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# Grand Rapids Public Utilities Commission

Audit Presentation  
Exit Conference  
Year Ended December 31, 2023

# Agenda

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



# Required Communications

- Our Responsibility Under Generally Accepted Auditing Standards
  - Primary responsibility is to provide our opinion on the fairness of presentation of the financial statements
  - Reviewed internal accounting controls
  - Risk based audit approach
  - Based on internal controls, determined scopes, and tests of transactions
- Planned Scope and Timing of the Audit
  - Communicated during the audit preliminary work and field work
- Significant Accounting Policies
  - Outlined in Note 1 to the financial statements
  - New Standards – GASB 96



# Required Communications (Continued)

- Management Judgments and Accounting Estimates – Reasonable/Supported
- Corrected and Uncorrected Misstatements
  - Corrected adjustments – two noted
    - Recording restatement for the Landfill Postclosure Liability
    - Removing the bond issuance costs capitalized for 2023A issuance
  - Uncorrected adjustments – three noted
    - Not recording immaterial OPEB liability
    - Removing bond issuance costs from previous years (regulatory)
    - Not recording accrued interest payable and a related receivable for the 2009E GO Revenue Note
- Disclosures are Adequate, Clear and Complete
- Other Information in Documents Containing Audited Financial Statements
  - Required Supplementary Information – no opinion
  - Supplementary Information – in-relation to opinion – inquiries and evaluate content
  - Other Information – in-relation to opinion – inquiries and evaluate content
- Disagreements with Management
  - There have been no disagreements with management about matters that could be significant to the financial statements



# Required Communications (Continued)

- Consultations with Other Accountants
  - There were no consultations with other independent accountants, other than prior year auditors
- Major Issues Discussed With Management Prior to Retention
  - No issues, other than normal planning issues, were discussed prior to our retention as auditors
- Difficulties Encountered in Performing the Audit
  - Management was most cooperative and helpful
  - Personnel were available
  - General Ledger system was very cumbersome to use, and additional work was needed outside of the system to get the support needed – fixed with ERP system change



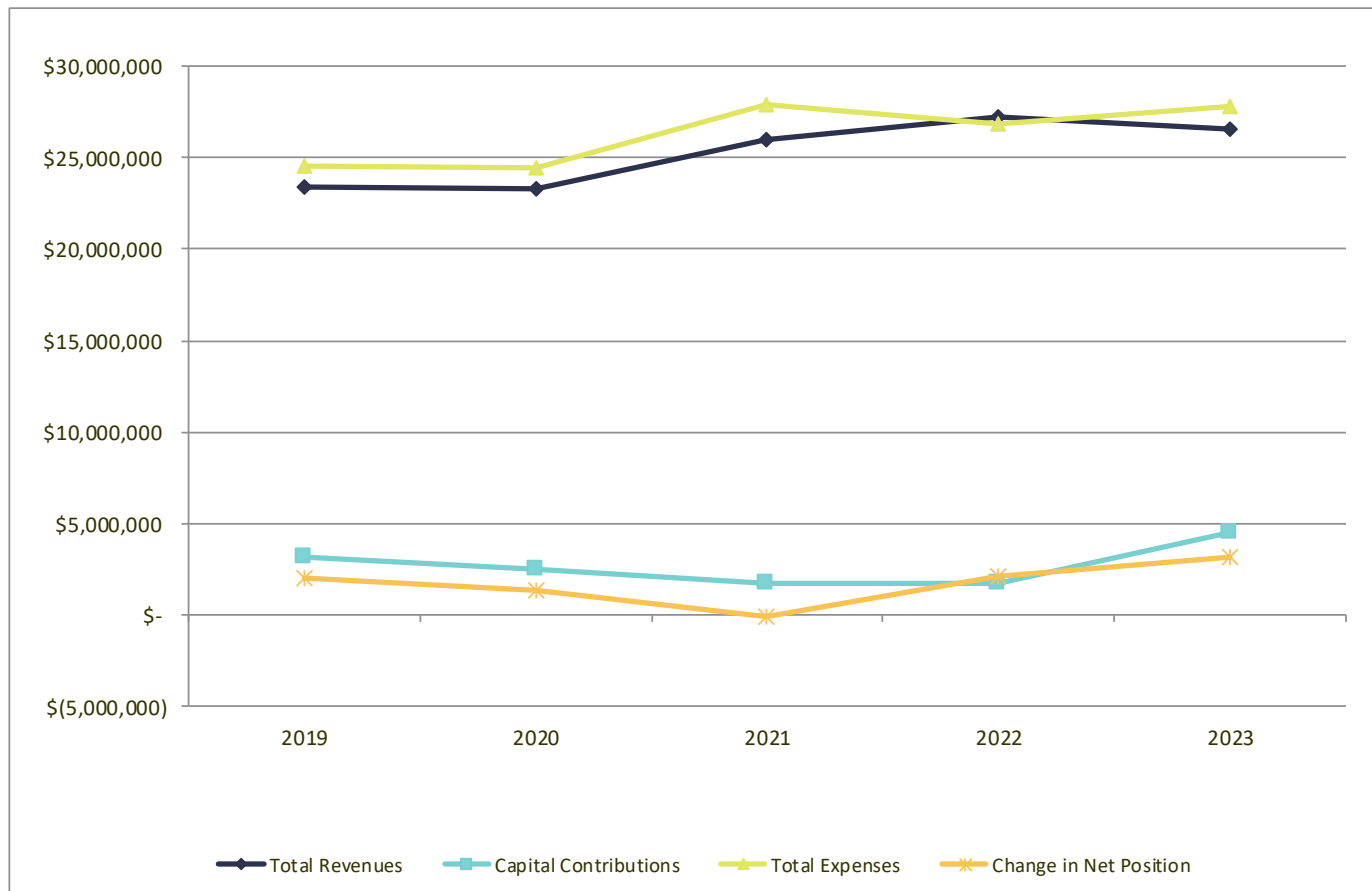
# Audit Results

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



# Financial Results

## Utility Operations



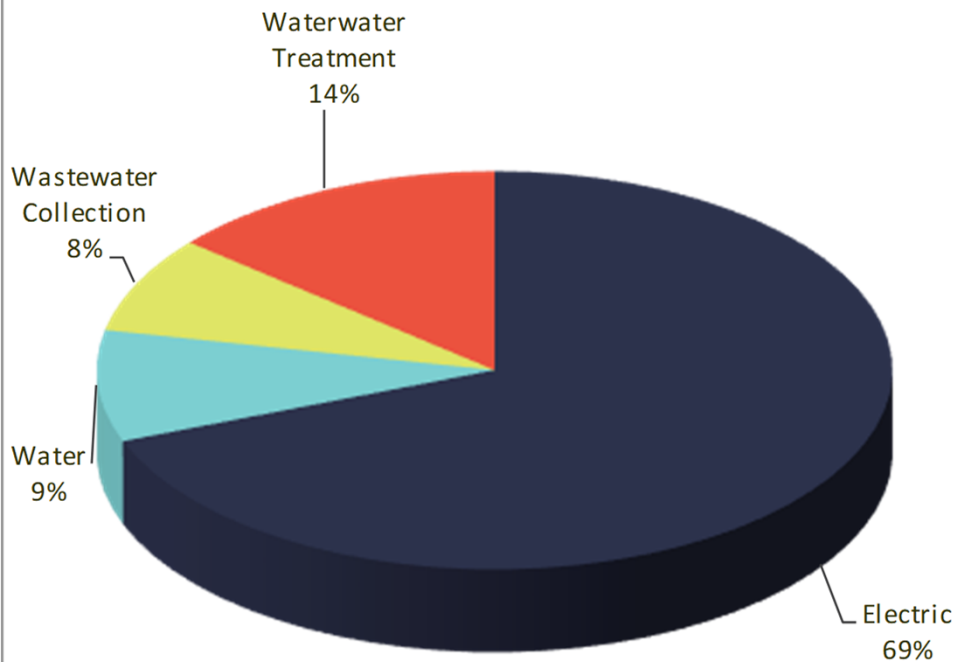
|                        | 2019          | 2020          | 2021          | 2022          | 2023          |
|------------------------|---------------|---------------|---------------|---------------|---------------|
| Total Revenues         | \$ 23,407,471 | \$ 23,308,491 | \$ 26,027,839 | \$ 27,184,680 | \$ 26,571,077 |
| Capital Contributions  | 3,207,027     | 2,509,109     | 1,726,729     | 1,753,848     | 4,496,465     |
| Total Expenses         | 24,572,313    | 24,429,036    | 27,865,909    | 26,844,838    | 27,845,118    |
| Change in Net Position | 2,042,185     | 1,388,564     | (111,341)     | 2,093,690     | 3,222,424     |



