

**GRAND RAPIDS  
PUBLIC UTILITIES COMMISSION**

A Component Unit of the  
City of Grand Rapids, Minnesota

Comprehensive Annual Financial Report

As of and for the Fiscal Years Ended December 31, 2020 and 2019

# GRAND RAPIDS PUBLIC UTILITIES COMMISSION

A Component Unit of the City of Grand Rapids, Minnesota

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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

May 7, 2021

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

The Comprehensive Annual Financial Report of the Grand Rapids Public Utilities Commission (GRPUC) for the year ended December 31, 2020 is hereby submitted. This report was prepared by the Accounting and Finance 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, 2020 and 2019. The auditor's opinion accompanies this report.

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## GENERAL INFORMATION

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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, 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 5,832 city customers, 1,182 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.

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 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 3,274 city customers, 1 industrial customer, 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 3,208 city customers and 13 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.

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.

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## **GENERAL INFORMATION (cont.)**

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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.

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## **FACTORS AFFECTING FINANCIAL CONDITION**

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### **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 11,390 in 2020.

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 400 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, Inc., jointly owned by Terex/Manitex Corporations. 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. 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.

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## **FACTORS AFFECTING FINANCIAL CONDITION (cont.)**

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### **LONG-TERM FINANCIAL PLANNING (cont.)**

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.



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## **FACTORS AFFECTING FINANCIAL CONDITION (cont.)**

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### **MAJOR INITIATIVES**

The following major projects were undertaken in 2020:

#### **Electric Department**

- > Converted a portion of the south substation circuits from 4160 volts to 23 kV.
- > Replaced electric department vehicles trucks 64 and 88.
- > Inspected and replaced a portion of the system power poles.
- > Began the conversion of the NW 5th Street trail electric distribution overhead to an underground system for the City of Grand Rapids.
- > Installed new gateways on the automated metering system to increase efficiency of meter reads and system functionality.
- > Analyzed reduced electric distribution system low reliability areas and made corrections as needed.
- > Completed a major portion of the community solar garden design.
- > Reviewed electric department policies and procedures including interdepartmental policies and procedures.

#### **Water and Wastewater Department**

- > Continued to deploy water meters and nodes for the AMI installation project. We were 92% active at year end.
- > Replaced deteriorated water and sewer mains, manholes and customer service lines in conjunction with the City of Grand Rapids reconstruction project for NE 2<sup>nd</sup> Ave (7<sup>th</sup> St. and 9<sup>th</sup> St.)
- > Replaced and/or added 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.
- > Ensured MPCA certification of our internal lab to be able to test key analytics for compliance with our wastewater permit.
- > Continued ongoing efforts to address and mitigate odor issues at the WWTF.
- > Substantially completed the super-oxygenation project to oxygenate the industrial effluent to better prevent odors and eliminate chemical usage at the primary plant.
- > Replaced the twenty year old Vac-con jetter vac truck with a 2019 Vactor 2100 Plus on a Peterbuilt chassis as well as an EnviroSight camera and trailer.
- > Replaced the high-speed gearboxes on two aeration basin mixers and replace waste activated sludge pump 1 at the secondary plant.

#### **Accounting and Finance**

- > Continued the AMI electric and water meter node installation projects.
- > Replaced the main network switches for the business computer system.
- > Implemented a succession plan and began knowledge transfer of 3 key employees in the customer service and accounting department with over 115 years of GRPU experience.
- > Temporarily reallocated accounting tasks due to unexpected absence of key employee.

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## **FACTORS AFFECTING FINANCIAL CONDITION (cont.)**

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### **MAJOR INITIATIVES (cont.)**

#### **Administration**

- > In collaboration with the Commission, began implementation of the Policy Governance Model by reviewing and updating Commission policies and internal procedures (SOPs).
- > Created and implemented safety protocols for COVID-19 pandemic, including work from home capabilities for employees.
- > Conducted negotiations and approved the 2021-2023 labor contract with AFSCME.
- > Combined the Water-Sewer and the Wastewater Treatment Departments into the Water-Wastewater Department, updated descriptions and posted for positions.
- > Developed the succession plans for three office staff retirees in 2021.

#### **Projects for 2021 include:**

#### **Electric Department**

- > Inspect and replace a portion of the system power poles.
- > Convert a portion of the south substation circuits from 4160 volts to 23 kV.
- > Complete the conversion of the NW 5th Street trail electric distribution overhead to an underground system for the City of Grand Rapids.
- > Continue to analyze reduced electric distribution system low reliability areas and correct issues.
- > Implement a new outage management system to track electric system outages.
- > Replace nine AMI gateway modems enabling the transfer to 4G and 5G cellular systems.
- > Replace the roof on the main 23kV substation.
- > Complete the community solar plus storage project.
- > Review electric department policies and procedures including interdepartmental policies and procedures.

#### **Water and Wastewater Department**

- > Continue to deploy residential water meters and nodes for the AMI installation project.
- > 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.
- > Repair mixer gear boxes for the aeration basin and replace waste activated sludge pump 2 at the Secondary Plant.
- > Replace the wastewater treatment plant outfall pipe to the Mississippi River.
- > Replace aging pumps and control cabinets in lift stations 1 and 3..
- > Successfully complete the super-oxygenation odor control project.
- > Conduct a rate study for the water and collection systems.
- > Receive a Wastewater Treatment Facility Operational Award from the Minnesota Pollution Control Agency (MPCA) in the form of a Certificate of Commendation for outstanding operation, maintenance and management of our wastewater system.
- > Ensure MPCA state certification of our internal lab to be able to test for key substances in compliance with our wastewater permit.
- > Successfully complete the required federal AIWA risk and resilience for the water system.

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## **FACTORS AFFECTING FINANCIAL CONDITION (cont.)**

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### **MAJOR INITIATIVES (cont.)**

#### **Accounting and Finance**

- > Upgrade financial system software to GP Dynamics 2018 and associated Cogsdale and other third-party software. Train GRPUC staff on the software changes.
- > Implement a fully automated payroll time entry and time off approval system for all GRPUC employees, including self-service options.
- > Develop an in-house IT support ticket reporting system.
- > Review, revise, and develop accounting and finance department policies and procedures including interdepartmental policies and procedures.
- > Review and improve various work flow processes performed by customer service team members.
- > Complete succession planning and knowledge transfer for staff positions due to employee retirements.
- > Complete the AMI water meter node installation project.

#### **Administration**

- > In collaboration with the Commission, continue implementing the Policy Governance Model by reviewing and updating Commission policies and internal procedures (SOPs).
- > Continue to improve overall efficiency through updated workflows and procedures.
- > Improve customer communications, including a website upgrade, re-establishing social media accounts, begin key account meetings, and develop an annual newsletter.
- > Prepare documentation to conduct a classification and compensation study in 2022.

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## AWARDS AND ACKNOWLEDGEMENTS

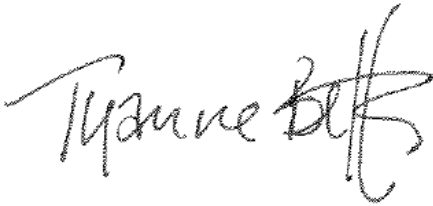
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The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Grand Rapids Public Utilities Commission for its Comprehensive Annual Financial Report for the fiscal year ended December 31, 2018. This was the twentieth consecutive 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 Comprehensive Annual 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. A Comprehensive Annual Financial Report was not submitted for the fiscal year 2019. We believe that our current Comprehensive Annual 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 accounting and administration staffs 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,

A handwritten signature in black ink, appearing to read "Tyanne Betts". The signature is fluid and cursive, with a large initial "T" and "B".

Tyanne Betts  
Accounting and Finance Manager



Government Finance Officers Association

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Achievement  
for Excellence  
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Reporting

Presented to

**Grand Rapids Public Utilities  
Commission, Minnesota**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**December 31, 2018**

*Christopher P. Morrill*

Executive Director/CEO

# GRAND RAPIDS PUBLIC UTILITIES COMMISSION

ORGANIZATION  
DECEMBER 31, 2020

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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

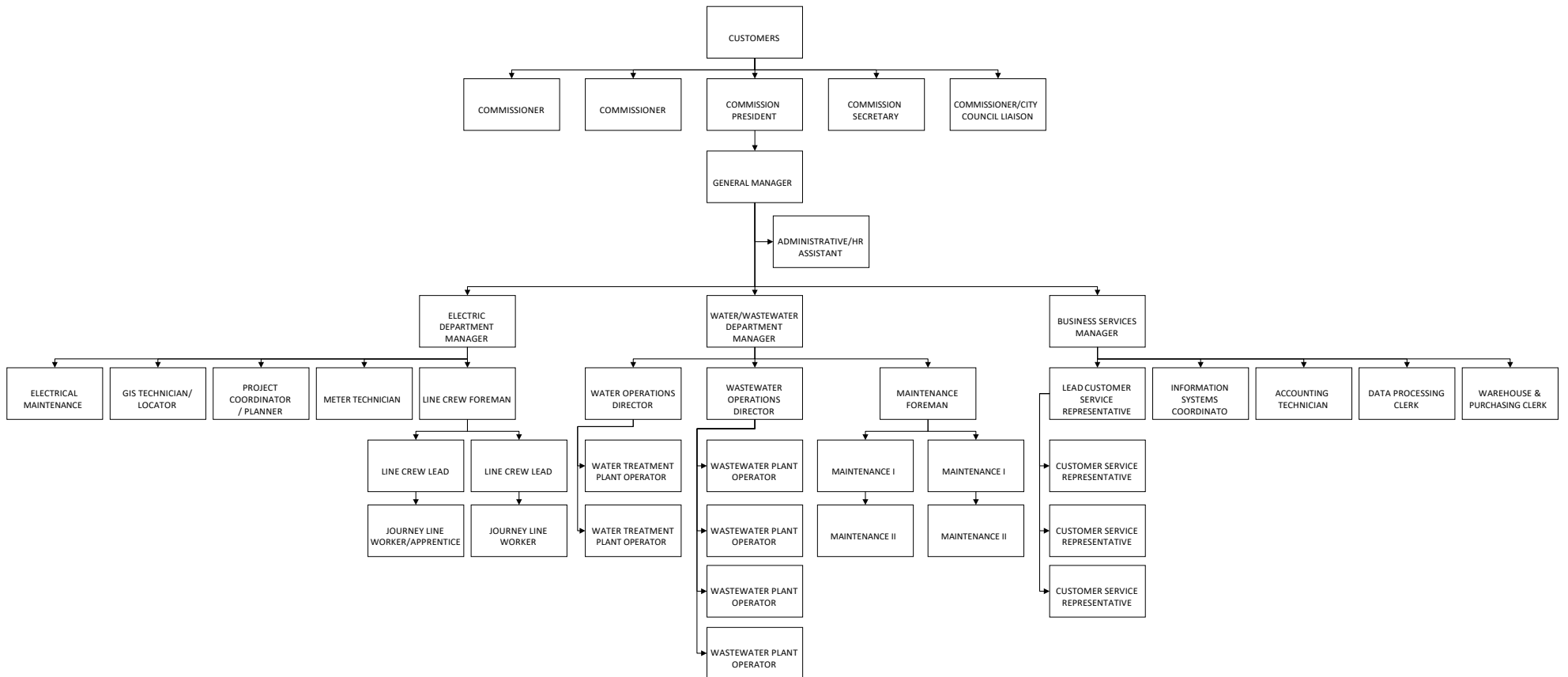
General Manager.....	Julie A. Kennedy
Accounting and Finance Manager.....	Tyanne L. Betts
Electric Distribution Manager.....	Jeremy J. Goodell
Water/Wastewater Manager.....	Steven R. Mattson



GRAND RAPIDS  
PUBLIC UTILITIES

*Service is Our Nature*

500 SE Fourth Street • Grand Rapids, Minnesota 55744



Phone: 218-326-7024 • Fax: 218-326-7499 • [www.grpuc.org](http://www.grpuc.org)

## INDEPENDENT AUDITORS' REPORT

To the Grand Rapids Public Utilities Commission  
Grand Rapids Public Utilities

We have audited the accompanying financial statements of Grand Rapids Public Utilities Commission, a component unit of the City of Grand Rapids, Minnesota, as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise Grand Rapids Public Utilities Commission's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Grand Rapids Public Utilities Commission as of December 31, 2020 and 2019, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.



## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplemental Information*

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental 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 supplemental information is fairly stated in all material respects in relation to the financial statements as a whole.

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Introductory Section and Statistical Section, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

*Baker Tilly US, LLP*

Madison, Wisconsin  
May 7, 2021

# GRAND RAPIDS PUBLIC UTILITIES COMMISSION

## MANAGEMENT'S DISCUSSION AND ANALYSIS As of and for the Years Ended December 31, 2020 and 2019 (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, 2020 and 2019. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on page i – viii 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.

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### FINANCIAL HIGHLIGHTS

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- > The GRPUC's net position increased by \$1,388,564, or 2.78%, from 2019 to 2020. A decrease in total assets, based mainly on decreases in noncurrent accounts receivable, and a decrease in total liabilities, related to reductions in long-term debt, were major factors.
- > Total operating revenues decreased \$46,896, or 0.21%, between 2020 and 2019. Electric revenues were \$87,409, or 0.57%, lower than the previous year due to reductions in commercial and industrial sales. Overall, kWh sales were down 0.22% from 2019. Water operating revenues decreased by \$53,498, or 2.9%, due to reduced city sales and miscellaneous services. The number of water gallons sold decreased overall by 2.86%. Wastewater collection revenues were down \$11,679, or 0.65%, from 2019, primarily due to a decrease in wastewater collection sales. Wastewater treatment revenues were \$105,690, or 3.03%, higher than in 2019, due to increased wastewater to treat by the GRPUC.
- > Total operating expenses increased by \$9,605, or 0.04%, over the previous year. Higher administrative, depreciation expense, and industrial wastewater costs were mitigated by lower utility distribution, purchased power, customer accounts, and domestic wastewater treatment expenses.
- > Total electric department operating expenses decreased by \$109,800, or 0.73%. Decreases in purchased power expense of \$267,128, or 2.36%, and in distribution costs of \$99,562, or 9.80% offset the increases in the other operating expenses of \$256,890 or 9.88%. Water department operating expenses increased \$61,238, or 3.92%, with increases in production costs of \$34,785, or 6.84%, and in distribution expenses of \$31,584, or 11.50%, also increases in depreciation of \$20,780 or 6.35%. Wastewater collection department operating expenses increased by \$42,923 or 3.60%. Increases in collection expenses of \$48,047, or 28.27%, and other operating expenses of \$1,203 or 0.24% are offset by decreases in domestic treatment expenses of \$6,327 or 1.22%. Total operating expenses in the Wastewater Treatment department grew \$15,244 or 0.29%. Increases in primary plant costs of \$73,636, or 4.32%, screen house expenses of \$6,497 or 2.51%, and secondary treatment costs of \$50,313 or 3.58%, were offset by a decrease in sludge disposal expenses of \$118,993 or 21.70% resulting in the total increase in wastewater treatment costs.
- > Non-operating revenues decreased \$187,756 or 22.00%, in 2020, due to decreases in landfill contributions and demand payment investment income. Overall, non-operating expenses were down by \$152,882 or 9.32%, mainly due to reductions in the loss on asset disposal and less interest expense.

