributed to the employees’ Health Care Savings Accounts. The wage rates used for conversion were those in effect at the time of conversion.

CONTRIBUTIONS TO HCSA

Unused PTO that exceeds the maximum accrual may be transferred to a post-employment Health Care Savings Account (HCSA) annually, on the employee’s anniversary date. At termination of service with the GRPUC, any balance of unused EIB may also be converted to the employee’s HCSA. There are no other provisions for contributions to HCSA plans. 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.

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2021 and 2020

NOTE 14 – 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 2021 and 2020 was \$882,288 and \$873,537, respectively.

NOTE 15 – LANDFILL CLOSURE AND POST-CLOSURE CARE COSTS

State and federal laws and regulations require GRPUC to place a final cover on its landfill sites when it stops accepting waste and to perform certain maintenance and monitoring functions at those sites for thirty years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, GRPUC is required to establish financial assurance for closure, post-closure care and contingency action.

The current calculations of projected costs for all open and planned landfill sites included in the existing Industrial Solid Waste Disposal Facility Permit are:

	<u>2021</u>	<u>2020</u>
Closure cost estimate	\$ 1,912,560	\$ 1,626,494
Post-closure care cost estimate	2,025,154	1,395,580
Contingency action	<u>588,371</u>	<u>618,151</u>
Totals	<u>\$ 4,526,085</u>	<u>\$ 3,640,225</u>

These costs are reviewed annually and adjusted for the effects of inflation, changes in technology, or changes in laws and 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.

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2021 and 2020

NOTE 15 – LANDFILL CLOSURE AND POST-CLOSURE CARE COSTS (cont.)

On January 11, 2022 and December 14, 2020, UPM Blandin Paper Company established an irrevocable letter of credit for \$4,526,085 and \$3,640,255 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 16 – 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.

NOTE 17 – 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 \$3,354,423 and \$3,591,588 for 2021 and 2020, respectively. GRPUC also has contracts with UPM Blandin whereby UPM Blandin pays demand charges for principal and interest on the General Obligation Revenue Bonds Series 2009A, 2009E, 2011A, 2013C, and 2021C along with the leases, as discussed in Note 6. 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 2021 and 2020 were \$2,340,202 and \$2,800,010, respectively.

NOTE 18 – ACCOUNTING FOR THE EFFECTS OF RATE REGULATION

GRPUC is subject to the provisions of GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement recognizes the economic ability of regulators, through the ratemaking process, to create future economic benefits and obligations affecting rate-regulated entities. Accordingly, GRPUC records these future economic benefits and obligations as regulatory assets and regulatory liabilities, respectively.

Regulatory assets represent probable future revenues associated with previously incurred costs that are expected to be recovered from customers. Regulatory liabilities represent probable future reductions in revenues associated with amounts that are expected to be refunded to customers through the ratemaking process.

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2021 and 2020

NOTE 18 – ACCOUNTING FOR THE EFFECTS OF RATE REGULATION (cont.)

In order for a rate-regulated entity to continue to apply the provisions of GASB Statement No. 62, it must continue to meet the following three criteria:

1. The entities' rates for regulated services provided to its customers must be established by an independent third-party regulator or its own governing board empowered by a statute to establish rates that bind customers;
2. The regulated rates must be designed to recover the specific entities' costs of providing the regulated services; and
3. In view of the demand for the regulated services and the level of competition, it is reasonable to assume that rates set at levels that will recover the entities' costs can be charged to and collected from customers.

Based upon GRPUC's management evaluation of the three criteria discussed above in relation to its operations, and the effect of competition on its ability to recover its costs, GRPUC believes that GASB Statement No. 62 continues to apply.

GASB Statement No. 62 is used in the accounting of contributions in aid of construction, regulatory assets and deferred credits.

NOTE 19 – 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 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 2019, the generation capacity charge for each year is based on the previous year generation capacity charge adjusted as determined by the power supply formula rate for capacity, except that the charge will not be more than 2% higher, or more than 1% lower, than the previous year's charge. The peak power requirements for 2021 and 2020 were 31,868 and 30,004 kW, respectively. GRPUC negotiated a new wholesale Electric Service Agreement with MP effective in 2022 that extends through December 31, 2029

On February 1, 2018, GRPUC renewed the purchased power contract with MP and it is set to expire in December 31, 2029, unless a new customer of GRPUC with a 15-minute peak of equal to or greater than 10 MW locates to an industrial park, which would extend the contract until December 31, 2034. GRPUC received the Tioga Substation asset as part of the contract in 2019. This amount was recorded as contributed capital during 2019. GRPUC is responsible for any repairs and maintenance necessary for the asset.

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 Years Ended December 31, 2021 and 2020

NOTE 19 – COMMITMENTS AND CONTINGENCIES (cont.)

OPEN CONTRACTS

GRPUC has several active projects as of December 31, 2021. At year end, GRPUC's commitments with contractors are as follows:

<u>Project</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
2021 Sludge Landfill-Sludge Placement	\$ 56,573	\$ 7,327
Outage Management System Implementation	61,250	14,250
Review of WWTF Design Documents	-	20,000
2022 Sludge Landfill-Sludge Placement	-	64,240
Totals	<u>\$ 117,823</u>	<u>\$ 105,817</u>

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

NOTE 20 – SUBSEQUENT EVENTS

RATE ADJUSTMENT

On December 15, 2021, the Commission approved annual rate increases for water and wastewater services of approximately \$30,000 added to each utility and 2% added to each customer bill effective February 2022.

On December 15, 2021, the Commission approved the 2022 annual rate increase for electric services of approximately 1.9% effective April 2022.

REFUNDING OF BONDS

In February 2022, GRPUC called the remaining maturities on 2012D bonds. The bonds were called with debt proceeds from 2021D bond issue in December 2021.

REQUIRED SUPPLEMENTARY INFORMATION

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

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

Fiscal Year Ending (for the Measurement Period)	Employer's Proportion (Percentage) of the Net Pension Liability	Employer's Proportionate Share (Amount) of the Net Pension Liability (a)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with the GRPUC (b)	Employer's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with the GRPUC (a+b)	Employer's Covered Payroll (c)	Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2015	0.0404%	\$ 2,093,738	\$ -	\$ 2,093,738	\$ 2,372,323	88.3%	78.2%
June 30, 2016	0.0389%	3,158,487	41,243	3,199,730	2,415,909	132.4%	68.9%
June 30, 2017	0.0404%	2,579,109	32,422	2,611,531	2,602,004	100.4%	75.9%
June 30, 2018	0.0394%	2,185,750	198,631	2,384,381	2,648,413	90.0%	79.5%
June 30, 2019	0.0370%	2,045,647	63,664	2,109,311	2,618,728	80.5%	80.2%
June 30, 2020	0.0387%	2,320,242	71,560	2,391,802	2,763,178	86.6%	79.1%
June 30, 2021	0.0370%	1,580,066	48,214	1,628,280	2,820,276	57.7%	87.0%

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

SCHEDULE OF CONTRIBUTIONS
General Employees Retirement Fund
Last Ten Years*

Fiscal Year Ending (for the Financial Reporting Period)	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
December 31, 2015	\$ 175,652	\$ 175,652	\$ -	\$ 2,342,017	7.50%
December 31, 2016	189,105	189,105	-	2,521,397	7.50%
December 31, 2017	199,725	199,725	-	2,663,003	7.50%
December 31, 2018	194,844	194,844	-	2,597,916	7.50%
December 31, 2019	205,477	205,477	-	2,739,694	7.50%
December 31, 2020	205,333	205,333	-	2,737,766	7.50%
December 31, 2021	211,521	211,521	-	2,660,570	7.95%

* 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, 2021 (Unaudited)

Changes of benefit terms: There were no changes of benefit terms for any participating employer in the GERF.

2021 Changes

The following change in actuarial assumptions occurred in 2021:

- > The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, 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.

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.

See independent auditors' report.

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION For the Year Ended December 31, 2021 (Unaudited)

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 morality 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 percent to 3.00 percent, beginning July 1, 2018.
- > Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- > Contribution stabilizer provisions were repealed.
- > Postretirement benefit increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90.00 percent funding ratio to 50.00 percent of the Social Security Cost of Living Adjustment, not less than 1.00 percent and not more than 1.50 percent, 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 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent 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.

See independent auditors' report.

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION For the Year Ended December 31, 2021 (Unaudited)

The following changes in actuarial assumptions occurred in 2017:

- > The combined service annuity (CSA) loads were changed from 0.80 percent for active members and 60.00 percent for vested and non-vested deferred members. The revised CSA load are now 0.00 percent for active member liability, 15.00 percent for vested deferred member liability, and 3.00 percent for non-vested deferred member liability.
- > The assumed postretirement benefit increase rate was changed for 1.00 percent per year for all years to 1.00 percent per year through 2044 and 2.50 percent 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 percent per year through 2035 and 2.50 percent per year thereafter to 1.00 percent per year for all years.
- > The assumed investment return was changed from 7.90 percent to 7.50 percent. The single discount rate changed from 7.90 percent to 7.50 percent.
- > 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 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

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 percent per year through 2030 and 2.50 percent per year thereafter to 1.00 percent per year through 2035 and 2.50 percent per year thereafter.

