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# Grand Rapids Public Utilities Commission

## Audit Presentation
## Exit Conference
## Year Ended December 31, 2025

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# Agenda

- Required Communications
- Audit Results
- Financial Results
- Key Issues/Summary

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# Required Communications

- Our Responsibility Under Generally Accepted Auditing Standards
  - Primary responsibility is to provide our opinion on the fairness of presentation of the financial statements
  - Reviewed internal accounting controls
  - Risk based audit approach
  - Based on internal controls, determined scopes, and tests of transactions
- Planned Scope and Timing of the Audit
  - Communicated during the audit preliminary work and field work
- Significant Accounting Policies
  - Outlined in Note 1 to the financial statements

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# Required Communications (Continued)

- Management Judgments and Accounting Estimates – Reasonable/Supported
- Corrected and Uncorrected Misstatements
  - Corrected adjustments – none noted
  - Uncorrected adjustments – one noted
    - Not recording immaterial OPEB liability
- Disclosures are Adequate, Clear and Complete
- Other Information in Documents Containing Audited Financial Statements
  - Required Supplementary Information – no opinion
  - Supplementary Information – in-relation to opinion – inquiries and evaluate content
  - Other Information – in-relation to opinion – inquiries and evaluate content
- Disagreements with Management
  - There have been no disagreements with management about matters that could be significant to the financial statements

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# Required Communications (Continued)

- Consultations with Other Accountants
  - There were no consultations with other independent accountants, other than prior year auditors
- Major Issues Discussed With Management Prior to Retention
  - No issues, other than normal planning issues, were discussed prior to our retention as auditors
- Difficulties Encountered in Performing the Audit
  - Management was most cooperative and helpful
  - Personnel were available
- Presented one-year financial statements, will update next year once numbers become more comparative due to software changes

# Audit Results

- Unmodified Opinion
  - On the basic financial statement
- Compliance and Internal Control Over Financial Reporting
  - Material Weakness – one noted
    - Financial Reporting Process
  - Significant Deficiencies – none noted
- Minnesota Legal Compliance
  - Seven areas – none noted

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# Financial Results

## *Utility Operations*


| | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|
| Total Revenues | $ 26,027,839 | $ 27,184,680 | $ 26,571,077 | $ 28,154,094 | $ 29,675,130 |
| Capital Contributions | 1,726,729 | 1,753,848 | 4,496,465 | 1,956,008 | 1,736,019 |
| Total Expenses | 27,865,909 | 26,844,838 | 27,845,118 | 28,372,027 | 30,478,090 |
| Change in Net Position | (111,341) | 2,093,690 | 3,222,424 | 1,738,075 | 933,059 |

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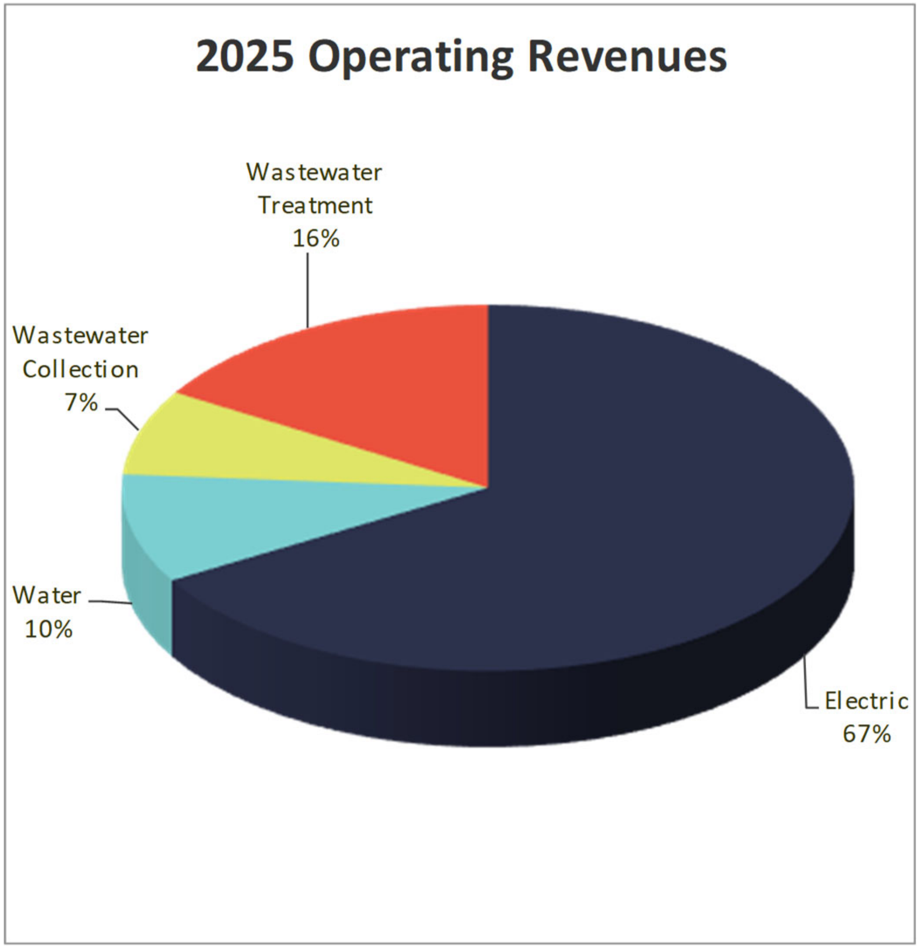
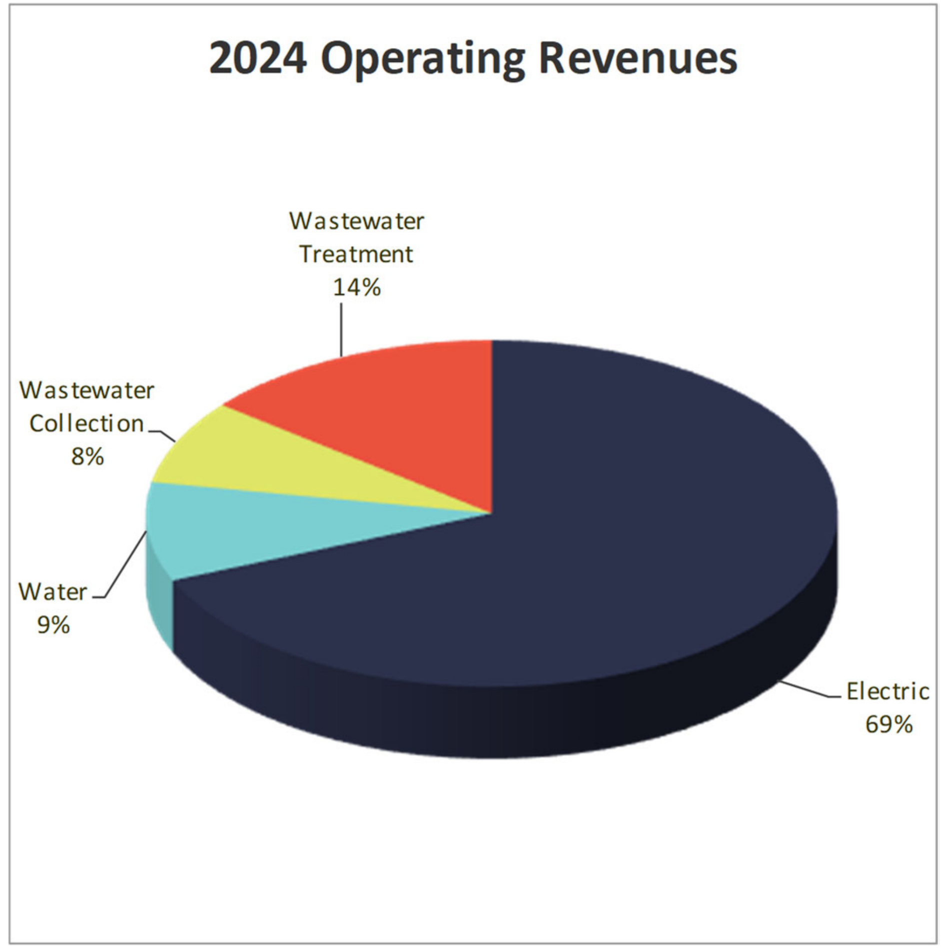
# Financial Results (Continued)