# GRAND RAPIDS PUBLIC UTILITIES COMMISSION

## MANAGEMENT'S DISCUSSION AND ANALYSIS As of and for the Years Ended December 31, 2020 and 2019 (UNAUDITED)

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

### FINANCIAL ANALYSIS

The Statement of Net Position includes information on all of the GRPUC's assets, 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**

	2020	2019	2018	Change 2020-2019	Change 2019-2018
Current and Other Assets	\$ 29,688,627	\$ 32,255,591	\$ 34,270,837	\$ (2,566,964)	\$ (2,015,246)
Capital Assets	63,066,249	63,266,625	63,625,169	(200,376)	(358,544)
Total Assets	<u>92,754,876</u>	<u>95,522,216</u>	<u>97,896,006</u>	<u>(2,767,340)</u>	<u>(2,373,790)</u>
Deferred Outflows of Resources	<u>447,702</u>	<u>449,406</u>	<u>504,920</u>	<u>(1,704)</u>	<u>(55,514)</u>
Long-Term Debt Outstanding	17,201,201	19,238,438	22,855,562	(2,037,237)	(3,617,124)
Other Liabilities	9,760,312	9,671,939	8,547,531	88,373	1,124,408
Total Liabilities	<u>26,961,513</u>	<u>28,910,377</u>	<u>31,403,093</u>	<u>(1,948,864)</u>	<u>(2,492,716)</u>
Deferred Inflows of Resources	<u>14,896,276</u>	<u>17,105,020</u>	<u>19,083,793</u>	<u>(2,208,744)</u>	<u>(1,978,773)</u>
Net Investment in					
Capital Assets	45,010,756	43,027,147	41,199,607	1,983,609	1,827,540
Restricted	796,279	1,252,688	880,250	(456,409)	372,438
Unrestricted	<u>5,537,754</u>	<u>5,676,390</u>	<u>5,834,183</u>	<u>(138,636)</u>	<u>(157,793)</u>
Total Net Position	<u>\$ 51,344,789</u>	<u>\$ 49,956,225</u>	<u>\$ 47,914,040</u>	<u>\$ 1,388,564</u>	<u>\$ 2,042,185</u>

# GRAND RAPIDS PUBLIC UTILITIES COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS  
As of and for the Years Ended December 31, 2020 and 2019  
(UNAUDITED)

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## FINANCIAL ANALYSIS

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As shown in the above table, net position increased by \$1,388,564, or 2.78%, to \$51,344,789 in 2020. The change was due to decreases in total assets and deferred outflows, and offset by decreases in long-term debt and deferred inflows.

In 2019, net position increased by \$2,042,185, or 4.26%, to \$49,956,225. Decreases in total assets and deferred outflows were offset by decreases in long-term debt, other liabilities, and deferred inflows.

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.

# GRAND RAPIDS PUBLIC UTILITIES COMMISSION

## MANAGEMENT'S DISCUSSION AND ANALYSIS As of and for the Years Ended December 31, 2020 and 2019 (UNAUDITED)

### FINANCIAL ANALYSIS (cont.)

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

	2020	2019	2018	Change 2020-2019	Change 2019-2018
<b>OPERATING REVENUES</b>					
Electric	\$ 15,331,223	\$ 15,418,632	\$ 15,419,378	\$ (87,409)	\$ (746)
Water	1,778,042	1,831,540	1,709,315	(53,498)	122,225
Wastewater collection	1,796,436	1,808,115	1,729,956	(11,679)	78,159
Wastewater treatment	3,591,588	3,485,898	3,832,869	105,690	(346,971)
Total Operating Revenues	<u>22,497,289</u>	<u>22,544,185</u>	<u>22,691,518</u>	<u>(46,896)</u>	<u>(147,333)</u>
<b>OPERATING EXPENSES</b>					
Production	543,700	508,915	496,597	34,785	12,318
Purchased power	11,069,792	11,336,920	11,169,489	(267,128)	167,431
Distribution/collection	1,440,341	1,460,272	1,302,074	(19,931)	158,198
Customer accounts	451,528	524,056	520,420	(72,528)	3,636
Administrative and general	1,675,285	1,640,373	1,723,205	34,912	(82,832)
Service center	144,214	170,066	141,992	(25,852)	28,074
Domestic wastewater treatment	514,032	520,359	543,806	(6,327)	(23,447)
Industrial wastewater treatment	3,640,009	3,626,299	3,973,241	13,710	(346,942)
Depreciation	3,461,853	3,143,889	3,105,897	317,964	37,992
Total Operating Expenses	<u>22,940,754</u>	<u>22,931,149</u>	<u>22,976,721</u>	<u>9,605</u>	<u>(45,572)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>					
Investment income (loss)	30,745	50,825	26,473	(20,080)	24,352
Demand interest payments	486,434	545,700	600,024	(59,266)	(54,324)
Landfill contribution	110,000	210,000	200,000	(100,000)	10,000
Grant revenues	-	10,000	-	(10,000)	10,000
Gain (loss) on property disposition	(547)	(82,422)	(90,353)	81,875	7,931
Interest expense	(589,496)	(659,524)	(726,421)	70,028	66,897
Bond fees	(4,995)	(4,719)	(5,167)	(276)	448
Amortization of debt premium, discounts, and regulatory assets	(19,707)	(22,583)	(22,845)	2,876	262
Combined service center lease rever	38,351	46,761	23,866	(8,410)	22,895
Payment in lieu of taxes	(873,537)	(871,916)	(876,832)	(1,621)	4,916
Total Non-Operating Revenues (Ex	<u>(822,752)</u>	<u>(777,878)</u>	<u>(871,255)</u>	<u>(44,874)</u>	<u>93,377</u>
Income (Loss) Before Contributions	(1,266,217)	(1,164,842)	(1,156,458)	(101,375)	(8,384)
Capital Contributions	2,654,781	3,217,027	1,738,166	(562,246)	1,478,861
Changes in Net Position	1,388,564	2,052,185	581,708	(663,621)	1,470,477
Beginning Net Position	49,966,225	47,914,040	47,332,332	2,052,185	581,708
Total Net Position - Ending	<u>\$ 51,354,789</u>	<u>\$ 49,966,225</u>	<u>\$ 47,914,040</u>	<u>\$ 1,388,564</u>	<u>\$ 2,052,185</u>

# GRAND RAPIDS PUBLIC UTILITIES COMMISSION

## MANAGEMENT'S DISCUSSION AND ANALYSIS As of and for the Years Ended December 31, 2020 and 2019 (UNAUDITED)

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### FINANCIAL ANALYSIS (cont.)

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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 \$187,756 or 22.00%, 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.

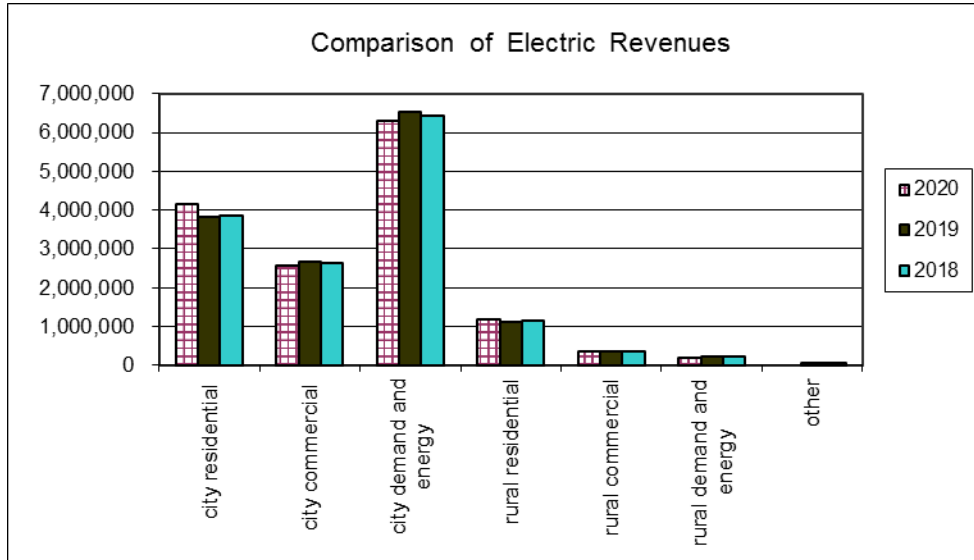
In 2019, total operating revenues decreased \$147,333, or 0.65% from the previous year. Electric revenues decreased \$746, due to reductions in commercial and industrial sales. Water revenues increased by \$122,225, or 7.15%, due to an increases in city and rural water sales. Wastewater collection revenues 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.

In 2018, total operating revenues decreased \$1,013,061, or 4.27% from the previous year. Electric revenues decreased \$429,885, or 2.71%, due to reductions in commercial and industrial sales. Water revenues increased by \$19,345, or 1.14%, due to an increase in antenna rentals. Wastewater collection revenues rose \$64,109, or 3.85%, primarily attributable to an increase in utility rates. Wastewater Treatment operating revenues fell by \$666,630, or 14.82%, due to reduced industrial treatment costs at the Wastewater Treatment facilities. Total operating expenses decreased \$468,400, or 2.00%, over the prior year. Higher purchased power, administrative, and depreciation expenses were offset by reductions in utility distribution and wastewater treatment costs. Non-operating revenues decreased \$196,312, or 18.76%, in 2018, due to lower lease revenues and demand payment investment income. Overall, non-operating expenses were down by \$346,895, or 16.77%, mainly due to a reduction in the loss on asset disposal.

# GRAND RAPIDS PUBLIC UTILITIES COMMISSION

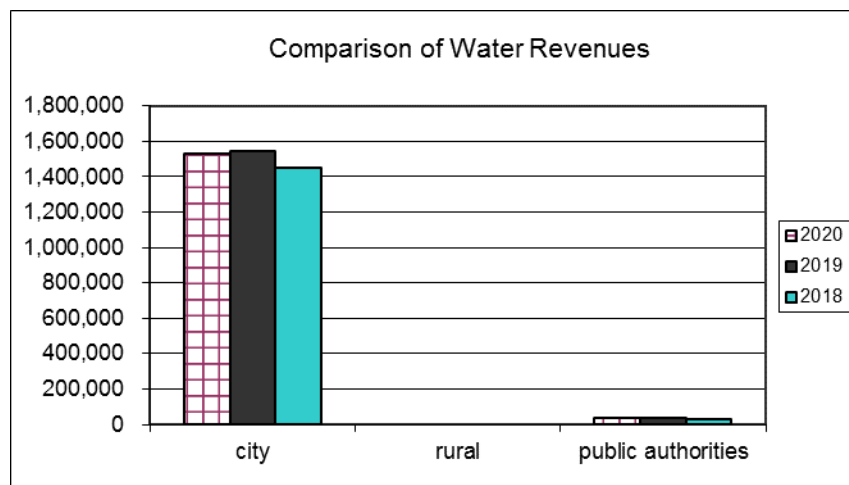
MANAGEMENT'S DISCUSSION AND ANALYSIS  
As of and for the Years Ended December 31, 2020 and 2019  
(UNAUDITED)

## FINANCIAL ANALYSIS (cont.)



In 2020, electric sales revenues increased \$46,010, or 0.31%, over 2019 sales. Decreases in city and rural residential were offset by decreases in city and rural commercial and demand energy sales.

Electric sales revenues for 2019 were \$115,903, or 0.79%, higher than the previous year. Sales revenues were higher in city and rural commercial and city demand and city and rural demand and energy.



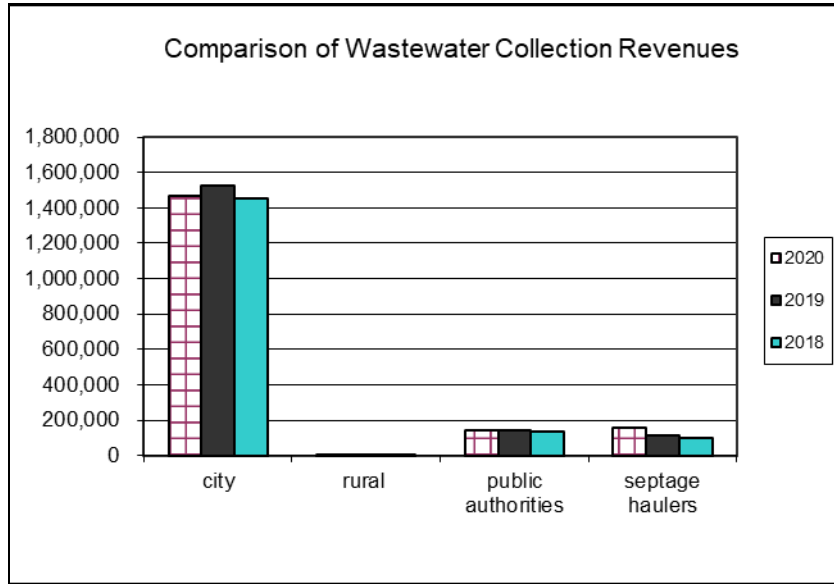
Water sales decreased \$11,138, or 0.71%, in 2020 over the previous year. Revenues in all customer classes were lower than in 2020.

Water sales revenues for 2019 increased \$94,311, or 6.36%, over 2018 sales. An increase in all customer sales classes were higher in 2019.

# GRAND RAPIDS PUBLIC UTILITIES COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS  
As of and for the Years Ended December 31, 2020 and 2019  
(UNAUDITED)

## FINANCIAL ANALYSIS (cont.)



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

Wastewater Collection department revenues increased \$93,812 or 5.48%, in 2019 over the previous year. All wastewater collection sales classes were greater than the previous year.



## GRAND RAPIDS PUBLIC UTILITIES COMMISSION

### MANAGEMENT'S DISCUSSION AND ANALYSIS As of and for the Years Ended December 31, 2020 and 2019 (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**

	2020	2019	2018	Change 2020-2019	Change 2019-2018
Cash Flows From:					
Operating activities	\$ 3,143,435	\$ 3,099,353	\$ 3,114,242	\$ 44,082	\$ (14,889)
Noncapital financing activities	(394,583)	(342,098)	(300,038)	(52,485)	(42,060)
Capital and related financing activities	(4,178,447)	(2,614,585)	(2,379,607)	(1,563,862)	(234,978)
Investing activities	37,256	38,180	(206,053)	(924)	244,233
Net Change in Cash and Cash Equivalents	(1,392,339)	180,850	228,544	(1,573,189)	(47,694)
Cash and Cash Equivalents - Beginning of Year	5,001,231	4,820,381	4,591,837	180,850	228,544
Cash and Cash Equivalents - End of Year	<u>\$ 3,608,892</u>	<u>\$ 5,001,231</u>	<u>\$ 4,820,381</u>	<u>\$ (1,392,339)</u>	<u>\$ 180,850</u>

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.