SUPPLEMENTARY INFORMATION

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

COMBINING SCHEDULE OF REVENUES AND EXPENSES

For the Year Ended December 31, 2021

	<u>Electric</u>	<u>Water</u>	<u>Wastewater Collection</u>	<u>Wastewater Treatment</u>	<u>Totals</u>
OPERATING REVENUES					
Utility revenues - city	\$ 13,722,670	\$ 1,633,096	\$ 1,552,917	\$ 3,354,423	\$ 20,263,106
Utility revenues - rural	1,840,226	37,877	293,596	-	2,171,699
Security lighting	61,567	-	-	-	61,567
Total Retail Sales	<u>15,624,463</u>	<u>1,670,973</u>	<u>1,846,513</u>	<u>3,354,423</u>	<u>22,496,372</u>
Purchased power adjustment pass-through	2,401,457	-	-	-	2,401,457
Total Utility Revenues	<u>18,025,920</u>	<u>1,670,973</u>	<u>1,846,513</u>	<u>3,354,423</u>	<u>24,897,829</u>
Other Operating Revenue					
Pole rentals	23,577	-	-	-	23,577
Other	148,569	213,862	18,094	-	380,525
Penalties	14,294	1,676	1,676	-	17,646
Total Operating Revenues	<u>18,212,360</u>	<u>1,886,511</u>	<u>1,866,283</u>	<u>3,354,423</u>	<u>25,319,577</u>
OPERATING EXPENSES					
Production	-	591,648	-	-	591,648
Purchased power	13,611,143	-	-	-	13,611,143
Distribution/collection	1,326,562	389,495	280,895	-	1,996,952
Customer accounts	436,018	122,931	96,181	-	655,130
Administrative and general	1,125,105	335,912	263,013	-	1,724,030
Service center	123,085	20,513	20,514	-	164,112
Domestic wastewater treatment	-	-	553,020	-	553,020
Industrial wastewater treatment	-	-	-	3,406,594	3,406,594
Depreciation and amortization	1,119,626	353,922	259,292	1,588,892	3,321,732
Total Operating Expenses	<u>17,741,539</u>	<u>1,814,421</u>	<u>1,472,915</u>	<u>4,995,486</u>	<u>26,024,361</u>
OPERATING INCOME (LOSS)	<u>470,821</u>	<u>72,090</u>	<u>393,368</u>	<u>(1,641,063)</u>	<u>(704,784)</u>
NONOPERATING REVENUES (EXPENSES)					
Investment income	15,677	-	-	-	15,677
Demand interest payments	-	-	-	445,886	445,886
Landfill contribution	-	-	-	110,000	110,000
Gain (loss) on property disposition	-	-	27,500	(1,254)	26,246
Interest expense	(29,861)	(28,643)	(17,471)	(462,597)	(538,572)
Bond fees	-	(992)	(233)	(2,525)	(3,750)
Amortization of debt premiums and discounts	-	(974)	(146)	(1,521)	(2,641)
Amortization of regulatory asset	(2,996)	(642)	(1,016)	(16,003)	(20,657)
Combined service center lease revenues	19,593	3,265	3,266	-	26,124
Grant revenue	84,329	-	-	-	84,329
City land improvements	(393,640)	-	-	-	(393,640)
Payment in lieu of taxes	(882,288)	-	-	-	(882,288)
Total Nonoperating Revenues (Expenses)	<u>(1,189,186)</u>	<u>(27,986)</u>	<u>11,900</u>	<u>71,986</u>	<u>(1,133,286)</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS	<u>\$ (718,365)</u>	<u>\$ 44,104</u>	<u>\$ 405,268</u>	<u>\$ (1,569,077)</u>	<u>\$ (1,838,070)</u>

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

COMBINING SCHEDULE OF REVENUES AND EXPENSES

For the Year Ended December 31, 2020

	<u>Electric</u>	<u>Water</u>	<u>Wastewater Collection</u>	<u>Wastewater Treatment</u>	<u>Totals</u>
OPERATING REVENUES					
Utility revenues - city	\$ 13,017,390	\$ 1,531,862	\$ 1,470,730	\$ 3,591,588	\$ 19,611,570
Utility revenues - rural	1,745,715	35,249	300,251	-	2,081,215
Security lighting	60,075	-	-	-	60,075
Total Retail Sales	<u>14,823,180</u>	<u>1,567,111</u>	<u>1,770,981</u>	<u>3,591,588</u>	<u>21,752,860</u>
Purchased power adjustment pass-through	400,954	-	-	-	400,954
Total Utility Revenues	<u>15,224,134</u>	<u>1,567,111</u>	<u>1,770,981</u>	<u>3,591,588</u>	<u>22,153,814</u>
Other Operating Revenue					
Pole rentals	21,416	-	-	-	21,416
Other	75,804	209,774	24,298	-	309,876
Penalties	9,869	1,157	1,157	-	12,183
Total Operating Revenues	<u>15,331,223</u>	<u>1,778,042</u>	<u>1,796,436</u>	<u>3,591,588</u>	<u>22,497,289</u>
OPERATING EXPENSES					
Production	-	543,700	-	-	543,700
Purchased power	11,069,792	-	-	-	11,069,792
Distribution/collection	915,991	306,344	218,006	-	1,440,341
Customer accounts	297,957	88,418	65,153	-	451,528
Administrative and general	1,145,209	320,734	209,342	-	1,675,285
Service center	108,160	18,027	18,027	-	144,214
Domestic wastewater treatment	-	-	514,032	-	514,032
Industrial wastewater treatment	-	-	-	3,640,009	3,640,009
Depreciation and amortization	1,305,094	347,901	212,089	1,596,769	3,461,853
Total Operating Expenses	<u>14,842,203</u>	<u>1,625,124</u>	<u>1,236,649</u>	<u>5,236,778</u>	<u>22,940,754</u>
OPERATING INCOME (LOSS)	<u>489,020</u>	<u>152,918</u>	<u>559,787</u>	<u>(1,645,190)</u>	<u>(443,465)</u>
NONOPERATING REVENUES (EXPENSES)					
Investment income	30,745	-	-	-	30,745
Demand interest payments	-	-	-	486,434	486,434
Landfill contribution	-	-	-	110,000	110,000
Grant revenues	145,672	-	-	-	145,672
Gain (loss) on property disposition	-	1,125	-	(1,672)	(547)
Interest expense	(21,351)	(28,771)	(16,107)	(523,267)	(589,496)
Bond fees	-	(1,132)	(605)	(3,258)	(4,995)
Amortization of debt premiums and discounts	-	(974)	(146)	(1,763)	(2,883)
Amortization of regulatory asset	-	-	(374)	(16,450)	(16,824)
Combined service center lease revenues	28,763	4,794	4,794	-	38,351
Payment in lieu of taxes	(873,537)	-	-	-	(873,537)
Total Nonoperating Revenues (Expenses)	<u>(689,708)</u>	<u>(24,958)</u>	<u>(12,438)</u>	<u>50,024</u>	<u>(677,080)</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS	<u>\$ (200,688)</u>	<u>\$ 127,960</u>	<u>\$ 547,349</u>	<u>\$ (1,595,166)</u>	<u>\$ (1,120,545)</u>

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

ELECTRIC DEPARTMENT DETAILED SCHEDULE OF REVENUES AND EXPENSES For the Years Ended December 31, 2021 and 2020

	2021	2020
OPERATING REVENUES		
Utility Revenues		
City residential	\$ 4,311,259	\$ 4,142,608
City commercial and light and power	9,411,411	8,874,782
Rural residential	1,213,463	1,182,228
Rural commercial and light and power	626,763	563,487
Security lighting	61,567	60,075
Total Retail Sales	15,624,463	14,823,180
Purchased power adjustment pass-through	2,401,457	400,954
Total Utility Revenues	18,025,920	15,224,134
Other Operating Revenues		
Pole rentals	23,577	21,416
Other	148,569	75,804
Penalties	14,294	9,869
Total Operating Revenues	18,212,360	15,331,223
OPERATING EXPENSES		
Purchased Power	13,611,143	11,069,792
Distribution Operations		
Supervision and engineering	88,820	89,308
Substations	6,334	5,580
Overhead and underground lines	366,055	91,108
Meters	75,208	79,910
Customer installations	22,802	13,129
Mapping	47,363	34,139
Small tools	30,801	17,833
Safety	30,613	29,396
Seminar/training	11,401	11,590
Stores and other	155,224	95,509
Distribution Maintenance		
Supervision and engineering	88,780	89,128
Locating expense	37,924	15,769
Substations	52,509	55,319
Overhead lines	236,987	174,777
Underground lines	22,259	98,188
Line transformers	-	778
Security lighting	5,047	1,173
Street lighting	-	2,158
Meters	42,513	4,168
Other	5,922	7,031
Total Distribution Expenses	1,326,562	915,991
Other Operating Expenses		
Customer accounts expense	436,018	297,957
Administrative and general	1,125,105	1,145,209
Depreciation - electric	933,748	1,123,497
Depreciation - other	106,360	103,727
Amortization - intangibles	45,181	43,533
Amortization - other	34,337	34,337
Service center	123,085	108,160
Total Other Operating Expenses	2,803,834	2,856,420
Total Operating Expenses	17,741,539	14,842,203
OPERATING INCOME	470,821	489,020

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

ELECTRIC DEPARTMENT
DETAILED SCHEDULE OF REVENUES AND EXPENSES (cont.)
For the Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
NONOPERATING REVENUES (EXPENSES)		
Investment income	\$ 15,677	\$ 30,745
Interest expense	(29,861)	(21,351)
Amortization of regulatory asset	(2,996)	-
Lease revenues combined service center	19,593	28,763
Grant revenue	84,329	145,672
City land improvements	(393,640)	-
Payment in lieu of taxes	<u>(882,288)</u>	<u>(873,537)</u>
Total Nonoperating Revenues (Expenses)	<u>(1,189,186)</u>	<u>(689,708)</u>
 INCOME (LOSS) BEFORE CONTRIBUTIONS	 <u>\$ (718,365)</u>	 <u>\$ (200,688)</u>

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

WATER DEPARTMENT DETAILED SCHEDULE OF REVENUES AND EXPENSES For the Years Ended December 31, 2021 and 2020

