



GRAND RAPIDS PUBLIC UTILITIES COMMISSION REGULAR WORK SESSION MEETING AGENDA

Wednesday, April 24, 2024

3:00 PM

CALL TO ORDER: Pursuant to due notice and call thereof, a Work Session Meeting of the Grand Rapids Public Utilities Commission will be held on Wednesday, April 24, 2024 at 3:00 PM in the conference room of the Public Works/Public Utilities Service Center at 500 SE 4th Street, Grand Rapids, Minnesota.

CALL OF ROLL:

BUSINESS:

- [1.](#) Presentation by Clifton Larson Allen LLP (CLA) on the 2023 financial audit.

ADJOURNMENT:

The GRPUC has adopted a Meeting Protocol Policy, which informs attendees of the GRPUC's desire to conduct meetings in an orderly manner which welcomes all civil input from interested parties. If you are unaware of the policy, please contact our office at 218-326-7024 and we will provide you with a copy of the policy.



We'll get you there.

CPAs | CONSULTANTS | WEALTH ADVISORS

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)

Item 1.

- 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



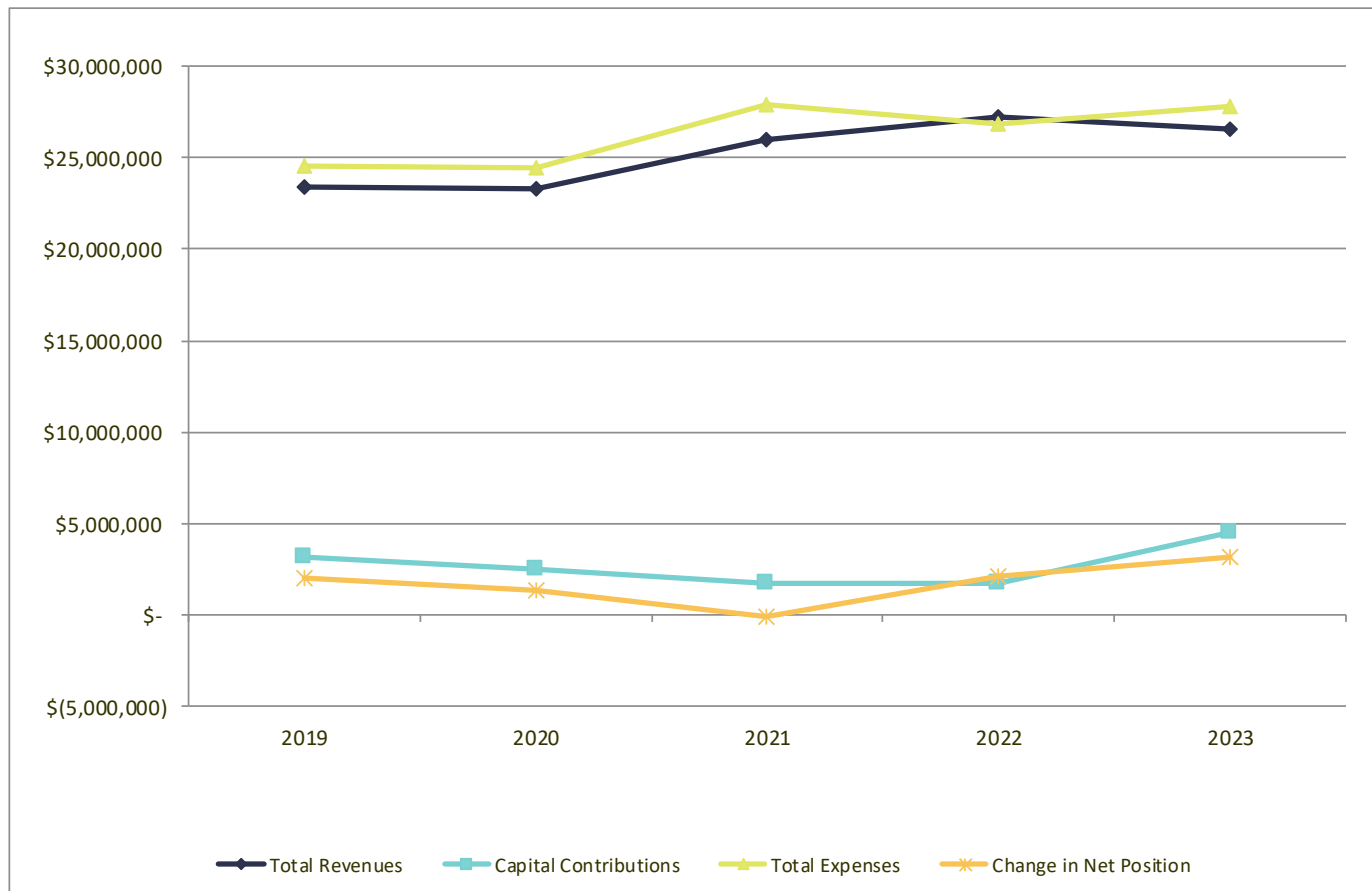
Audit Results

- 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

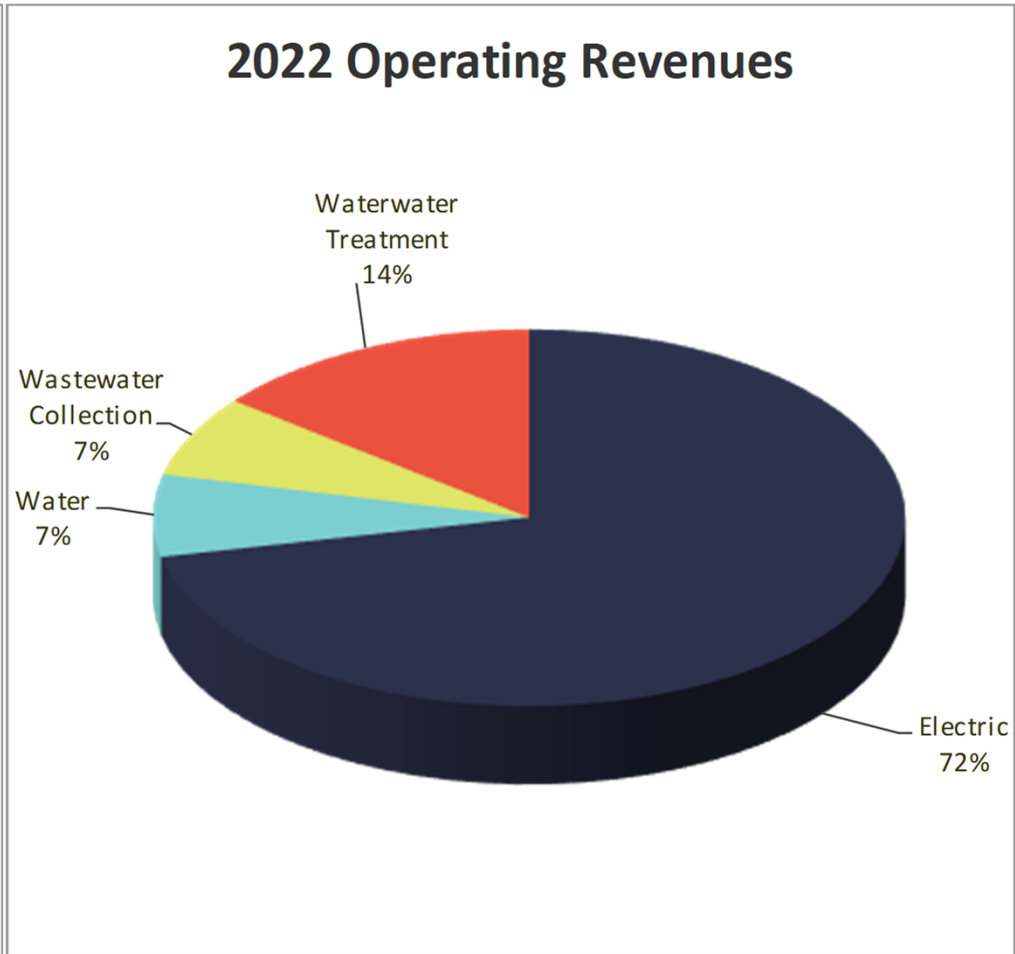


	2019	2020	2021	2022	2023
Total Revenues	\$ 23,407,471	\$ 23,308,491	\$ 26,027,839	\$ 27,184,680	\$ 26,571,077
Capital Contributions	3,207,027	2,509,109	1,726,729	1,753,848	4,496,465
Total Expenses	24,572,313	24,429,036	27,865,909	26,844,838	27,845,118
Change in Net Position	2,042,185	1,388,564	(111,341)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



Financial Results (Continued)

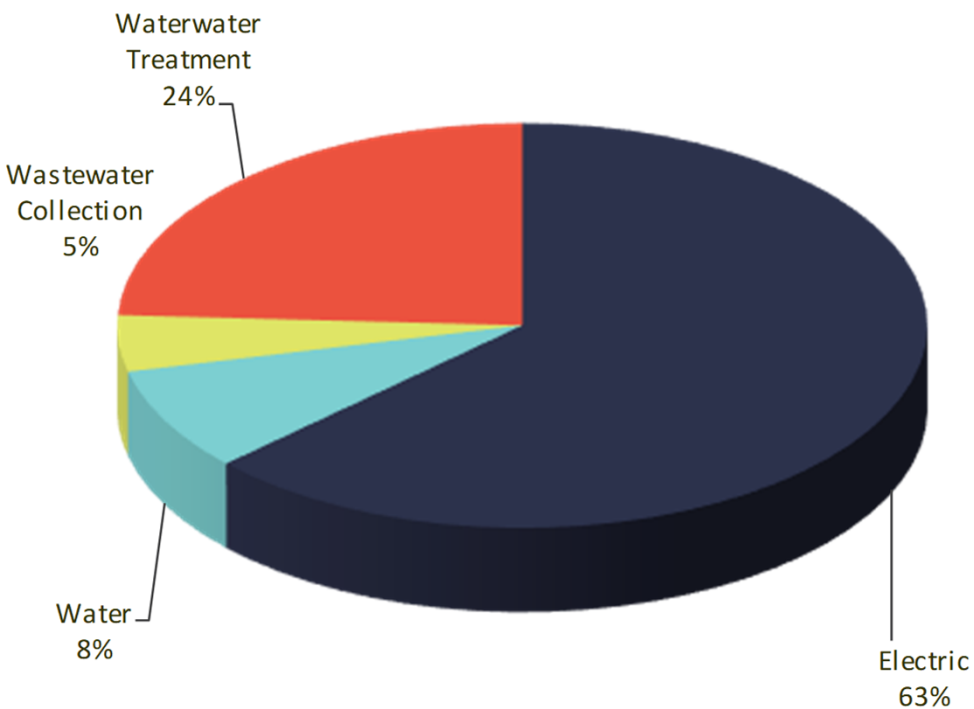
Utility Operations



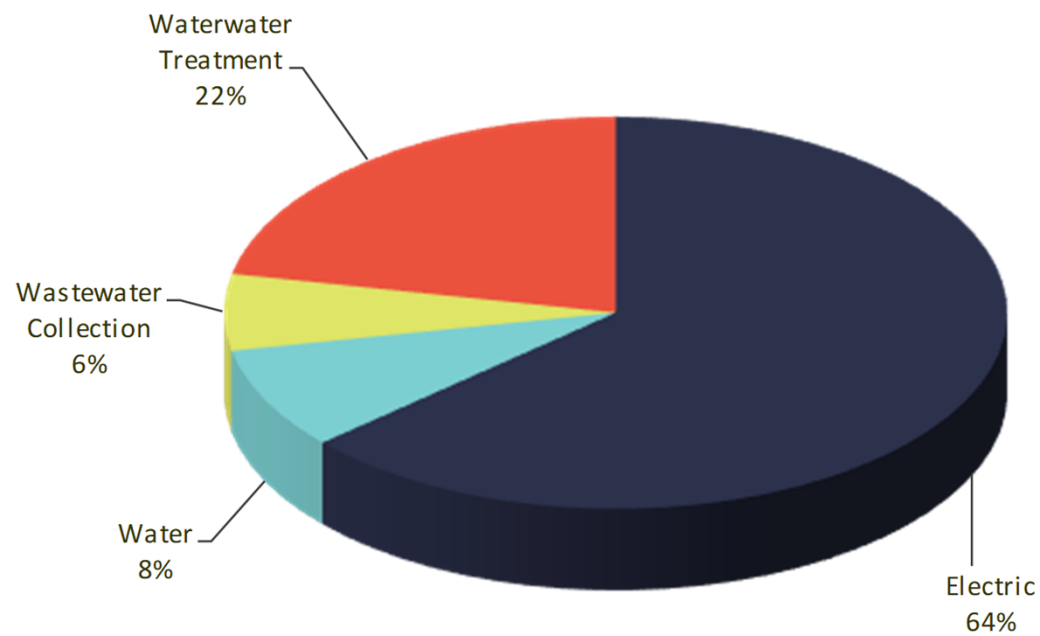
Financial Results (Continued)