Cash and Cash Equivalents increased by \$180,850 in 2019. An increase in cash from investing activities was offset mainly by a decrease in cash from operating activities, noncapital and capital and related financing activities.

# GRAND RAPIDS PUBLIC UTILITIES COMMISSION

## MANAGEMENT'S DISCUSSION AND ANALYSIS As of and for the Years Ended December 31, 2020 and 2019 (UNAUDITED)

### FINANCIAL ANALYSIS (cont.)

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.

**Table 4**  
**Condensed Schedule of Capital Assets**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>Change 2020-2019</u>	<u>Change 2019-2018</u>
Capital Assets - Electric					
Distribution	\$ 30,441,062	\$ 29,824,213	\$ 27,790,958	\$ 616,849	\$ 2,033,255
General	4,662,290	4,592,163	4,486,191	70,127	105,972
Total Electric Capital Assets	<u>35,103,352</u>	<u>34,416,376</u>	<u>32,277,149</u>	<u>686,976</u>	<u>2,139,227</u>
Capital Assets - Water					
Production	4,574,713	4,574,713	4,531,995	0	42,718
Distribution	12,375,090	11,818,281	11,570,302	556,809	247,979
General	777,048	765,361	747,698	11,687	17,663
Total Water Capital Assets	<u>17,726,851</u>	<u>17,158,355</u>	<u>16,849,995</u>	<u>568,496</u>	<u>308,360</u>
Capital Assets - Wastewater Collection					
Collection	7,176,356	6,193,501	6,093,136	982,855	100,365
General	777,048	765,361	747,698	11,687	17,663
Total Wastewater Collection Capital Assets	<u>7,953,404</u>	<u>6,958,862</u>	<u>6,840,834</u>	<u>994,542</u>	<u>118,028</u>
Capital Assets - Wastewater Treatment					
Treatment Facilities	59,094,697	59,349,013	59,223,207	(254,316)	125,806
Total Wastewater Treatment Capital Assets	<u>59,094,697</u>	<u>59,349,013</u>	<u>59,223,207</u>	<u>(254,316)</u>	<u>125,806</u>
Total Capital Assets	119,878,304	117,882,606	115,191,185	1,995,698	2,691,421
Less: Accumulated Depreciation	(57,982,508)	(54,913,024)	(52,054,242)	(3,069,484)	(2,858,782)
Construction Work in Progress	1,170,453	297,043	488,226	873,410	(191,183)
Net Capital Assets	<u>\$ 63,066,249</u>	<u>\$ 63,266,625</u>	<u>\$ 63,625,169</u>	<u>\$ (200,376)</u>	<u>\$ (358,544)</u>

In 2019, the GRPUC's capital assets decreased \$358,544. Electric capital assets increased \$2,139,227 or 6.63%. Various electric substation infrastructure projects and the purchase of AMI equipment contributed to the electric additions. Water department capital assets increased \$308,360 or 1.83%. Wastewater collection capital assets increased \$118,028 or 1.73%. Increases in Water and Wastewater Collection were related to the purchase of AMI metering equipment and water and sewer main construction projects. Wastewater Treatment assets increased by \$125,806 or 0.21%, due to improvements at the screen house, new used vehicle, and improvements at the secondary plant. The \$191,183 decrease in Construction Work in Progress was mainly related to the aeration mixer repair project. More detailed information on capital asset activity can be found in Note 5 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, 2020 and 2019 (UNAUDITED)

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### LONG-TERM DEBT

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At December 31, 2020 the GRPUC had four bond issues, two revenue notes, and three 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.

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/4<sup>th</sup> Street South water and wastewater collection main replacement projects for \$1,760,000.

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.

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.

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. See Note 6 for additional information on these leases.

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

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### REQUESTS FOR INFORMATION

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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 Accounting and Finance 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, 2020 and 2019

	2020	2019
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 3,606,455	\$ 4,998,794
Other deposits and investments	734,231	220,682
Accounts receivable	3,135,303	2,230,979
Due from City of Grand Rapids	133,387	89,482
Materials and supplies	659,088	658,493
Interest receivable	4,728	11,239
Prepaid expenses	272,089	147,116
Restricted cash and investments - current portion	582,657	554,474
Restricted accounts receivable - current portion	2,035,830	2,026,286
Total Current Assets	<u>11,163,768</u>	<u>10,937,545</u>
<b>NONCURRENT ASSETS</b>		
Restricted cash and investments - non-current portion	794,549	1,250,281
Restricted accounts receivable - non-current portion	13,235,844	15,214,488
Capital Assets		
Plant in service	119,878,304	117,882,606
Accumulated depreciation	(57,982,508)	(54,913,024)
Construction work in progress	1,170,453	297,043
Other Assets		
Other investments	10,000	96,000
Other long-term receivables	98,990	132,073
Regulatory assets	99,663	117,608
Non-utility property (net of amortization)	645,588	699,018
Financial assurance landfill closure	3,640,225	3,808,578
Total Noncurrent Assets	<u>81,591,108</u>	<u>84,584,671</u>
Total Assets	<u>92,754,876</u>	<u>95,522,216</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Service territory acquisition	219,917	254,255
Pension	<u>227,785</u>	<u>195,151</u>
Total Deferred Outflows of Resources	<u>447,702</u>	<u>449,406</u>

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**LIABILITIES**

	<u>2020</u>	<u>2019</u>
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 1,424,978	\$ 1,179,135
Due to City of La Prairie	13,399	12,762
Sales tax payable	58,216	50,986
Due to City of Grand Rapids	166,264	152,759
Accrued compensated absences	224,059	171,786
Unearned revenues	111,227	109,827
Accrued interest - lease obligation	6,943	12,635
Current portion of lease obligation	230,395	256,747
Accrued payroll	91,546	145,677
Current liabilities payable from restricted assets:		
Current portion of long-term debt	2,107,000	2,039,000
Accrued interest	187,198	204,937
Customer deposits	430,330	401,470
Total Current Liabilities	<u>5,051,555</u>	<u>4,737,721</u>
<b>NONCURRENT LIABILITIES</b>		
Long-term debt, net premium and discount	15,094,201	17,199,438
Customer advances for construction	2,500	2,500
Lease obligation	733,897	964,293
Accrued compensated absences	118,893	152,200
Net pension liability	2,320,242	2,045,647
Landfill closure/post closure costs	3,640,225	3,808,578
Total Noncurrent Liabilities	<u>21,909,958</u>	<u>24,172,656</u>
 Total Liabilities	 <u>26,961,513</u>	 <u>28,910,377</u>
	<b>DEFERRED INFLOWS OF RESOURCES</b>	
Demand payment deferral	14,681,597	16,532,464
Other deferred credits	37,909	41,046
Pension	176,770	531,510
 Total Deferred Inflows of Resources	 <u>14,896,276</u>	 <u>17,105,020</u>
	<b>NET POSITION</b>	
Net investment in capital assets	45,010,756	43,027,147
Restricted for		
Capital replacement	796,279	1,250,251
Employee benefits	-	2,437
Unrestricted	5,537,754	5,676,390
 TOTAL NET POSITION	 <u>\$ 51,344,789</u>	 <u>\$ 49,956,225</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, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>OPERATING REVENUES</b>		
Electric	\$ 15,331,223	\$ 15,418,632
Water	1,778,042	1,831,540
Wastewater collection	1,796,436	1,808,115
Wastewater treatment	<u>3,591,588</u>	<u>3,485,898</u>
Total Operating Revenues	<u>22,497,289</u>	<u>22,544,185</u>
<b>OPERATING EXPENSES</b>		
Production	543,700	508,915
Purchased power	11,069,792	11,336,920
Distribution/collection	1,440,341	1,460,272
Customer accounts	451,528	524,056
Administrative and general	1,675,285	1,640,373
Service center	144,214	170,066
Domestic wastewater treatment	514,032	520,359
Industrial wastewater treatment	3,640,009	3,626,299
Depreciation and amortization	<u>3,461,853</u>	<u>3,143,889</u>
Total Operating Expenses	<u>22,940,754</u>	<u>22,931,149</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(443,465)</u>	<u>(386,964)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment income	30,745	50,825
Demand interest payments	486,434	545,700
Landfill contribution	110,000	210,000
Grant revenues	-	10,000
Gain (loss) on property disposition	(547)	(82,422)
Interest expense	(589,496)	(659,524)
Bond fees	(4,995)	(4,719)
Amortization of debt premiums and discounts	(2,883)	(2,180)
Amortization of regulatory asset	(16,824)	(20,403)
Combined service center lease revenues	38,351	46,761
Payment in lieu of taxes	<u>(873,537)</u>	<u>(871,916)</u>
Total Nonoperating Revenues (Expenses)	<u>(822,752)</u>	<u>(777,878)</u>
Income (Loss) Before Contributions	(1,266,217)	(1,164,842)
<b>CAPITAL CONTRIBUTIONS - CONNECTION FEES</b>	36,383	32,246
<b>CAPITAL CONTRIBUTIONS - MUNICIPALITY</b>	75,000	-
<b>CAPITAL CONTRIBUTIONS</b>	<u>2,543,398</u>	<u>3,174,781</u>
<b>CHANGES IN NET POSITION</b>	1,388,564	2,042,185
NET POSITION - Beginning of Year	<u>49,956,225</u>	<u>47,914,040</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 51,344,789</u>	<u>\$ 49,956,225</u>

See accompanying notes to financial statements.

# GRAND RAPIDS PUBLIC UTILITIES COMMISSION

## STATEMENTS OF CASH FLOWS For the Years Ended December 31, 2020 and 2019

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Received from customers	\$ 22,404,242	\$ 22,266,787
Combined service center lease revenues	38,351	46,761
Paid to suppliers for goods and services	(16,608,792)	(16,537,693)
Paid to employees for services	(2,690,366)	(2,676,502)
Net Cash Flows From Operating Activities	3,143,435	3,099,353
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Demand interest payments	486,434	545,700
Landfill contributions	110,000	210,000
Principal payments on long-term debt - landfill	(110,000)	(210,000)
Interest paid on long-term debt - landfill	(7,480)	(15,882)
Payment in lieu of taxes to City of Grand Rapids	(873,537)	(871,916)
Net Cash Flows From Noncapital and Related Financing Activities	(394,583)	(342,098)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	(3,322,387)	(2,760,138)
Capital contributions received	1,935,135	3,205,381
Acquisition of service territory	-	(206,419)
Capital lease payments	(256,747)	(248,849)
Principal payments on long-term debt	(1,929,001)	(1,938,998)
Interest paid on long-term debt and lease payments	(605,447)	(665,562)
Net Cash Flows From Capital and Related Financing Activities	(4,178,447)	(2,614,585)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment income	37,256	51,827
Sale of investments	1,629,000	1,170,353
Purchase of investments	(1,629,000)	(1,184,000)
Net Cash Flows From Investing Activities	37,256	38,180
<b>Net Change in Cash and Cash Equivalents</b>	(1,392,339)	180,850
CASH AND CASH EQUIVALENTS – Beginning of Year	5,001,231	4,820,381
<b>CASH AND CASH EQUIVALENTS – END OF YEAR</b>	\$ 3,608,892	\$ 5,001,231



	<u>2020</u>	<u>2019</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH</b>		
<b>FLOWS FROM OPERATING ACTIVITIES</b>		
Operating income (loss)	\$ (443,465)	\$ (386,964)
Adjustments to reconcile operating income (loss) to cash from operating activities		
Nonoperating revenue	33,356	52,042
Depreciation and amortization	3,461,853	3,143,889
Changes in assets, deferred outflows, liabilities, and deferred inflows		
Accounts receivable	(77,266)	(210,094)
Other current assets	(125,568)	301,116
Other assets	221,783	207,126
Accounts payable	341,181	(48,130)
Other current liabilities	5,372	25,380
Other liabilities	9,058	75,307
Deferred inflows of resources	(170,090)	(63,595)
Pension related deferrals and liabilities	(112,779)	3,276
	<u>\$ 3,143,435</u>	<u>\$ 3,099,353</u>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS</b>		
<b>TO STATEMENTS OF NET POSITION</b>		
Cash and cash equivalents	\$ 3,606,455	\$ 4,998,794
Other deposits and investments	734,231	220,682
Restricted cash and investments - current portion	582,657	554,474
Restricted cash and investments	794,549	1,250,281
Other investments	10,000	96,000
Sub-totals	<u>5,727,892</u>	<u>7,120,231</u>
Less: Noncash equivalents	<u>(2,119,000)</u>	<u>(2,119,000)</u>
	<u>\$ 3,608,892</u>	<u>\$ 5,001,231</u>
<b>CASH AND CASH EQUIVALENTS</b>		
<b>NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Capital contributions - municipality	\$ 75,000	\$ -
Capital receivable from grant and customers	<u>\$ 707,308</u>	<u>\$ -</u>

See accompanying notes to financial statements.

# GRAND RAPIDS PUBLIC UTILITIES COMMISSION

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2020 and 2019

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## **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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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, 2020 and 2019

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

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

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

Preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

#### ***Deposits and Investments***

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

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

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

#### ***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 \$251,557 and \$250,023 at December 31, 2020 and 2019, respectively.

# GRAND RAPIDS PUBLIC UTILITIES COMMISSION

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2020 and 2019

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

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### **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. Interest incurred (net of interest earned on invested proceeds during the construction phase) is reflected in the capitalized value of the capital assets 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, 2020 and 2019

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

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

#### ***Other Investments***

GRPUC has the following investments:

	<u>2020</u>	<u>2019</u>
Property/Casualty Deductible – Internally restricted resources to be used for the general aggregate deductible on property/casualty insurance policy.	\$ 10,000	\$ 10,000
Short Term Disability – Internally restricted resources to be used for non-industrial injury or sickness.	-	50,000
Group Medical Co-Insurance – Internally restricted resources to be used for single or family health insurance coverage.	-	<u>36,000</u>
Totals	<u>\$ 10,000</u>	<u>\$ 96,000</u>

#### ***Unearned Revenues***

GRPUC has received advance payment for leasing antenna space on its water towers. These payments were \$111,227 and \$109,827 for 2020 and 2019, 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, 2020 and 2019

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

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### ***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 and discounts 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, 2020 and 2019

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

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### **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, 2020 and 2019

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

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### **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 September 1, 2020.

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. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, Statement No. 91, *Conduit Debt Obligations*, Statement No. 92, *Omnibus 2020*, 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, 2020 and 2019

### 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
	2020	2019	
Demand deposits and cash on hand	\$ 3,608,892	\$ 5,001,231	Custodial Custodial, credit, concentration of credit, and interest rate
Certificates of deposits – negotiable	2,119,000	2,119,000	
Total Cash and Investments	<u>\$ 5,727,892</u>	<u>\$ 7,120,231</u>	

#### Reconciliation to Financial Statements Per Statements of Net Position

Cash and cash equivalents	\$ 3,608,892	\$ 4,998,794
Restricted cash and investments	1,224,172	1,654,158
Other deposits and investments	884,828	371,279
Other investments	10,000	96,000
Total Cash and Investments	<u>\$ 5,727,892</u>	<u>\$ 7,120,231</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, 2020 and 2019

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## NOTE 2 – DEPOSITS AND INVESTMENTS (cont.)