	2021	2020
OPERATING REVENUES		
Utility Revenues		
City sales	\$ 1,633,096	\$ 1,531,862
Rural sales	37,877	35,249
Total Utility Revenues	1,670,973	1,567,111
Other Operating Revenues		
Miscellaneous service	213,862	209,774
Penalties	1,676	1,157
Total Operating Revenues	1,886,511	1,778,042
OPERATING EXPENSES		
Production		
Operations		
Operators wages	161,855	158,636
Water treatment expense	114,019	111,014
Power purchased	195,190	168,760
Other	26,250	18,573
Maintenance		
WTP buildings and grounds	17,906	6,761
Wells, pumps, mains	14,353	6,009
WTP equipment	51,511	62,363
DCS	8,183	6,954
Inspections	2,381	4,630
Total Production Expenses	591,648	543,700
Distribution		
Operations		
Supervision and engineering	43,108	29,361
Records	1,275	10,527
Inspections	11,359	6,325
Thaw and flush hydrants, etc.	8,054	4,932
Locating expense	13,630	21,105
Service on customer premises	46,238	7,372
Mapping	30,810	30,799
Small tools	3,465	3,412
Safety	14,826	9,000
Seminar/training	20,365	14,211
Other	378	57
Stores	24,983	15,074
Maintenance		
Towers and tanks	16,669	8,573
Booster station	2,563	303
Mains and hydrants	93,945	138,680
Services	43,923	9,019
Meters	8,584	(2,553)
Other	5,320	147
Total Distribution Expenses	389,495	306,344

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

WATER DEPARTMENT
DETAILED SCHEDULE OF REVENUES AND EXPENSES (cont.)
For the Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
OTHER OPERATING EXPENSES		
Customer accounts expense	\$ 122,931	\$ 88,418
Administrative and general	335,912	320,734
Depreciation - water	331,343	325,827
Depreciation - other	17,727	17,288
Amortization - intangibles	4,852	4,786
Service center	20,513	18,027
Total Other Operating Expenses	<u>833,278</u>	<u>775,080</u>
Total Operating Expenses	<u>1,814,421</u>	<u>1,625,124</u>
OPERATING INCOME	<u>72,090</u>	<u>152,918</u>
NONOPERATING REVENUES (EXPENSES)		
Gain (loss) on property disposition	-	1,125
Bond fees	(992)	(1,132)
Amortization of debt premiums and discounts	(974)	(974)
Amortization of regulatory asset	(642)	-
Interest expense - other	(28,643)	(28,771)
Lease revenues combined service center	3,265	4,794
Total Nonoperating Revenues (Expenses)	<u>(27,986)</u>	<u>(24,958)</u>
INCOME BEFORE CONTRIBUTIONS	<u>\$ 44,104</u>	<u>\$ 127,960</u>

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

WASTEWATER COLLECTION DEPARTMENT DETAILED SCHEDULE OF REVENUES AND EXPENSES For the Years Ended December 31, 2021 and 2020

	2021	2020
OPERATING REVENUES		
Utility Revenues		
City	\$ 1,552,917	\$ 1,470,730
Rural	137,664	145,720
Septage haulers	155,932	154,531
Total Utility Revenues	1,846,513	1,770,981
Other Operating Revenues		
Other	18,094	24,298
Penalties	1,676	1,157
Total Operating Revenues	1,866,283	1,796,436
OPERATING EXPENSES		
Collection		
Operations		
Supervision and engineering	25,032	26,143
Inspections	1,012	330
Locating expense	10,100	9,877
Service on customer premises	556	424
Mapping	30,810	30,779
Small tools	2,059	919
Safety	4,076	3,467
Seminar/training	5,659	1,262
Other	95	87
Stores	5,400	3,056
Power purchased	15,439	14,327
Maintenance		
Lift stations	94,555	38,225
Mains	74,472	81,457
Services	4,733	7,323
Other	6,897	330
Total Collection Expenses	280,895	218,006
Domestic Wastewater Treatment		
Domestic plant	88,786	80,610
Domestic portion of secondary plant and service center	464,234	433,422
Total Domestic Treatment Expenses	553,020	514,032
Other Operating Expenses		
Customer accounts expense	96,181	65,153
Administrative and general	263,013	209,342
Depreciation - wastewater collection	236,713	190,015
Depreciation - other	17,727	17,288
Amortization - intangibles	4,852	4,786
Service center	20,514	18,027
Total Other Operating Expenses	639,000	504,611
Total Operating Expenses	1,472,915	1,236,649
OPERATING INCOME	393,368	559,787

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

WASTEWATER COLLECTION DEPARTMENT DETAILED SCHEDULE OF REVENUES AND EXPENSES (cont.) For the Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
NONOPERATING REVENUES (EXPENSES)		
Gain (loss) on property disposition	\$ 27,500	\$ -
Interest expense	(17,471)	(16,107)
Bond fees	(233)	(605)
Amortization of debt premiums and discounts	(146)	(146)
Amortization of regulatory asset	(1,016)	(374)
Lease revenues combined service center	<u>3,266</u>	<u>4,794</u>
Total Nonoperating Revenues (Expenses)	<u>11,900</u>	<u>(12,438)</u>
INCOME BEFORE CONTRIBUTIONS	<u>\$ 405,268</u>	<u>\$ 547,349</u>

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

WASTEWATER TREATMENT FACILITY DETAILED SCHEDULE OF REVENUES AND EXPENSES For the Years Ended December 31, 2021 and 2020

	2021	2020
OPERATING REVENUES		
Utility revenues	\$ 3,354,423	\$ 3,591,588
Total Operating Revenues	3,354,423	3,591,588
OPERATING EXPENSES		
Waste treatment service center	114,300	132,752
Wastewater treatment plant primary plant II	1,274,016	1,778,806
Screen house	253,188	265,116
Sludge disposal	557,333	429,248
Secondary treatment facility	1,207,757	1,034,087
Depreciation	1,588,892	1,596,769
Total Operating Expenses	4,995,486	5,236,778
OPERATING LOSS	(1,641,063)	(1,645,190)
NONOPERATING REVENUES (EXPENSES)		
Gain (loss) on property disposition	(1,254)	(1,672)
Interest expense	(462,597)	(523,267)
Demand interest payments	445,886	486,434
Landfill contribution	110,000	110,000
Bond fees	(2,525)	(3,258)
Amortization of regulatory asset	(16,003)	(16,450)
Amortization of debt premiums and discounts	(1,521)	(1,763)
Total Nonoperating Revenues (Expenses)	71,986	50,024
LOSS BEFORE CONTRIBUTIONS	\$ (1,569,077)	\$ (1,595,166)

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

WASTE TREATMENT SERVICE CENTER SCHEDULE OF EXPENSES For the Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
WASTE TREATMENT SERVICE CENTER BUILDING		
Supplies and tools	\$ 4,994	\$ 6,634
Administrative and engineering	15,266	32,301
Safety	176	3,032
Insurance	2,895	1,946
Telephone	4,221	3,911
Plant vehicles	14,689	13,340
Buildings and grounds	27,737	35,210
Maintenance	2,281	155
Wastewater collection services	264	307
Power purchased	50,048	45,491
Water purchased	<u>387</u>	<u>416</u>
TOTAL WASTE TREATMENT SERVICE CENTER EXPENSE	<u>\$ 122,958</u>	<u>\$ 142,743</u>
Industrial Portion	<u>\$ 114,300</u>	<u>\$ 132,752</u>
Domestic Portion	<u>\$ 8,658</u>	<u>\$ 9,991</u>

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

WASTEWATER TREATMENT PLANT PRIMARY PLANT II SCHEDULE OF EXPENSES

For the Years Ended December 31, 2021 and 2020

	2021	2020
WASTEWATER TREATMENT PLANT PRIMARY PLANT II		
Supervision	\$ 22,136	\$ 25,893
Operating labor	164,667	305,894
Group insurance	54,934	122,286
Life insurance	964	965
Dental insurance	2,902	3,897
Health savings account funding	13,375	14,352
Third party administrative cost	349	399
Other fringe costs	34,611	61,140
Legal	3,591	4,378
Long-term disability payments	2,823	2,887
Uniforms	24	362
Supplies and tools	5,428	3,666
Fuel	9	16
Administrative expense	124,065	146,898
Safety	9,077	11,083
Insurance	32,298	26,644
Seminars	2,463	2,644
Telephone expense	1,129	1,271
Permits and legal fees	828	802
Outside testing	29	1,750
Chemicals	420,336	664,585
Plant equipment/supplies	106,074	152,487
Maintenance inspections	903	1,694
Power purchased	264,485	218,528
Water purchased	6,516	4,285
TOTAL WASTEWATER TREATMENT PLANT PRIMARY PLANT II EXPENSE	\$ 1,274,016	\$ 1,778,806

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

SCREEN HOUSE SCHEDULE OF EXPENSES For the Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
SCREEN HOUSE		
Supervision	\$ 6,147	\$ 7,105
Operating labor	25,687	25,416
Group insurance	11,093	17,058
Life insurance	154	154
Dental insurance	577	532
Health savings account funding	2,750	2,028
Other fringe costs	8,055	9,928
Supplies	823	278
Fuel	4,670	3,039
Administrative	17,719	24,527
Safety	1,492	1,796
Seminars	458	485
Insurance	3,963	4,882
Legal	735	876
DCS support contract	2,356	3,523
Screens - conv - spray water	4,177	12,007
Sewage pumps	9,108	3,926
Electric motors and controls	4,275	4,305
Instrumentation	2,938	3,011
Buildings and grounds	12,596	32,707
Maintenance inspection	556	1,171
Force main and manholes	739	3,152
Power purchased	118,448	94,791
Water purchased	<u>13,672</u>	<u>8,419</u>
TOTAL SCREEN HOUSE EXPENSE	<u>\$ 253,188</u>	<u>\$ 265,116</u>