## *Utility Operations*

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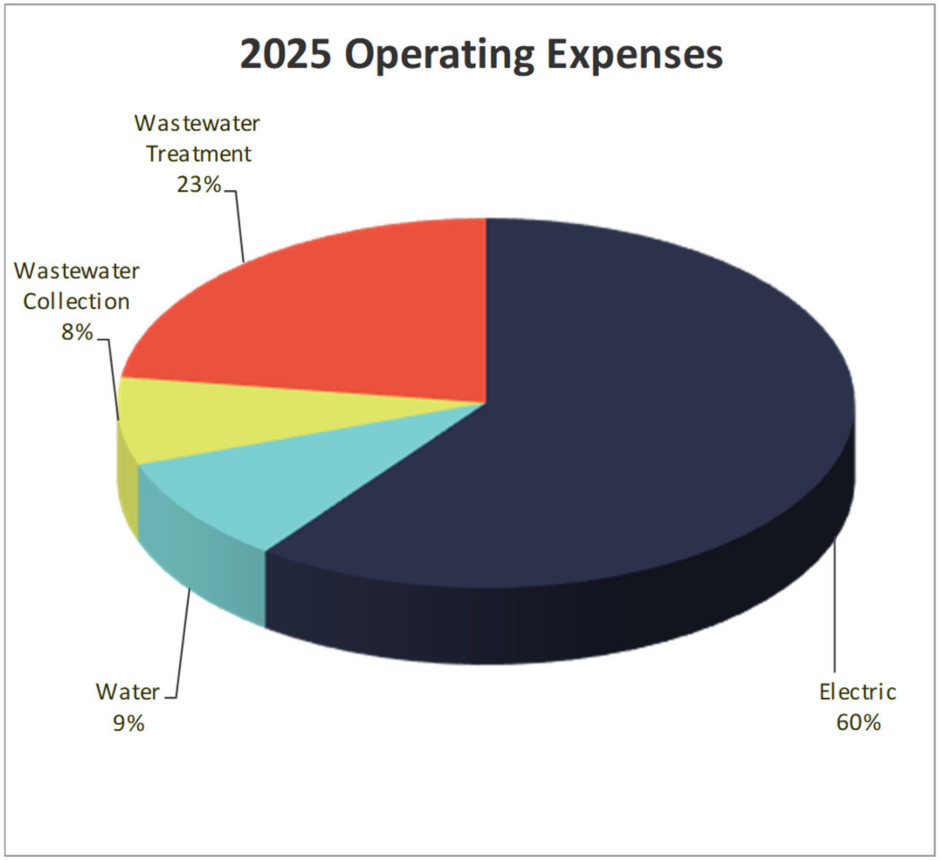
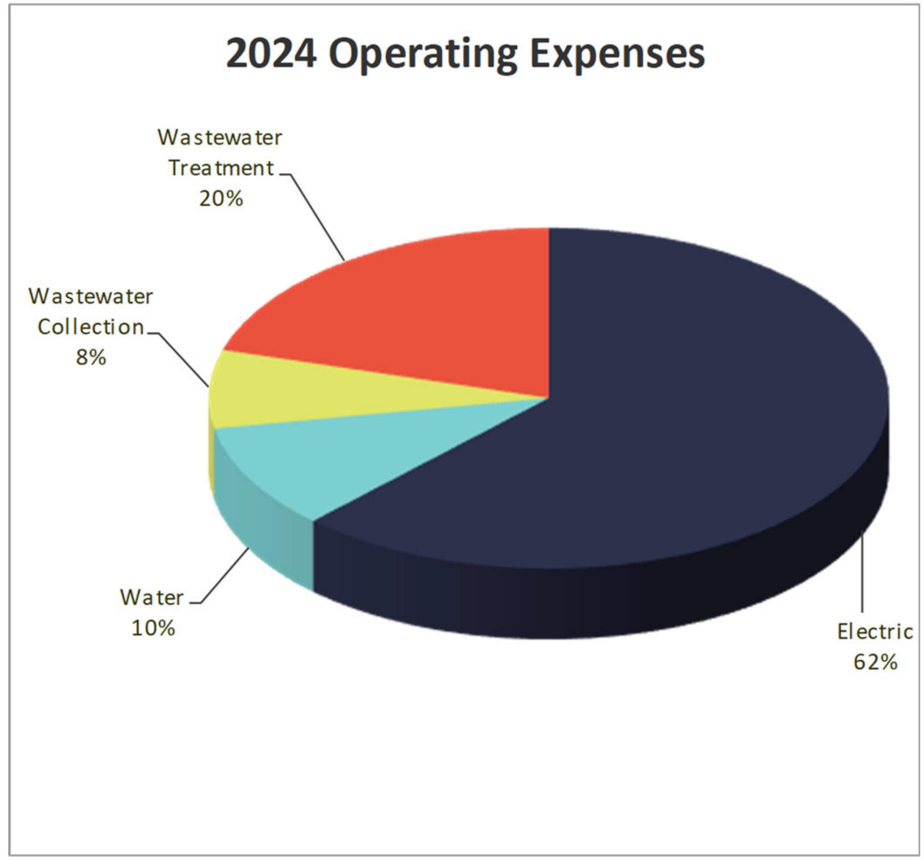
# Financial Results (Continued)

## *Utility Operations*

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# Financial Results (Continued)

## *Electric Operations*


| | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|
| Total Revenues | $ 18,331,959 | $ 19,142,761 | $ 18,224,263 | $ 19,311,214 | $ 19,670,293 |
| Capital Contributions | - | - | 93,349 | 88,199 | 123,213 |
| Total Expenses | 19,050,324 | 17,041,447 | 17,553,520 | 17,513,833 | 18,389,470 |
| Change in Net Position | (718,365) | 2,101,314 | 764,092 | 1,885,580 | 1,404,036 |