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At December 31, 2020 and 2019, 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, 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, 2020 and 2019, GRPUC's investments were rated as follows:

<u>Investment Type</u>	<u>Standard and Poor's Investors Services</u>
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, 2020 and 2019

## 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, 2020 and 2019, the investment portfolio was concentrated as follows:

Issuer	Investment Type	Percentage of Portfolio	
		2020	2019
Barclay's Bank	Certificates of deposit – negotiable	-%	9%
Sallie Mae Bank	Certificates of deposit – negotiable	12%	12%
American Express National Bank	Certificates of deposit – negotiable	12%	-%
Beal Bank	Certificates of deposit – negotiable	12%	-%
Goldman Sachs Bank	Certificates of deposit – negotiable	-%	12%
Synchrony Bank	Certificates of deposit – negotiable	-%	11%
Capital One Bank	Certificates of deposit – negotiable	-%	11%
World's Foremost Bank	Certificates of deposit – negotiable	-%	9%
Midfirst Bank	Certificates of deposit – negotiable	9%	-%
BMW Bank	Certificates of deposit – negotiable	12%	12%
JP Morgan Chase	Certificates of deposit – negotiable	-%	12%
BMO Harris Bank	Certificates of deposit – negotiable	12%	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, 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	\$ -

As of December 31, 2019, 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	\$ 1,135,000	\$ 984,000	\$ -

# GRAND RAPIDS PUBLIC UTILITIES COMMISSION

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2020 and 2019

## 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, 2020 and 2019.

Due To	Due From	2020		2019	
		Amount	Principal Purpose	Amount	Principal Purpose
GRPUC	Primary government	<u>\$ 133,387</u>	Utility bills and service center operating costs	<u>\$ 89,482</u>	Utility bills and service center operating costs
Primary government	GRPUC	<u>\$ 166,264</u>	General operating and capital costs	<u>\$ 152,759</u>	General operating and capital costs

The receivable from the primary government 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 \$38,351 and \$46,761 for 2020 and 2019, respectively.

# GRAND RAPIDS PUBLIC UTILITIES COMMISSION

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2020 and 2019

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## NOTE 4 – RESTRICTED ASSETS

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### *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>2020</u>	<u>2019</u>
<b>G.O. Water Revenue Note</b>		
Fund established by note agreement which requires semiannual deposits of amounts necessary to meet principal and interest payments	\$ 150,597	\$ 150,597
<b>Sanitary Sewer Collection and Treatment Infrastructure Replacement Fund</b>		
Resources to be used for future replacement of domestic sanitary sewer infrastructure and plant.	225,548	481,186
<b>Water Main Replacement Fund</b>		
Resources used for future water main replacements and upgrades.	569,001	766,658
<b>Cafeteria Plan Fund</b>		
Resources to be used to cover timing differences between additions to and withdrawals from the employee cafeteria fund.	-	2,437
<b>Consumer Deposit Funds</b>		
Resources to be used for refunds of customer security deposits.	432,060	403,877
<b>Demand Payment Accounts Receivable</b>		
Receivables to be used for future repayment of wastewater treatment debt	<u>15,271,674</u>	<u>17,240,774</u>
Totals	<u>\$ 16,648,880</u>	<u>\$ 18,894,932</u>

## GRAND RAPIDS PUBLIC UTILITIES COMMISSION

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2020 and 2019

### NOTE 5 – CHANGES IN CAPITAL ASSETS

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	(26,657,791)
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

## GRAND RAPIDS PUBLIC UTILITIES COMMISSION

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2020 and 2019

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### NOTE 5 – CHANGES IN CAPITAL ASSETS (cont.)

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A summary of changes in capital assets for 2019 follows:

	Balance 1/1/19	Additions/ Reclassifications	Deletions/ Reclassifications	Balance 12/31/19
Capital assets, not being depreciated/amortized				
Land and land rights	\$ 1,964,365	\$ 466	\$ -	\$ 1,964,831
Capital assets being depreciated/amortized				
Intangibles	483,980	47,483	-	531,463
Infrastructure	42,074,726	3,032,828	617,755	44,489,799
Buildings and improvements	34,222,925	183,444	9,986	34,396,383
Machinery and equipment	36,445,189	200,699	145,758	36,500,130
Total Capital Assets Being Depreciated/Amortized	113,226,820	3,464,454	773,499	115,917,775
Total Capital Assets	115,191,185	3,464,920	773,499	117,882,606
Less: Accumulated depreciation/amortization				
Intangibles	(300,418)	(55,764)	-	(356,182)
Infrastructure	(16,380,728)	(1,130,995)	117,192	(17,394,531)
Buildings and improvements	(24,718,409)	(1,145,488)	7,394	(25,856,503)
Machinery and equipment	(10,654,687)	(796,881)	145,760	(11,305,808)
Total Accumulated Depreciation/Amortization	(52,054,242)	(3,129,128)	270,346	(54,913,024)
Construction work in progress (non-depreciable)	488,226	1,435,805	1,626,988	297,043
Net Capital Assets	\$ 63,625,169			\$ 63,266,625

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, 2020 and 2019

### 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:

	2020	2019
AMI/AMR Assets	\$ 1,700,000	\$ 1,700,000
Total Assets Acquired Through Capital Lease	1,700,000	1,700,000
Less: Accumulated depreciation	(118,240)	(99,549)
Totals	\$ 1,581,760	\$ 1,600,451

The future minimum lease obligations and the net present value of these future minimum lease payments are as follows:

Year Ending December 31	
2021	\$ 194,539
2022	194,539
2023	194,539
2024	194,539
2025	194,542
Total Minimum Lease Payments	972,698
Less: Amounts representing interest	(67,045)
Present Value of Minimum Lease Payments	\$ 905,653

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:

	2020	2019
John Deere Loader	\$ 142,571	\$ 142,571
Total Assets Acquired Through Capital Lease	142,571	142,571
Less: Accumulated depreciation	(11,634)	(7,756)
Totals	\$ 130,937	\$ 134,815



# GRAND RAPIDS PUBLIC UTILITIES COMMISSION

## NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2020 and 2019

### 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:

	2020	2019
Freightliner Water Truck	\$ 125,984	\$ 125,984
Total Assets Acquired Through Capital Lease	125,984	125,984
Less: Accumulated depreciation	(25,196)	(12,598)
 Totals	 \$ 100,788	 \$ 113,386

The future minimum lease obligations and the net present value of these future minimum lease payments are as follows:

Year Ending December 31	
2021	\$ 33,834
Total Minimum Lease Payments	
Less: Amounts representing interest	(1,609)
Present Value of Minimum Lease Payments	\$ 32,225

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.

# GRAND RAPIDS PUBLIC UTILITIES COMMISSION

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2020 and 2019

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## NOTE 6 – LEASES (cont.)

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The asset acquired through a capital lease is as follows:

	<u>2020</u>	<u>2019</u>
Freightliner Dump Truck	\$ 103,265	\$ 103,265
Total Assets Acquired Through Capital Lease	103,265	103,265
Less: Accumulated depreciation	<u>(20,654)</u>	<u>(10,327)</u>
Totals	<u>\$ 82,611</u>	<u>\$ 92,938</u>

The future minimum lease obligations and the net present value of these future minimum lease payments are as follows:

Year Ending December 31

2021	\$ 27,733
Total Minimum Lease Payments	
Less: Amounts representing interest	<u>(1,319)</u>
Present Value of Minimum Lease Payments	<u>\$ 26,414</u>

# GRAND RAPIDS PUBLIC UTILITIES COMMISSION

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2020 and 2019

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## NOTE 7 – NON-UTILITY PROPERTY AND DEFERRED CREDITS

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### 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.

	2009 Landfill Phase 7	2011 Landfill Phase 8
Cost	\$ 900,810	\$ 1,068,608
Estimated useful life	10 years	20 years
2020 non-utility property	\$ -	\$ 645,588
2019 non-utility property	\$ -	\$ 699,018
2020 expense amortization	\$ -	\$ 53,430
2019 expense amortization	\$ 90,080	\$ 53,461
2020 deferred revenue	\$ -	\$ 37,909
2019 deferred revenue	\$ -	\$ 41,046
2020 revenue amortization	\$ -	\$ 3,137
2019 revenue amortization	\$ -	\$ 3,137

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## NOTE 8 – REGULATORY ASSETS

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### 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, 2020 and 2019 is \$99,663 and \$117,608, 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, 2020 and 2019

### 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 Water Revenue Note of 1999
- General Obligation Wastewater Revenue Bonds, Series 2009A
- 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

Date	Purpose	Final Maturity	Interest Rates	Original Amount	Outstanding Amount 12/31/20
Jan. 3, 2000	Water construction	Jan. 1, 2019	3.04%	\$ 1,079,657	\$ -
June 1, 2009	Landfill site construction	Dec. 1, 2019	2.0 – 4.9	925,000	-
Nov.10, 2009	Improvements to wastewater treatment facility	Aug. 20, 2029	2.9%	\$ 26,370,232	\$ 13,781,000
Sept. 1, 2011	Landfill site construction and refunding of 2001A bonds	Dec. 1, 2021	0.6 – 3.5	3,965,000	500,000
April 1, 2012	Improvements to water and wastewater facilities	Feb. 1, 2033	2.0 – 3.35	2,025,000	1,370,000
July 15, 2013	Industrial force main, Segment B Project	Feb. 1, 2029	2.0 – 4.5	2,305,000	1,550,000

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

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2021	\$ 2,107,000	\$ 512,918	\$ 2,619,918
2022	1,652,000	448,939	2,100,939
2023	1,702,000	400,548	2,102,548
2024	1,754,000	350,180	2,104,180
2025	1,802,000	297,952	2,099,952
2026 – 2030	7,874,000	639,977	8,513,977
2031 – 2033	310,000	15,225	325,225
<b>Totals</b>	<b>\$ 17,201,000</b>	<b>\$ 2,665,739</b>	<b>\$ 19,866,739</b>

# GRAND RAPIDS PUBLIC UTILITIES COMMISSION

## NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2020 and 2019

### NOTE 10 – LONG-TERM DEBT (cont.)

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 2020 and 2019 were \$2,612,562 and \$2,787,015, respectively. Total customer gross revenues as defined for the same periods were \$24,931,222 and \$25,216,778, 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, 2020 and 2019 is as follows:

	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	<b>\$ 26,640,189</b>	<b>\$ 533,729</b>	<b>\$ 2,702,506</b>	<b>\$ 24,471,412</b>	<b>\$ 2,561,454</b>
	Balance 1/1/19	Additions	Retirements	Balance 12/31/19	Due Within One Year
Long-term debt	\$ 21,389,000	\$ -	\$ 2,149,000	\$ 19,240,000	\$ 2,039,000
Unamortized premium and discounts	(3,325)	-	(1,763)	(1,562)	-
Lease obligation	1,469,887	-	248,847	1,221,040	256,747
Customer advances for construction	2,500	-	-	2,500	-
Accrued compensated absences	299,805	261,543	237,362	323,986	171,786
Net pension liability	2,185,750	-	140,103	2,045,647	-
Landfill closure costs	3,872,163	-	63,585	3,808,578	-
Totals	<b>\$ 29,215,780</b>	<b>\$ 261,543</b>	<b>\$ 2,837,134</b>	<b>\$ 26,640,189</b>	<b>\$ 2,467,533</b>

# GRAND RAPIDS PUBLIC UTILITIES COMMISSION

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2020 and 2019

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## NOTE 11 – NET POSITION

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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.

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## NOTE 12 – EMPLOYEES’ RETIREMENT SYSTEM

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### *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, 2020 and 2019

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### NOTE 12 – EMPLOYEES’ RETIREMENT SYSTEM (cont.)

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#### ***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 2020 and 2019. The GRPUC was required to contribute 7.50 percent for Coordinated Plan members in calendar year 2020 and 2019. The GRPUC contributions to the General Employee Fund for the years ended December 31, 2020 and 2019, were \$205,333 and \$205,477, 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, 2020 and 2019

### NOTE 12 – EMPLOYEES’ RETIREMENT SYSTEM (cont.)

#### *DEFINED BENEFIT PENSION PLANS – STATEWIDE (cont.)*

##### *Pension Costs*

At December 31, 2020 and 2019, the GRPUC reported a liability of \$2,320,242 and \$2,045,647, 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 2020 and 2019. 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 \$71,560 and \$63,664 in 2020 and 2019, respectively. The net pension liability was measured as of June 30, 2020 and 2019 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, 2019 through June 30, 2020 and July 1, 2018 through June 30, 2019, relative to the total employer contributions received from all of PERA’s participating employers. At June 30, 2020 and 2019, 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, 2019 and 2017, respectively.

For the years ended December 31, 2020 and 2019, the GRPUC recognized pension expense of \$92,554 and \$63,664, respectively, for its proportionate share of the General Employees Plan’s pension expense. In addition, the GRPUC recognized an additional \$6,228 and \$4,768 as pension expense (and miscellaneous revenue) in 2020 and 2019, 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, 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
Differences 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



# GRAND RAPIDS PUBLIC UTILITIES COMMISSION

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2020 and 2019

## NOTE 12 – EMPLOYEES’ RETIREMENT SYSTEM (cont.)

### *DEFINED BENEFIT PENSION PLANS – STATEWIDE* (cont.)

#### *Pension Costs* (cont.)

At December 31, 2019, 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	\$ 59,182	\$ -
Changes in actuarial assumptions	-	171,190
Difference between projected and actual investment earnings	-	228,542
Changes in proportion	30,448	131,778
Contributions paid to PERA subsequent to the measurement date	105,521	-
Totals	\$ 195,151	\$ 531,510

\$103,615 and \$105,521 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, 2020 and December 31, 2019, 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
2021	\$ (163,261)
2022	(12,853)
2023	67,457
2024	56,057
2025	-
Total	\$ (52,600)

# GRAND RAPIDS PUBLIC UTILITIES COMMISSION

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2020 and 2019

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## NOTE 12 – EMPLOYEES’ RETIREMENT SYSTEM (cont.)

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### *DEFINED BENEFIT PENSION PLANS – STATEWIDE (cont.)*

#### *Actuarial Assumptions*

The total pension liability in the June 30, 2020 and 2019, actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

	<u>2020</u>	<u>2019</u>
Inflation	2.25%	2.50%
Active Member Payroll Growth	3.00%	3.25%
Investment Rate of Return	7.50%	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, 2020 and 2019, 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 2019. The assumption changes were adopted by the Board and become effective with the July 1, 2020 actuarial valuation.

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.

# GRAND RAPIDS PUBLIC UTILITIES COMMISSION

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2020 and 2019

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## NOTE 12 – EMPLOYEES’ RETIREMENT SYSTEM (cont.)

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### ***DEFINED BENEFIT PENSION PLANS – STATEWIDE*** (cont.)