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

SLUDGE DISPOSAL SCHEDULE OF EXPENSES For the Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
SLUDGE DISPOSAL		
Supervision	\$ 15,884	\$ 9,630
Truck driver labor	175,775	70,190
Group insurance	41,802	49,435
Life insurance	508	509
Dental insurance	2,314	1,615
Health savings account funding	9,625	5,954
Other fringe costs	21,139	3,545
Engineering-sludge landfill	14,604	3,620
Administrative	2,508	3,487
Seminars	1,777	-
Insurance	16,181	9,195
Permits and legal fees	400	400
Sludge placement	63,474	48,862
Miscellaneous landfill operations	45,172	54,071
Leachate collection	11,812	39,945
Solid waste tax	317	245
Sludge landfill amortization	53,430	53,430
Well monitoring	54,026	53,007
Purchased power	2,190	2,397
Sludge hauling trucks	<u>24,395</u>	<u>19,711</u>
TOTAL SLUDGE DISPOSAL EXPENSE	<u>\$ 557,333</u>	<u>\$ 429,248</u>

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

SECONDARY TREATMENT FACILITY SCHEDULE OF EXPENSES

For the Years Ended December 31, 2021 and 2020

	2021	2020
SECONDARY TREATMENT FACILITY		
Supervision	\$ 24,588	\$ 28,419
Operating labor	63,892	101,660
Group insurance	36,682	60,779
Life insurance	439	439
Dental insurance	1,877	1,903
Health savings account funding	9,250	7,306
Other fringe costs	25,235	32,424
Long-term disability insurance	1,976	2,020
Supplies	1,691	608
Administrative	40,986	53,319
Safety	5,911	4,790
Seminars	2,665	1,431
Insurance	28,569	29,180
Permits	14,350	14,350
Outside testing	12,593	15,257
Legal	2,447	1,939
Telephone	1,129	1,265
Laboratory supplies	7,714	7,931
Chemicals	38,711	19,628
DCS support contract	2,356	3,196
Blowers - air system	7,835	23,245
Aerators	20,407	18,810
Secondary clarifiers	3,242	3,360
Waste activated sludge thickeners	1,581	4,505
Pumps	8,866	8,072
Chlorination system	7,191	2,182
Additive systems	-	76
Laboratory equipment	1,235	1,912
Plant vehicles	427	939
Electric motors and controls	12,091	3,750
Instrumentation	2,198	695
Buildings and grounds	25,930	39,440
Maintenance inspection	764	1,889
Power purchased	1,197,045	932,063
Water purchased	51,460	28,736
	<u>\$ 1,663,333</u>	<u>\$ 1,457,518</u>
 TOTAL SECONDARY TREATMENT FACILITY EXPENSE		
Industrial Portion	<u>\$ 1,207,757</u>	<u>\$ 1,034,087</u>
Domestic Portion	<u>\$ 455,576</u>	<u>\$ 423,431</u>

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

COMBINED SCHEDULE OF ADMINISTRATIVE, GENERAL AND CUSTOMER ACCOUNTS EXPENSE

For the Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
CUSTOMER ACCOUNTS EXPENSE		
Meter reading	\$ 12,339	\$ 5,653
Customer records and collection expense	611,763	430,646
Other	<u>31,028</u>	<u>15,229</u>
Total Customer Accounts Expense	<u>\$ 655,130</u>	<u>\$ 451,528</u>
ALLOCATION OF CUSTOMER ACCOUNTS EXPENSE		
Electric	\$ 436,018	\$ 297,957
Water	122,931	88,418
Wastewater collection	<u>96,181</u>	<u>65,153</u>
Total Allocation of Customer Accounts Expense	<u>\$ 655,130</u>	<u>\$ 451,528</u>
ADMINISTRATIVE AND GENERAL EXPENSE		
Administrative and general salaries	\$ 299,659	\$ 235,413
Office supplies and expense	43,412	31,355
Outside services employed	166,247	188,469
Property and liability insurance	171,064	106,479
Employees' pensions and benefits	833,272	894,895
Maintenance of general plant	15,861	15,275
Conservation improvement program	186,314	150,961
Other	<u>8,201</u>	<u>52,438</u>
Total Administrative and General Expense	<u>\$ 1,724,030</u>	<u>\$ 1,675,285</u>
ALLOCATION OF ADMINISTRATIVE AND GENERAL EXPENSE		
Electric	\$ 1,125,105	\$ 1,145,209
Water	335,912	320,734
Wastewater collection	<u>263,013</u>	<u>209,342</u>
Total Allocation of Administrative and General Expense	<u>\$ 1,724,030</u>	<u>\$ 1,675,285</u>

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

SCHEDULE OF CHANGES IN UTILITY PLANT
As of December 31, 2021

	Balance 1-1-21	Increases	Decreases	Adjustments	Balance 12-31-21
ELECTRIC DEPARTMENT					
Distribution					
Land and land improvements	\$ 263,320	\$ -	\$ -	\$ -	\$ 263,320
Intangibles	26,570	62,789	-	-	89,359
Structures and improvements	411,762	-	-	-	411,762
Distribution system	27,585,611	428,089	63	-	28,013,637
Street and security lighting system	179,194	6,823	93	-	185,924
Machinery and equipment	1,974,605	23,003	-	-	1,997,608
Total Electric Department	<u>30,441,062</u>	<u>520,704</u>	<u>156</u>	<u>-</u>	<u>30,961,610</u>
WATER DEPARTMENT					
Production					
Land and land improvements	255,508	-	-	-	255,508
Structures and improvements	1,691,894	-	-	-	1,691,894
Wells, pumps and accessories	471,050	-	-	-	471,050
Water treatment plant equipment	2,156,261	29,083	9,230	-	2,176,114
Total Production	<u>4,574,713</u>	<u>29,083</u>	<u>9,230</u>	<u>-</u>	<u>4,594,566</u>
Distribution					
Distribution system	12,128,666	50,578	36,761	-	12,142,483
Intangibles	1,467	-	-	-	1,467
Machinery and equipment	244,957	4,200	-	-	249,157
Total Distribution	<u>12,375,090</u>	<u>54,778</u>	<u>36,761</u>	<u>-</u>	<u>12,393,107</u>
Total Water Department	<u>16,949,803</u>	<u>83,861</u>	<u>45,991</u>	<u>-</u>	<u>16,987,673</u>
WASTEWATER COLLECTION DEPARTMENT					
Distribution					
Land	75,041	-	-	-	75,041
Treatment plant	460,479	-	-	-	460,479
Collection system	5,805,071	38,409	-	-	5,843,480
Intangibles	2,804	-	-	-	2,804
Machinery and equipment	832,961	14,415	158,570	-	688,806
Total Wastewater Collection Department	<u>7,176,356</u>	<u>52,824</u>	<u>158,570</u>	<u>-</u>	<u>7,070,610</u>
WASTEWATER TREATMENT DEPARTMENT					
Land	773,038	-	-	-	773,038
Domestic treatment facility	2,308,506	-	-	(14,534)	2,293,972
Screen house	4,825,111	810,497	-	-	5,635,608
Industrial treatment facility	6,906,222	-	-	(195,784)	6,710,438
Industrial primary plant II	25,669,769	12,907	-	31,245	25,713,921
Sludge disposal	1,037,859	-	-	51,610	1,089,469
Service center building	3,020,956	2,790	-	38,110	3,061,856
Secondary treatment facility	14,553,236	35,249	8,359	89,353	14,669,479
Total Wastewater Treatment Department	<u>59,094,697</u>	<u>861,443</u>	<u>8,359</u>	<u>-</u>	<u>59,947,781</u>
GENERAL PLANT					
Land and improvements	597,924	-	-	-	597,924
Intangibles	505,340	7,178	-	-	512,518
Service center	4,669,451	-	-	-	4,669,451
Communications equipment	80,608	30,082	-	-	110,690
Automated meter read equipment	363,063	-	-	-	363,063
Total General Plant	<u>6,216,386</u>	<u>37,260</u>	<u>-</u>	<u>-</u>	<u>6,253,646</u>
Total Utility Plant in Service	119,878,304	1,556,092	213,076	-	121,221,320
Construction Work in Progress	<u>1,170,453</u>	<u>785,897</u>	<u>1,694,064</u>	<u>-</u>	<u>262,286</u>
TOTAL INVESTMENT IN UTILITY PLANT	<u>\$ 121,048,757</u>	<u>\$ 2,341,989</u>	<u>\$ 1,907,140</u>	<u>\$ -</u>	<u>\$ 121,483,606</u>