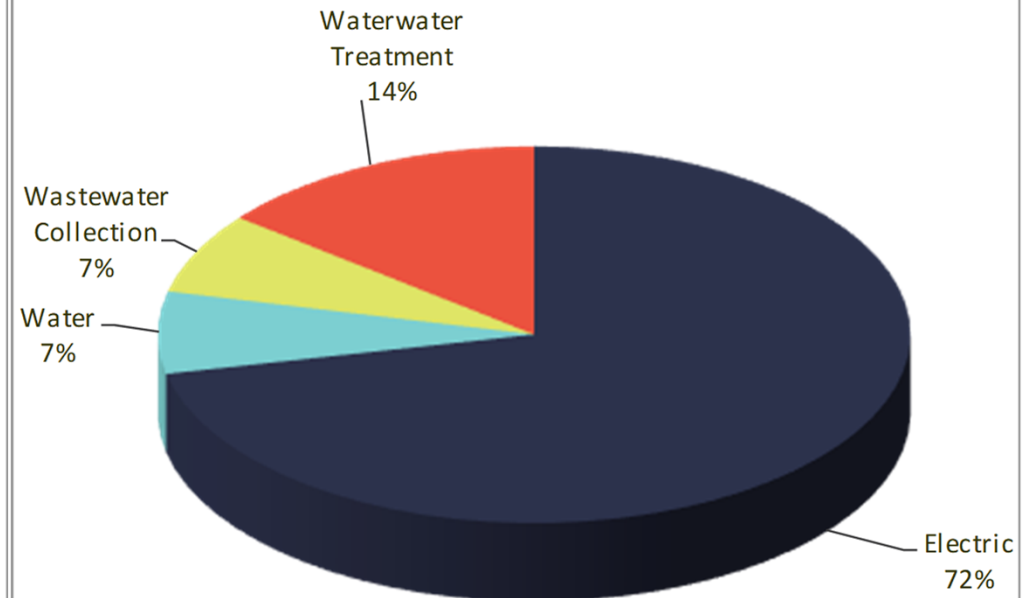
# Financial Results (Continued)

## *Utility Operations*

### 2023 Operating Revenues



### 2022 Operating Revenues

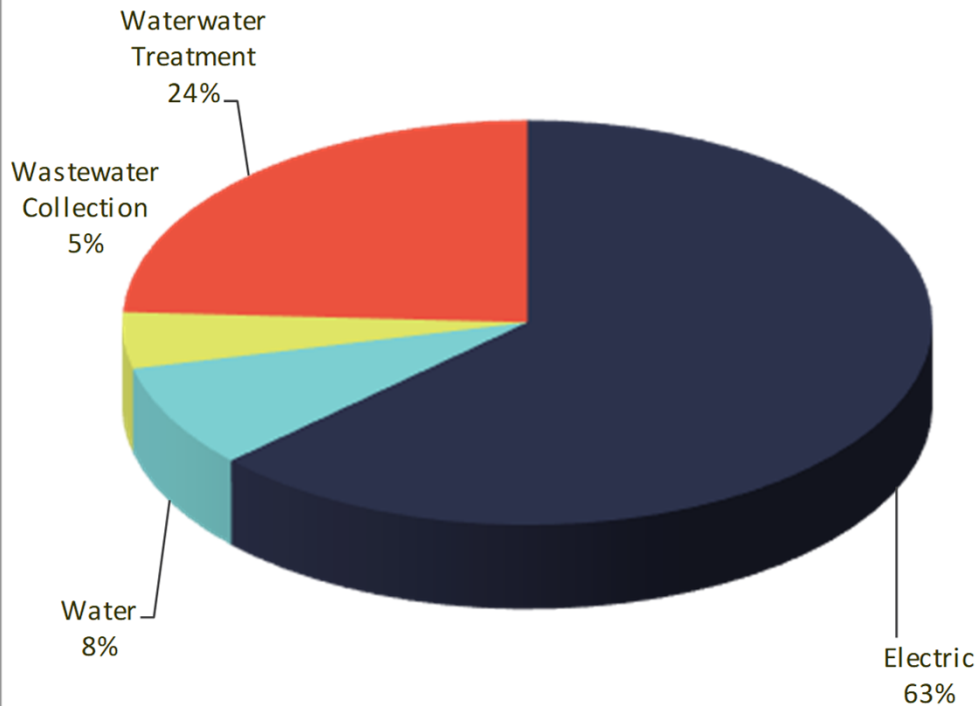




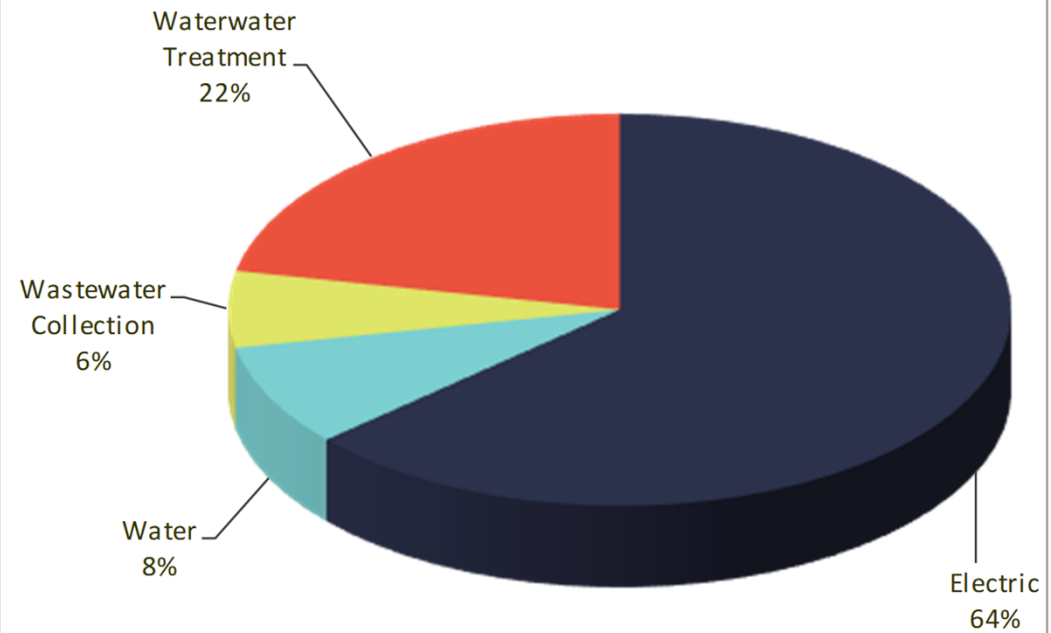
# Financial Results (Continued)