#### ***Actuarial Assumptions*** (cont.)

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 following changes in actuarial assumptions occurred in 2019:

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

The following changes 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 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, 2020 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	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>	

# GRAND RAPIDS PUBLIC UTILITIES COMMISSION

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2020 and 2019

## 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, 2019 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	36%	5.10%
International Equity	17%	5.90%
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 2020 and 2019 was 7.50%. 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, 2020 follows:

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

# GRAND RAPIDS PUBLIC UTILITIES COMMISSION

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2020 and 2019

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## NOTE 12 – EMPLOYEES’ RETIREMENT SYSTEM (cont.)

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### *DEFINED BENEFIT PENSION PLANS – STATEWIDE (cont.)*

#### *Pension Liability Sensitivity (cont.)*

The sensitivity analysis of December 31, 2019 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:	\$3,362,934	\$2,045,647	\$957,965

#### *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](http://www.mnpera.org).

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## NOTE 13 – POST-EMPLOYMENT HEALTH CARE SAVINGS ACCOUNT

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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, 2020 and 2019

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### NOTE 14 – PAYMENTS IN LIEU OF TAXES

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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 2020 and 2019 was \$873,537 and \$871,916, respectively.

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### NOTE 15 – LANDFILL CLOSURE AND POST-CLOSURE CARE COSTS

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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>2020</u>	<u>2019</u>
Closure cost estimate	\$ 1,626,494	\$ 1,616,745
Post-closure care cost estimate	1,395,580	1,577,387
Contingency action	<u>618,151</u>	<u>614,446</u>
Totals	<u>\$ 3,640,225</u>	<u>\$ 3,808,578</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.

On December 14, 2020 and December 12, 2019, UPM Blandin Paper Company established an irrevocable letter of credit for \$3,640,225 and \$3,808,578 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.

# GRAND RAPIDS PUBLIC UTILITIES COMMISSION

## NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2020 and 2019

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

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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.

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### **NOTE 16 – RISK MANAGEMENT**

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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.

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### **NOTE 17 – MAJOR CUSTOMER AND DEMAND PAYMENT DEFERRAL**

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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 \$3,591,588 and \$3,485,898 for 2020 and 2019, 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, and 2013C, along with the loader and truck 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 2020 and 2019 were \$2,800,010 and \$2,458,590, respectively.

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### **NOTE 18 – ACCOUNTING FOR THE EFFECTS OF RATE REGULATION**

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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, 2020 and 2019

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

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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.

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### **NOTE 19 – COMMITMENTS AND CONTINGENCIES**

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#### ***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 2020 and 2019 were 30,004 and 29,488 kW, respectively.

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.



# GRAND RAPIDS PUBLIC UTILITIES COMMISSION

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2020 and 2019

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## NOTE 19 – COMMITMENTS AND CONTINGENCIES (cont.)

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### **OPEN CONTRACTS**

GRPUC has several active projects as of December 31, 2020. At year end, GRPUC's commitments with contractors are as follows:

Project	Spent-to-Date	Remaining Commitment
Water Treatment Super Oxygenation Capital Project	\$ 526,797	\$ 92,201
Solar Plus Storage Grading	291,343	46,251
2020 – 2021 Financial Audits	-	40,000
2021 Sludge Landfill-Sludge Placement	-	63,900
Totals	<u>\$ 818,140</u>	<u>\$ 242,352</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

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## NOTE 20 – SUBSEQUENT EVENTS

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### **RATE ADJUSTMENT**

On December 18, 2019, the Commission approved annual rate increases for electric services of approximately 1.9% per year from 2020 through 2024.

### **REFUNDING OF LEASE PURCHASE AGREEMENT**

On April 19, 2021, the Commission approved prepaying the 2015 AMI lease purchase agreement with US Bank by issuing \$870,000 of General Obligation Revenue bonds.

**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%

\* 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%

\* 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, 2020 (Unaudited)

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

### *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.

### *2019 Changes*

The following change in plan provisions occurred in 2019:

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

The following changes in actuarial assumptions occurred in 2019:

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

# GRAND RAPIDS PUBLIC UTILITIES COMMISSION

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION For the Year Ended December 31, 2020 (Unaudited)

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### *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.

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.

See independent auditors' report.

# GRAND RAPIDS PUBLIC UTILITIES COMMISSION

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION For the Year Ended December 31, 2020 (Unaudited)

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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, 2020

	<u>Electric</u>	<u>Water</u>	<u>Wastewater Collection</u>	<u>Wastewater Treatment</u>	<u>Totals</u>
<b>OPERATING REVENUES</b>					
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>
<b>OPERATING EXPENSES</b>					
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>
<b>OPERATING INCOME (LOSS)</b>	<u>489,020</u>	<u>152,918</u>	<u>559,787</u>	<u>(1,645,190)</u>	<u>(443,465)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Investment income	30,745	-	-	-	30,745
Demand interest payments	-	-	-	486,434	486,434
Landfill contribution	-	-	-	110,000	110,000
Grant revenues	-	-	-	-	-
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>(835,380)</u>	<u>(24,958)</u>	<u>(12,438)</u>	<u>50,024</u>	<u>(822,752)</u>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS</b>	<u>\$ (346,360)</u>	<u>\$ 127,960</u>	<u>\$ 547,349</u>	<u>\$ (1,595,166)</u>	<u>\$ (1,266,217)</u>



**GRAND RAPIDS PUBLIC UTILITIES COMMISSION**

COMBINING SCHEDULE OF REVENUES AND EXPENSES

For the Year Ended December 31, 2019

	<u>Electric</u>	<u>Water</u>	<u>Wastewater Collection</u>	<u>Wastewater Treatment</u>	<u>Totals</u>
<b>OPERATING REVENUES</b>					
Utility revenues - city	\$ 13,011,115	\$ 1,543,505	\$ 1,526,688	\$ 3,485,898	\$ 19,567,206
Utility revenues - rural	1,709,643	34,744	260,007	-	2,004,394
Security lighting	56,412	-	-	-	56,412
Total Retail Sales	<u>14,777,170</u>	<u>1,578,249</u>	<u>1,786,695</u>	<u>3,485,898</u>	<u>21,628,012</u>
Purchased power adjustment pass-through	436,847	-	-	-	436,847
Total Utility Revenues	<u>15,214,017</u>	<u>1,578,249</u>	<u>1,786,695</u>	<u>3,485,898</u>	<u>22,064,859</u>
Other Operating Revenue					
Pole rentals	38,624	-	-	-	38,624
Other	119,168	247,799	15,928	-	382,895
Penalties	46,823	5,492	5,492	-	57,807
Total Operating Revenues	<u>15,418,632</u>	<u>1,831,540</u>	<u>1,808,115</u>	<u>3,485,898</u>	<u>22,544,185</u>
<b>OPERATING EXPENSES</b>					
Production	-	508,915	-	-	508,915
Purchased power	11,336,920	-	-	-	11,336,920
Distribution/collection	1,015,553	274,760	169,959	-	1,460,272
Customer accounts	347,475	101,017	75,564	-	524,056
Administrative and general	1,066,753	330,815	242,805	-	1,640,373
Service center	127,550	21,258	21,258	-	170,066
Domestic wastewater treatment	-	-	520,359	-	520,359
Industrial wastewater treatment	-	-	-	3,626,299	3,626,299
Depreciation and amortization	1,057,752	327,121	163,781	1,595,235	3,143,889
Total Operating Expenses	<u>14,952,003</u>	<u>1,563,886</u>	<u>1,193,726</u>	<u>5,221,534</u>	<u>22,931,149</u>
<b>OPERATING INCOME (LOSS)</b>	<u>466,629</u>	<u>267,654</u>	<u>614,389</u>	<u>(1,735,636)</u>	<u>(386,964)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Investment income	50,825	-	-	-	50,825
Demand interest payments	-	-	-	545,700	545,700
Landfill contribution	-	-	-	210,000	210,000
Grant revenues	-	-	-	10,000	10,000
Gain (loss) on property disposition	11,650	(105,172)	5,000	6,100	(82,422)
Interest expense	(21,223)	(32,537)	(18,078)	(587,686)	(659,524)
Bond fees	-	(533)	(285)	(3,901)	(4,719)
Amortization of debt premiums and discounts	-	(271)	(146)	(1,763)	(2,180)
Amortization of regulatory asset	-	(703)	(374)	(19,326)	(20,403)
Combined service center lease revenues	35,071	5,845	5,845	-	46,761
Payment in lieu of taxes	(871,916)	-	-	-	(871,916)
Total Nonoperating Revenues (Expenses)	<u>(795,593)</u>	<u>(133,371)</u>	<u>(8,038)</u>	<u>159,124</u>	<u>(777,878)</u>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS</b>	<u>\$ (328,964)</u>	<u>\$ 134,283</u>	<u>\$ 606,351</u>	<u>\$ (1,576,512)</u>	<u>\$ (1,164,842)</u>

# GRAND RAPIDS PUBLIC UTILITIES COMMISSION

## ELECTRIC DEPARTMENT DETAILED SCHEDULE OF REVENUES AND EXPENSES For the Years Ended December 31, 2020 and 2019

	2020	2019
<b>OPERATING REVENUES</b>		
Utility Revenues		
City residential	\$ 4,142,608	\$ 3,821,527
City commercial and light and power	8,874,782	9,189,588
Rural residential	1,182,228	1,125,900
Rural commercial and light and power	563,487	583,743
Security lighting	60,075	56,412
Total Retail Sales	14,823,180	14,777,170
Purchased power adjustment pass-through	400,954	436,847
Total Utility Revenues	15,224,134	15,214,017
Other Operating Revenues		
Pole rentals	21,416	38,624
Other	75,804	119,168
Penalties	9,869	46,823
Total Operating Revenues	15,331,223	15,418,632
<b>OPERATING EXPENSES</b>		
Purchased Power	11,069,792	11,336,920
Distribution Operations		
Supervision and engineering	89,308	88,122
Substations	5,580	6,373
Overhead and underground lines	91,108	147,490
Meters	79,910	74,041
Customer installations	13,129	14,714
Mapping	34,139	57,115
Small tools	17,833	15,027
Safety	29,396	12,098
Seminar/training	11,590	12,617
Stores and other	95,509	126,094
Distribution Maintenance		
Supervision and engineering	89,128	88,121
Locating expense	15,769	11,871
Substations	55,319	73,803
Overhead lines	174,777	177,900
Underground lines	98,188	43,292
Line transformers	778	6,914
Security lighting	1,173	-
Street lighting	2,158	-
Meters	4,168	2,316
Other	7,031	57,645
Total Distribution Expenses	915,991	1,015,553
Other Operating Expenses		
Customer accounts expense	297,957	347,475
Administrative and general	1,145,209	1,066,753
Depreciation - electric	1,123,497	879,575
Depreciation - other	103,727	95,904
Amortization - intangibles	43,533	47,935
Amortization - other	34,337	34,338
Service center	108,160	127,550
Total Other Operating Expenses	2,856,420	2,599,530
Total Operating Expenses	14,842,203	14,952,003
<b>OPERATING INCOME</b>	489,020	466,629

**GRAND RAPIDS PUBLIC UTILITIES COMMISSION**

ELECTRIC DEPARTMENT  
DETAILED SCHEDULE OF REVENUES AND EXPENSES (cont.)  
For the Years Ended December 31, 2020 and 2019

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	<u>2020</u>	<u>2019</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment income	\$ 30,745	\$ 50,825
Gain (loss) on property disposition	-	11,650
Interest expense	(21,351)	(21,223)
Lease revenues combined service center	28,763	35,071
Payment in lieu of taxes	<u>(873,537)</u>	<u>(871,916)</u>
Total Nonoperating Revenues (Expenses)	<u>(835,380)</u>	<u>(795,593)</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS	<u>\$ (346,360)</u>	<u>\$ (328,964)</u>

**GRAND RAPIDS PUBLIC UTILITIES COMMISSION**

WATER DEPARTMENT  
 DETAILED SCHEDULE OF REVENUES AND EXPENSES  
 For the Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>OPERATING REVENUES</b>		
Utility Revenues		
City sales	\$ 1,531,862	\$ 1,543,505
Rural sales	35,249	34,744
Total Utility Revenues	<u>1,567,111</u>	<u>1,578,249</u>
Other Operating Revenues		
Miscellaneous service	209,774	247,799
Penalties	1,157	5,492
Total Operating Revenues	<u>1,778,042</u>	<u>1,831,540</u>
<b>OPERATING EXPENSES</b>		
Production		
Operations		
Operators wages	158,636	152,676
Water treatment expense	111,014	89,041
Power purchased	168,760	169,964
Other	18,573	22,818
Maintenance		
Supervision	-	209
WTP buildings and grounds	6,761	10,565
Wells, pumps, mains	6,009	4,577
WTP equipment	62,363	40,549
DCS	6,954	7,922
Inspections	4,630	10,594
Total Production Expenses	<u>543,700</u>	<u>508,915</u>
Distribution		
Operations		
Supervision and engineering	29,361	27,437
Records	10,527	4,714
Inspections	6,325	619
Thaw and flush hydrants, etc.	4,932	18,499
Locating expense	21,105	15,686
Service on customer premises	7,372	21,008
Mapping	30,799	28,554
Small tools	3,412	1,665
Safety	9,000	5,683
Seminar/training	14,211	19,287
Other	57	79
Stores	15,074	837
Maintenance		
Towers and tanks	8,573	3,076
Booster station	303	705
Mains and hydrants	138,680	108,480
Services	9,019	18,326
Meters	(2,553)	(367)
Other	147	472
Total Distribution Expenses	<u>306,344</u>	<u>274,760</u>

**GRAND RAPIDS PUBLIC UTILITIES COMMISSION**

WATER DEPARTMENT  
 DETAILED SCHEDULE OF REVENUES AND EXPENSES (cont.)  
 For the Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>OTHER OPERATING EXPENSES</b>		
Customer accounts expense	\$ 88,418	\$ 101,017
Administrative and general	320,734	330,815
Depreciation - water	325,827	305,680
Depreciation - other	17,288	15,984
Amortization - intangibles	4,786	5,457
Service center	<u>18,027</u>	<u>21,258</u>
Total Other Operating Expenses	<u>775,080</u>	<u>780,211</u>
 Total Operating Expenses	 <u>1,625,124</u>	 <u>1,563,886</u>
 <b>OPERATING INCOME</b>	 <u>152,918</u>	 <u>267,654</u>
 <b>NONOPERATING REVENUES (EXPENSES)</b>		
Gain (loss) on property disposition	1,125	(105,172)
Bond fees	(1,132)	(533)
Amortization of debt premiums and discounts	(974)	(974)
Interest expense - 1999 Water Note	-	(1,295)
Interest expense - other	(28,771)	(31,242)
Lease revenues combined service center	<u>4,794</u>	<u>5,845</u>
Total Nonoperating Revenues (Expenses)	<u>(24,958)</u>	<u>(133,371)</u>
 INCOME BEFORE CONTRIBUTIONS	 <u>\$ 127,960</u>	 <u>\$ 134,283</u>

# GRAND RAPIDS PUBLIC UTILITIES COMMISSION

## WASTEWATER COLLECTION DEPARTMENT DETAILED SCHEDULE OF REVENUES AND EXPENSES For the Years Ended December 31, 2020 and 2019