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

SCHEDULE OF CHANGES IN ACCUMULATED DEPRECIATION
As of December 31, 2021

	Composite Depreciation Rates	Balance 1-1-21	Increases	Decreases	Adjustments	Balance 12-31-21	Percent of Plant Balance
ELECTRIC DEPARTMENT							
Distribution							
Intangibles		\$ 14,016	\$ 4,338	\$ -	\$ 8,856	\$ 27,210	
Structures and improvements		149,130	9,453	-	1	158,584	
Distribution system		11,618,688	817,257	63	(6,173)	12,429,709	
Street and security lighting system		47,536	6,599	93	1	54,043	
Machinery and equipment		1,696,556	77,785	-	(2,686)	1,771,655	
Total Electric Department	3.0%	<u>13,525,926</u>	<u>915,432</u>	<u>156</u>	<u>(1)</u>	<u>14,441,201</u>	46.6%
WATER DEPARTMENT							
Production							
Structures and improvements		1,134,434	32,570	-	-	1,167,004	
Wells, pumps and accessories		391,375	6,135	-	-	397,510	
Water treatment plant equipment		2,004,132	31,600	9,230	-	2,026,502	
Total Production		<u>3,529,941</u>	<u>70,305</u>	<u>9,230</u>	<u>-</u>	<u>3,591,016</u>	
Distribution							
Distribution system		4,856,926	247,029	36,761	(13,804)	5,053,390	
Intangibles		1,467	-	-	-	1,467	
Machinery and equipment		183,031	14,010	-	-	197,041	
Total Distribution		<u>5,041,424</u>	<u>261,039</u>	<u>36,761</u>	<u>(13,804)</u>	<u>5,251,898</u>	
Total Water Department	2.0%	<u>8,571,365</u>	<u>331,344</u>	<u>45,991</u>	<u>(13,804)</u>	<u>8,842,914</u>	52.1%
WASTEWATER COLLECTION DEPARTMENT							
Distribution							
Treatment plant		260,600	11,757	-	-	272,357	
Collection system		1,920,384	134,026	-	-	2,054,410	
Intangibles		2,804	-	-	-	2,804	
Machinery and equipment		253,687	90,932	158,570	-	186,049	
Total Wastewater Collection Department	3.3%	<u>2,437,475</u>	<u>236,715</u>	<u>158,570</u>	<u>-</u>	<u>2,515,620</u>	35.6%
WASTEWATER TREATMENT DEPARTMENT							
Domestic treatment facility		930,000	93,758	-	405,912	1,429,670	
Screen house		2,267,480	99,415	-	(278,962)	2,087,933	
Industrial treatment facility		6,873,182	42,679	-	(626,781)	6,289,080	
Industrial primary plant II		5,289,285	914,554	-	3,604,144	9,807,983	
Sludge disposal		250,112	60,315	-	220,680	531,107	
Service center building		223,945	112,971	-	655,081	991,997	
Secondary treatment facility		14,402,700	265,200	7,105	(3,980,074)	10,680,721	
Total Wastewater Treatment Department	2.7%	<u>30,236,704</u>	<u>1,588,892</u>	<u>7,105</u>	<u>-</u>	<u>31,818,491</u>	53.1%
GENERAL PLANT							
Intangibles		387,915	50,547	-	-	438,462	
Service center		2,636,263	135,589	-	-	2,771,852	
Communications equipment		68,621	6,222	-	-	74,843	
Automated meter read equipment		118,239	22,654	-	-	140,893	
Total General Plant	3.4%	<u>3,211,038</u>	<u>215,012</u>	<u>-</u>	<u>-</u>	<u>3,426,050</u>	54.8%
TOTAL ACCUMULATED DEPRECIATION	2.7%	<u>\$ 57,982,508</u>	<u>\$ 3,287,395</u>	<u>\$ 211,822</u>	<u>\$ (13,805)</u>	<u>\$ 61,044,276</u>	50.4%

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

SCHEDULE OF CONTRIBUTIONS TO THE CITY OF GRAND RAPIDS For the Years Ended December 31, 2021 and 2020

	<u>2021 Payment in Lieu of Taxes</u>	<u>2020 Payment in Lieu of Taxes</u>
CASH		
Annual cash payment	\$ 868,000	\$ 868,000
LABOR AND MATERIALS PROVIDED		
Miscellaneous city services	<u>14,288</u>	<u>5,537</u>
TOTAL CONTRIBUTIONS	<u>\$ 882,288</u>	<u>\$ 873,537</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

STATISTICAL SECTION

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.

<u>Contents</u>	<u>Page</u>
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.	61 - 66
Revenue Capacity These schedules contain information to help the reader assess the Commission's most significant revenue source, utility revenues.	67 - 78
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.	79 - 80
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.	81 - 82
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.	83 - 87

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

Net Position by Component,
Last Ten Fiscal Years

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Primary government										
Net investment in capital assets	\$ 37,147,932	\$ 37,559,540	\$ 37,929,100	\$ 38,291,017	\$ 39,374,349	\$ 40,813,404	\$ 41,199,607	\$ 43,027,147	\$ 45,010,756	\$ 43,337,623
Restricted	319,410	305,631	787,591	958,832	1,181,470	939,416	880,250	1,252,688	796,279	3,537,622
Unrestricted	7,844,944	7,911,605	7,673,506	5,712,824	5,162,793	5,579,512	5,834,183	5,676,390	5,537,754	4,358,203
Total primary government net position	\$ 45,312,286	\$ 45,776,776	\$ 46,390,197	\$ 44,962,673	\$ 45,718,612	\$ 47,332,332	\$ 47,914,040	\$ 49,956,225	\$ 51,344,789	\$ 51,233,448

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
2012	\$ 22,335,181	\$ 22,988,570	\$ (653,389)	\$ (280,959)	\$ (934,348)	\$ 3,590,085	\$ 2,655,737
2013	22,394,278	22,863,045	(468,767)	(496,070)	(964,837)	1,429,327	464,490
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	25,319,577	26,024,361	(704,784)	(1,133,286)	(1,838,070)	1,726,729	(111,341)

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

OPERATING REVENUES BY SOURCE Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Electric Revenues</u>	<u>Water Revenues</u>	<u>Wastewater Collection Revenues</u>	<u>Wastewater Treatment Revenues</u>	<u>Total</u>
2012	\$ 14,245,652	\$ 1,471,982	\$ 1,481,831	\$ 5,135,716	\$ 22,335,181
2013	14,747,707	1,478,340	1,500,890	4,667,341	22,394,278
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	1,886,511	1,866,283	3,354,423	25,319,577

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

OPERATING EXPENSES BY SOURCE Last Ten Fiscal Years

Fiscal Year	Production	Purchased Power	Distribution/ Collection	Customer Accounts	Administrative and General	Service Center	Communications	Domestic Wastewater Treatment	Industrial Wastewater Treatment	Depreciation	Total Operating Expenses
2012	\$ 435,611	\$ 10,325,956	\$ 1,468,263	\$ 544,789	\$ 1,425,830	\$ 122,773	\$ 611	\$ 460,453	\$ 5,430,163	\$ 2,774,121	\$ 22,988,570
2013	482,133	10,575,249	1,304,024	474,647	1,478,879	144,067	504	519,858	5,009,686	2,873,998	22,863,045
2014	509,114	10,867,361	1,446,044	483,864	1,509,813	174,823	-	514,602	4,945,000	2,782,103	23,232,724
2015	566,272	10,507,885	1,444,665	509,824	1,601,170	146,593	480	558,669	4,982,319	3,039,460	23,357,337
2016	497,804	10,423,456	1,514,328	528,368	1,862,302	141,329	-	577,033	5,069,119	2,913,705	23,527,444
2017	502,694	10,991,941	1,490,156	485,147	1,640,048	176,784	-	524,932	4,617,591	3,015,828	23,445,121
2018	496,597	11,169,489	1,302,074	520,420	1,723,205	141,992	-	543,806	3,973,241	3,105,897	22,976,721
2019	508,915	11,336,920	1,460,272	524,056	1,640,373	170,066	-	520,359	3,626,299	3,143,889	22,931,149
2020	543,700	11,069,792	1,440,341	451,528	1,675,285	144,214	-	514,032	3,640,009	3,461,853	22,940,754
2021	591,648	13,611,143	1,996,952	655,130	1,724,030	164,112	-	553,020	3,406,594	3,321,732	26,024,361

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	Capitalized Interest	Amortization of Debt Premiums and Discounts and Regulatory Asset	Combined Service Center Lease Revenues	Payment in Lieu of Taxes	Special Pension Funding Contribution Revenue	City Land Improvements	Total Nonoperating Expenses
2012	\$ (5,264)	\$ 933,909	\$ 360,000	\$ 323,207	\$ (14,470)	\$ (1,139,271)	\$ (2,336)	\$ 21,809	\$ (54,258)	\$ 121,481	\$ (825,766)	\$ -	\$ -	\$ (280,959.00)
2013	9,935	803,133	385,000	15,314	1,211	(951,450)	(2,261)	4,707	(24,053)	130,714	(868,320)	-	-	(496,070)
2014	13,622	805,596	395,000	-	9,942	(946,263)	(2,325)	-	(26,356)	152,472	(871,167)	-	-	(469,479)
2015	37,376	674,892	415,000	-	-	(888,317)	(2,875)	9,494	(26,356)	151,682	(873,374)	-	-	(502,478)
2016	40,886	692,800	430,000	-	(761)	(854,681)	(4,713)	18,899	(24,308)	146,927	(870,255)	12,297	-	(412,909)
2017	38,310	640,948	200,000	-	(392,642)	(776,953)	(3,175)	-	(22,845)	167,417	(872,898)	-	-	(1,021,838)
2018	26,473	600,024	200,000	-	(90,353)	(726,421)	(5,167)	-	(22,845)	23,866	(876,832)	-	-	(871,255)
2019	50,825	545,700	210,000	10,000	(82,422)	(659,524)	(4,719)	-	(22,583)	46,761	(871,916)	-	-	(777,878)
2020	30,745	486,434	110,000	145,672	(547)	(589,496)	(4,995)	-	(19,707)	38,351	(873,537)	-	-	(677,080)
2021	15,677	445,886	110,000	84,329	26,246	(538,572)	(3,750)	-	(23,298)	26,124	(882,288)	-	(393,640)	(1,133,286)

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

ANNUAL CAPITAL CONTRIBUTIONS BY SOURCE Last Five Fiscal Years

Fiscal Year	Electric Connection Fees	Water Connection Fees	Wastewater Collection Connection Fees	Wastewater Treatment Capital Contributions (Refunds)	Municipality Contribution for Capital Projects	Grants for Capital Projects	Total
2012	\$ 33,088	\$ 1,130	\$ 100	\$ 3,555,767	\$ -	\$ -	\$ 3,590,085
2013	97,507	8,873	200	1,322,747	-	-	1,429,327
2014	61,913	11,870	200	1,721,853	-	-	1,795,836
2015	22,402	8,302	200	1,709,795	-	-	1,740,699
2016	31,138	25,049	5,780	2,113,838	-	-	2,175,805
2017	26,990	12,842	900	2,335,368	-	-	2,376,100
2018	13,463	8,896	8,839	1,706,968	-	-	1,738,166
2019	19,797	11,549	900	3,174,781	-	-	3,207,027
2020	25,285	10,098	1,000	2,087,661	75,000	310,065	2,509,109
2021	66,954	20,953	1,400	1,637,422	-	-	1,726,729