## *Utility Operations*

### 2023 Operating Expenses

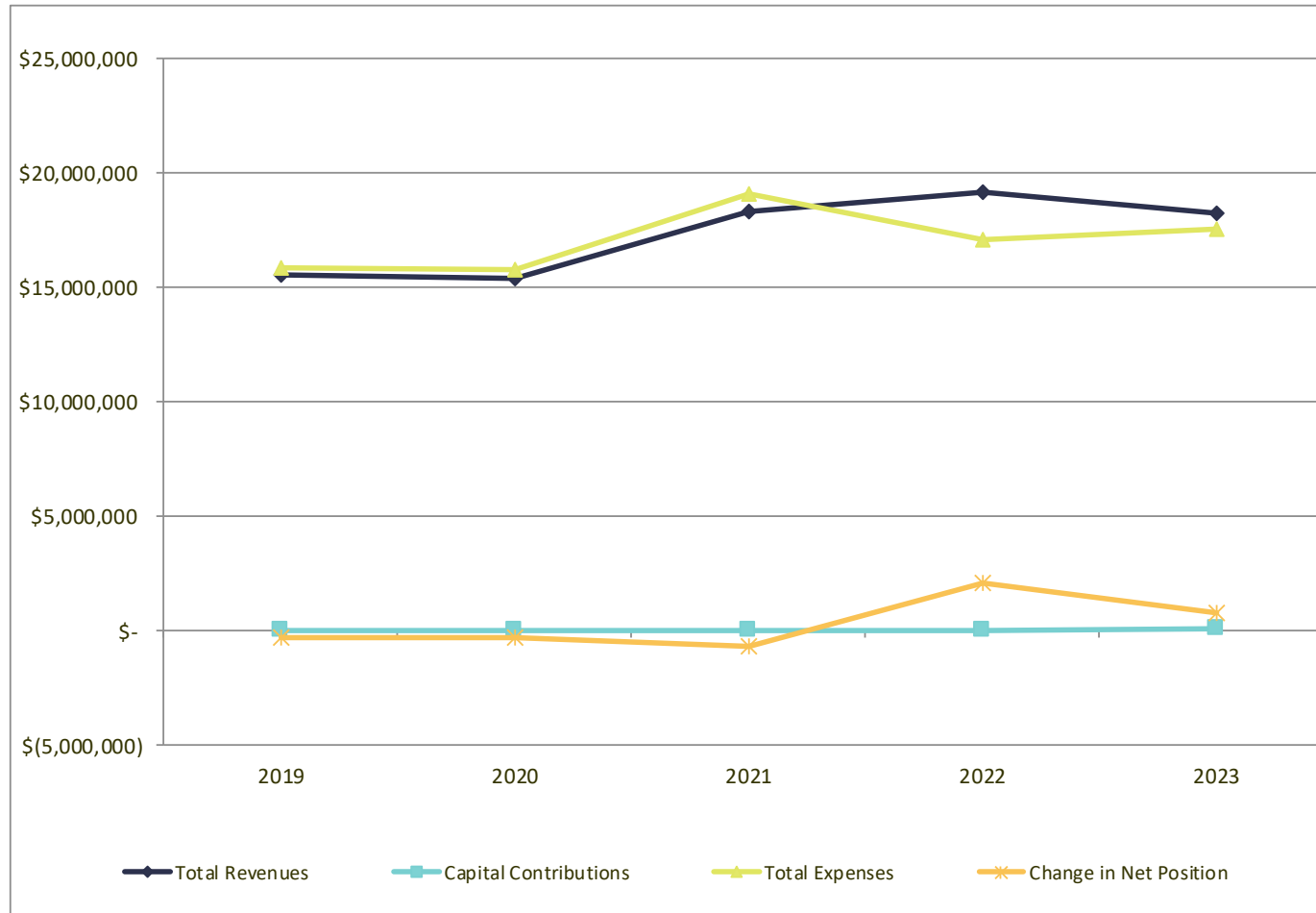


### 2022 Operating Expenses



# Financial Results (Continued)

## *Electric Operations*

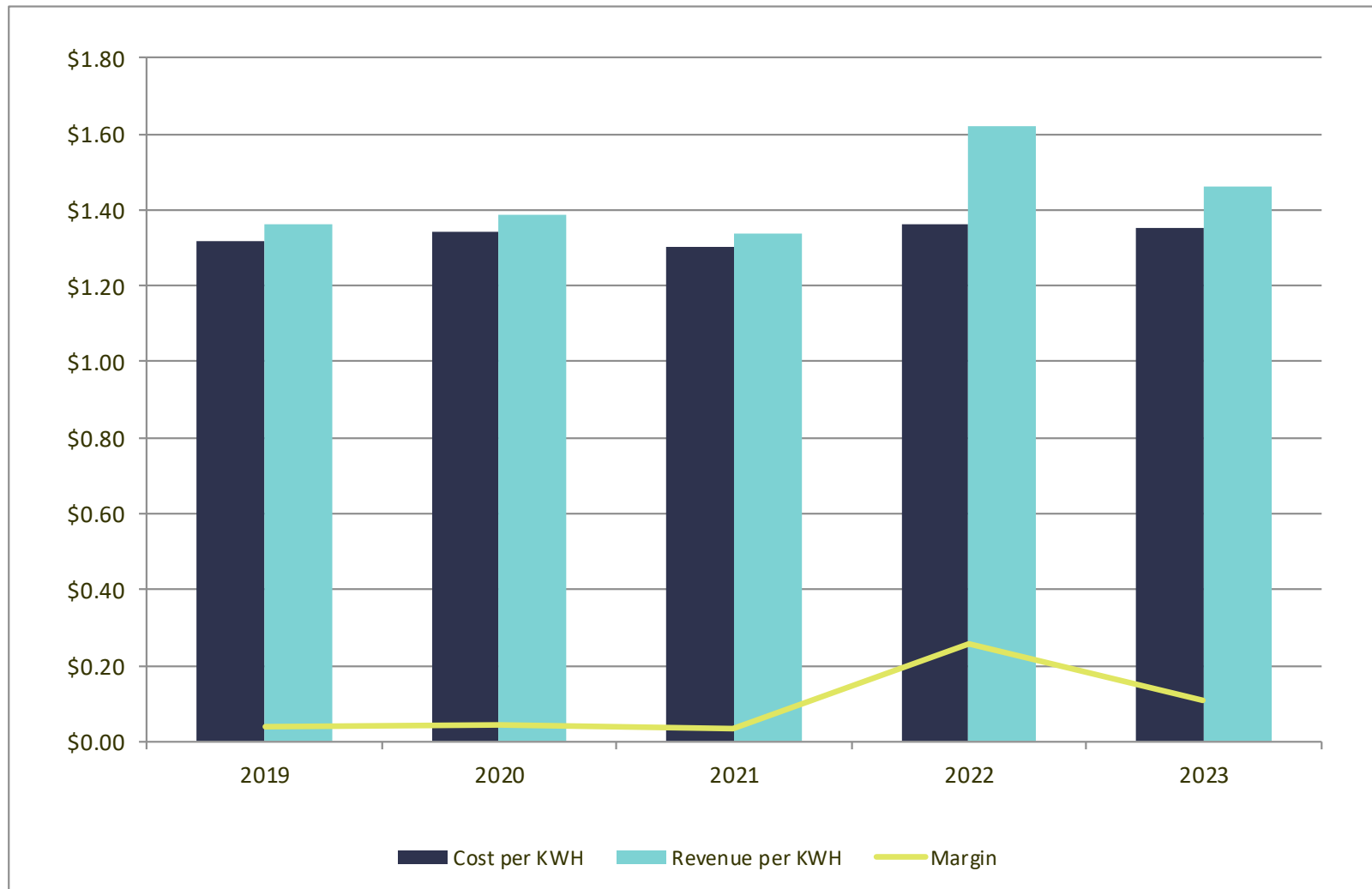


|                        | 2019          | 2020          | 2021          | 2022          | 2023          |
|------------------------|---------------|---------------|---------------|---------------|---------------|
| Total Revenues         | \$ 15,516,178 | \$ 15,390,731 | \$ 18,331,959 | \$ 19,142,761 | \$ 18,224,263 |
| Capital Contributions  | -             | -             | -             | -             | 93,349        |
| Total Expenses         | 15,845,142    | 15,737,091    | 19,050,324    | 17,041,447    | 17,553,520    |
| Change in Net Position | (328,964)     | (346,360)     | (718,365)     | 2,101,314     | 764,092       |



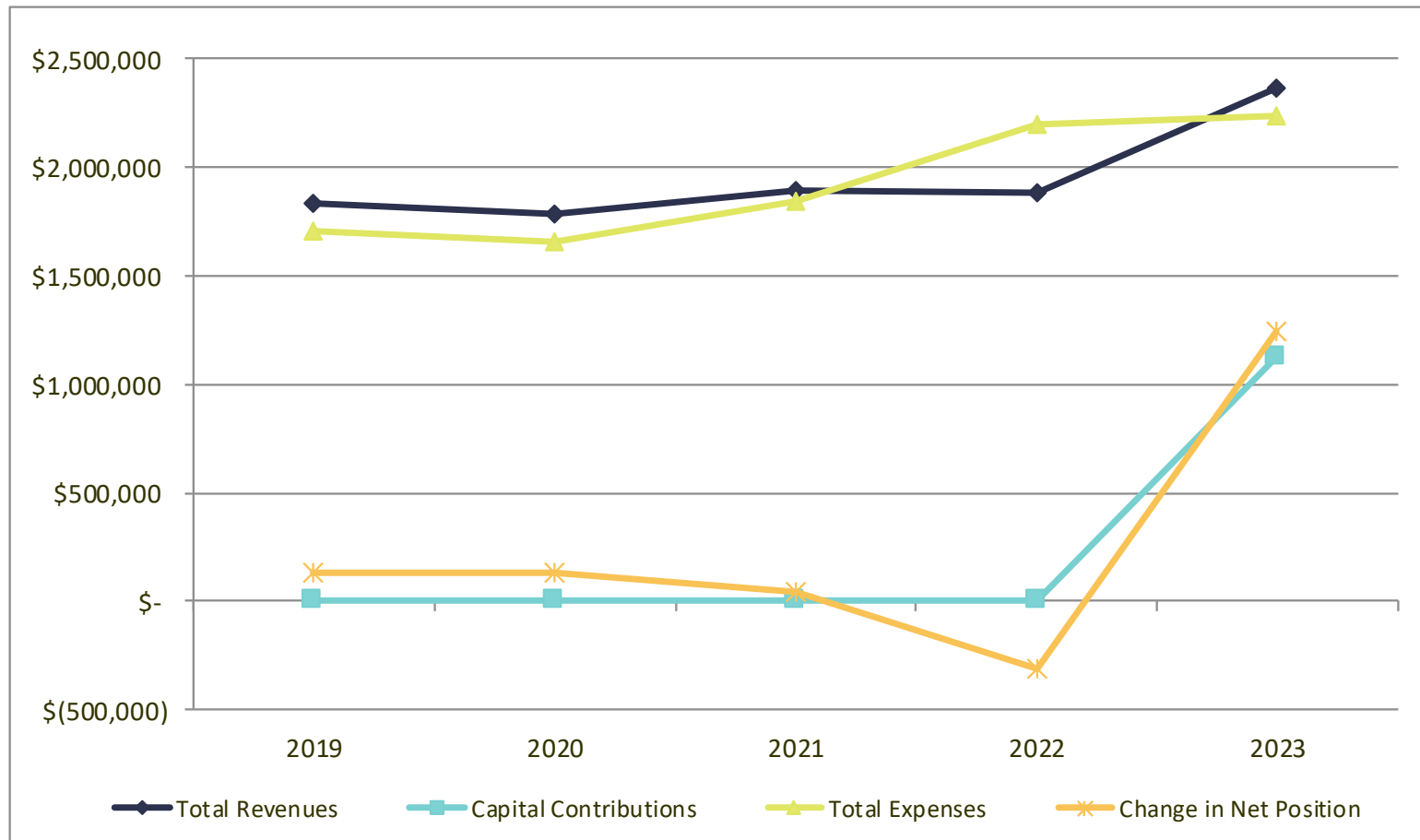
# Financial Results (Continued)