Utility Operations

2023 Operating Expenses

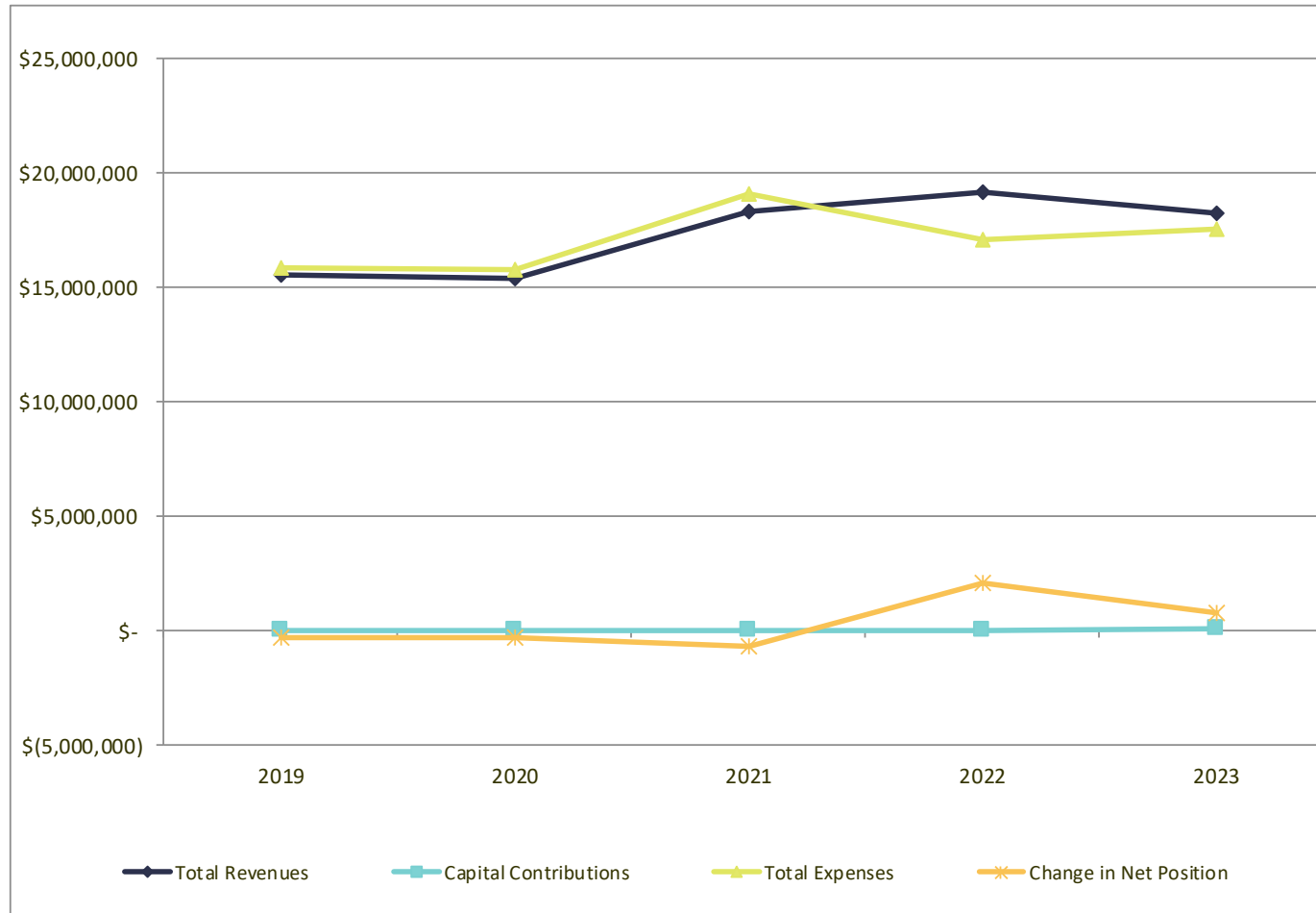


2022 Operating Expenses



Financial Results (Continued)

Electric Operations

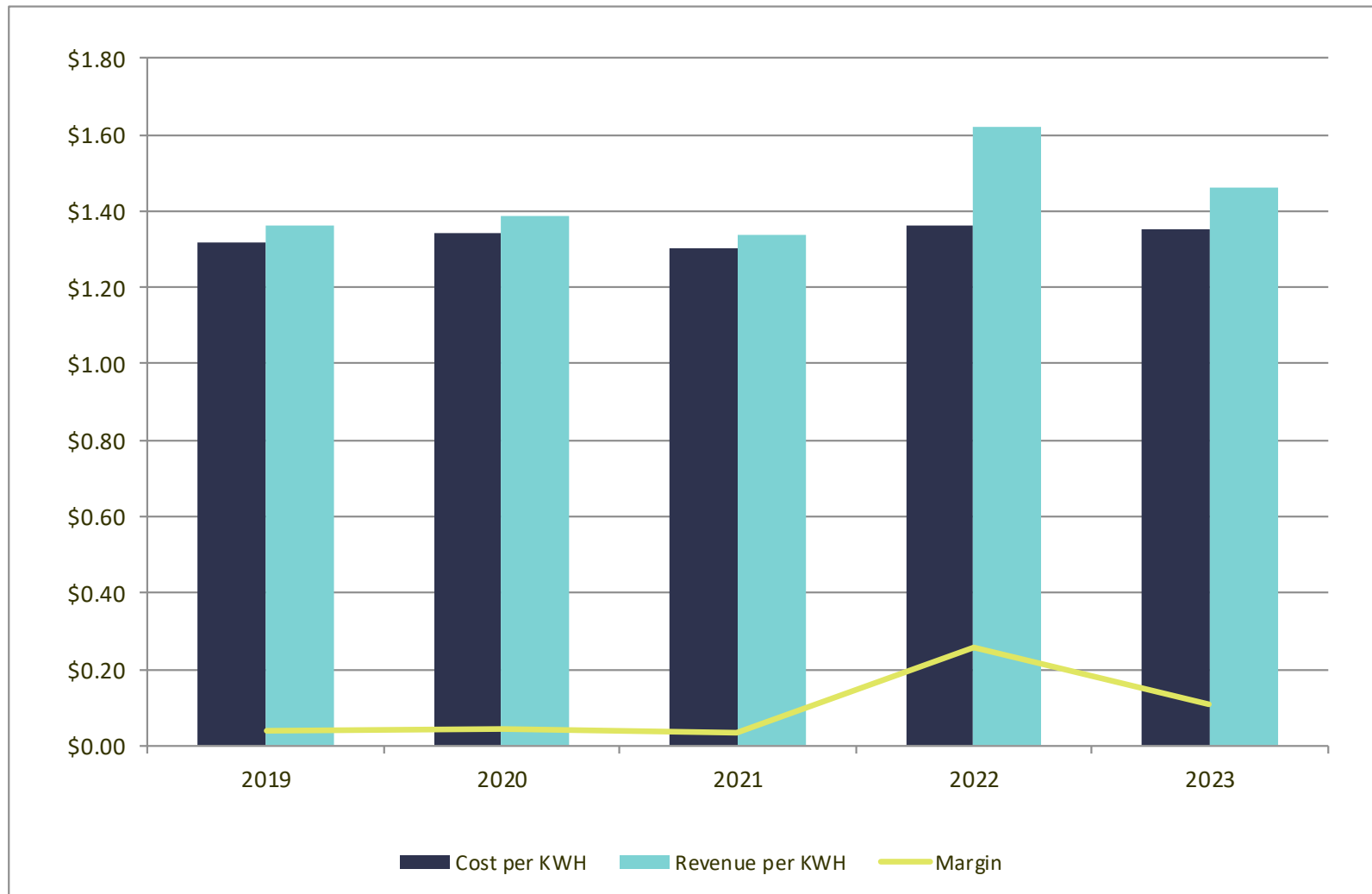


	2019	2020	2021	2022	2023
Total Revenues	\$ 15,516,178	\$ 15,390,731	\$ 18,331,959	\$ 19,142,761	\$ 18,224,263
Capital Contributions	-	-	-	-	93,349
Total Expenses	15,845,142	15,737,091	19,050,324	17,041,447	17,553,520
Change in Net Position	(328,964)	(346,360)	(718,365)	2,101,314	764,092