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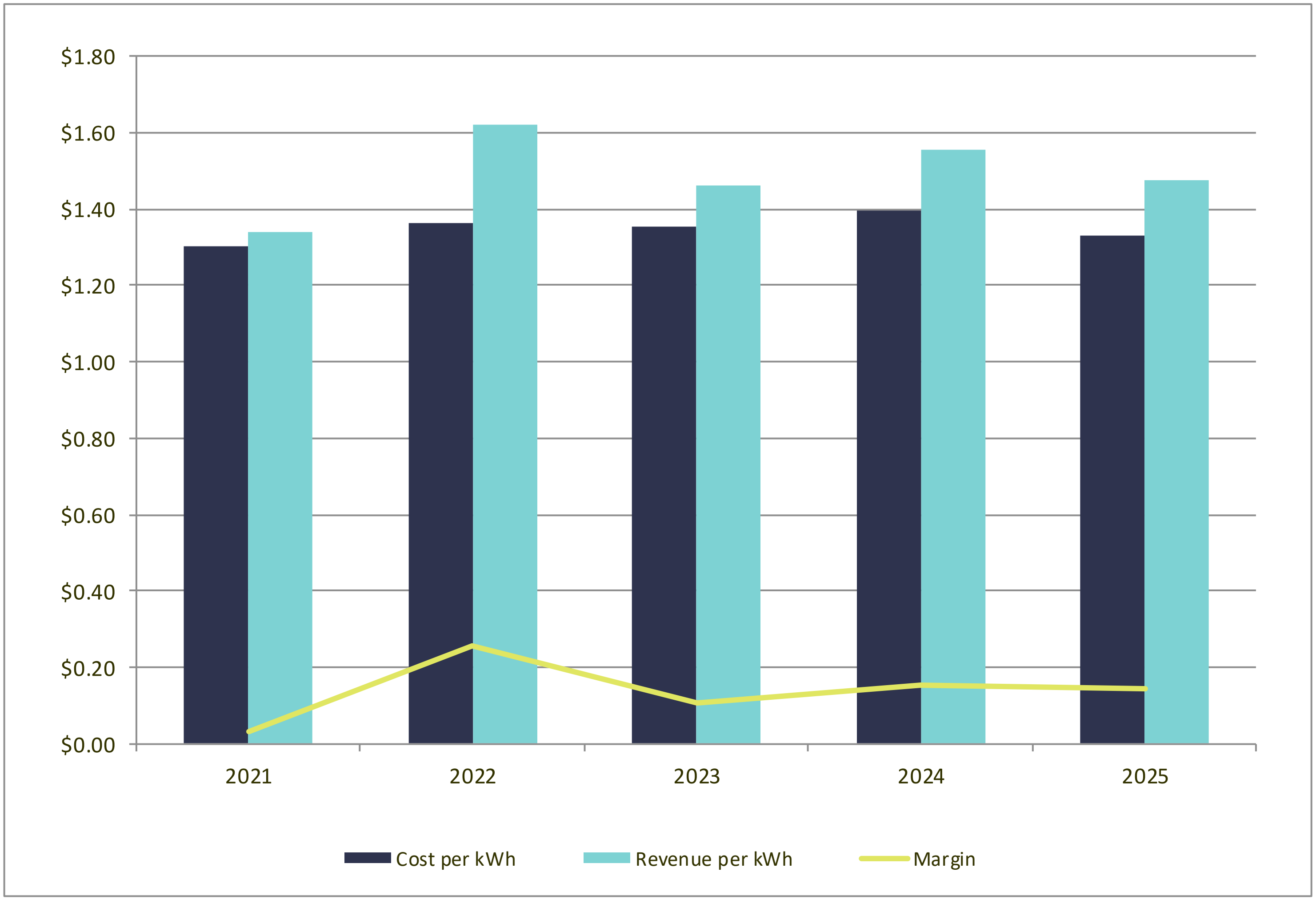
# Financial Results (Continued)

## *Cost per kWh & Revenue per kWh*

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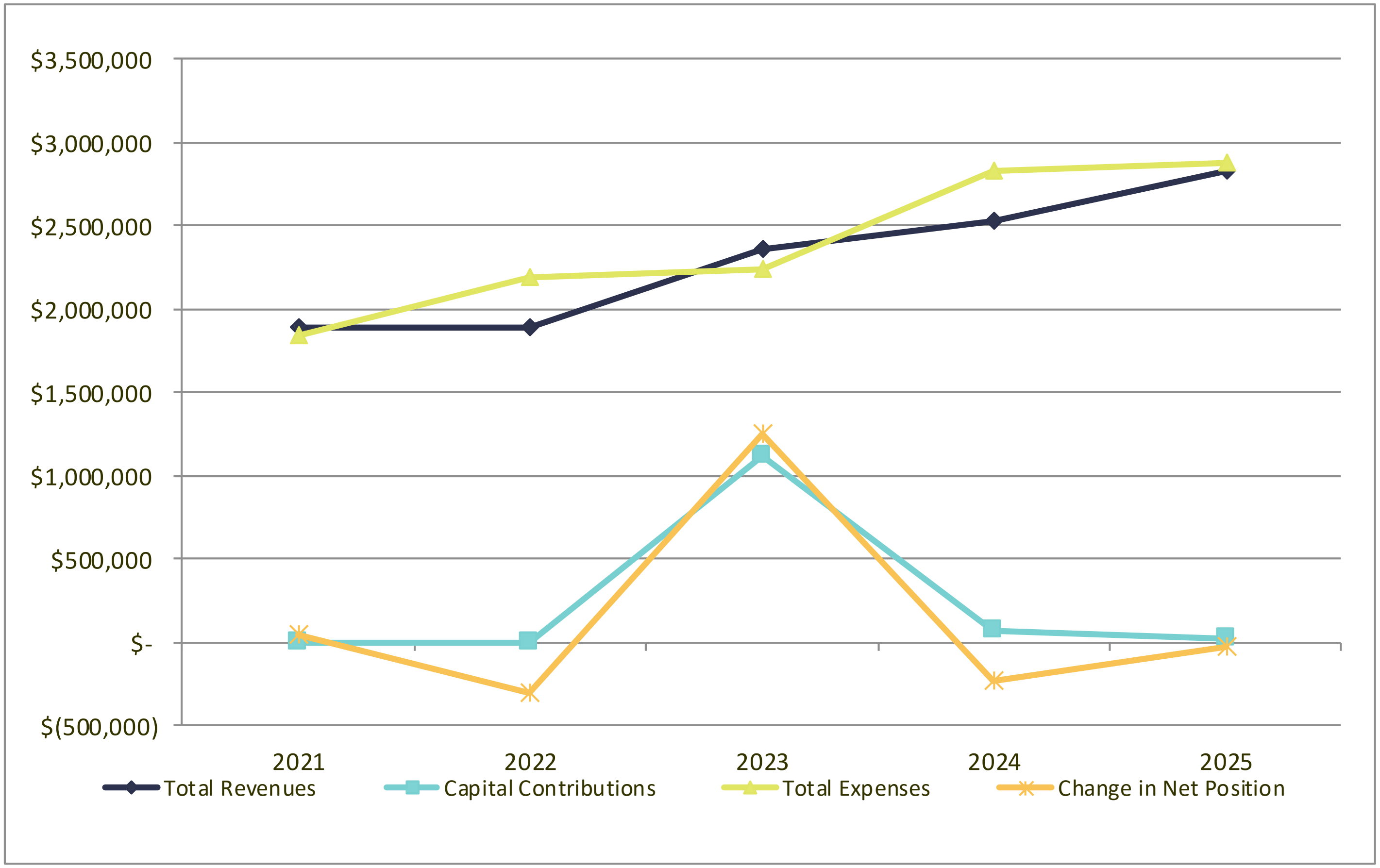
# Financial Results (Continued)

## *Water Operations*




| | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|
| Total Revenues | $ 1,889,776 | $ 1,888,315 | $ 2,365,371 | $ 2,526,564 | $ 2,835,532 |
| Capital Contributions | - | - | 1,124,494 | 72,268 | 19,420 |
| Total Expenses | 1,845,672 | 2,195,748 | 2,242,716 | 2,827,368 | 2,880,713 |
| Change in Net Position | 44,104 | (307,433) | 1,247,149 | (228,536) | (25,761) |