## *Cost per KWH & Revenue per KWH*



# Financial Results (Continued)

## Water Operations



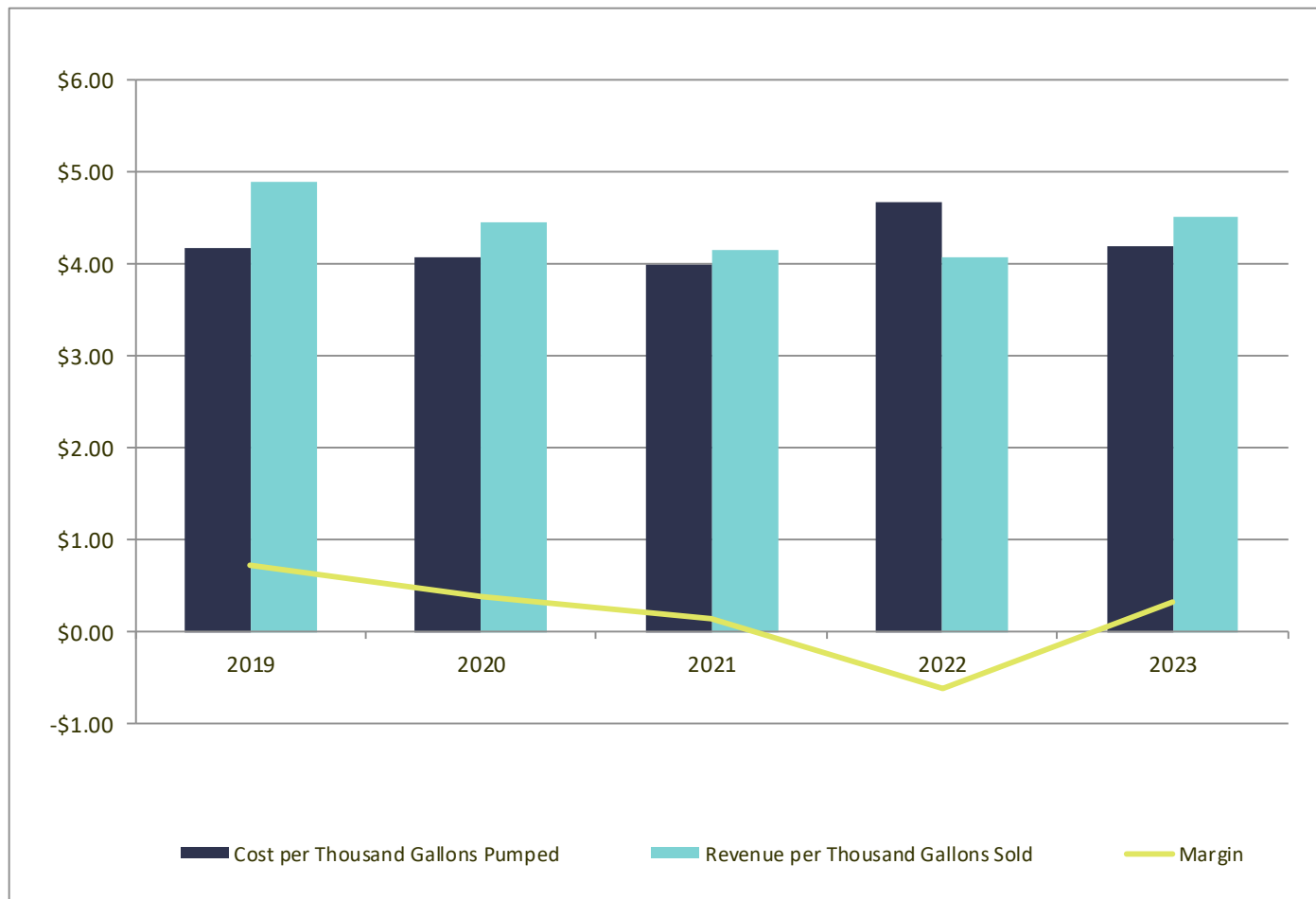
|                        | 2019         | 2020         | 2021         | 2022         | 2023         |
|------------------------|--------------|--------------|--------------|--------------|--------------|
| Total Revenues         | \$ 1,837,385 | \$ 1,783,961 | \$ 1,889,776 | \$ 1,888,315 | \$ 2,365,371 |
| Capital Contributions  | -            | -            | -            | -            | 1,124,494    |
| Total Expenses         | 1,703,102    | 1,656,001    | 1,845,672    | 2,195,748    | 2,242,716    |
| Change in Net Position | 134,283      | 127,960      | 44,104       | (307,433)    | 1,247,149    |