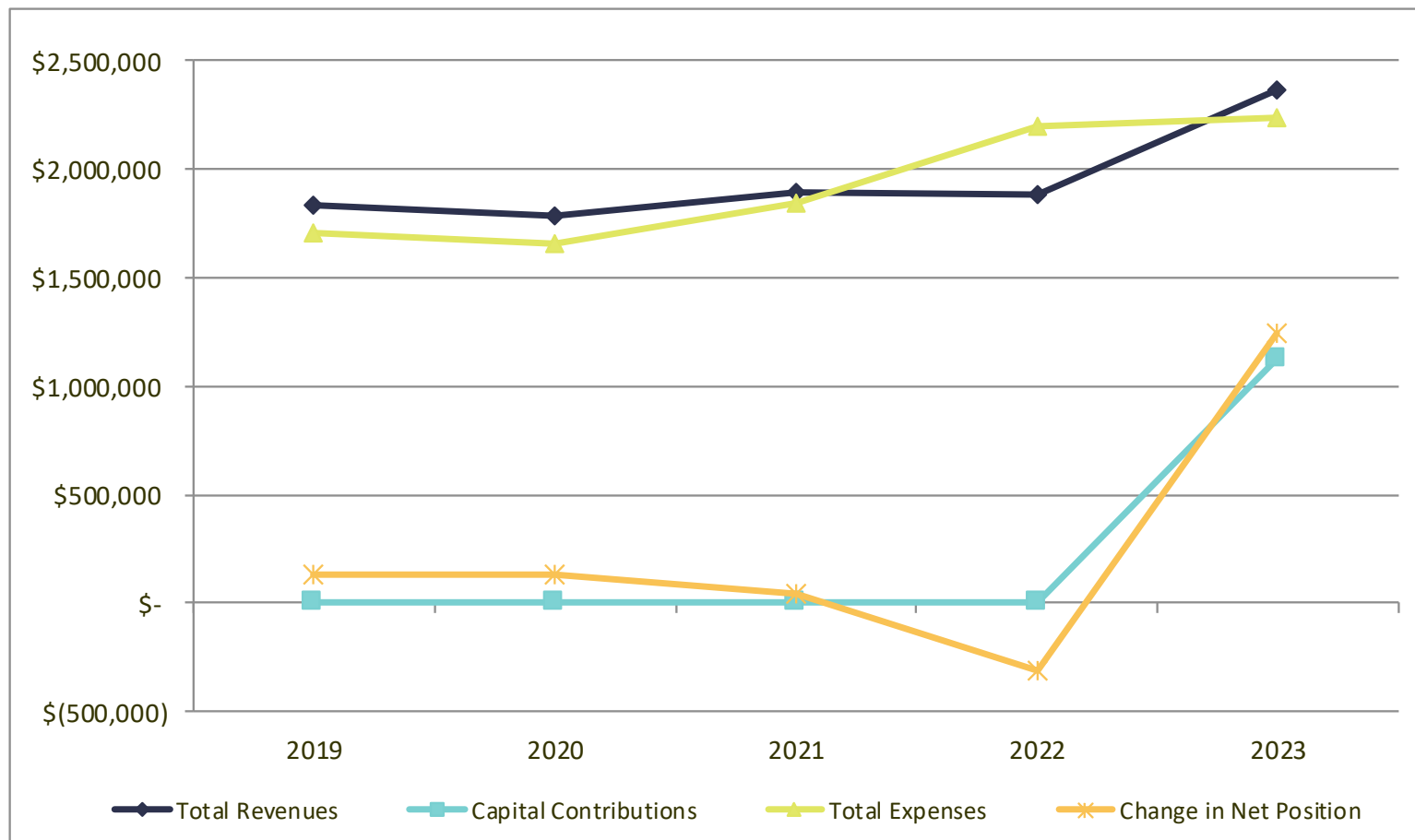
Financial Results (Continued)

Cost per KWH & Revenue per KWH



Financial Results (Continued)

Water Operations



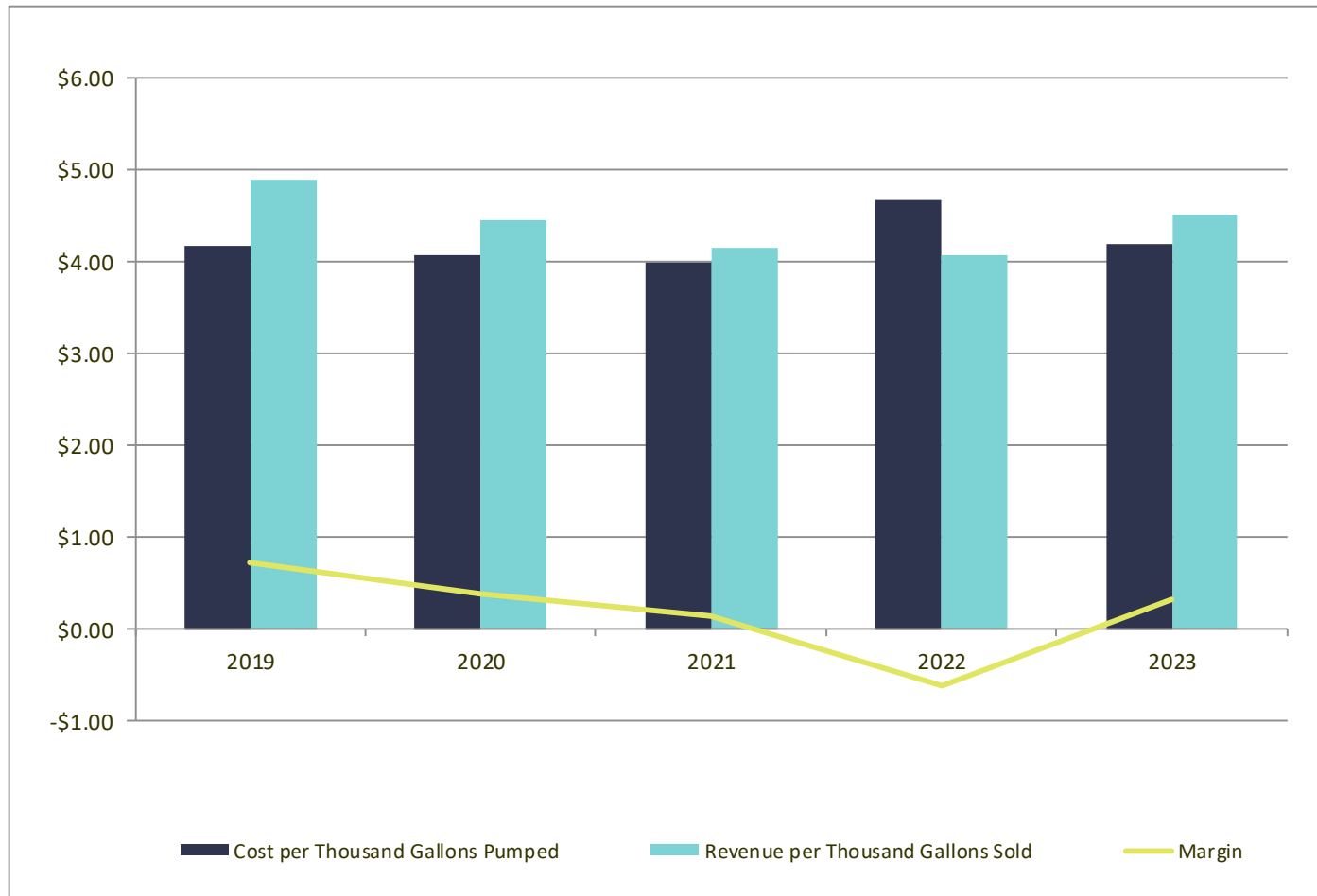
	2019	2020	2021	2022	2023
Total Revenues	\$ 1,837,385	\$ 1,783,961	\$ 1,889,776	\$ 1,888,315	\$ 2,365,371
Capital Contributions	-	-	-	-	1,124,494
Total Expenses	1,703,102	1,656,001	1,845,672	2,195,748	2,242,716
Change in Net Position	134,283	127,960	44,104	(307,433)	1,247,149