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

ELECTRIC PRODUCTION AND DISTRIBUTION Last Ten Fiscal Years

Fiscal Year	Power Purchased (kWh)	kWh Sold or Accounted for	Unaccounted for kWh	Percent Line Loss	Peak Demand (kW)	Average Peak Demand for Year (kW)	Average Load Factor for Year
2012	176,236,160	165,554,855	10,681,305	6.1%	32,876	27,059	74.5%
2013	177,954,080	169,057,806	8,896,274	5.0%	33,568	27,363	74.8%
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	7,820,016	4.9%	29,488	24,963	72.8%
2020	156,479,120	150,501,080	5,978,040	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%

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	Rural Demand and Energy	Industrial	Dual Fuel	Street Lighting	Security Lighting	Total kWh Sold or Accounted for
2012	34,284,558	22,568,505	65,774,123	9,206,520	2,834,227	2,665,940	20,850,469	5,679,539	1,392,550	298,424	165,554,855
2013	35,207,665	24,254,725	63,566,670	9,470,167	2,932,008	2,697,783	22,464,834	6,873,630	1,295,952	294,372	169,057,806
2014	35,244,349	24,477,249	59,109,959	9,450,486	2,896,935	2,629,303	21,953,868	6,965,635	1,315,943	286,268	164,329,995
2015	34,835,964	23,315,674	64,893,170	9,471,678	2,881,858	2,772,963	22,840,000	5,803,624	1,371,223	279,725	168,465,879
2016	33,843,733	22,508,782	59,632,888	8,867,254	2,847,978	2,314,820	22,893,934	5,292,302	1,306,067	278,848	159,786,606
2017	34,200,970	23,477,446	56,899,637	8,686,092	3,011,103	2,195,613	21,855,145	5,727,004	1,242,582	280,598	157,576,190
2018	36,061,124	23,128,684	57,746,351	9,370,894	3,004,178	2,434,108	17,488,247	6,241,085	1,077,931	283,080	156,835,682
2019	34,223,484	22,702,020	56,712,411	8,949,898	2,918,739	2,463,562	15,945,355	5,650,533	980,732	289,290	150,836,024
2020	37,254,052	21,801,229	54,270,228	9,536,982	2,876,997	2,203,449	15,874,761	5,443,937	931,259	308,186	150,501,080
2021	37,531,633	21,776,800	55,195,224	9,845,575	3,224,425	2,262,462	17,338,841	4,622,712	882,943	303,794	152,984,409

Note: All data in kWh

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

NUMBER OF ELECTRIC CUSTOMER METERS BY TYPE Last Ten Fiscal Years

Fiscal Year	City Residential	City Commercial	Rural Residential	Rural Commercial	Industrial	Dual Fuel	Total Electric Customers	Security Lights	Water Heater Control Customers	Windsense Customers
2012	4,291	1,168	998	157	4	371	6,989	479	707	102
2013	4,333	1,174	1,000	160	3	370	7,040	465	706	105
2014	4,407	1,179	1,000	158	9	366	7,119	445	705	98
2015	4,493	1,190	999	163	10	374	7,229	441	707	99
2016	4,577	1,192	1,005	163	12	372	7,321	441	699	-
2017	4,582	1,191	1,008	160	12	370	7,323	437	700	-
2018	4,572	1,197	1,011	164	11	366	7,321	440	685	-
2019	4,717	1,214	1,006	177	11	378	7,503	469	694	-
2020	4,716	1,214	1,006	181	12	375	7,504	471	685	-
2021	4,678	1,210	1,015	186	22	345	7,456	352	683	-

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

ELECTRIC RATES - CITY CUSTOMERS Last Ten Fiscal Years

	<u>2012</u>	<u>2013</u> <u>(July)</u>	<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>
City Residential :										
Customer Charge	\$ 6.25	\$ 6.35	\$ 6.65	\$ 6.65	\$ 6.65	\$ 6.89	\$ 9.50	\$ 9.50	\$ 9.75	\$ 10.00
All kWh per month	-	-	-	-	-	-	-	-	-	-
First 500 kWh per month	0.0733	0.0744	0.0779	0.0779	0.0779	0.0807	0.0837	0.0837	0.0854	0.0871
Over 500 kWh per month	0.0963	0.0977	0.1012	0.1012	0.1012	0.1048	0.1078	0.1078	0.1100	0.1122
City Commercial:										
Customer Charge	12.30	12.50	12.80	12.80	12.80	13.26	17.75	17.75	18.25	18.75
All kWh per month	0.0883	0.0896	0.0934	0.0934	0.0934	0.0967	0.0997	0.0997	0.1017	0.1037
First 10,000 kWh per month	-	-	-	-	-	-	-	-	-	-
Over 10,000 kWh per month	-	-	-	-	-	-	-	-	-	-
Load Management Heating:										
Customer Charge	6.25	6.25	6.65	6.65	6.65	6.89	7.50	7.50	7.75	8.00
Energy Charge: Per kWh	0.0531	0.0539	0.0561	0.0561	0.0561	0.0581	0.0611	0.0611	0.0623	0.0635
Load Management - Storage Heat:										
Customer Charge	6.25	6.25	6.65	6.65	6.65	6.89	7.50	7.50	7.75	8.00
Energy Charge: Per kWh	0.0443	0.0450	0.0467	0.0467	0.0467	0.0484	0.0514	0.0514	0.0524	0.0534
Load Management Cooling - Continuous Control:										
Customer Charge	6.25	6.25	6.65	6.65	6.65	6.89	7.50	7.50	7.75	8.00
Energy Charge: Per kWh	0.0531	0.0539	0.0561	0.0561	0.0561	0.0581	0.0611	0.0611	0.0623	0.0635
Load Management Cooling - Cycled Control:										
Customer Charge	6.25	6.25	6.65	6.65	6.65	6.89	7.50	7.50	7.75	8.00
Energy Charge: Per kWh	.0733*	.0744*	0.0779*	0.0779*	0.0779*	.0807*	0.0837	0.0837	0.0837	0.0871
* kWh chged @ normal rate for customer class										
Monthly Credit	8.75	8.75	8.75	8.75	8.75	9.06	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
Demand Charge: Per kWh	14.00	14.50	15.85	15.85	15.85	16.41	16.41	16.41	16.74	17.07
Energy Charge: Per kWh	0.0437	0.0437	0.0437	0.0437	0.0437	0.0453	0.0483	0.0483	0.0493	0.0503
Minimum kW/month	10	10	10	10	10	10	10	10	10	10
Industrial:										
Customer Charge	-	-	-	-	-	-	17.75	17.75	25.00	26.00
Demand Charge: Per kW	14.00	14.50	15.85	15.85	15.85	16.41	16.41	16.41	16.74	17.07
Energy Charge: Per kWh	0.0437	0.0437	0.0437	0.0437	0.0437	0.0453	0.0483	0.0483	0.0493	0.0503
Minimum kW/month	10	10	10	10	10	10	10	10	10	10
Entertainment Lighting Rate:										
Seasonal Evening										
Customer Charge	8.50	8.65	9.10	9.10	9.10	9.42	12.75	12.75	12.75	12.75
Energy Charge: Per kWh/mo	0.0916	0.0930	0.0968	0.0968	0.0968	0.1002	0.1032	0.1032	0.1032	0.1032

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

ELECTRIC RATES - RURAL CUSTOMERS Last Ten Fiscal Years

	<u>2012</u>	<u>2013</u> <u>(July)</u>	<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>
Rural Residential:										
Customer Charge	\$ 7.25	\$ 7.35	\$ 7.65	\$ 7.65	\$ 7.65	\$ 7.92	\$ 10.50	\$ 10.50	\$ 10.75	\$ 11.00
All kWh per month	-	-	-	-	-	-	-	-	-	-
First 500 kWh per month	0.0768	0.0779	0.0814	0.0814	0.0814	0.0843	0.0873	0.0873	0.0890	0.0907
Over 500 kWh per month	0.0998	0.1012	0.1047	0.1047	0.1047	0.1084	0.1114	0.1114	0.1136	0.1158
Rural Commercial:										
Customer Charge	13.30	13.50	13.80	13.80	13.80	14.29	18.75	18.75	19.25	19.75
All kWh per month	0.0918	0.0931	0.0971	0.0971	0.0971	0.1006	0.1036	0.1036	0.1056	0.1076
First 10,000 kWh per month	-	-	-	-	-	-	-	-	-	-
Over 10,000 kWh per month	-	-	-	-	-	-	-	-	-	-
Load Management Heating:										
Customer Charge	6.25	6.25	6.65	6.65	6.65	6.89	7.50	7.50	7.75	8.00
Energy Charge: Per kWh	0.0531	0.0539	0.0561	0.0561	0.0561	0.0581	0.0611	0.0611	0.0623	0.0635
Load Management - Storage Heat:										
Customer Charge	6.25	6.25	6.65	6.65	6.65	6.89	7.50	7.50	7.75	8.00
Energy Charge: Per kWh	0.0443	0.0450	0.0467	0.0467	0.0467	0.0484	0.0514	0.0514	0.0524	0.0534
Load Management Cooling - Continuous Control:										
Customer Charge	6.25	6.25	6.65	6.65	6.65	6.89	7.50	7.50	7.75	8.00
Energy Charge: Per kWh	0.0531	0.0539	0.0561	0.0561	0.0561	0.0581	0.0611	0.0611	0.0623	0.0635
Load Management Cooling - Cycled Control:										
Customer Charge	6.25	6.25	6.65	6.65	6.65	6.89	7.50	7.50	7.75	8.00
Energy Charge: Per kWh	.0768*	.0779*	0.0814*	0.0814*	0.0814*	.0807*	0.0837	0.0837	0.0837	0.0837
* kWh chged @ normal rate for customer class										
Monthly Credit	8.75	8.75	8.75	8.75	8.75	9.06	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
Demand Charge: Per kWh	14.75	15.25	16.65	16.65	16.65	17.24	17.24	17.24	17.59	17.07
Energy Charge: Per kWh	0.0473	0.0473	0.0473	0.0473	0.0473	0.0490	0.0520	0.0520	0.0530	0.0540
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
2012	443,864	23,386	420,478	329,075	91,403	19.8%
2013	423,320	32,287	391,033	329,810	61,223	15.7%
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	32,927	9.6%
2020	399,832	56,480	343,352	298,465	44,887	12.8%
2021	454,165	84,684	369,481	331,125	38,356	10.4%

Note: Data in 1000's of gallons

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

WATER DISTRIBUTION BY CUSTOMER CLASS Last Ten Fiscal Years

Fiscal Year	City Residential	City Commercial	Rural Residential	Rural Commercial	City Industrial	Rural Industrial	System Maintenance	Total Water Gallons Distributed
2012	104,201	197,435	-	-	13,634	12,560	1,245	329,075
2013	101,854	165,475	-	-	37,797	13,156	11,528	329,810
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

Notes: Data in 1000's of gallons.