# Financial Results (Continued)

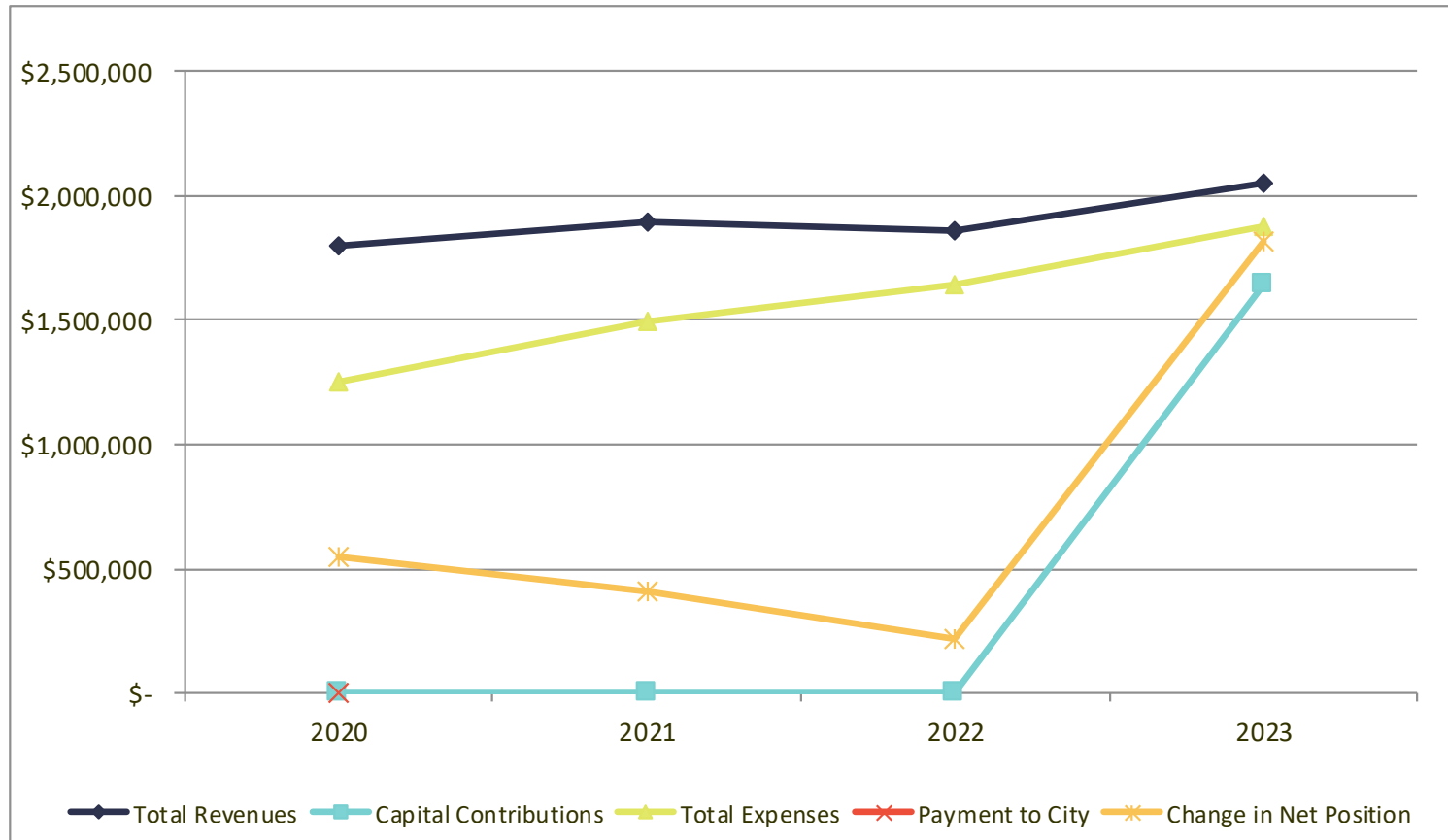
*Cost per Thousand Gallons Pumped*

*Revenue per Thousand Gallons Sold*



# Financial Results (Continued)

## Wastewater Collection



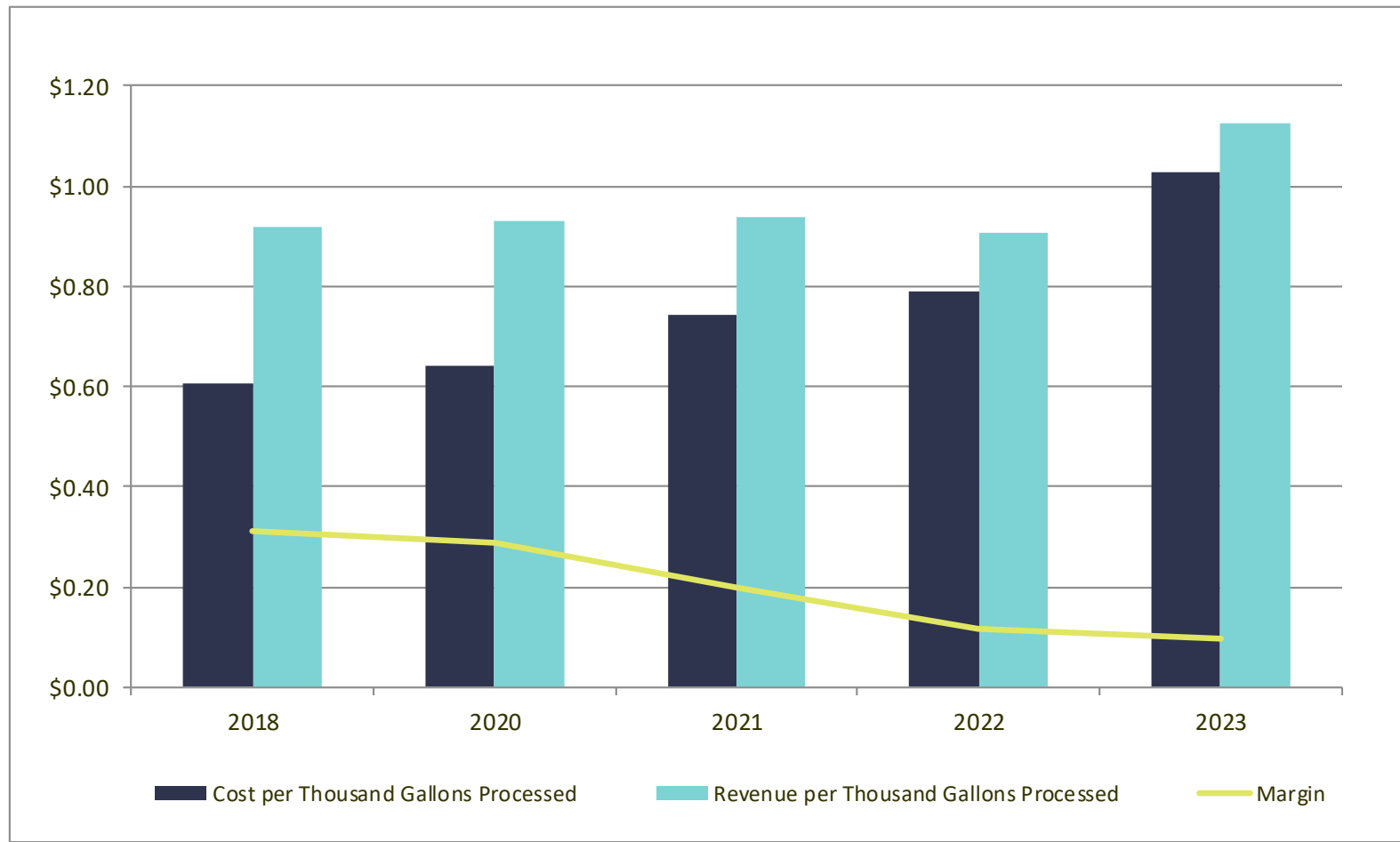
|                        | 2019         | 2020         | 2021         | 2022         | 2023         |
|------------------------|--------------|--------------|--------------|--------------|--------------|
| Total Revenues         | \$ 1,818,960 | \$ 1,801,230 | \$ 1,897,049 | \$ 1,862,796 | \$ 2,051,103 |
| Capital Contributions  | -            | -            | -            | -            | 1,643,770    |
| Total Expenses         | 1,212,609    | 1,253,881    | 1,491,781    | 1,640,941    | 1,876,381    |
| Change in Net Position | 606,351      | 547,349      | 405,268      | 221,855      | 1,818,492    |