Financial Results (Continued)

Cost per Thousand Gallons Pumped

Revenue per Thousand Gallons Sold



Financial Results (Continued)

Wastewater Collection



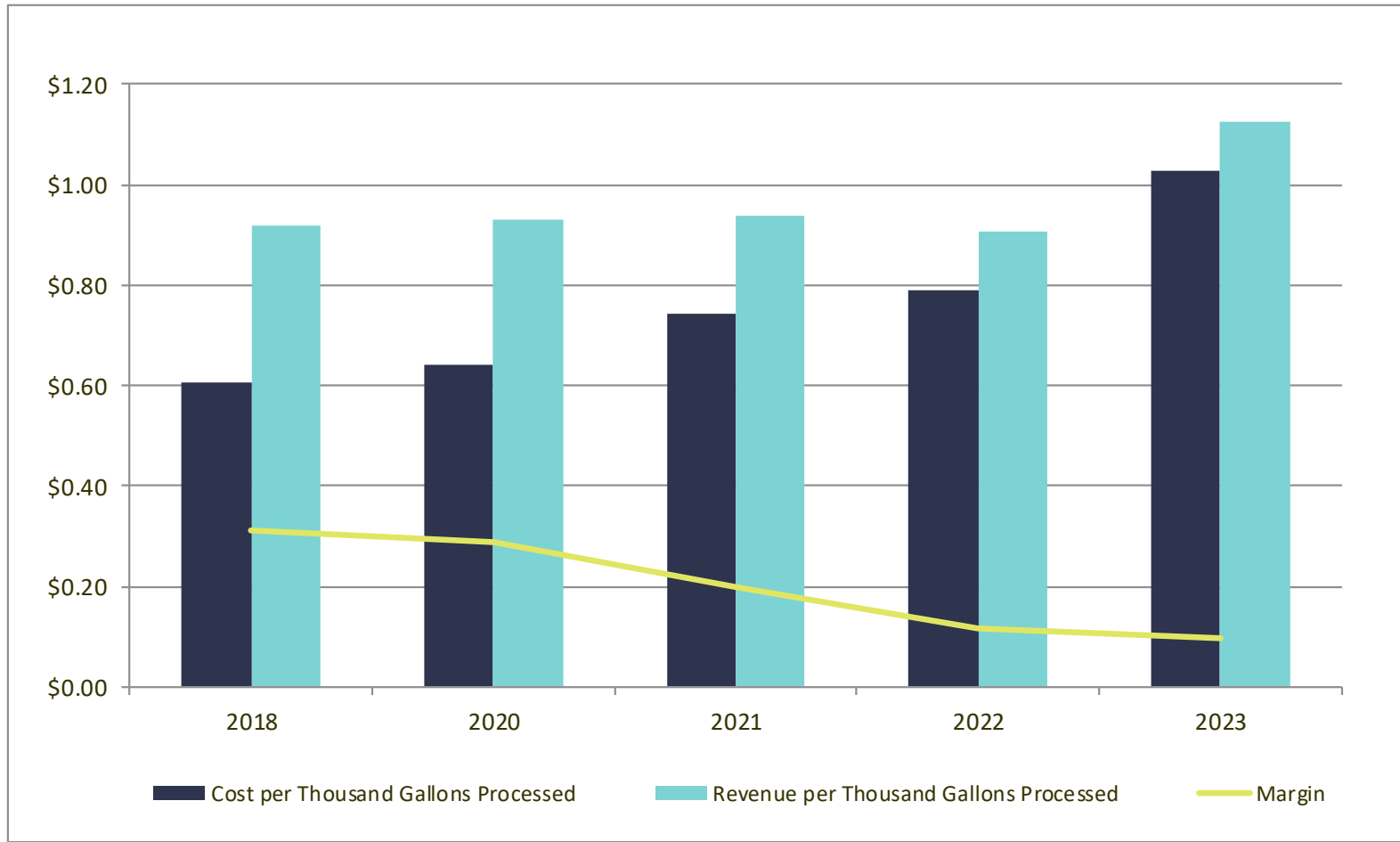
	2019	2020	2021	2022	2023
Total Revenues	\$ 1,818,960	\$ 1,801,230	\$ 1,897,049	\$ 1,862,796	\$ 2,051,103
Capital Contributions	-	-	-	-	1,643,770
Total Expenses	1,212,609	1,253,881	1,491,781	1,640,941	1,876,381
Change in Net Position	606,351	547,349	405,268	221,855	1,818,492



Financial Results (Continued)

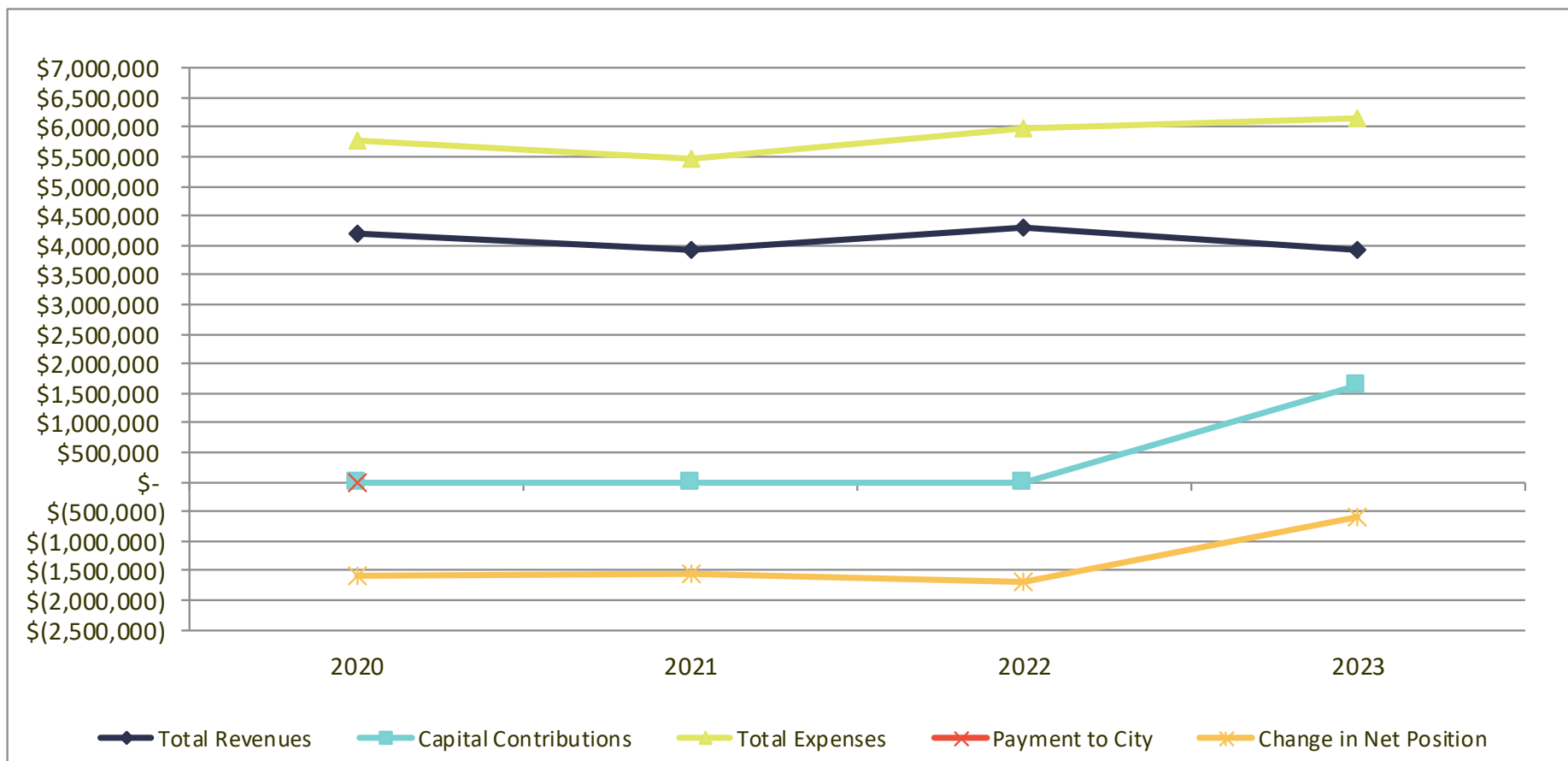
Cost per Thousand Gallons Collected

Revenue per Thousand Gallons Collected



Financial Results (Continued)