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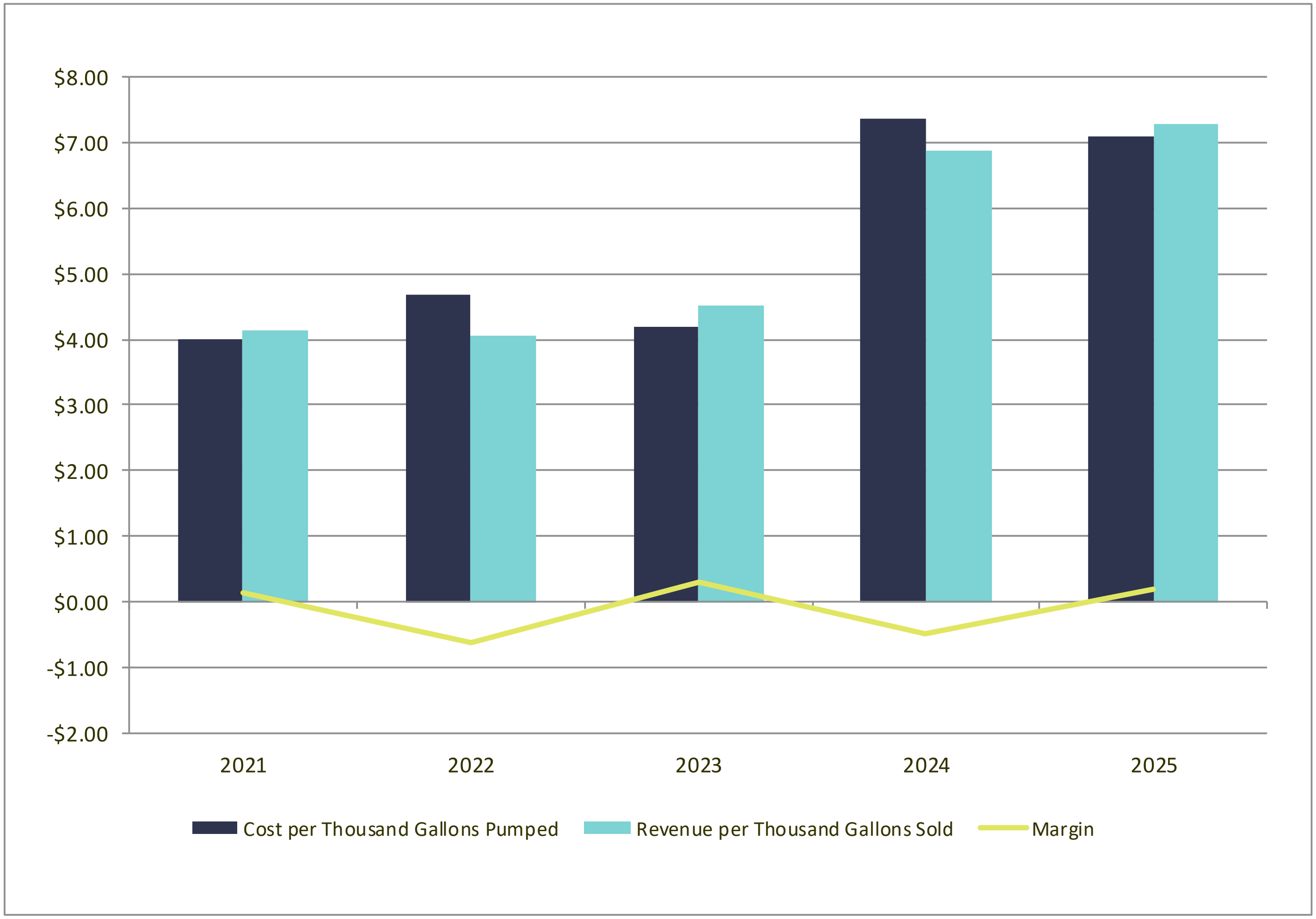
# Financial Results (Continued)

## *Cost per Thousand Gallons Pumped*

## *Revenue per Thousand Gallons Sold*

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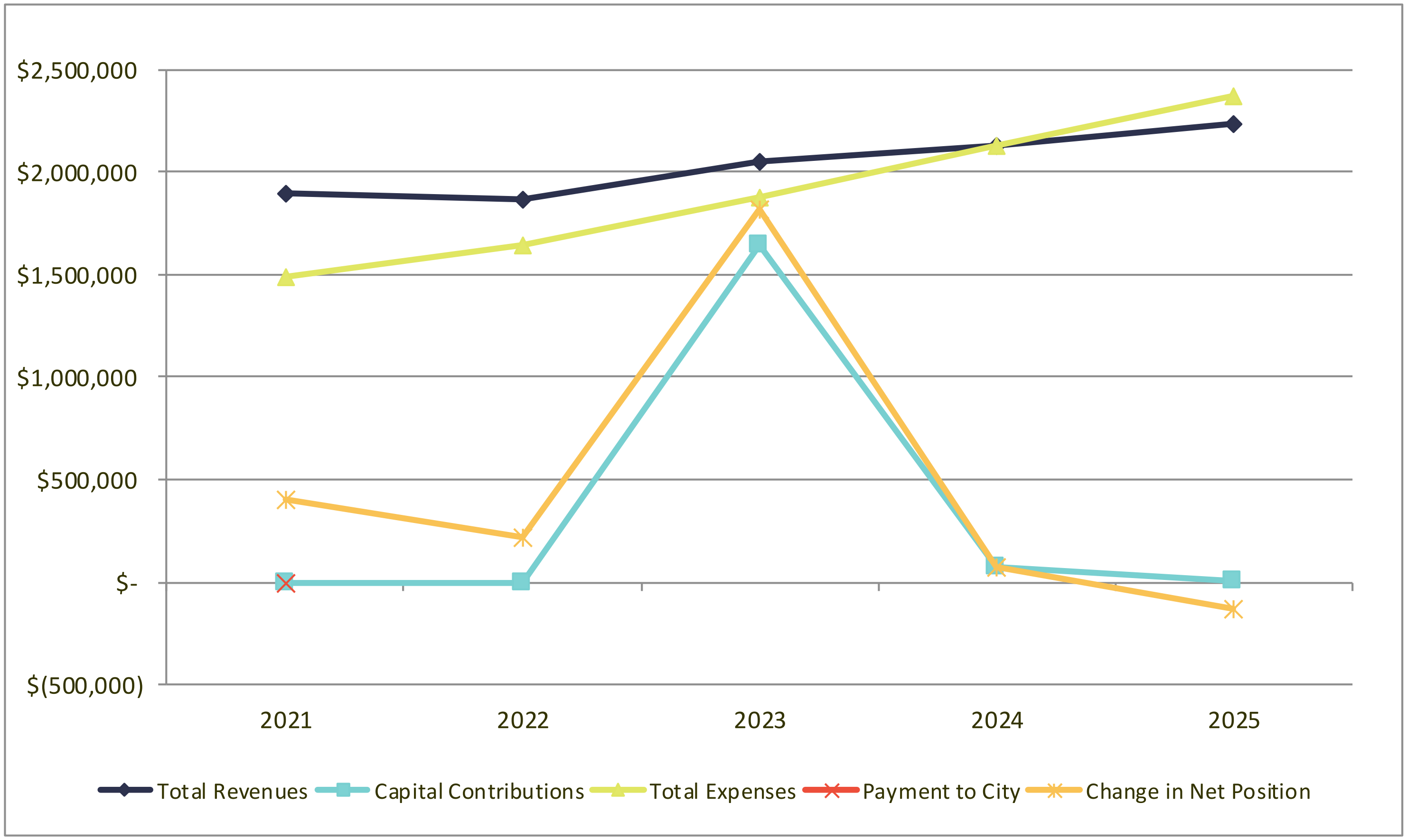
# Financial Results (Continued)

## *Wastewater Collection*




| | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|
| Total Revenues | $ 1,897,049 | $ 1,862,796 | $ 2,051,103 | $ 2,124,814 | $ 2,233,898 |
| Capital Contributions | - | - | 1,643,770 | 70,334 | 1,600 |
| Total Expenses | 1,491,781 | 1,640,941 | 1,876,381 | 2,123,631 | 2,368,883 |
| Change in Net Position | 405,268 | 221,855 | 1,818,492 | 71,517 | (133,385) |