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

NUMBER OF WATER AND WASTEWATER COLLECTION 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>	<u>City Industrial</u>	<u>Rural Industrial</u>	<u>Total Water Customers</u>
2012	2,511	626	-	-	7	2	3,146
2013	2,522	625	-	-	7	2	3,156
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

<u>Fiscal Year</u>	<u>City Residential</u>	<u>City Commercial</u>	<u>Rural Residential</u>	<u>Rural Commercial</u>	<u>City Industrial</u>	<u>Rural Industrial</u>	<u>Total Wastewater Collection Customers</u>
2012	2,517	597	4	13	1	3	3,135
2013	2,528	596	4	13	1	3	3,145
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

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

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

	<u>2012</u>	<u>2013</u>	<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>
Water Rates										
Base rate (meter size)										
5/8" - 3/4"	\$ 5.85	\$ 5.85	\$ 6.08	\$ 6.08	\$ 6.08	\$ 6.25	\$ 8.50	\$ 8.50	\$ 8.50	\$ 8.50
1"	8.19	8.19	8.51	8.51	8.51	8.70	11.84	11.84	11.84	11.84
1 1/4"	10.53	10.53	10.94	10.94	10.94	11.20	13.61	13.61	13.61	13.61
1 1/2"	10.53	10.53	10.94	10.94	10.94	11.20	15.24	15.24	15.24	15.24
2"	16.96	16.96	17.63	17.63	17.63	18.10	24.63	24.63	24.63	24.63
3"	64.33	64.33	66.88	66.88	66.88	68.55	93.26	93.26	93.26	93.26
4"	81.88	81.88	85.12	85.12	85.12	87.20	118.64	118.64	118.64	118.64
6"	122.82	122.82	127.68	127.68	127.68	130.85	178.02	178.02	178.02	178.02
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	3.44	3.44	3.58	3.58	3.58	3.65	3.72	3.72	3.72	3.72
Next 4,000 gallons	4.31	4.31	4.48	4.48	4.48	4.60	4.69	4.69	4.69	4.69
Next 22,000 gallons	5.37	5.37	5.59	5.59	5.59	5.75	5.87	5.87	5.87	5.87
All gallons over 30,000	8.61	8.61	8.95	8.95	8.95	9.20	9.38	9.38	9.38	9.38
Commercial:										
First 40,000 gallons	2.97	2.97	3.09	3.09	3.09	3.20	3.26	3.26	3.26	3.26
Next 360,000 gallons	3.71	3.71	3.86	3.86	3.86	3.95	4.03	4.03	4.03	4.03
All gallons over 400,000	4.75	4.75	4.94	4.94	4.94	5.05	5.15	5.15	5.15	5.15
Industrial:										
First 400,000 gallons	2.59	2.59	2.69	2.69	2.69	2.75	2.81	2.81	2.81	2.81
All gallons over 400,000	3.23	3.23	3.36	3.36	3.36	3.45	3.52	3.52	3.52	3.52
Wastewater Base Charge	6.56	6.56	6.56	6.56	6.56	8.00	10.80	10.80	10.80	10.80
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	3.43	3.43	3.50	3.50	3.50	4.25	4.35	4.35	4.35	4.35
Commercial	3.64	3.64	3.86	3.86	3.86	4.70	4.80	4.80	4.80	4.80

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

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

	<u>2012</u>	<u>2013</u>	<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>
Water Rates										
Base rate (meter size)										
5/8" - 3/4"	\$ 5.85	\$ 5.85	\$ 6.69	\$ 6.69	\$ 6.69	\$ 6.85	N/A	N/A	N/A	N/A
1"	8.19	8.19	9.36	9.36	9.36	9.60	N/A	N/A	N/A	N/A
1 1/4"	10.53	10.53	12.03	12.03	12.03	12.35	N/A	N/A	N/A	N/A
1 1/2"	10.53	10.53	12.03	12.03	12.03	12.35	N/A	N/A	N/A	N/A
2"	16.96	16.96	19.39	19.39	19.39	19.90	N/A	N/A	N/A	N/A
3"	64.33	64.33	73.57	73.57	73.57	75.40	N/A	N/A	N/A	N/A
4"	81.88	81.88	93.63	93.63	93.63	95.95	N/A	N/A	N/A	N/A
6"	122.82	122.82	140.45	140.45	140.45	143.95	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	3.78	3.78	3.94	3.94	3.94	4.00	N/A	N/A	N/A	N/A
Next 4,000 gallons	4.74	4.74	4.93	4.93	4.93	5.05	N/A	N/A	N/A	N/A
Next 22,000 gallons	5.91	5.91	6.15	6.15	6.15	6.30	N/A	N/A	N/A	N/A
All gallons over 30,000	9.47	9.47	9.85	9.85	9.85	10.05	N/A	N/A	N/A	N/A
Commercial:										
First 40,000 gallons	3.27	3.27	3.40	3.40	3.40	3.50	N/A	N/A	N/A	N/A
Next 360,000 gallons	4.08	4.08	4.25	4.25	4.25	4.35	N/A	N/A	N/A	N/A
All gallons over 400,000	5.23	5.23	5.43	5.43	5.43	5.55	N/A	N/A	N/A	N/A
Industrial:										
First 400,000 gallons	2.59	2.59	2.67	2.67	2.67	2.75	2.92	2.92	2.92	2.92
All gallons over 400,000	3.24	3.24	3.34	3.34	3.34	3.40	3.64	3.64	3.64	3.64
Wastewater Base Charge	7.22	7.22	7.22	7.22	7.22	8.80	11.80	11.80	11.80	11.80
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	3.78	3.78	3.85	3.85	3.85	4.70	4.80	4.80	4.80	4.80
Commercial	4.00	4.00	4.24	4.24	4.24	5.15	5.25	5.25	5.25	5.25

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

TEN LARGEST CUSTOMERS Current Year and Nine Years Ago

<u>Customer</u>	Fiscal Year 2021			
	Water Revenue		Wastewater Collection Revenue	
	Amount	%	Amount	%
UPM Blandin Paper Co.	\$ 103,847	6.02%	\$ 19,144	1.12%
Wastewater Treatment Plant	50,975	2.95%	-	-
City of LaPrairie	38,057	2.21%	27,961	1.64%
Grand Itasca Clinic & Hospital	35,637	2.07%	36,370	2.13%
Housing and Redevelopment	27,719	1.61%	21,190	1.24%
School District 318	23,579	1.36%	18,308	1.07%
Holiday Station Stores	21,437	1.24%	24,226	1.42%
City of Grand Rapids	20,843	1.21%	7,760	0.45%
Grand Village	15,165	0.88%	17,299	1.01%
Rapids Energy Center MP	14,758	0.86%	13,397	0.78%
Subtotal (10 largest)	352,017	20.41%	185,653	10.86%
Balance from other customers	1,372,437	79.59%	1,524,278	89.14%
Grand Totals	<u>\$ 1,724,454</u>	<u>100.00%</u>	<u>\$ 1,709,931</u>	<u>100.00%</u>

<u>Customer</u>	Fiscal Year 2012			
	Water Revenue		Wastewater Collection Revenue	
	Amount	%	Amount	%
Blandin Paper Co.	\$ 158,407	11.68%	\$ 131,294	9.70%
City of Cohasset	-	-	84,130	6.22%
Wastewater Treatment Plant	41,373	3.05%	-	-
City of LaPrairie	38,721	2.84%	20,040	1.48%
Grand Itasca Clinic & Hospital	28,836	2.13%	24,358	1.80%
Housing and Redevelopment	20,929	1.54%	20,879	1.54%
School District 318	18,597	1.37%	16,735	1.24%
Grand Hospitality LLC	13,125	0.97%	11,528	0.85%
Itasca Community College	15,962	1.18%	11,041	0.82%
YMCA	12,334	0.91%	11,109	0.82%
Minnesota Diversified Industries	12,005	0.89%	11,160	0.82%
Subtotal (10 largest)	360,289	26.56%	342,274	25.29%
Balance from other customers	996,136	73.44%	1,010,988	74.71%
Grand Totals	<u>\$ 1,356,425</u>	<u>100.00%</u>	<u>\$ 1,353,262</u>	<u>100.00%</u>