	2020	2019
<b>OPERATING REVENUES</b>		
Utility Revenues		
City	\$ 1,470,730	\$ 1,526,688
Rural	145,720	148,936
Septage haulers	154,531	111,071
Total Utility Revenues	1,770,981	1,786,695
Other Operating Revenues		
Other	24,298	15,928
Penalties	1,157	5,492
Total Operating Revenues	1,796,436	1,808,115
<b>OPERATING EXPENSES</b>		
Collection		
Operations		
Supervision and engineering	26,143	26,323
Inspections	330	640
Locating expense	9,877	9,136
Service on customer premises	424	359
Mapping	30,779	28,554
Small tools	919	488
Safety	3,467	2,042
Seminar/training	1,262	7,600
Other	87	69
Stores	3,056	85
Power purchased	14,327	14,397
Maintenance		
Lift stations	38,225	40,003
Mains	81,457	34,383
Services	7,323	5,685
Other	330	195
Total Collection Expenses	218,006	169,959
Domestic Wastewater Treatment		
Domestic plant	80,610	88,623
Domestic portion of secondary plant and service center	433,422	431,736
Total Domestic Treatment Expenses	514,032	520,359
Other Operating Expenses		
Customer accounts expense	65,153	75,564
Administrative and general	209,342	242,805
Depreciation - wastewater collection	190,015	142,340
Depreciation - other	17,288	15,984
Amortization - intangibles	4,786	5,457
Service center	18,027	21,258
Total Other Operating Expenses	504,611	503,408
Total Operating Expenses	1,236,649	1,193,726
<b>OPERATING INCOME</b>	559,787	614,389

# GRAND RAPIDS PUBLIC UTILITIES COMMISSION

## WASTEWATER COLLECTION DEPARTMENT DETAILED SCHEDULE OF REVENUES AND EXPENSES (cont.) For the Years Ended December 31, 2020 and 2019

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	<u>2020</u>	<u>2019</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Gain (loss) on property disposition	\$ -	\$ 5,000
Interest expense	(16,107)	(18,078)
Bond fees	(605)	(285)
Amortization of debt premiums and discounts	(146)	(146)
Lease revenues combined service center	4,794	5,845
Amortization of regulatory asset	<u>(374)</u>	<u>(374)</u>
Total Nonoperating Revenues (Expenses)	<u>(12,438)</u>	<u>(8,038)</u>
INCOME BEFORE CONTRIBUTIONS	<u>\$ 547,349</u>	<u>\$ 606,351</u>

## GRAND RAPIDS PUBLIC UTILITIES COMMISSION

### WASTEWATER TREATMENT FACILITY DETAILED SCHEDULE OF REVENUES AND EXPENSES For the Years Ended December 31, 2020 and 2019

	2020	2019
<b>OPERATING REVENUES</b>		
Utility revenues	\$ 3,591,588	\$ 3,485,898
Total Operating Revenues	3,591,588	3,485,898
<b>OPERATING EXPENSES</b>		
Waste treatment service center	132,752	129,083
Wastewater treatment plant primary plant II	1,778,806	1,705,170
Screen house	265,116	258,619
Sludge disposal	429,248	548,241
Secondary treatment facility	1,034,087	985,186
Depreciation	1,596,769	1,595,235
Total Operating Expenses	5,236,778	5,221,534
<b>OPERATING LOSS</b>	(1,645,190)	(1,735,636)
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Gain (loss) on property disposition	(1,672)	6,100
Grant revenues	-	10,000
Interest expense	(523,267)	(587,686)
Demand interest payments	486,434	545,700
Landfill contribution	110,000	210,000
Bond fees	(3,258)	(3,901)
Amortization of regulatory asset	(16,450)	(19,326)
Amortization of debt premiums and discounts	(1,763)	(1,763)
Total Nonoperating Revenues (Expenses)	50,024	159,124
<b>LOSS BEFORE CONTRIBUTIONS</b>	\$ (1,595,166)	\$ (1,576,512)



## GRAND RAPIDS PUBLIC UTILITIES COMMISSION

### WASTE TREATMENT SERVICE CENTER SCHEDULE OF EXPENSES For the Years Ended December 31, 2020 and 2019

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	<u>2020</u>	<u>2019</u>
<b>WASTE TREATMENT SERVICE CENTER BUILDING</b>		
Supplies and tools	\$ 6,634	\$ 6,873
Administrative and engineering	32,301	28,342
Safety	3,032	634
Insurance	1,946	1,688
Telephone	3,911	3,325
Plant vehicles	13,340	15,612
Buildings and grounds	35,210	30,232
Maintenance	155	3,148
Wastewater collection services	307	307
Power purchased	45,491	48,223
Water purchased	<u>416</u>	<u>416</u>
TOTAL WASTE TREATMENT SERVICE CENTER EXPENSE	<u>\$ 142,743</u>	<u>\$ 138,800</u>
Industrial Portion	<u>\$ 132,752</u>	<u>\$ 129,083</u>
Domestic Portion	<u>\$ 9,991</u>	<u>\$ 9,717</u>

## GRAND RAPIDS PUBLIC UTILITIES COMMISSION

### WASTEWATER TREATMENT PLANT PRIMARY PLANT II SCHEDULE OF EXPENSES

For the Years Ended December 31, 2020 and 2019

	2020	2019
<b>WASTEWATER TREATMENT PLANT PRIMARY PLANT II</b>		
Supervision	\$ 25,893	\$ 24,965
Operating labor	305,894	304,752
PERA	-	(1,692)
Co-insurance payments	-	211
Group insurance	122,286	118,454
Life insurance	965	1,051
Dental insurance	3,897	3,506
Health savings account funding	14,352	11,794
Third party administrative cost	399	385
Other fringe costs	61,140	63,888
Legal	4,378	5,118
Long-term disability payments	2,887	1,975
Uniforms	362	152
Supplies and tools	3,666	2,043
Fuel	16	-
Administrative expense	146,898	112,711
Safety	11,083	2,517
Insurance	26,644	30,082
Seminars	2,644	2,178
Telephone expense	1,271	1,238
Permits and legal fees	802	949
Outside testing	1,750	-
Chemicals	664,585	636,571
Plant equipment/supplies	152,487	146,083
Maintenance inspections	1,694	197
Power purchased	218,528	232,018
Water purchased	4,285	4,024
<b>TOTAL WASTEWATER TREATMENT PLANT PRIMARY PLANT II EXPENSE</b>	<b>\$ 1,778,806</b>	<b>\$ 1,705,170</b>

# GRAND RAPIDS PUBLIC UTILITIES COMMISSION

## SCREEN HOUSE SCHEDULE OF EXPENSES For the Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>SCREEN HOUSE</b>		
Supervision	\$ 7,105	\$ 6,858
Operating labor	25,416	25,268
Group insurance	17,058	15,345
Life insurance	154	168
Dental insurance	532	479
Health savings account funding	2,028	1,611
Other fringe costs	9,928	9,478
Supplies	278	262
Fuel	3,039	3,212
Administrative	24,527	17,858
Safety	1,796	1,196
Seminars	485	424
Insurance	4,882	6,711
Legal	876	1,036
DCS support contract	3,523	2,810
Screens - conv - spray water	12,007	9,368
Sewage pumps	3,926	13,024
Electric motors and controls	4,305	20,917
Instrumentation	3,011	3,917
Buildings and grounds	32,707	14,720
Maintenance inspection	1,171	303
Force main and manholes	3,152	529
Power purchased	94,791	92,270
Water purchased	8,419	10,855
	<u>8,419</u>	<u>10,855</u>
TOTAL SCREEN HOUSE EXPENSE	<u>\$ 265,116</u>	<u>\$ 258,619</u>

# GRAND RAPIDS PUBLIC UTILITIES COMMISSION

## SLUDGE DISPOSAL SCHEDULE OF EXPENSES For the Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>SLUDGE DISPOSAL</b>		
Supervision	\$ 9,630	\$ 9,323
Truck driver labor	70,190	132,244
Group insurance	49,435	51,043
Life insurance	509	554
Dental insurance	1,615	1,499
Health savings account funding	5,954	5,038
Other fringe costs	3,545	3,543
Legal	-	1,025
Engineering-sludge landfill	3,620	3,443
Administrative	3,487	4,672
Seminars	-	530
Insurance	9,195	11,442
Permits and legal fees	400	400
Sludge placement	48,862	49,476
Miscellaneous landfill operations	54,071	52,291
Leachate collection	39,945	21,528
Solid waste tax	245	429
Sludge landfill amortization	53,430	143,541
Well monitoring	53,007	39,293
Purchased power	2,397	2,690
Sludge hauling trucks	<u>19,711</u>	<u>14,237</u>
 TOTAL SLUDGE DISPOSAL EXPENSE	 <u>\$ 429,248</u>	 <u>\$ 548,241</u>

# GRAND RAPIDS PUBLIC UTILITIES COMMISSION

## SECONDARY TREATMENT FACILITY SCHEDULE OF EXPENSES

For the Years Ended December 31, 2020 and 2019

	2020	2019
<b>SECONDARY TREATMENT FACILITY</b>		
Supervision	\$ 28,419	\$ 27,431
Operating labor	101,660	101,071
Group insurance	60,779	56,791
Life insurance	439	478
Dental insurance	1,903	1,761
Health savings account funding	7,306	5,937
Other fringe costs	32,424	31,581
Long-term disability insurance	2,020	1,382
Supplies	608	548
Administrative	53,319	37,745
Safety	4,790	3,825
Seminars	1,431	1,116
Insurance	29,180	33,850
Permits	14,350	14,350
Outside testing	15,257	13,846
Legal	1,939	4,611
Telephone	1,265	1,196
Laboratory supplies	7,931	9,870
Chemicals	19,628	19,518
DCS support contract	3,196	2,396
Blowers - air system	23,245	6,749
Aerators	18,810	13,917
Secondary clarifiers	3,360	8,145
Waste activated sludge thickeners	4,505	4,055
Pumps	8,072	6,795
Chlorination system	2,182	4,682
Additive systems	76	330
Laboratory equipment	1,912	4,698
Plant vehicles	939	-
Electric motors and controls	3,750	2,338
Instrumentation	695	3,901
Buildings and grounds	39,440	33,247
Maintenance inspection	1,889	1,075
Power purchased	932,063	926,098
Water purchased	28,736	21,872
	<u>1,457,518</u>	<u>1,407,205</u>
<b>TOTAL SECONDARY TREATMENT FACILITY EXPENSE</b>	<b>\$ 1,457,518</b>	<b>\$ 1,407,205</b>
Industrial Portion	<u>\$ 1,034,087</u>	<u>\$ 985,186</u>
Domestic Portion	<u>\$ 423,431</u>	<u>\$ 422,019</u>

## GRAND RAPIDS PUBLIC UTILITIES COMMISSION

### COMBINED SCHEDULE OF ADMINISTRATIVE, GENERAL AND CUSTOMER ACCOUNTS EXPENSE

For the Years Ended December 31, 2020 and 2019

	2020	2019
<b>CUSTOMER ACCOUNTS EXPENSE</b>		
Meter reading	\$ 5,653	\$ 45,154
Customer records and collection expense	430,646	452,358
Other	15,229	26,544
Total Customer Accounts Expense	\$ 451,528	\$ 524,056
<b>ALLOCATION OF CUSTOMER ACCOUNTS EXPENSE</b>		
Electric	\$ 297,957	\$ 347,475
Water	88,418	101,017
Wastewater collection	65,153	75,564
Total Allocation of Customer Accounts Expense	\$ 451,528	\$ 524,056
<b>ADMINISTRATIVE AND GENERAL EXPENSE</b>		
Administrative and general salaries	\$ 235,413	\$ 228,535
Office supplies and expense	31,355	25,401
Outside services employed	188,469	219,231
Property and liability insurance	106,479	121,976
Employees' pensions and benefits	894,895	951,482
Maintenance of general plant	15,275	16,484
Conservation improvement program	150,961	120,530
Other	52,438	(43,266)
Total Administrative and General Expense	\$ 1,675,285	\$ 1,640,373
<b>ALLOCATION OF ADMINISTRATIVE AND GENERAL EXPENSE</b>		
Electric	\$ 1,145,209	\$ 1,066,753
Water	320,734	330,815
Wastewater collection	209,342	242,805
Total Allocation of Administrative and General Expense	\$ 1,675,285	\$ 1,640,373

**GRAND RAPIDS PUBLIC UTILITIES COMMISSION**

SCHEDULE OF CHANGES IN UTILITY PLANT  
As of December 31, 2020

	Balance 1-1-20	Increases	Decreases	Balance 12-31-20
<b>ELECTRIC DEPARTMENT</b>				
Distribution				
Land and land improvements	\$ 263,320	\$ -	\$ -	\$ 263,320
Intangibles	26,570	-	-	26,570
Structures and improvements	406,220	5,542	-	411,762
Distribution system	27,055,330	531,697	1,416	27,585,611
Street and security lighting system	170,651	8,922	379	179,194
Machinery and equipment	<u>1,902,122</u>	<u>72,483</u>	<u>-</u>	<u>1,974,605</u>
Total Electric Department	<u>29,824,213</u>	<u>618,644</u>	<u>1,795</u>	<u>30,441,062</u>
<b>WATER DEPARTMENT</b>				
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	<u>2,156,261</u>	<u>-</u>	<u>-</u>	<u>2,156,261</u>
Total Production	<u>4,574,713</u>	<u>-</u>	<u>-</u>	<u>4,574,713</u>
Distribution				
Distribution system	11,573,915	555,201	450	12,128,666
Intangibles	1,467	-	-	1,467
Machinery and equipment	<u>242,899</u>	<u>2,245</u>	<u>187</u>	<u>244,957</u>
Total Distribution	<u>11,818,281</u>	<u>557,446</u>	<u>637</u>	<u>12,375,090</u>
Total Water Department	<u>16,392,994</u>	<u>557,446</u>	<u>637</u>	<u>16,949,803</u>
<b>WASTEWATER COLLECTION DEPARTMENT</b>				
Distribution				
Land	75,041	-	-	75,041
Treatment plant	460,479	-	-	460,479
Collection system	5,389,504	415,634	67	5,805,071
Intangibles	2,804	-	-	2,804
Machinery and equipment	<u>265,673</u>	<u>567,288</u>	<u>-</u>	<u>832,961</u>
Total Wastewater Collection Department	<u>6,193,501</u>	<u>982,922</u>	<u>67</u>	<u>7,176,356</u>
<b>WASTEWATER TREATMENT DEPARTMENT</b>				
Land	773,038	-	-	773,038
Domestic treatment facility	2,308,506	-	-	2,308,506
Screen house	4,825,111	-	-	4,825,111
Industrial treatment facility	6,906,222	-	-	6,906,222
Industrial primary plant II	25,669,769	-	-	25,669,769
Sludge disposal	1,037,859	-	-	1,037,859
Service center building	3,010,021	10,935	-	3,020,956
Secondary treatment facility	<u>14,818,487</u>	<u>91,263</u>	<u>356,514</u>	<u>14,553,236</u>
Total Wastewater Treatment Department	<u>59,349,013</u>	<u>102,198</u>	<u>356,514</u>	<u>59,094,697</u>
<b>GENERAL PLANT</b>				
Land and improvements	597,924	-	-	597,924
Intangibles	500,622	4,718	-	505,340
Service center	4,623,903	45,548	-	4,669,451
Communications equipment	80,608	-	-	80,608
Automated meter read equipment	<u>319,828</u>	<u>43,235</u>	<u>-</u>	<u>363,063</u>
Total General Plant	<u>6,122,885</u>	<u>93,501</u>	<u>-</u>	<u>6,216,386</u>
Total Utility Plant in Service	117,882,606	2,354,711	359,013	119,878,304
Construction Work in Progress	<u>297,043</u>	<u>2,418,749</u>	<u>1,545,339</u>	<u>1,170,453</u>
TOTAL INVESTMENT IN UTILITY PLANT	<u>\$ 118,179,649</u>	<u>\$ 4,773,460</u>	<u>\$ 1,904,352</u>	<u>\$ 121,048,757</u>