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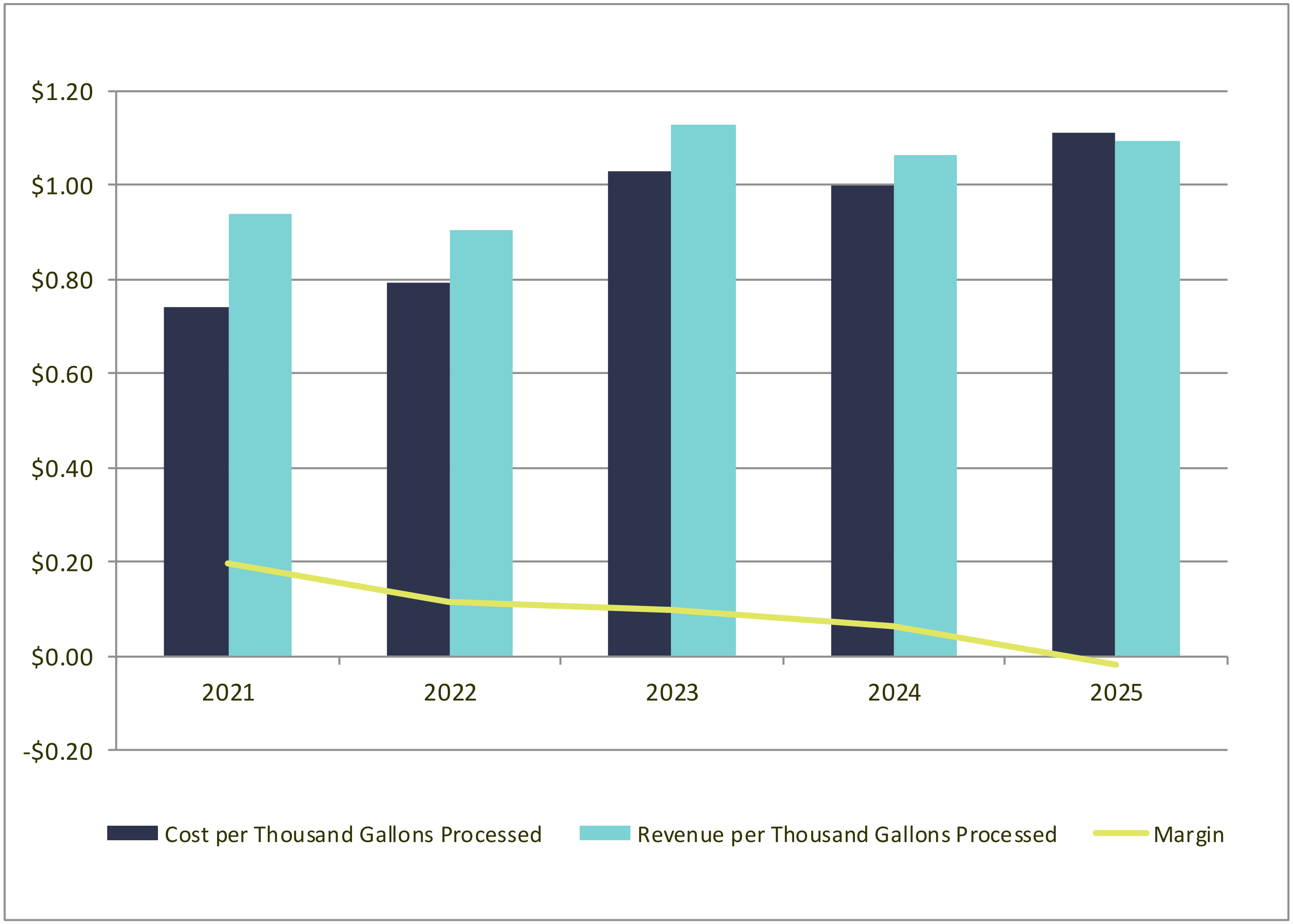
# Financial Results (Continued)

## *Cost per Thousand Gallons Collected*

## *Revenue per Thousand Gallons Collected*

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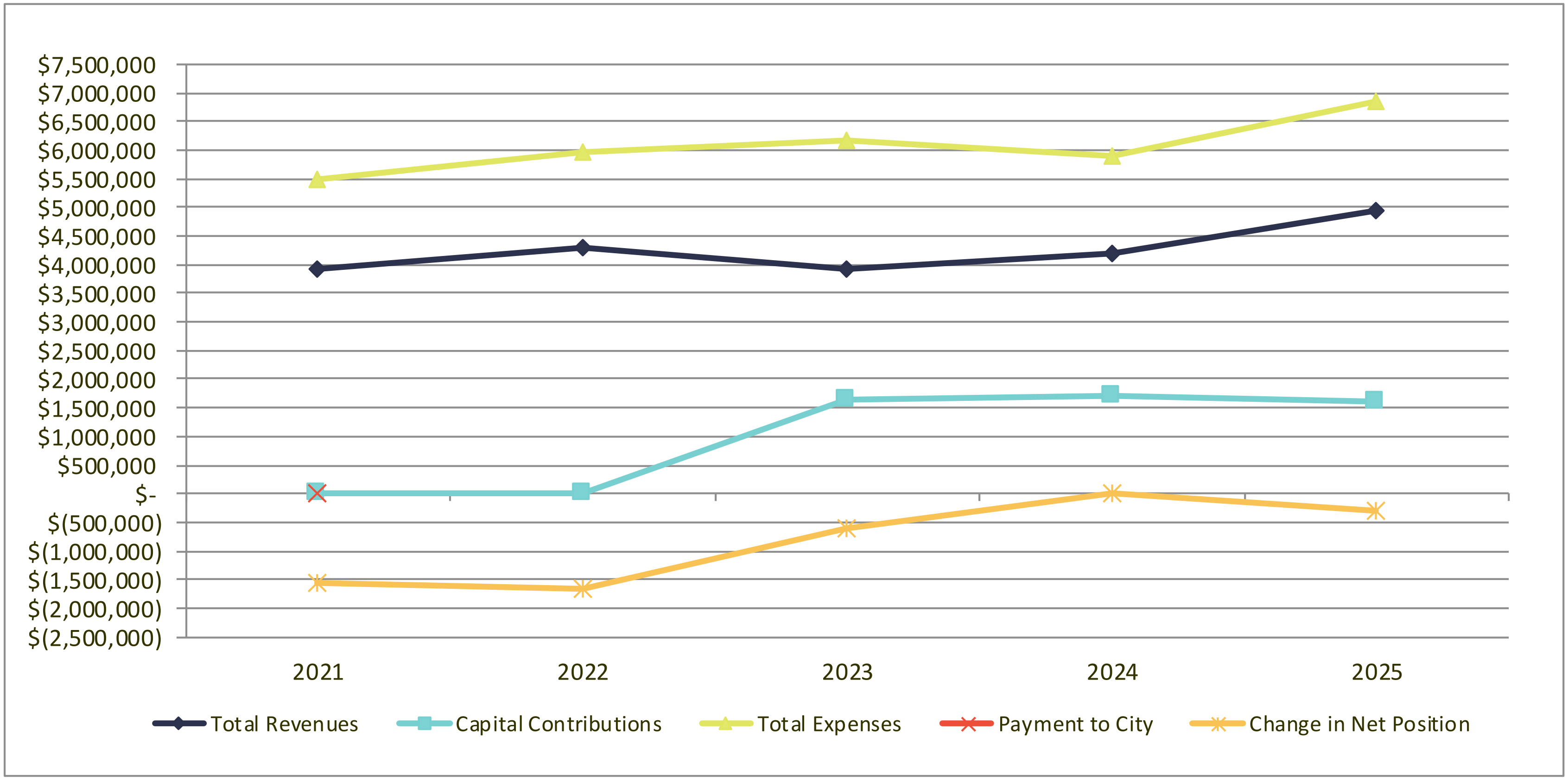
# Financial Results (Continued)

## *Wastewater Treatment*




| | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|
| Total Revenues | $ 3,910,309 | $ 4,302,974 | $ 3,926,372 | $ 4,191,502 | $ 4,942,933 |
| Capital Contributions | - | - | 1,634,852 | 1,725,207 | 1,591,786 |
| Total Expenses | 5,479,386 | 5,978,850 | 6,152,536 | 5,907,195 | 6,846,550 |
| Change in Net Position | (1,569,077) | (1,675,876) | (591,312) | 9,514 | (311,831) |