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									Effluent			
	Flow			Total Suspended Solids			Biochemical Oxygen Demand			Flow (1,000 gal.)	Total Suspended Solids (tons)	Biochemical Oxygen Demand (tons)	Landfill Solids (cubic yards)
	Domestic (1,000 gal.)	Industrial (1,000 gal.)	Total Flow (1,000 gal.)	Domestic (tons)	Industrial (tons)	Total Suspended Solids (tons)	Domestic (tons)	Industrial (tons)	Total BOD (tons)				
2012	427,960	1,901,240	2,329,200	567	18,029	18,596	415	7,541	7,956	2,329,200	28	35	66,480
2013	444,425	1,721,407	2,165,832	647	15,275	15,922	455	7,036	7,491	2,165,832	24	20	61,452
2014	463,292	1,806,423	2,269,715	656	15,950	16,606	471	6,999	7,470	2,275,943	23	24	61,812
2015	456,310	1,931,150	2,387,460	623	14,729	15,352	379	6,683	7,062	2,398,538	24	22	60,084
2016	500,030	1,927,860	2,427,890	533	14,335	14,868	410	4,887	5,297	2,446,389	27	27	58,956
2017	486,150	1,936,610	2,422,760	558	14,604	15,162	440	7,905	8,345	2,439,620	23	25	60,874
2018	460,390	1,557,460	2,017,850	588	11,207	11,795	482	5,520	6,002	2,029,600	17	27	51,312
2019	553,030	1,419,130	1,972,160	619	8,839	9,458	503	3,069	3,572	1,985,330	18	28	41,136
2020	516,680	1,416,590	1,933,270	568	7,357	7,925	441	2,981	3,422	1,946,180	18	33	35,928
2021	466,790	1,520,450	1,987,240	623	7,928	8,551	467	4,603	5,070	1,979,620	29	78	44,700

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

RATIOS OF OUTSTANDING DEBT BY TYPE Last Ten Fiscal Years

Fiscal Year	General Obligation Revenue Bonds	Revenue Bonds	G.O. Revenue Notes (1)	Long-Term Payable to City	Leases Payable	Total		As a Share of Personal Income
						Amount	Per Capita	
2012	\$ 7,470,000	\$ -	\$ 23,848,210	\$ 832,600	\$ -	\$ 32,150,810	\$ 2,958.03	N/A
2013	9,100,000	-	22,704,000	638,000	-	32,442,000	2,984.82	N/A
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	1,544.69	N/A

(1) The 2011 G.O. Revenue Bond amount includes \$2,990,000 issued to refund 2001A G.O. Wastewater Revenue Bonds in 2012

(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	
2012	\$ 25,141,879	\$ 21,054,685	\$ 4,087,194	\$ 1,767,643	\$ 958,647	\$ 2,726,290	150%
2013	24,965,972	20,857,367	4,108,605	2,013,810	954,596	2,968,406	138%
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	2,433,895	545,465	2,979,360	136%

(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>
2012	10,869	N/A	N/A	9.90%
2013	10,869	N/A	N/A	7.60%
2014	10,869	N/A	N/A	6.70%
2015	10,869	N/A	N/A	8.47%
2016	10,869	N/A	N/A	10.60%
2017	11,435	N/A	N/A	6.10%
2018	11,389	N/A	N/A	5.60%
2019	11,389	N/A	N/A	5.28%
2020	11,390	N/A	N/A	7.52%
2021	11,126	N/A	N/A	4.61%

Source: Minnesota Department of Employment and Economic Development

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

PRINCIPAL EMPLOYERS Current Year and Nine Years Ago

Taxpayer	2021			2012		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
ISD #318 (1)	1,086	1	11.66%	600	1	6.49%
Grand Itasca Clinic & Hospital	680	2	7.30%	600	2	6.49%
Itasca County	454	3	4.88%	390	4	4.22%
Northland Counseling Center, Inc.	250	4	2.68%			
UPM Blandin Paper Mill	225	5	2.42%	450	3	4.87%
Arrowhead Promotion & Fulfillment	220	6	2.36%	290	5	3.14%
ASV Inc. (3)	215	7	2.31%	220	8	2.38%
Wal-Mart	183	8	1.97%	280	6	3.03%
City of Grand Rapids (1)	189	9	2.03%	225	7	2.43%
Grand Village Nursing Home (2)	150	10	1.61%	160	9	1.73%
Itasca Community College				140	10	1.51%
Total	3,652		39.22%	3,355		36.29%
All other employers	5,659		60.78%	5,892		63.71%
Total	9,311		100.00%	9,247		100.00%

Source: Minnesota Department of Employment and Economic Development
Source: ReferenceUSA, written and telephone survey (June 2020)

- (1) Includes full- and part-time employees.
- (2) Formerly Itasca County Nursing Home
- 34) Formerly Terex Corp., Inc.

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

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

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Administration	2	2	2	2	3	2	2	2	2	2
Customer Service and Billing	4	4	4	4	4	4	4	5	5	5
Electric	10	10	10	10	9	10	10	9	9	9
Finance and Accounting	4	4	4	4	4	4	4	5	6	6
Meter Reading	2	2	2	2	2	1	1	0	0	0
Wastewater Treatment	12	12	11	11	11	11	11	11	9	9
Water Distribution/Wastewater Collection	4	4	4	4	4	4	3	3	2	2
Water Treatment	2	2	2	2	2	2	2	2	3	3
Total Employees	40	40	39	39	39	38	37	37	36	36
 Commissioners	 5	 5	 5	 5	 5	 5	 5	 5	 5	 5

Source: GRPUC payroll records

Notes:

All managers and supervisors are included with their departments

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

OPERATING AND CAPITAL INDICATORS - ELECTRIC Last Ten Fiscal Years

<u>Electric</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Number of substations	5	5	5	5	5	5	5	6	6	6
Main substation capacity (MVA)	54	54	54	54	54	54	54	54	54	72
Distribution transformer capacity (KVA)	117,782	119,000	131,843	99,403	116,723	116,723	112,741	116,723	118,396	119,632
Miles of electric overhead line (not including neutral conductor)	160	157	145	150	149	150	149	150	150	157
Miles of electric underground line	186	189	199	205	211	211	222	222	222	219

Source: GRPUC mapping system

MVA = megavolt ampere - added Tioga Substation

KVA = kilovolt ampere

N/A = not available

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

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

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<u>Water</u>										
Number of treatment plants	1	1	1	1	1	1	1	1	1	1
Treatment capacity (MGD)	3.24	3.24	3.24	3.24	3.24	3.24	3.24	3.24	3.24	3.24
Water Storage Capacity (MG)	2	2	2	2	2	2	2	2	2	2
Number of wells	5	5	5	5	5	5	5	5	5	5
Number of booster stations	1	1	1	1	1	1	1	1	1	1
Number of pressure districts	3	3	3	3	3	3	3	3	3	3
Miles of water main	79	79	79	81	81	81	81	81	81	81
<u>Wastewater</u>										
Number of treatment plants	2	2	2	2	2	2	2	2	2	2
Treatment capacity (MGD)	15.2	15.2	15.2	15.2	15.2	15.2	15.2	15.2	15.2	15.2
Number of lift stations	11	11	11	11	13	13	13	14	14	14
Number of pump stations	1	1	1	1	2	2	2	2	2	2
Miles of wastewater collection main	68	68	68	68	68	68	68	68	68	68

Source: GRPUC GIS mapping system

MGD = millions of gallons per day
MG = million gallons

GRAND RAPIDS PUBLIC UTILITIES COMMISSIC

ELECTRIC DEPARTMENT SELECTED FINANCIAL AND OPERATING RATIOS (Unaudited)

	2021	2020	Industry Average (2020)*
FINANCIAL RATIOS			
Electric revenue per kWh			
All retail customers	\$ 0.103	\$ 0.101	\$ 0.097
Residential customers	\$ 0.117	\$ 0.108	\$ 0.111
Commercial customers	\$ 0.098	\$ 0.100	\$ 0.103
Industrial customers	\$ 0.085	\$ 0.084	\$ 0.071
Electric operating ratio	0.857	0.968	0.855
Net income (loss) per electric revenue dollar	\$ 0.026	\$ 0.032	\$ 0.059
Uncollectible accounts per electric revenue dollar	\$ 0.0011	\$ 0.0007	\$ 0.0020
OPERATING RATIOS			
Retail customers per non-power-generation employee	439	444	337
Total electric O&M expense per kWh sold	\$ 0.121	\$ 0.090	\$ 0.081
Total electric O&M expense (excluding power supply expense) per retail customer	\$ 301	\$ 329	\$ 557
Total power supply expense per kWh sold	\$ 0.088	\$ 0.074	\$ 0.058
Purchased power cost per kWh purchased	\$ 0.085	\$ 0.071	\$ 0.055
Retail customers per meter reader	7,456	7,504	7,690
Distribution O&M expense per retail customer	\$ 194	\$ 136	\$ 186
Distribution O&M expense per circuit mile	\$ 3,897	\$ 2,761	\$ 7,807

GRAND RAPIDS PUBLIC UTILITIES COMMISSION

ELECTRIC DEPARTMENT SELECTED FINANCIAL AND OPERATING RATIOS (Unaudited)

	<u>2021</u>	<u>2020</u>	<u>Industry Average (2020)*</u>
Customer accounting, service and sales expense per retail customer	\$ 58	\$ 40	\$ 65
Administrative and general expense per retail customer	\$ 151	\$ 153	\$ 189
Energy loss percentage	3.98%	3.64%	3.41%
System load factor	71.6%	73.5%	56.1%

* APPA "Financial and Operating Ratios of Public Power Utilities"
published December 2021, using 2020 data.

Minnesota Legal Compliance Independent Auditors' Report

To the Grand Rapids Public Utilities Commission of
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, 2021, 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 June 2, 2022.

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 and bidding, deposits and 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 report is intended solely for the information and use of those charged with governance and management of Grand Rapids Public Utilities Commission and the State Auditor and is not intended to be, and should not be, used by anyone other than those specified parties.

Baker Tilly US, LLP

Madison, Wisconsin
June 2, 2022