# Financial Results (Continued)

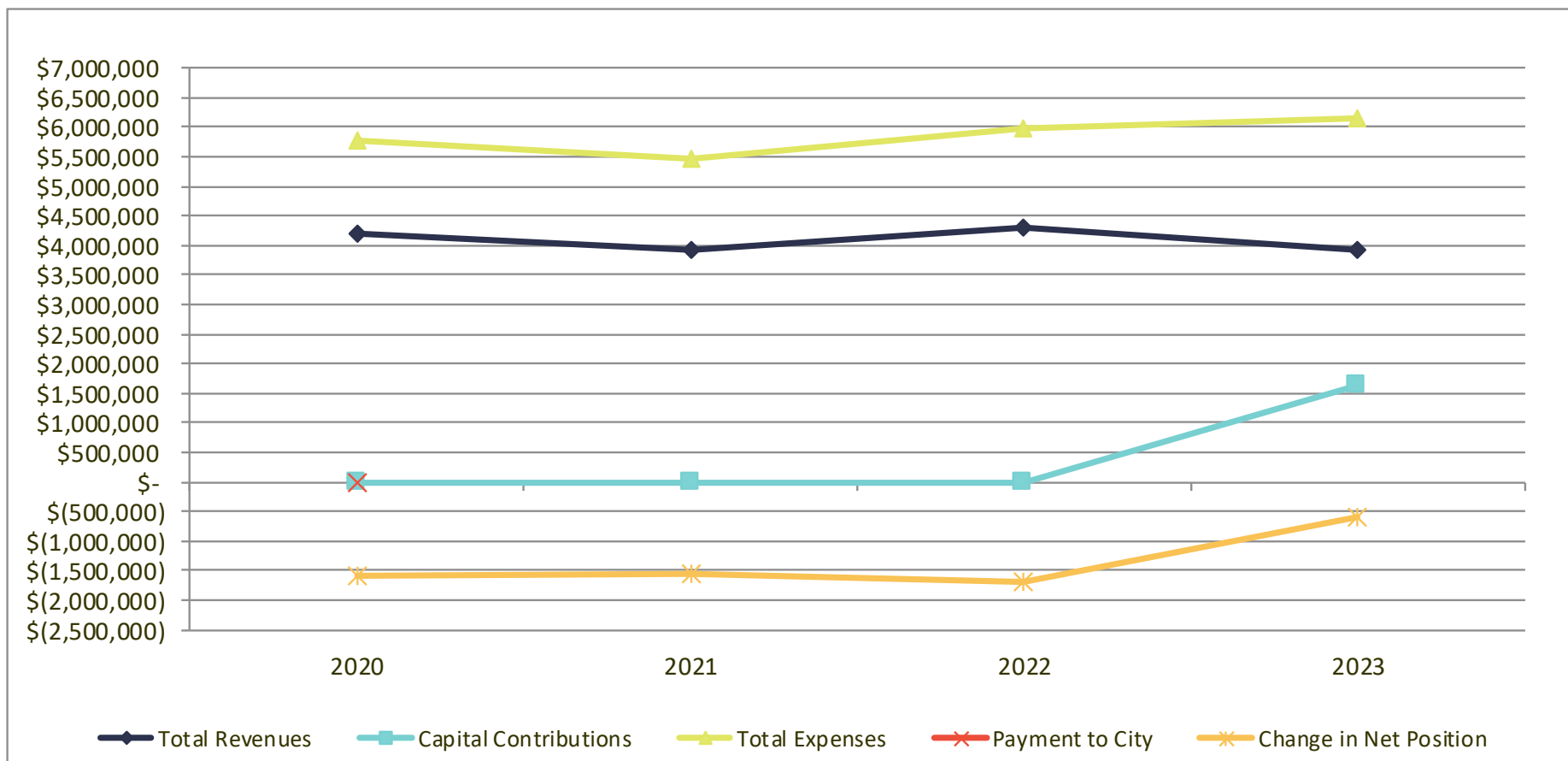
*Cost per Thousand Gallons Collected*

*Revenue per Thousand Gallons Collected*



# Financial Results (Continued)

## Wastewater Treatment



|                        | 2019         | 2020         | 2021         | 2022         | 2023         |
|------------------------|--------------|--------------|--------------|--------------|--------------|
| Total Revenues         | \$ 4,257,698 | \$ 4,188,022 | \$ 3,910,309 | \$ 4,302,974 | \$ 3,926,372 |
| Capital Contributions  | -            | -            | -            | -            | 1,634,852    |
| Total Expenses         | 5,834,210    | 5,783,188    | 5,479,386    | 5,978,850    | 6,152,536    |
| Change in Net Position | (1,576,512)  | (1,595,166)  | (1,569,077)  | (1,675,876)  | (591,312)    |