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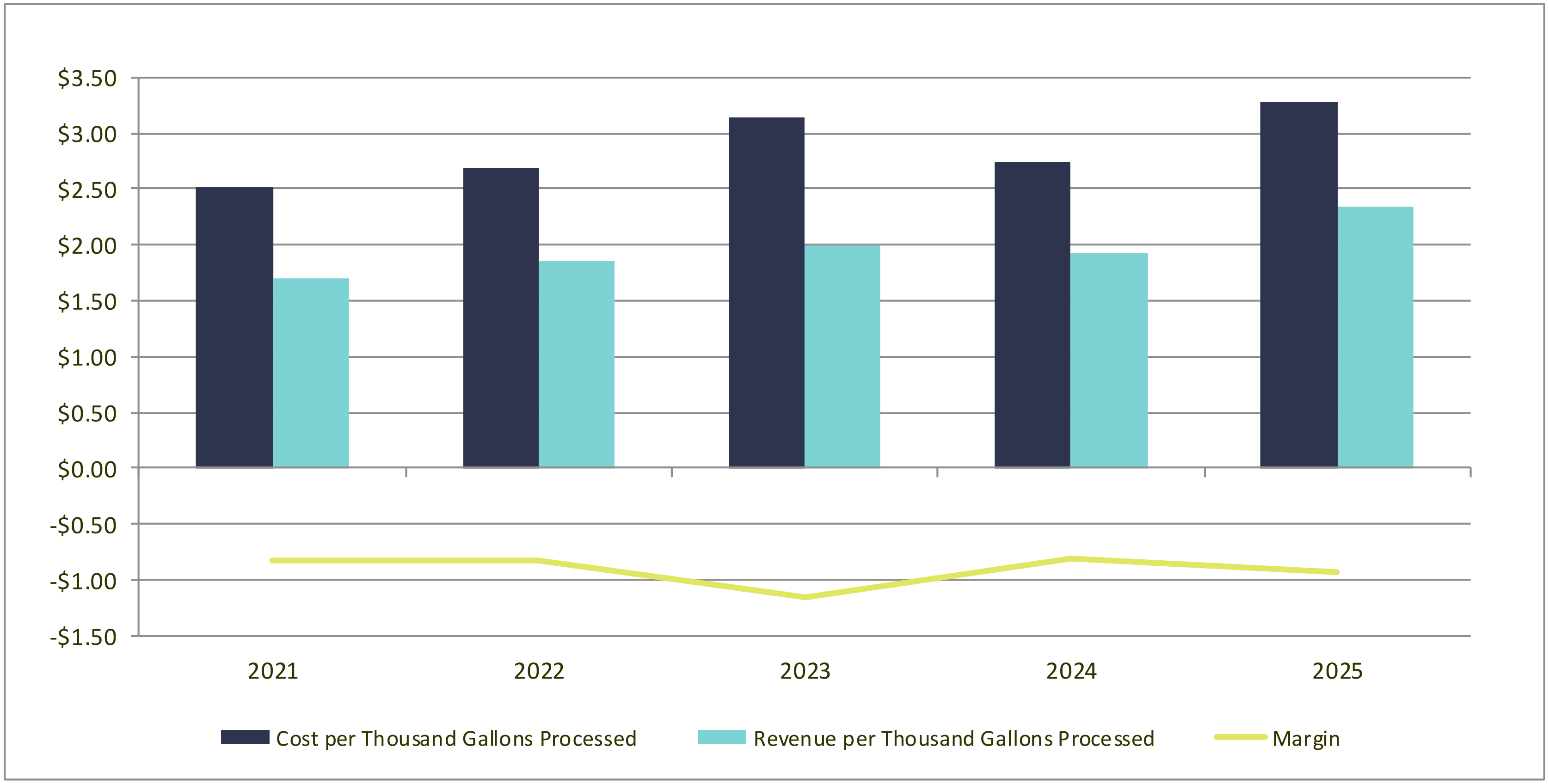
# Financial Results (Continued)

## *Cost per Thousand Gallons Treated*

## *Revenue per Thousand Gallons Treated*

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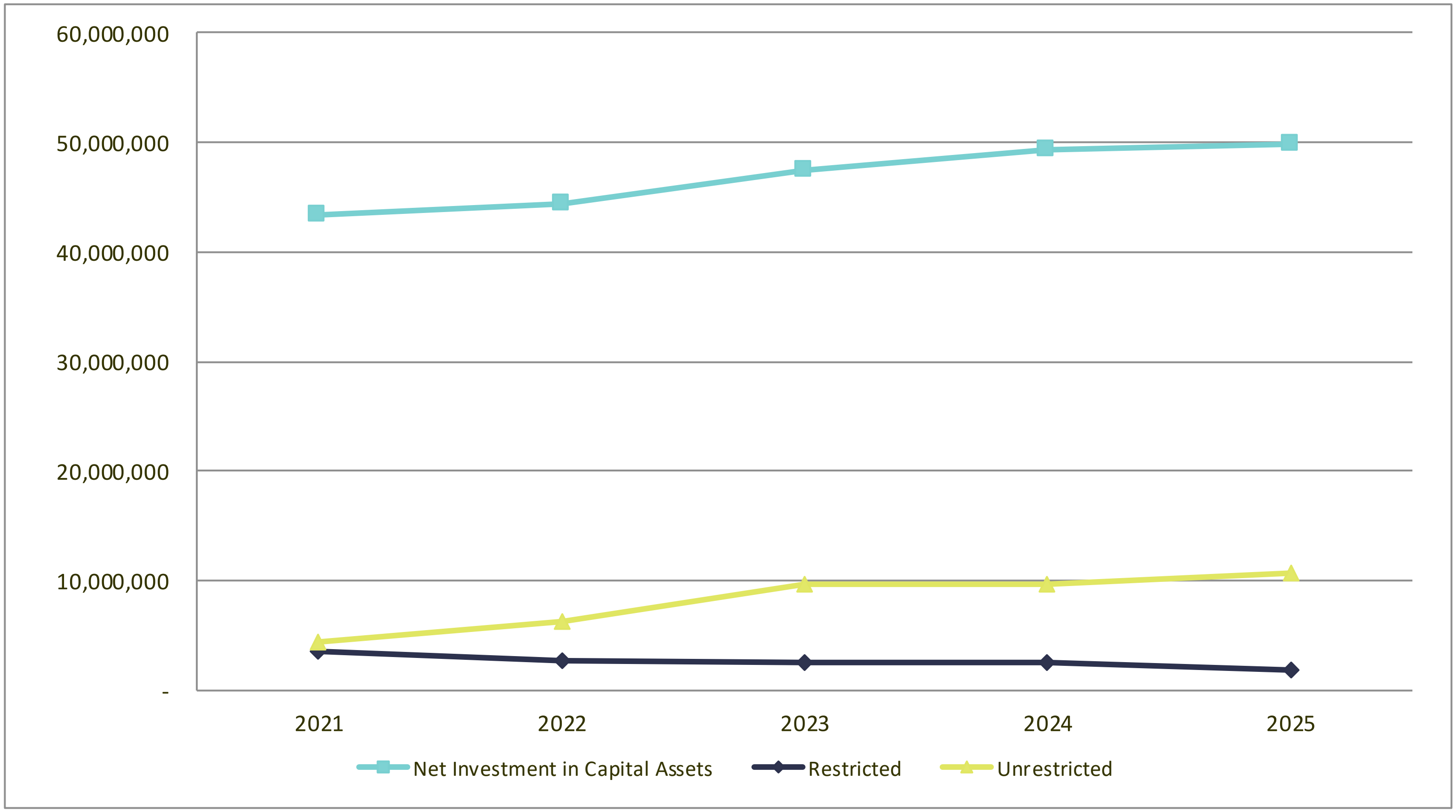
# Financial Results (Continued)

## *Net Position*




| Year | Net Investment in Capital Assets | Restricted | Unrestricted |
|---|---|---|---|
| 2021 | 43,337,623 | 3,537,622 | 4,358,203 |
| 2022 | 44,370,092 | 2,768,460 | 6,188,604 |
| 2023 | 47,512,259 | 2,574,040 | 9,634,063 |
| 2024 | 49,340,422 | 2,506,132 | 9,611,883 |
| 2025 | 49,856,836 | 1,769,299 | 10,765,361 |