Wastewater Treatment



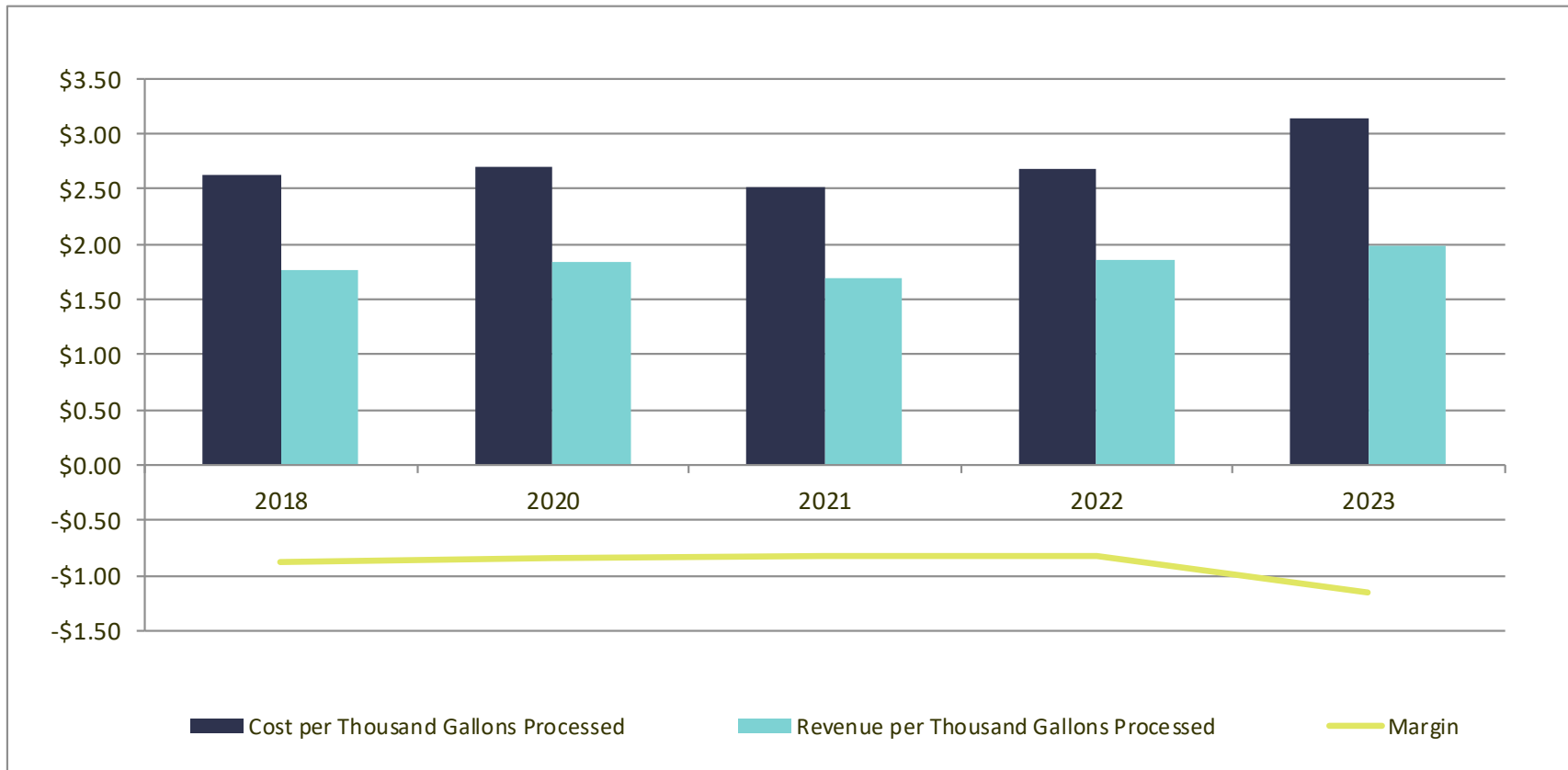
	2019	2020	2021	2022	2023
Total Revenues	\$ 4,257,698	\$ 4,188,022	\$ 3,910,309	\$ 4,302,974	\$ 3,926,372
Capital Contributions	-	-	-	-	1,634,852
Total Expenses	5,834,210	5,783,188	5,479,386	5,978,850	6,152,536
Change in Net Position	(1,576,512)	(1,595,166)	(1,569,077)	(1,675,876)	(591,312)



Financial Results (Continued)