**GRAND RAPIDS PUBLIC UTILITIES COMMISSION**

SCHEDULE OF CHANGES IN ACCUMULATED DEPRECIATION  
As of December 31, 2020

	Composite Depreciation Rates	Balance 1-1-20	Increases	Decreases	Balance 12-31-20	Percent of Plant Balance
<b>ELECTRIC DEPARTMENT</b>						
Distribution						
Intangibles		\$ 14,016	\$ -	\$ -	\$ 14,016	
Structures and improvements		140,232	8,898	-	149,130	
Distribution system		10,607,013	1,014,973	3,298	11,618,688	
Street and security lighting system		40,237	7,678	379	47,536	
Machinery and equipment		1,619,307	77,249	-	1,696,556	
Total Electric Department	3.7%	12,420,805	1,108,798	3,677	13,525,926	44.4%
<b>WATER DEPARTMENT</b>						
Production						
Structures and improvements		1,101,865	32,570	-	1,134,435	
Wells, pumps and accessories		385,240	6,135	-	391,375	
Water treatment plant equipment		1,972,353	31,779	-	2,004,132	
Total Production		3,459,458	70,484	-	3,529,942	
Distribution						
Distribution system		4,615,855	241,525	454	4,856,926	
Intangibles		1,467	-	-	1,467	
Machinery and equipment		169,112	13,919	-	183,031	
Total Distribution		4,786,434	255,444	454	5,041,424	
Total Water Department	2.0%	8,245,892	325,928	454	8,571,366	50.6%
<b>WASTEWATER COLLECTION DEPARTMENT</b>						
Distribution						
Treatment plant		248,845	11,755	-	260,600	
Collection system		1,786,424	134,026	67	1,920,384	
Intangibles		2,804	-	-	2,804	
Machinery and equipment		209,454	44,233	-	253,687	
Total Wastewater Collection Department	2.8%	2,247,527	190,014	67	2,437,475	34.0%
<b>WASTEWATER TREATMENT DEPARTMENT</b>						
Domestic treatment facility		881,457	48,543	-	930,000	
Screen house		2,149,127	118,354	-	2,267,481	
Industrial treatment facility		6,738,594	134,588	-	6,873,182	
Industrial primary plant II		4,789,036	500,249	-	5,289,285	
Sludge disposal		235,473	14,639	-	250,112	
Service center building		212,256	11,689	-	223,945	
Secondary treatment facility		13,988,836	770,378	356,514	14,402,700	
Total Wastewater Treatment Department	2.7%	28,994,779	1,598,440	356,514	30,236,705	51.2%
<b>GENERAL PLANT</b>						
Intangibles		337,895	50,020	-	387,915	
Service center		2,504,181	132,082	-	2,636,263	
Communications equipment		62,397	6,224	-	68,621	
Automated meter read equipment		99,549	18,690	-	118,239	
Total General Plant	3.4%	3,004,022	207,016	-	3,211,038	51.7%
TOTAL ACCUMULATED DEPRECIATION	2.9%	\$ 54,913,024	\$ 3,430,196	\$ 360,712	\$ 57,982,508	48.4%



# GRAND RAPIDS PUBLIC UTILITIES COMMISSION

## SCHEDULE OF CONTRIBUTIONS TO THE CITY OF GRAND RAPIDS For the Years Ended December 31, 2020 and 2019

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	<u>2020 Payment in Lieu of Taxes</u>	<u>2019 Payment in Lieu of Taxes</u>
<b>CASH</b>		
Annual cash payment	\$ 868,000	\$ 868,000
<b>LABOR AND MATERIALS PROVIDED</b>		
Miscellaneous city services	<u>5,537</u>	<u>3,916</u>
<b>TOTAL CONTRIBUTIONS</b>	<u>\$ 873,537</u>	<u>\$ 871,916</u>

This schedule does not include:

1. Administrative costs
2. Employee benefits
3. Water used for City purposes

**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.

Contents	Page
<b>Financial Trends</b> These schedules contain trend information to help the reader understand how the Commission's financial performance and well-being have changed over time.	60 - 65
<b>Revenue Capacity</b> These schedules contain information to help the reader assess the Commission's most significant revenue source, utility revenues.	66 - 77
<b>Debt Capacity</b> 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.	78 - 79
<b>Demographic and Economic Information</b> These schedules offer demographic and economic indicators to help the reader understand the environment within which the Commission's financial activities take place.	80 - 81
<b>Operating Information</b> 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.	82 - 86

**GRAND RAPIDS PUBLIC UTILITIES COMMISSION**

Net Position by Component,  
Last Ten Fiscal Years

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Primary government										
Net investment in capital assets	\$ 36,427,999	\$ 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
Restricted	184,232	319,410	305,631	787,591	958,832	1,181,470	939,416	880,250	1,252,688	796,279
Unrestricted	6,044,318	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
Total primary government net position	\$ 42,656,549	\$ 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

## 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
2011	21,754,923	21,847,458	(92,535)	(497,435)	(589,970)	1,849,805	1,259,835
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)	(822,752)	(1,266,217)	2,654,781	1,388,564

## 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>
2011	14,518,402	1,338,941	1,217,914	4,679,666	21,754,923
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

**GRAND RAPIDS PUBLIC UTILITIES COMMISSION**

OPERATING EXPENSES BY SOURCE  
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Production</u>	<u>Purchased Power</u>	<u>Distribution/Collection</u>	<u>Customer Accounts</u>	<u>Administrative and General</u>	<u>Service Center</u>	<u>Communications</u>	<u>Domestic Wastewater Treatment</u>	<u>Industrial Wastewater Treatment</u>	<u>Depreciation</u>	<u>Total Operating Expenses</u>
2011	439,410	10,056,852	1,372,394	430,979	1,498,477	150,193	824	463,316	4,975,910	2,459,103	21,847,458
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

**GRAND RAPIDS PUBLIC UTILITIES COMMISSION**

NONOPERATING REVENUES AND EXPENSES  
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Investment Income (Loss)</u>	<u>Demand Interest Payments</u>	<u>Landfill Contribution</u>	<u>Grant Revenues</u>	<u>Gain (Loss) on Property Disposition</u>	<u>Interest Expense</u>	<u>Bond Fees</u>	<u>Capitalized Interest</u>	<u>Amortization of Debt Premiums and Discounts and Regulatory Asset</u>	<u>Combined Service Center Lease Revenues</u>	<u>Payment in Lieu of Taxes</u>	<u>Special Pension Funding Contribution Revenue</u>	<u>Total Nonoperating Expenses</u>
2011	43,132	905,150	270,000	-	(11,056)	(1,078,641)	(1,948)	50,592	(19,070)	168,893	(824,487)	-	(497,435)
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)
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	-	(547)	(589,496)	(4,995)	-	(19,707)	38,351	(873,537)	-	(822,752)



## GRAND RAPIDS PUBLIC UTILITIES COMMISSION

### ANNUAL CAPITAL CONTRIBUTIONS BY SOURCE Last Ten Fiscal Years

Fiscal Year	Electric Connection Fees	Water Connection Fees	Wastewater Collection Connection Fees	Wastewater Treatment Capital Contributions (Refunds)	Municipality Contribution for Capital Projects	Grants for Capital Projects	Total
2011	\$ 34,058	\$ 6,749	\$ 22,070	\$ 1,786,928	\$ -	\$ -	1,849,805
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	455,737	2,654,781

**GRAND RAPIDS PUBLIC UTILITIES COMMISSION**

**ELECTRIC PRODUCTION AND DISTRIBUTION**

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Power Purchased (kWh)</u>	<u>kWh Sold or Accounted for</u>	<u>Unaccounted for kWh</u>	<u>Percent Line Loss</u>	<u>Peak Demand (kW)</u>	<u>Average Peak Demand for Year (kW)</u>	<u>Average Load Factor for Year</u>
2011	176,375,520	165,348,078	11,027,442	6.3%	33,196	27,076	74.8%
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	7,739,965	4.9%	29,488	24,963	72.8%
2020	156,479,120	150,501,080	5,696,609	3.6%	30,004	24,467	73.5%

**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
2011	33,983,628	22,923,708	62,183,072	9,304,225	2,582,975	2,928,783	23,421,372	6,305,334	1,413,497	301,484	165,348,078
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

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
2011	4,257	1,156	998	158	6	364	6,939	481	704	105
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	-

## GRAND RAPIDS PUBLIC UTILITIES COMMISSION

### ELECTRIC RATES - CITY CUSTOMERS Last Ten Fiscal Years

	<u>2011</u> <u>(Aug)</u>	<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>
City Residential :										
Customer Charge	\$ 6.25	\$ 6.25	\$ 6.35	\$ 6.65	\$ 6.65	\$ 6.65	\$ 6.89	\$ 9.50	\$ 9.50	\$ 9.75
All kWh per month	-	-	-	-	-	-	-	-	-	-
First 500 kWh per month	0.0733	0.0733	0.0744	0.0779	0.0779	0.0779	0.0807	0.0837	0.0837	0.0854
Over 500 kWh per month	0.0963	0.0963	0.0977	0.1012	0.1012	0.1012	0.1048	0.1078	0.1078	0.1100
City Commercial:										
Customer Charge	12.30	12.30	12.50	12.80	12.80	12.80	13.26	17.75	17.75	18.25
All kWh per month	0.0883	0.0883	0.0896	0.0934	0.0934	0.0934	0.0967	0.0997	0.0997	0.1017
First 10,000 kWh per month	-	-	-	-	-	-	-	-	-	-
Over 10,000 kWh per month	-	-	-	-	-	-	-	-	-	-
Load Management Heating:										
Customer Charge	6.25	6.25	6.25	6.65	6.65	6.65	6.89	7.50	7.50	7.75
Energy Charge: Per kWh	0.0531	0.0531	0.0539	0.0561	0.0561	0.0561	0.0581	0.0611	0.0611	0.0623
Load Management - Storage Heat:										
Customer Charge	6.25	6.25	6.25	6.65	6.65	6.65	6.89	7.50	7.50	7.75
Energy Charge: Per kWh	0.0443	0.0443	0.0450	0.0467	0.0467	0.0467	0.0484	0.0514	0.0514	0.0524
Load Management Cooling - Continuous Control:										
Customer Charge	6.25	6.25	6.25	6.65	6.65	6.65	6.89	7.50	7.50	7.75
Energy Charge: Per kWh	0.0531	0.0531	0.0539	0.0561	0.0561	0.0561	0.0581	0.0611	0.0611	0.0623
Load Management Cooling - Cycled Control:										
Customer Charge	6.25	6.25	6.25	6.65	6.65	6.65	6.89	7.50	7.50	7.75
Energy Charge: Per kWh	.0733*	.0733*	.0744*	0.0779*	0.0779*	0.0779*	.0807*	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	8.75	9.06	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
Demand Charge: Per kWh	14.00	14.00	14.50	15.85	15.85	15.85	16.41	16.41	16.41	16.74
Energy Charge: Per kWh	0.0437	0.0437	0.0437	0.0437	0.0437	0.0437	0.0453	0.0483	0.0483	0.0493
Minimum kW/month	10	10	10	10	10	10	10	10	10	10
Industrial:										
Customer Charge	-	-	-	-	-	-	-	17.75	17.75	25.00
Demand Charge: Per kW	14.00	14.00	14.50	15.85	15.85	15.85	16.41	16.41	16.41	16.74
Energy Charge: Per kWh	0.0437	0.0437	0.0437	0.0437	0.0437	0.0437	0.0453	0.0483	0.0483	0.0493
Minimum kW/month	10	10	10	10	10	10	10	10	10	10
Entertainment Lighting Rate:										
Seasonal Evening										
Customer Charge	8.50	8.50	8.65	9.10	9.10	9.10	9.42	12.75	12.75	12.75
Energy Charge: Per kWh/mo	0.0916	0.0916	0.0930	0.0968	0.0968	0.0968	0.1002	0.1032	0.1032	0.1032

# GRAND RAPIDS PUBLIC UTILITIES COMMISSION

## ELECTRIC RATES-RURAL CUSTOMERS Last Ten Fiscal Years

	<u>2011</u> <u>(Aug)</u>	<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>
<b>Rural Residential:</b>										
Customer Charge	\$ 7.25	\$ 7.25	\$ 7.35	\$ 7.65	\$ 7.65	\$ 7.65	\$ 7.92	\$ 10.50	\$ 10.50	\$ 10.75
All kWh per month	-	-	-	-	-	-	-	-	-	-
First 500 kWh per month	0.0768	0.0768	0.0779	0.0814	0.0814	0.0814	0.0843	0.0873	0.0873	0.0890
Over 500 kWh per month	0.0998	0.0998	0.1012	0.1047	0.1047	0.1047	0.1084	0.1114	0.1114	0.1136
<b>Rural Commercial;</b>										
Customer Charge	13.30	13.30	13.50	13.80	13.80	13.80	14.29	18.75	18.75	19.25
All kWh per month	0.0918	0.0918	0.0931	0.0971	0.0971	0.0971	0.1006	0.1036	0.1036	0.1056
First 10,000 kWh per month	-	-	-	-	-	-	-	-	-	-
Over 10,000 kWh per month	-	-	-	-	-	-	-	-	-	-
<b>Load Management Heating:</b>										
Customer Charge	6.25	6.25	6.25	6.65	6.65	6.65	6.89	7.50	7.50	7.75
Energy Charge: Per kWh	0.0531	0.0531	0.0539	0.0561	0.0561	0.0561	0.0581	0.0611	0.0611	0.0623
<b>Load Management - Storage Heat:</b>										
Customer Charge	6.25	6.25	6.25	6.65	6.65	6.65	6.89	7.50	7.50	7.75
Energy Charge: Per kWh	0.0443	0.0443	0.0450	0.0467	0.0467	0.0467	0.0484	0.0514	0.0514	0.0524
<b>Load Management Cooling - Continuous Control:</b>										
Customer Charge	6.25	6.25	6.25	6.65	6.65	6.65	6.89	7.50	7.50	7.75
Energy Charge: Per kWh	0.0531	0.0531	0.0539	0.0561	0.0561	0.0561	0.0581	0.0611	0.0611	0.0623
<b>Load Management Cooling - Cycled Control:</b>										
Customer Charge	6.25	6.25	6.25	6.65	6.65	6.65	6.89	7.50	7.50	7.75
Energy Charge: Per kWh	.0768*	.0768*	.0779*	0.0814*	0.0814*	0.0814*	.0807*	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	8.75	9.06	9.83	9.83	9.83
<b>Controlled Water Heating:</b>										
Monthly Credit	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
<b>Rural Demand &amp; Energy:</b>										
Customer Charge	-	-	-	-	-	-	-	18.75	18.75	25.00
Demand Charge: Per kWh	14.75	14.75	15.25	16.65	16.65	16.65	17.24	17.24	17.24	17.59
Energy Charge: Per kWh	0.0473	0.0473	0.0473	0.0473	0.0473	0.0473	0.0490	0.0520	0.0520	0.0530
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
2011	427,166	24,481	402,685	333,922	68,763	17.1%
2012	443,864	23,386	410,478	329,075	81,403	19.8%
2013	423,320	32,287	391,033	329,810	61,224	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	32,698	9.6%
2020	399,832	56,480	343,352	298,465	43,946	12.8%