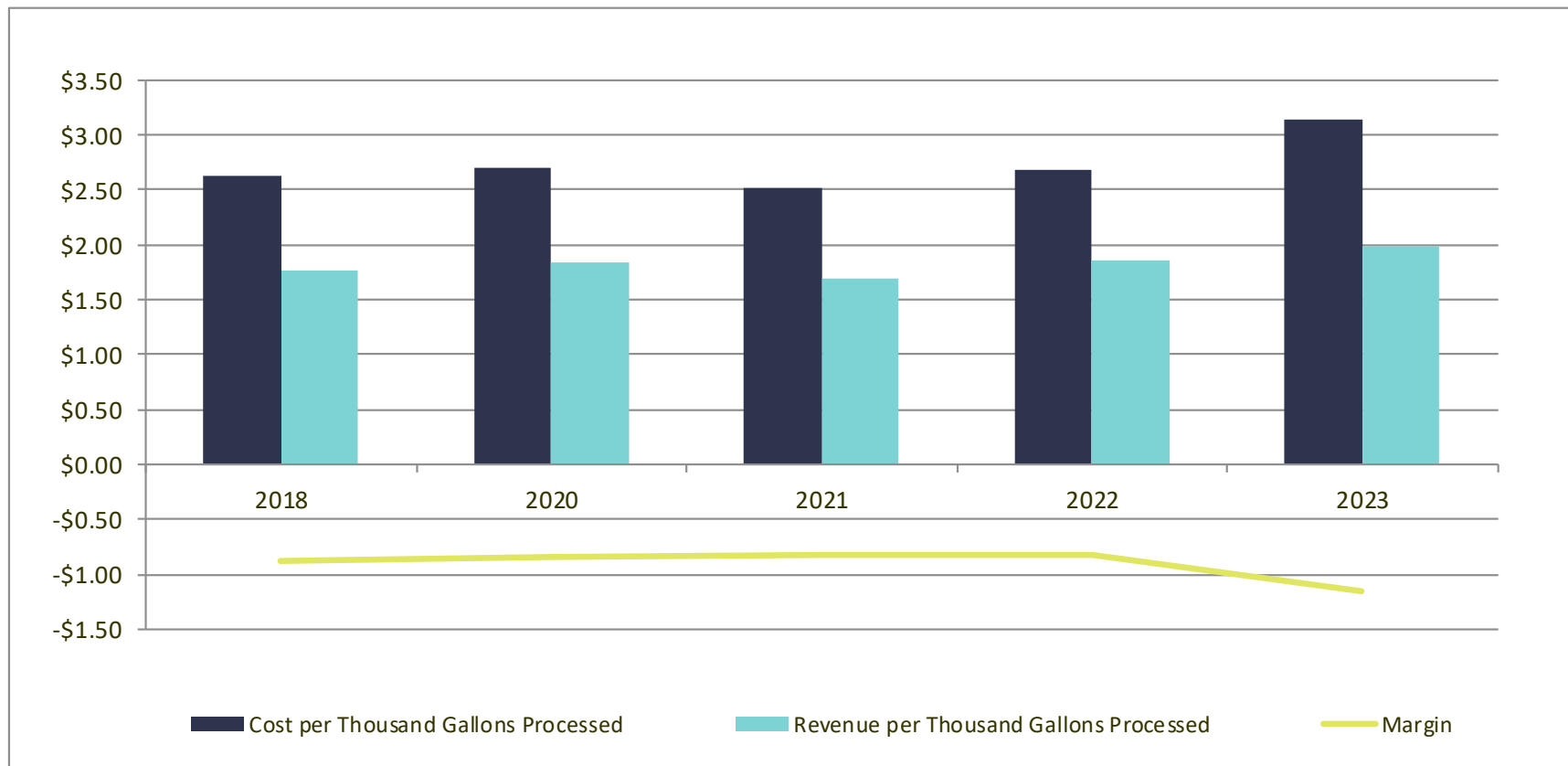




# Financial Results (Continued)

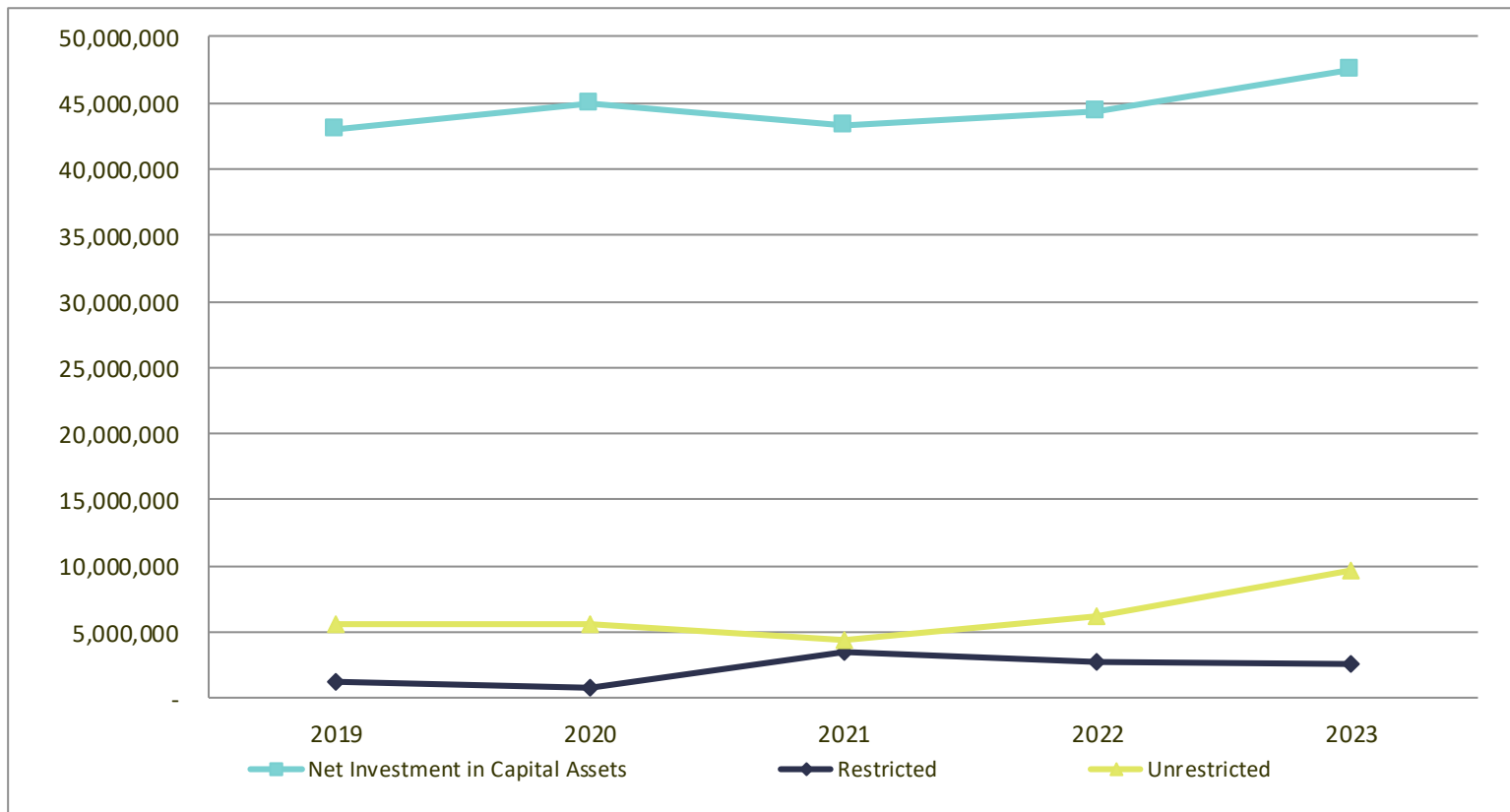
*Cost per Thousand Gallons Treated*

*Revenue per Thousand Gallons Treated*



# Financial Results (Continued)

## Net Position

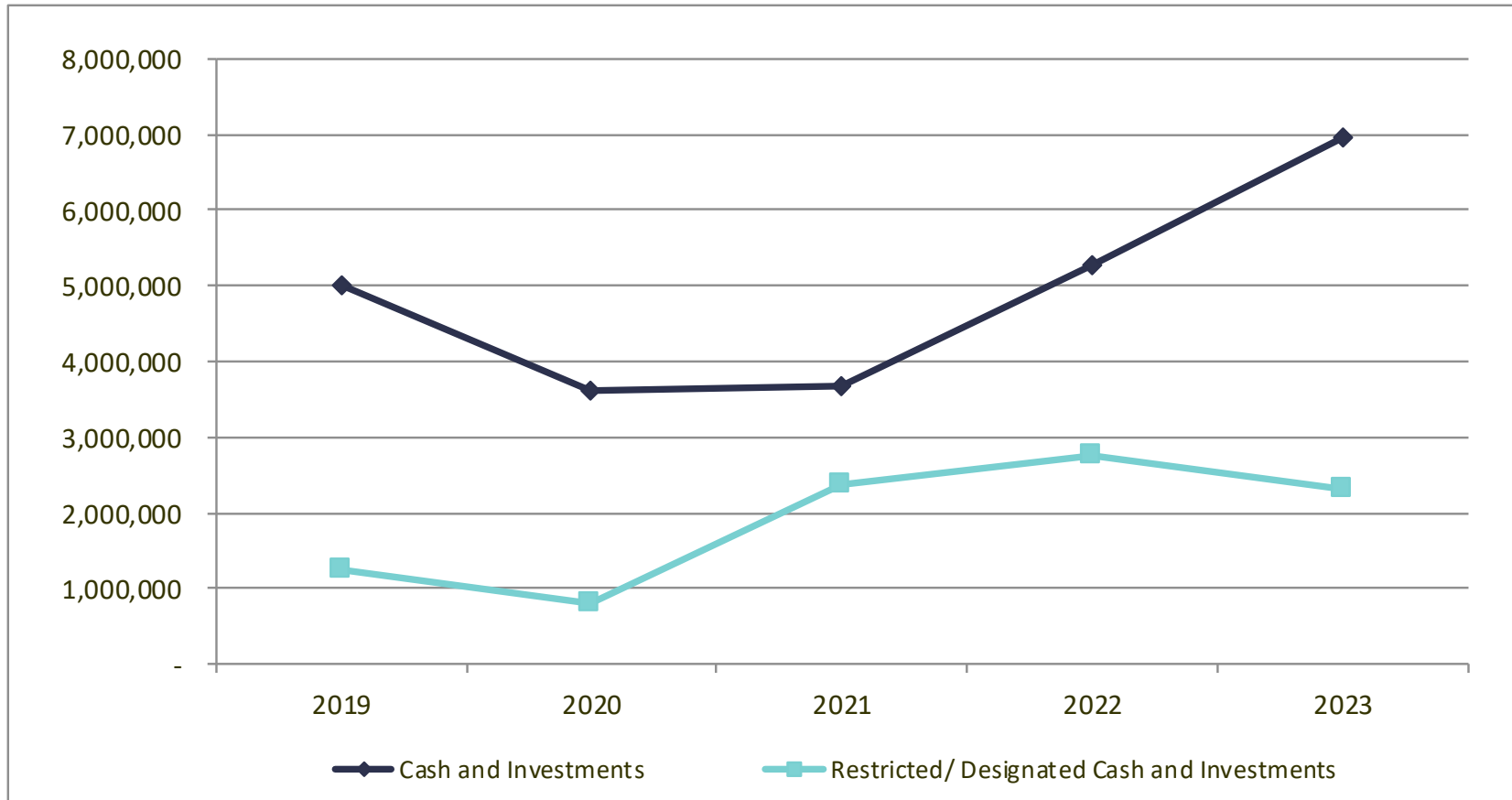


| Year | Net Investment in Capital Assets | Restricted | Unrestricted |
|------|----------------------------------|------------|--------------|
| 2019 | 43,027,147                       | 1,252,688  | 5,676,390    |
| 2020 | 45,010,756                       | 796,279    | 5,537,754    |
| 2021 | 43,337,623                       | 3,537,622  | 4,358,203    |
| 2022 | 44,370,092                       | 2,768,460  | 6,188,604    |
| 2023 | 47,512,259                       | 2,574,040  | 9,634,063    |



# Financial Results (Continued)

## Cash and Investments

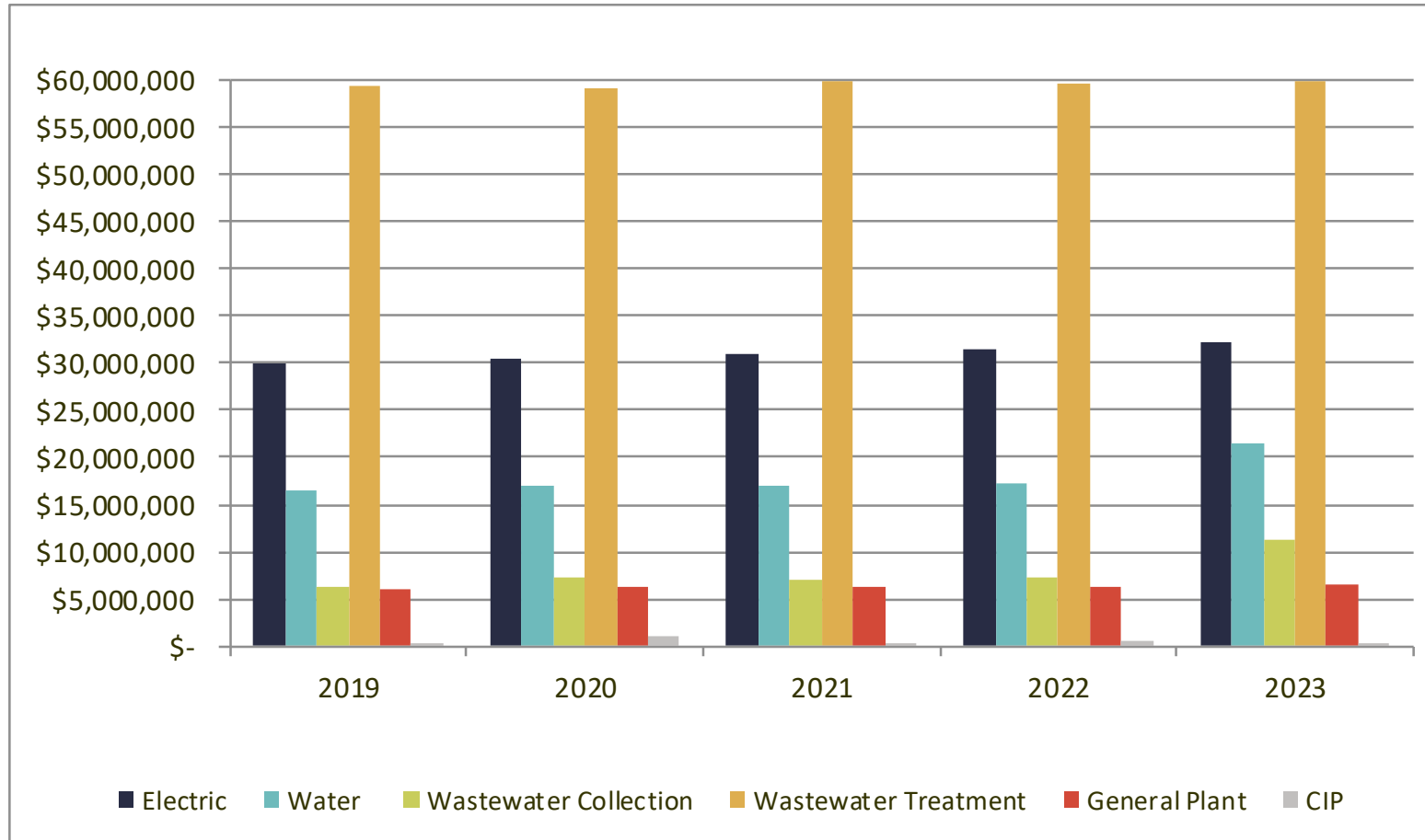


| Year | Cash and Investments | Restricted/ Designated Cash and Investments |
|------|----------------------|---|
| 2019 | 4,998,794            | 1,250,281                                   |
| 2020 | 3,606,455            | 794,549                                     |
| 2021 | 3,689,146            | 2,367,505                                   |
| 2022 | 5,279,834            | 2,768,460                                   |
| 2023 | 6,947,782            | 2,309,721                                   |