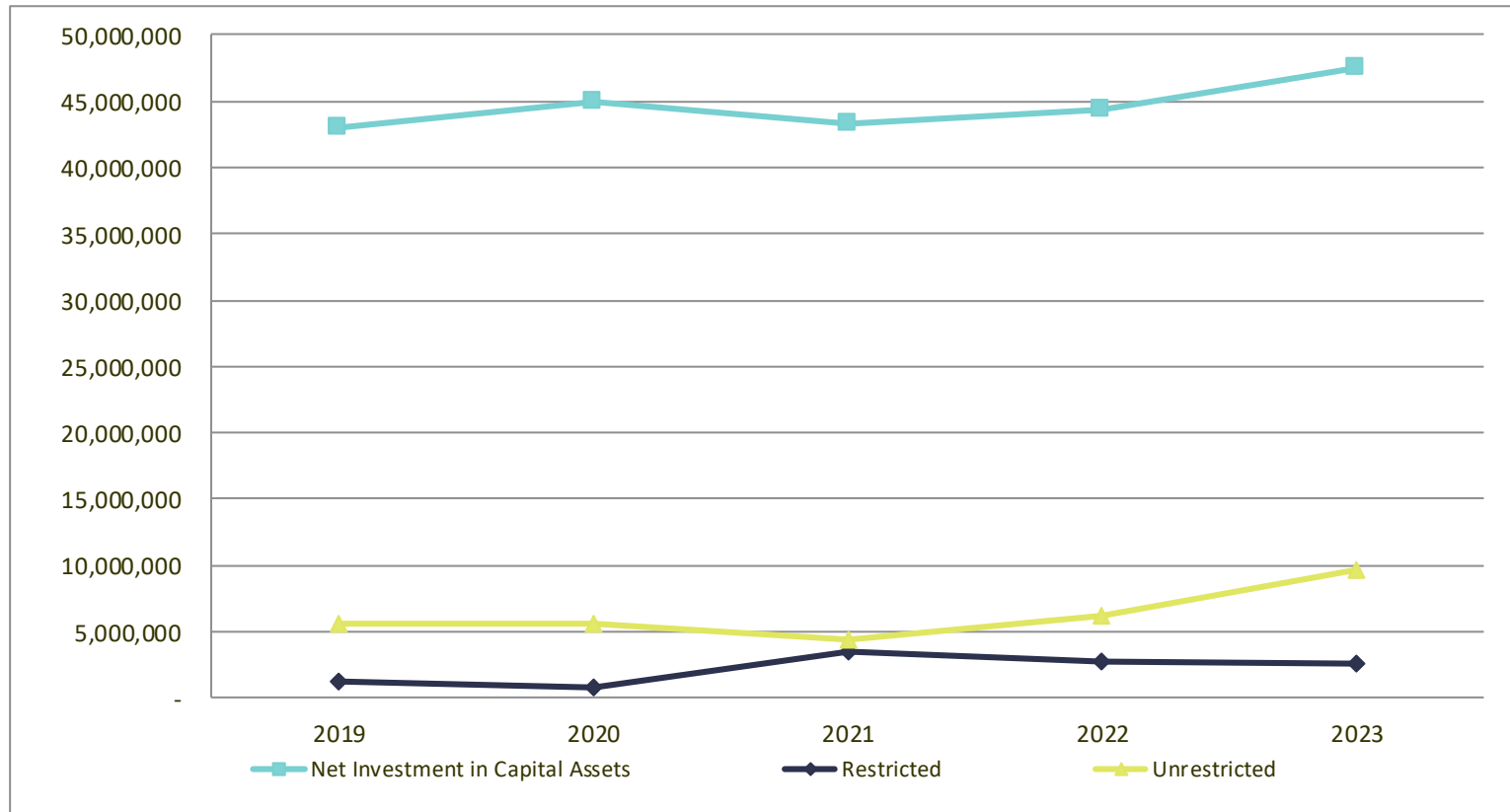
Cost per Thousand Gallons Treated

Revenue per Thousand Gallons Treated



Financial Results (Continued)

Net Position

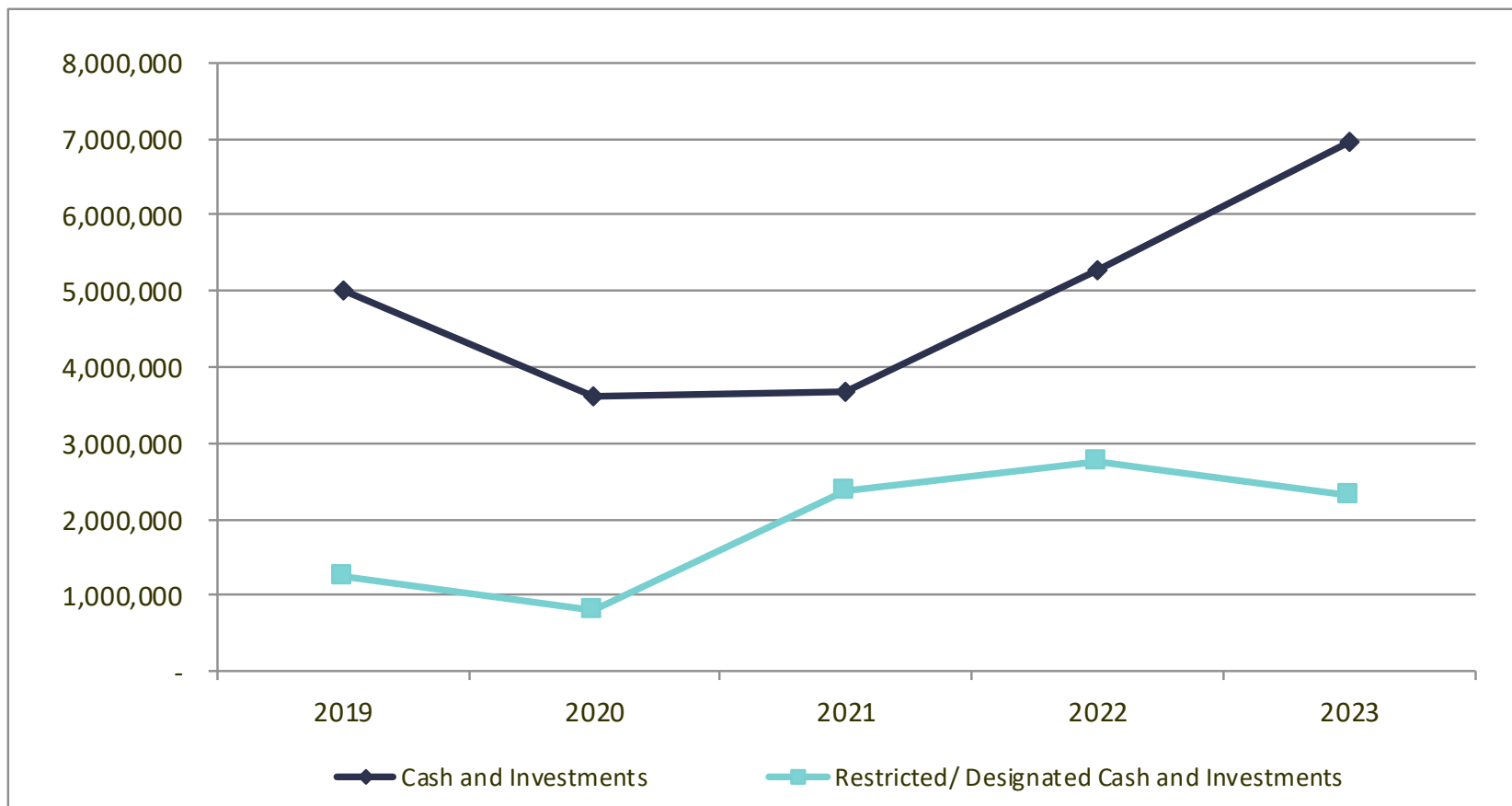


Year	Net Investment in Capital Assets	Restricted	Unrestricted
2019	43,027,147	1,252,688	5,676,390
2020	45,010,756	796,279	5,537,754
2021	43,337,623	3,537,622	4,358,203
2022	44,370,092	2,768,460	6,188,604
2023	47,512,259	2,574,040	9,634,063



Financial Results (Continued)