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
2011	102,459	190,508	-	-	22,966	12,610	5,379	333,922
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

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>
2011	2,504	623	-	-	7	2	3,136
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

<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>
2011	2,510	592	4	13	1	3	3,123
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

## GRAND RAPIDS PUBLIC UTILITIES COMMISSION

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

	<u>2011</u>	<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>
<b>Water Rates</b>										
Base rate (meter size)										
5/8" - 3/4"	\$ 5.57	\$ 5.85	\$ 5.85	\$ 6.08	\$ 6.08	\$ 6.08	\$ 6.25	\$ 8.50	\$ 8.50	\$ 8.50
1"	7.48	8.19	8.19	8.51	8.51	8.51	8.70	11.84	11.84	11.84
1 1/4"	8.44	10.53	10.53	10.94	10.94	10.94	11.20	13.61	13.61	13.61
1 1/2"	9.45	10.53	10.53	10.94	10.94	10.94	11.20	15.24	15.24	15.24
2"	14.69	16.96	16.96	17.63	17.63	17.63	18.10	24.63	24.63	24.63
3"	53.62	64.33	64.33	66.88	66.88	66.88	68.55	93.26	93.26	93.26
4"	68.05	81.88	81.88	85.12	85.12	85.12	87.20	118.64	118.64	118.64
6"	101.67	122.82	122.82	127.68	127.68	127.68	130.85	178.02	178.02	178.02
<b>Usage rate (per 1,000 gallons)</b>										
First 10,000 gallons	3.28	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Next 30,000 gallons	3.00	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Next 210,000 gallons	2.81	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Next 250,000 gallons	2.60	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>Residential:</b>										
First 4,000 gallons	N/A	3.44	3.44	3.58	3.58	3.58	3.65	3.72	3.72	3.72
Next 4,000 gallons	N/A	4.31	4.31	4.48	4.48	4.48	4.60	4.69	4.69	4.69
Next 22,000 gallons	N/A	5.37	5.37	5.59	5.59	5.59	5.75	5.87	5.87	5.87
All gallons over 30,000	N/A	8.61	8.61	8.95	8.95	8.95	9.20	9.38	9.38	9.38
<b>Commercial:</b>										
First 40,000 gallons	N/A	2.97	2.97	3.09	3.09	3.09	3.20	3.26	3.26	3.26
Next 360,000 gallons	N/A	3.71	3.71	3.86	3.86	3.86	3.95	4.03	4.03	4.03
All gallons over 400,000	N/A	4.75	4.75	4.94	4.94	4.94	5.05	5.15	5.15	5.15
<b>Industrial:</b>										
First 400,000 gallons	N/A	2.59	2.59	2.69	2.69	2.69	2.75	2.81	2.81	2.81
All gallons over 400,000	N/A	3.23	3.23	3.36	3.36	3.36	3.45	3.52	3.52	3.52
Wastewater Base Charge	6.25	6.56	6.56	6.56	6.56	6.56	8.00	10.80	10.80	10.80
Wastewater Collection Rates (per 1,000 gallons)	2.91	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Residential	N/A	3.43	3.43	3.50	3.50	3.50	4.25	4.35	4.35	4.35
Commercial	N/A	3.64	3.64	3.86	3.86	3.86	4.70	4.80	4.80	4.80

## GRAND RAPIDS PUBLIC UTILITIES COMMISSION

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

	<u>2011</u>	<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>
<b>Water Rates</b>										
Base rate (meter size)										
5/8" - 3/4"	\$ 6.00	\$ 5.85	\$ 5.85	\$ 6.69	\$ 6.69	\$ 6.69	\$ 6.85	N/A	N/A	N/A
1"	8.44	8.19	8.19	9.36	9.36	9.36	9.60	N/A	N/A	N/A
1 1/4"	9.18	10.53	10.53	12.03	12.03	12.03	12.35	N/A	N/A	N/A
1 1/2"	10.24	10.53	10.53	12.03	12.03	12.03	12.35	N/A	N/A	N/A
2"	16.01	16.96	16.96	19.39	19.39	19.39	19.90	N/A	N/A	N/A
3"	58.61	64.33	64.33	73.57	73.57	73.57	75.40	N/A	N/A	N/A
4"	74.36	81.88	81.88	93.63	93.63	93.63	95.95	N/A	N/A	N/A
6"	111.17	122.82	122.82	140.45	140.45	140.45	143.95	N/A	N/A	N/A
 <i>Usage rate (per 1,000 gallons)</i>										
First 10,000 gallons	3.55	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Next 30,000 gallons	3.25	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Next 210,000 gallons	3.02	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Next 250,000 gallons	2.83	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
 <b>Residential:</b>										
First 4,000 gallons		3.78	3.78	3.94	3.94	3.94	4.00	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
Next 22,000 gallons		5.91	5.91	6.15	6.15	6.15	6.30	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
 <b>Commercial:</b>										
First 40,000 gallons		3.27	3.27	3.40	3.40	3.40	3.50	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
All gallons over 400,000		5.23	5.23	5.43	5.43	5.43	5.55	N/A	N/A	N/A
 <b>Industrial:</b>										
First 400,000 gallons		2.59	2.59	2.67	2.67	2.67	2.75	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
 <b>Wastewater Base Charge</b>										
Wastewater Base Charge	6.85	7.22	7.22	7.22	7.22	7.22	8.80	11.80	11.80	11.80
 <b>Wastewater Collection Rates</b>										
Wastewater Collection Rates (per 1,000 gallons)	3.25	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
Commercial		4.00	4.00	4.24	4.24	4.24	5.15	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 2020			
	Water Revenue		Wastewater Collection Revenue	
	Amount	%	Amount	%
UPM Blandin Paper Co.	\$ 99,584	6.35%	\$ 17,787	1.10%
Wastewater Treatment Plant	46,057	2.94%	-	0.00%
City of LaPrairie	35,140	2.24%	29,791	1.84%
Housing and Redevelopment	30,987	1.98%	25,373	1.57%
Grand Itasca Clinic & Hospital	30,473	1.94%	31,642	1.96%
School District 318	25,947	1.66%	22,520	1.39%
Holiday Station Stores	21,802	1.39%	24,898	1.54%
Grand Village	17,680	1.13%	20,294	1.26%
City of Grand Rapids	15,427	0.98%	6,557	0.41%
Pine Ridge Apartments	15,064	0.96%	11,616	0.72%
Grand Auto Spa LLC	12,947	0.83%	15,951	0.99%
Subtotal (10 largest)	351,109	22.40%	206,428	12.77%
Balance from other customers	1,216,002	77.60%	1,410,022	87.23%
Grand Totals	\$ 1,567,111	100.00%	\$ 1,616,450	100.00%

<u>Customer</u>	Fiscal Year 2011			
	Water Revenue		Wastewater Collection Revenue	
	Amount	%	Amount	%
UPM Blandin Paper Co.	\$ 85,300	6.89%	\$ 91,255	7.60%
City of Cohasset	-	-	70,905	5.90%
Wastewater Treatment Plant	70,728	5.71%	-	-
City of LaPrairie	36,616	2.96%	16,389	1.36%
Grand Itasca Clinic & Hospital	20,851	1.68%	20,340	1.69%
School District 318	16,479	1.33%	13,993	1.16%
Housing and Redevelopment	15,284	1.23%	13,420	1.12%
Sawmill Inn	16,023	1.29%	16,444	1.37%
Itasca Community College	10,129	0.82%	13,618	1.13%
Grand Village	12,560	1.01%	12,568	1.05%
Pine Ridge Apartments	10,958	0.88%	9,907	0.82%
Subtotal (10 largest)	294,928	23.81%	278,839	23.21%
Balance from other customers	943,841	76.19%	922,640	76.79%
Grand Totals	\$ 1,238,769	100.00%	\$ 1,201,479	100.00%

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

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

**GRAND RAPIDS PUBLIC UTILITIES COMMISSION**

WASTEWATER COLLECTION AND TREATMENT  
Last Ten Fiscal Years

Fiscal Year	Influent									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)				
2011	462,914	2,110,897	2,573,811	527	16,586	17,113	425	8,399	8,824	2,573,811	27	30	61,872
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

## 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	
2011	8,870,000	-	24,810,690	1,012,000	-	34,692,690	3,191.89	N/A
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

(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

### PLEGGED 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	
2011	24,319,223	20,223,898	4,095,325	1,837,200	1,021,924	2,859,124	143%
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%

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

Information from the Statistical Calc of pledges coverage worksheet

# 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>
2011	10,869	N/A	N/A	9.60%
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%

Source: Minnesota Department of Employment and Economic Development



## GRAND RAPIDS PUBLIC UTILITIES COMMISSION

### PRINCIPAL EMPLOYERS Current Year and Nine Years Ago

Taxpayer	2020			2011		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
ISD #318 (2)	1,205	1	12.83%	675	1	6.99%
Grand Itasca Clinic & Hospital	680	2	7.24%	617	2	6.39%
Itasca County	431	3	4.59%	310	5	3.21%
UPM Blandin Paper Mill	400	4	4.26%	460	3	4.76%
Northland Counseling Center, Inc.	250	5	2.66%	-	-	-%
Arrowhead Promotion & Fulfillment	220	6	2.34%	349	4	3.61%
ASV Inc. (4)	190	7	2.02%	225	8	2.33%
Wal-Mart	183	8	1.95%	300	6	3.11%
City of Grand Rapids (2)	180	9	1.92%	195	7	2.02%
Grand Village Nursing Home (3)	150	10	1.60%	195	9	2.02%
L&M Fleet Supply	-	-	-%	120	10	1.24%
<b>Total</b>	<b>3,889</b>		<b>41.42%</b>	<b>3,446</b>		<b>35.69%</b>
<b>All other employers</b>	<b>5,500</b>		<b>58.58%</b>	<b>6,209</b>		<b>64.31%</b>
<b>Total</b>	<b>9,389</b>		<b>100.00%</b>	<b>9,655</b>		<b>100.00%</b>

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

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

## GRAND RAPIDS PUBLIC UTILITIES COMMISSION

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

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Administration	2	2	2	2	2	3	2	2	2	2
Customer Service and Billing	4	4	4	4	4	4	4	4	5	5
Electric	10	10	10	10	10	9	10	10	9	9
Finance and Accounting	4	4	4	4	4	4	4	4	5	6
Meter Reading	2	2	2	2	2	2	1	1	0	0
Wastewater Treatment	12	12	12	11	11	11	11	11	11	9
Water Distribution/Wastewater Collection	4	4	4	4	4	4	4	3	3	2
Water Treatment	2	2	2	2	2	2	2	2	2	3
<b>Total Employees</b>	<b>40</b>	<b>40</b>	<b>40</b>	<b>39</b>	<b>39</b>	<b>39</b>	<b>38</b>	<b>37</b>	<b>37</b>	<b>36</b>
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>	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Number of substations	5	5	5	5	5	5	5	5	6	6
Main substation capacity (MVA)	54	54	54	54	54	54	54	54	54	54
Distribution transformer capacity (KVA)	76,900	117,782	119,000	131,843	99,403	116,723	116,723	112,741	116,723	118,396
Miles of electric overhead line (not including neutral conductor)	169	160	157	145	150	149	150	149	150	150
Miles of electric underground line	169	186	189	199	205	211	211	222	222	222

Source: GRPUC mapping system

MVA = megavolt ampere

KVA = kilovolt ampere

N/A = not available

## GRAND RAPIDS PUBLIC UTILITIES COMMISSION

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

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<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	79	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	11	13	13	13	14	14
Number of pump stations	1	1	1	1	1	2	2	2	2	2
Miles of wastewater collection main	69	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 COMMISSION

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

	2020	2019	Industry Average (2019)*
<b>FINANCIAL RATIOS</b>			
Electric revenue per kWh			
All retail customers	\$ 0.101	\$ 0.101	\$ 0.097
Residential customers	\$ 0.108	\$ 0.108	\$ 0.111
Commercial customers	\$ 0.100	\$ 0.100	\$ 0.103
Industrial customers	\$ 0.084	\$ 0.084	\$ 0.082
Electric operating ratio	0.968	0.970	0.881
Net income (loss) per electric revenue dollar	\$ 0.032	\$ (0.021)	\$ 0.056
Uncollectible accounts per electric revenue dollar	\$ 0.0007	\$ 0.0005	\$ 0.0008
<b>OPERATING RATIOS</b>			
Retail customers per non-power-generation employee	444	444	265
Total electric O&M expense per kWh sold	\$ 0.090	\$ 0.092	\$ 0.087
Total electric O&M expense (excluding power supply expense) per retail customer	\$ 329	\$ 341	\$ 604
Total power supply expense per kWh sold	\$ 0.074	\$ 0.075	\$ 0.075
Purchased power cost per kWh purchased	\$ 0.071	\$ 0.071	\$ 0.064
Retail customers per meter reader	7,504	7,503	5,056
Distribution O&M expense per retail customer	\$ 136	\$ 152	\$ 185
Distribution O&M expense per circuit mile	\$ 2,761	\$ 3,081	\$ 6,309

## GRAND RAPIDS PUBLIC UTILITIES COMMISSION

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

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	<u>2020</u>	<u>2019</u>	<u>Industry Average (2019)*</u>
Customer accounting, service and sales expense per retail customer	\$ 40	\$ 46	\$ 62
Administrative and general expense per retail customer	\$ 153	\$ 142	\$ 200
Energy loss percentage	3.64%	4.88%	3.18%
System load factor	73.5%	72.8%	56.4%

\* APPA "Financial and Operating Ratios of Public Power Utilities"  
published December 2020, using 2019 data.

MINNESOTA LEGAL COMPLIANCE  
INDEPENDENT AUDITORS' REPORT

To the Grand Rapids Public Utilities Commission  
Grand Rapids Public Utilities  
Grand Rapids, Minnesota

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, 2020, 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 May 7, 2021.

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  
May 7, 2021