# Financial Results (Continued)

## Total Capital Assets

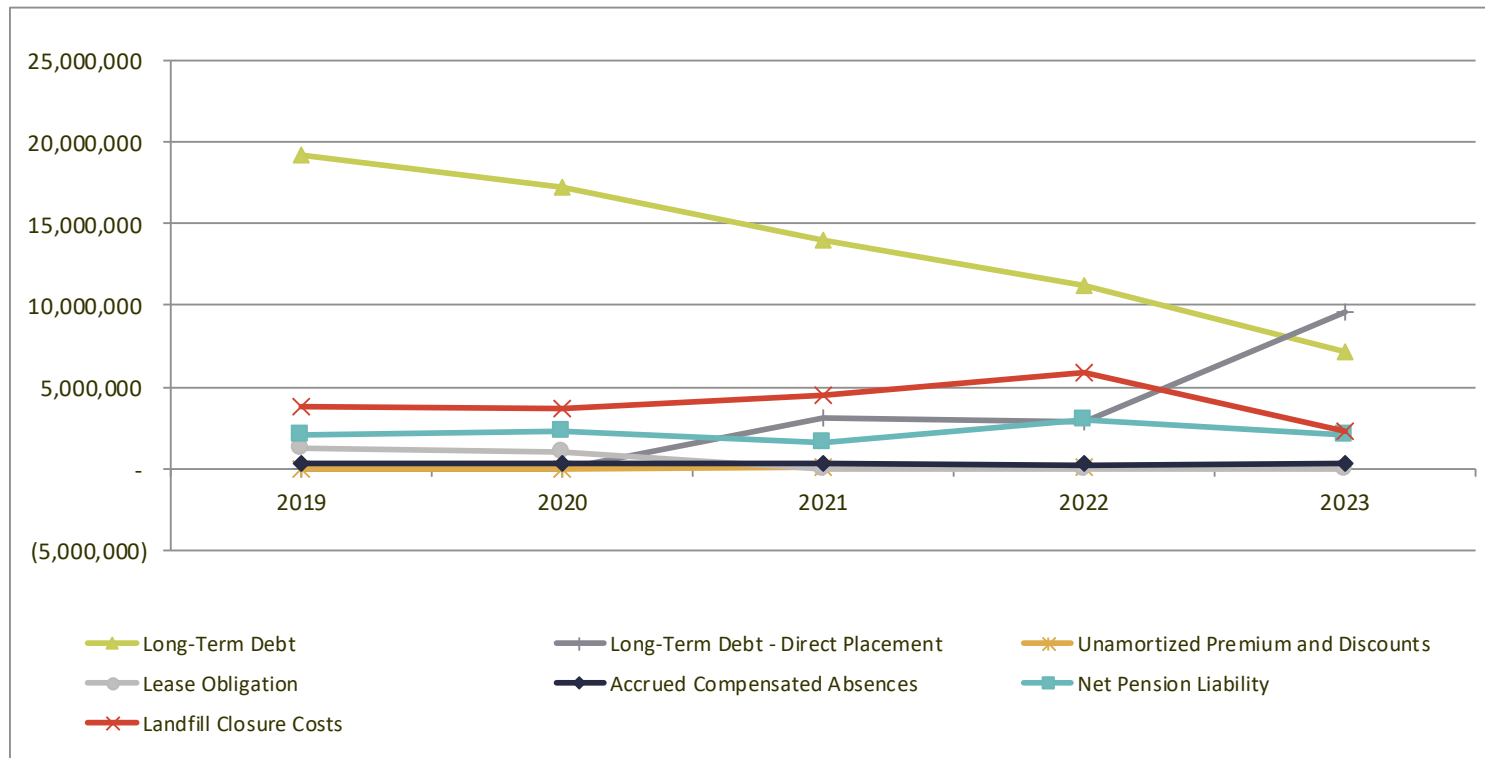


|                       | 2019          | 2020          | 2021          | 2022          | 2023          |
|-----------------------|---------------|---------------|---------------|---------------|---------------|
| Electric              | \$ 29,824,213 | \$ 30,441,062 | \$ 30,961,610 | \$ 31,436,713 | \$ 32,136,198 |
| Water                 | 16,392,994    | 16,949,803    | 16,987,673    | 17,144,948    | 21,535,017    |
| Wastewater Collection | 6,193,501     | 7,176,356     | 7,070,610     | 7,193,385     | 11,322,865    |
| Wastewater Treatment  | 59,349,013    | 59,094,697    | 59,947,781    | 59,653,350    | 59,895,677    |
| General Plant         | 6,122,885     | 6,216,386     | 6,253,646     | 6,387,319     | 6,527,197     |



# Financial Results (Continued)

## Total Long-Term Debt



|                                   | 2019       | 2020       | 2021       | 2022       | 2023      |
|-----------------------------------|------------|------------|------------|------------|-----------|
| Long-Term Debt                    | 19,240,000 | 17,201,000 | 13,994,000 | 11,172,000 | 7,149,000 |
| Long-Term Debt - Direct Placement | -          | -          | 3,105,500  | 2,897,500  | 9,575,000 |
| Unamortized Premium and Discounts | (1,562)    | 201        | 86,687     | 83,705     | 228,831   |
| Lease Obligation                  | 1,221,040  | 964,292    | -          | -          | -         |
| Accrued Compensated Absences      | 323,986    | 342,952    | 316,230    | 280,634    | 312,821   |
| Net Pension Liability             | 2,045,647  | 2,320,242  | 1,580,066  | 3,017,533  | 2,108,142 |
| Landfill Closure Costs            | 3,808,578  | 3,640,225  | 4,526,085  | 5,892,858  | 2,342,354 |



# Financial Results (Continued)

- Other Financial Highlights
  - Electric revenues decreased significantly due to the purchased power adjustment being lower as industrial companies did not get expected equipment up in running in 2023 that the actuary studies were expecting. The purchase power adjustment in 2023 was about \$1.28M lower than 2022. There was still a change in net position of \$740k however
  - Water revenues increased significantly due to an increase in usage by about \$480k, expenses increased slightly, and there was a large capital contribution for a joint city project, resulting in a positive change in net position of \$1.25M
  - Wastewater collection revenues increased slightly, while operating expenses increased, still producing a positive change in net position of \$1,818,000
  - Wastewater treatment revenues decreased slightly, while operating expenses increased, producing a negative change in net position of \$591,000



# Key Issues/Summary

- Increase in cash due to issuance of debt and increase in investment values during the current year
  - Designated for capital outlay - \$2,309,000
- Overall asset additions were higher than the prior year
  - \$9,295,000 in the current year compared to \$1,378,000 in the prior year
- Overall positive cash flow from operations
  - \$3,470,000 in the current year compared to \$4,670,000 in the prior year
- GASB 96 was implemented with minimal impact on the financial statements



# Key Issues/Summary (Continued)

- Electric had lower change in net position than prior year
  - Change in net position of \$764,000 compared to \$2,101,000 in the prior year
- Water department had higher change in net position than prior year
  - Change in net position of \$1,231,000 compared to a net loss of \$307,000 in the prior year
- Wastewater collection had higher change in net position than prior year
  - Change in net position of \$1,818,000 compared to \$222,000 in the prior year
- Wastewater treatment had net loss in the year similar to the prior year
  - Net loss of \$591,000 compared to \$1,676,000 in the prior year
- Overall there was a net loss of \$1,274,000 in the current year before capital contributions
- We advise the margins for each department be consistent from year to year
- Continue to monitor the rates and assess each department individually





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

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