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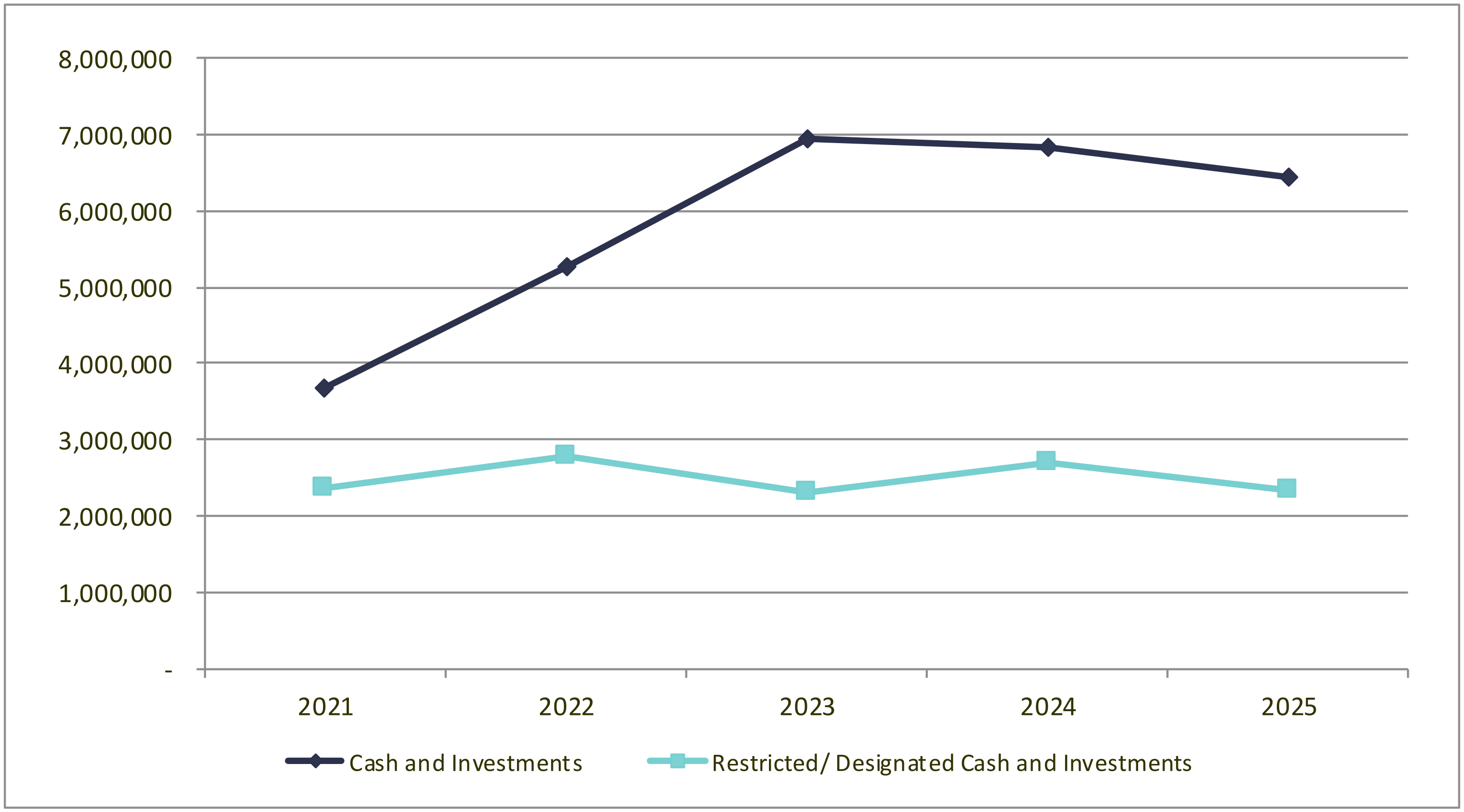
# Financial Results (Continued)

## *Cash and Investments*




| Year | Cash and Investments | Restricted/ Designated Cash and Investments |
|---|---|---|
| 2021 | 3,689,146 | 2,367,505 |
| 2022 | 5,279,834 | 2,768,460 |
| 2023 | 6,947,782 | 2,309,721 |
| 2024 | 6,819,353 | 2,686,775 |
| 2025 | 6,448,532 | 2,332,159 |

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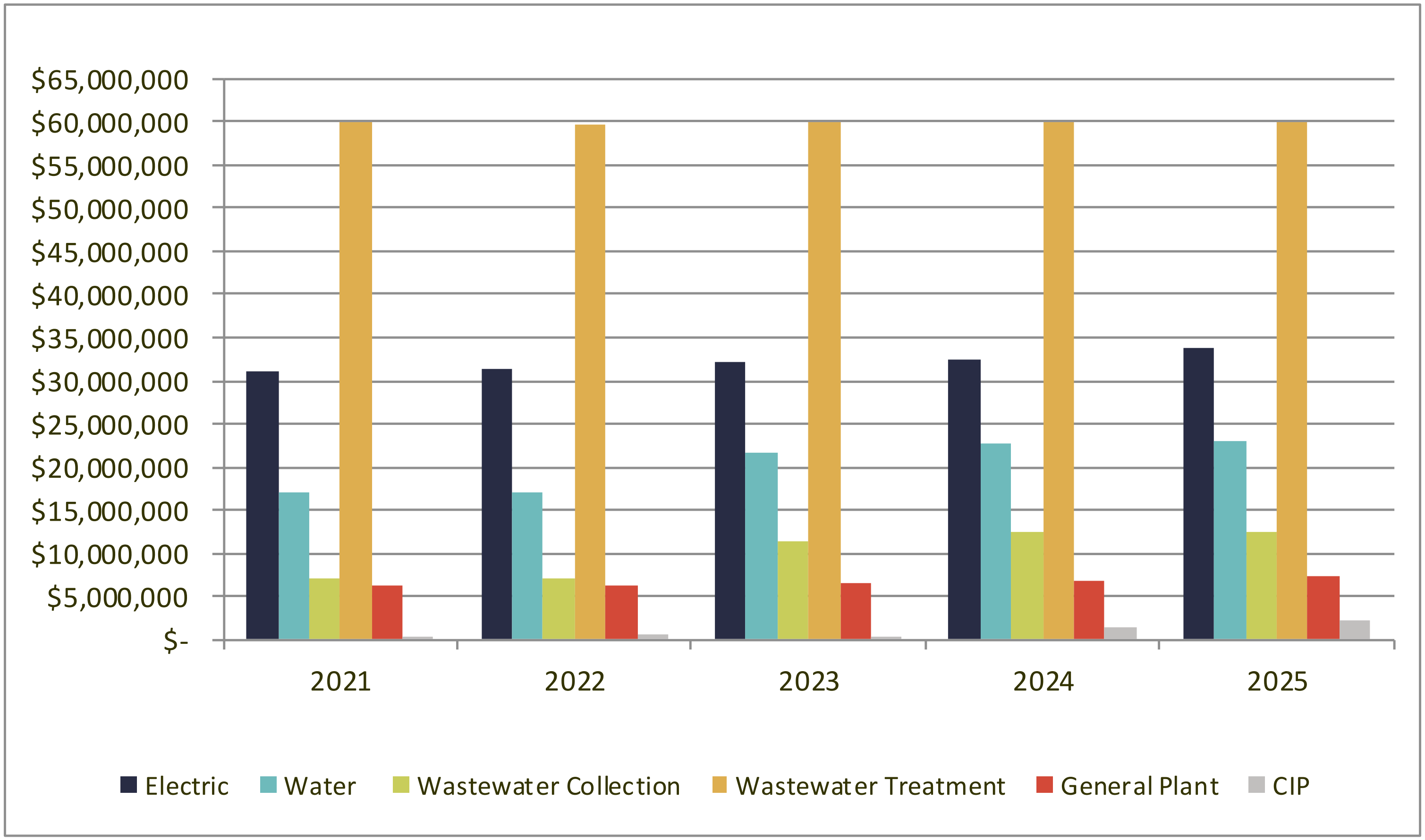
# Financial Results (Continued)

## *Total Capital Assets*




| | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|
| Electric | $ 30,961,610 | $ 31,436,713 | $ 32,136,198 | $32,436,717 | $33,725,569 |
| Water | 16,987,673 | 17,144,948 | 21,535,017 | 22,688,880 | 22,874,236 |
| Wastewater Collection | 7,070,610 | 7,193,385 | 11,322,865 | 12,364,204 | 12,388,527 |
| Wastewater Treatment | 59,947,781 | 59,653,350 | 59,895,677 | 59,895,677 | 60,039,917 |
| General Plant | 6,253,646 | 6,387,319 | 6,527,197 | 6,734,764 | 7,381,531 |
| CIP | 262,286 | 631,518 | 196,186 | 1,442,851 | 2,139,546 |

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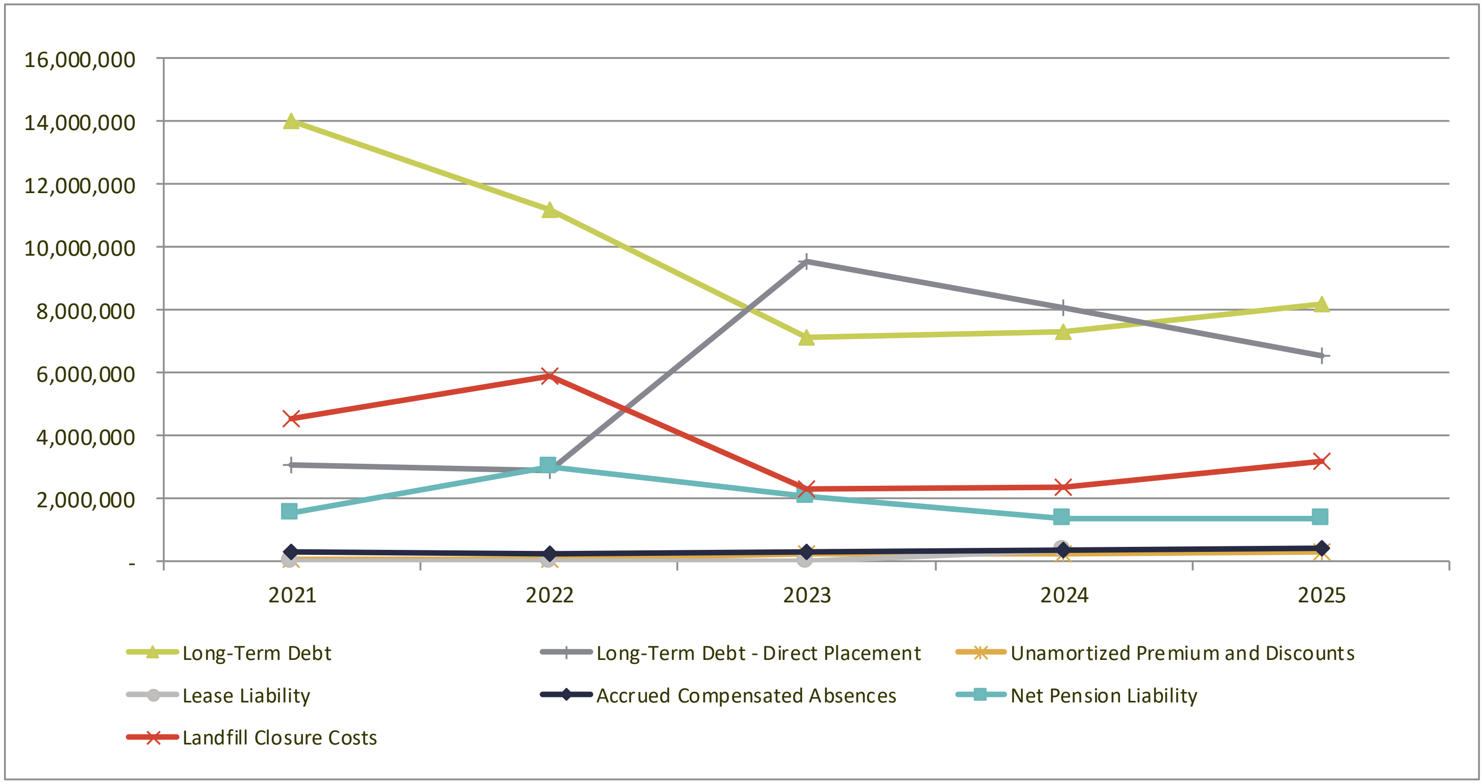
# Financial Results (Continued)

## *Total Long-Term Debt*




| | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|
| Long-Term Debt | 13,994,000 | 11,172,000 | 7,149,000 | 7,295,000 | 8,175,000 |
| Long-Term Debt - Direct Placement | 3,105,500 | 2,897,500 | 9,575,000 | 8,091,000 | 6,564,000 |
| Unamortized Premium and Discounts | 86,687 | 83,705 | 228,831 | 254,040 | 333,938 |
| Lease Liability | - | - | - | 363,278 | 338,353 |
| Accrued Compensated Absences | 316,230 | 280,634 | 312,821 | 393,374 | 451,243 |
| Net Pension Liability | 1,580,066 | 3,017,533 | 2,108,142 | 1,345,636 | 1,388,582 |
| Landfill Closure Costs | 4,526,085 | 5,892,858 | 2,342,354 | 2,345,195 | 3,177,686 |

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# Financial Results (Continued)

- Other Financial Highlights
  - Electric revenues increased due to an increase in residential, commercial customer, and security lighting sales of $948,000. City utility revenues were also up in 2025 compared to 2024 by $309,000 due to increased amount being distributed and collected in 2025. Purchase Power increase in 2025 by $1,222,000. Change in net position of $1,404,000.
  - Water expenses increased slightly compared to the increase in revenues. Revenues increased significantly due to City utility revenues up in 2025 compared to 2024 by $320,000 due to increased amount being distributed and collected in 2025. However, expenses were still greater than revenues, resulting in a negative change in net position of $26,000
  - Wastewater collection revenues increased, while operating expenses increased as well, causing a negative change in net position of $133,000
  - Wastewater treatment revenues and expenses increase significantly due to industrial wastewater treatment expenses, producing a negative change in net position of $312,000

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# Key Issues/Summary

- Slight decrease in cash due to increase in expenses
  - Designated for capital outlay - $2,332,159
- Overall asset additions were lower than the prior year
  - $3,825,908 in the current year compared to $3,968,252 in the prior year
- Overall positive cash flow from operations
  - $3,578,762 in the current year compared to $2,417,595 in the prior year
- Electric had lower change in net position than prior year
  - Change in net position of $1,404,000 compared to $1,885,600 in the prior year
- Water department had higher change in net position than prior year
  - Change in net position of net loss $25,761 compared to a negative change in net position of $228,500 in the prior year

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# Key Issues/Summary (Continued)

- Wastewater collection had lower change in net position than prior year
  - Change in net position of net loss $133,000 compared to net gain $72,000 in the prior year
- Wastewater treatment had lower change in net position than prior year
  - Change in net position of net loss $312,000 compared to positive change of $9,500 in the prior year
- Overall there was a net loss of $803,000 in the current year before capital contributions
- We advise the margins for each department be consistent from year to year
- Continue to monitor the rates and assess each department individually

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# Insights/Observations

- Landfill Agreements
  - Need updated agreements, specifically addressing the costs related to the landfill
    - Letter of credit isn’t considered an asset unless documentation supports the agreement for Blandin to pay those costs and they arise

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# *Thank you to all for helping to get this audit completed timely and for allowing us to serve you!*

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