Cash and Investments

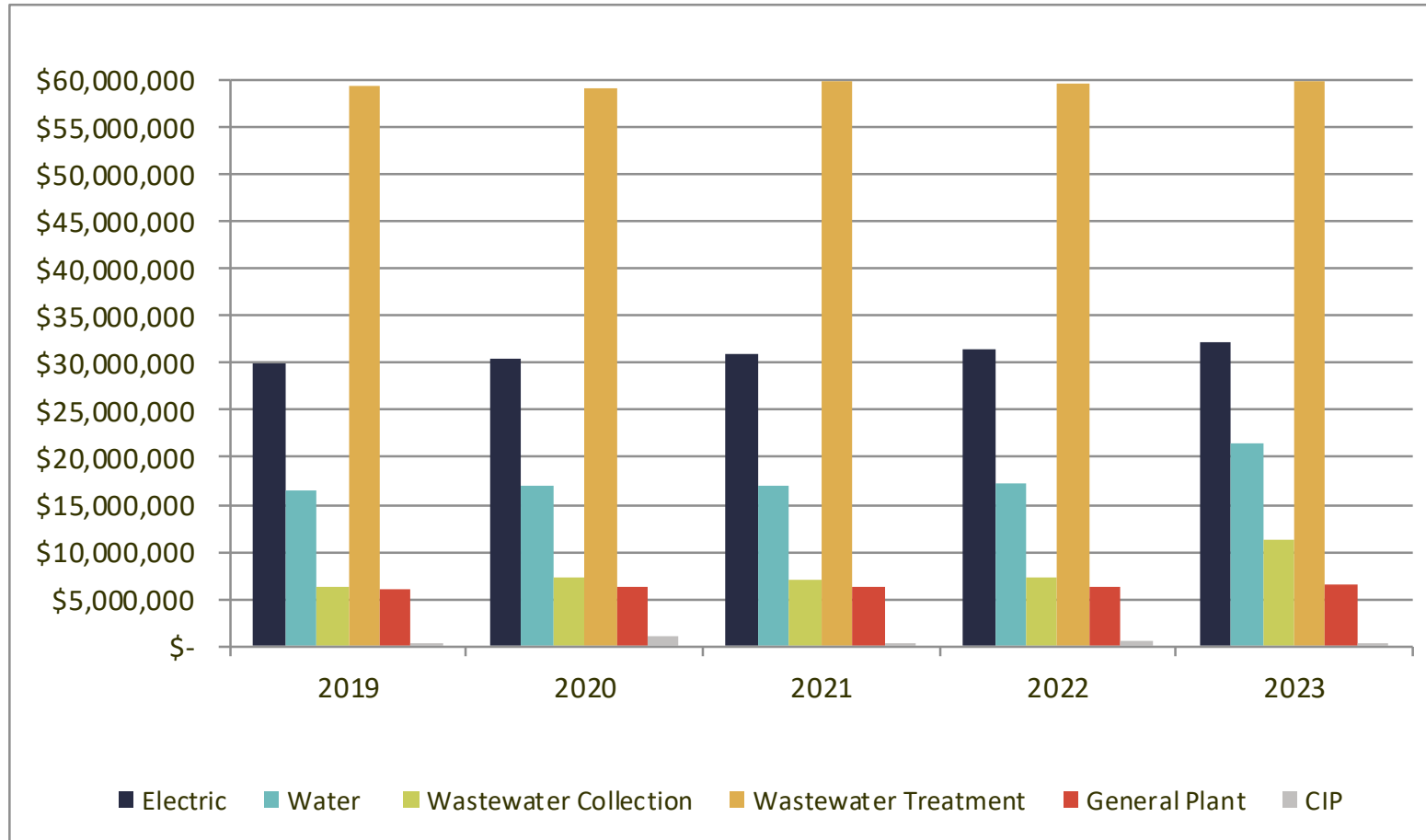


Year	Cash and Investments	Restricted/ Designated Cash and Investments
2019	4,998,794	1,250,281
2020	3,606,455	794,549
2021	3,689,146	2,367,505
2022	5,279,834	2,768,460
2023	6,947,782	2,309,721



Financial Results (Continued)

Total Capital Assets

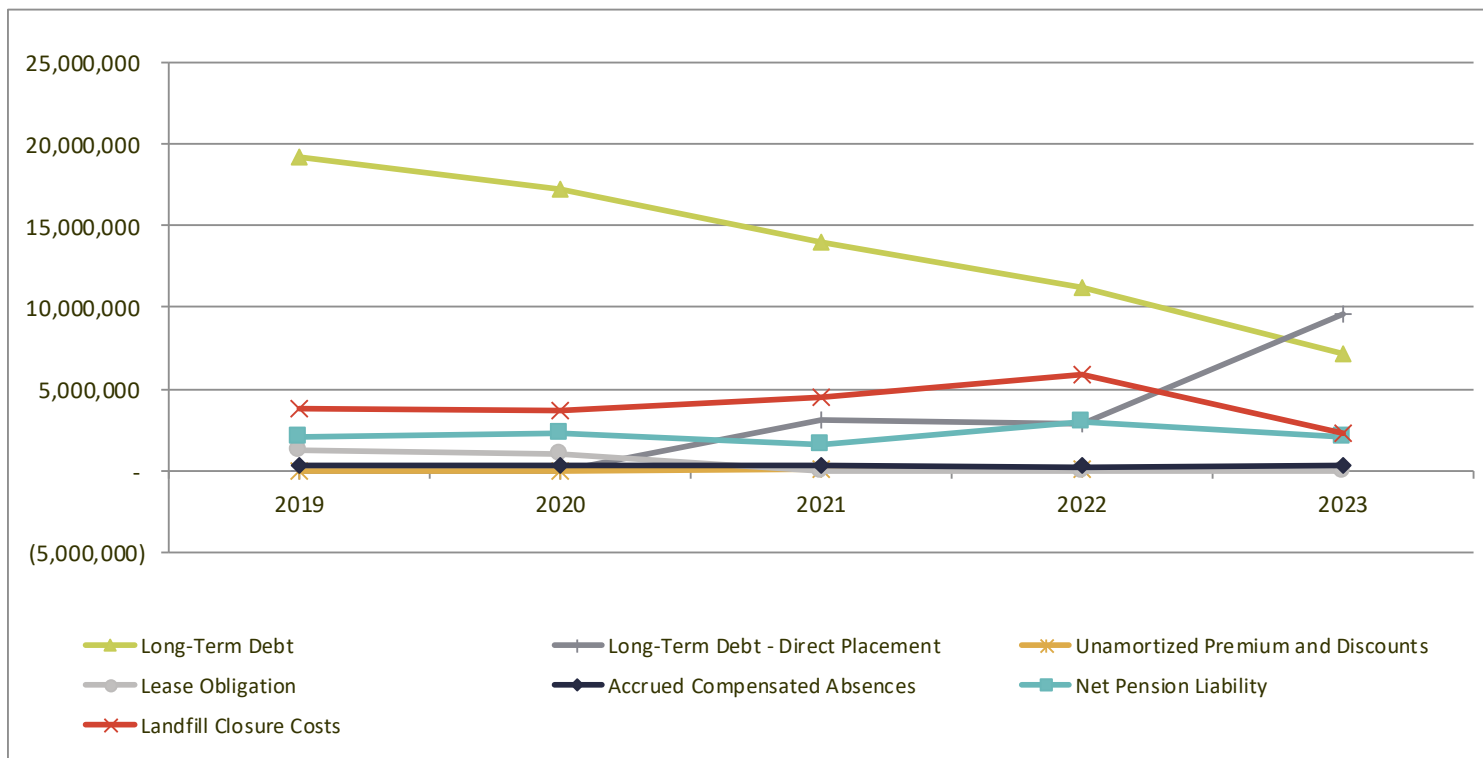


	2019	2020	2021	2022	2023
Electric	\$ 29,824,213	\$ 30,441,062	\$ 30,961,610	\$ 31,436,713	\$ 32,136,198
Water	16,392,994	16,949,803	16,987,673	17,144,948	21,535,017
Wastewater Collection	6,193,501	7,176,356	7,070,610	7,193,385	11,322,865
Wastewater Treatment	59,349,013	59,094,697	59,947,781	59,653,350	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!*

Contact Information:

Mary Reedy, CPA, CGFM

Principal

320-203-5534

mary.reedy@CLAconnect.com



CLAconnect.com



CPAs | CONSULTANTS | WEALTH ADVISORS

©2024 CliftonLarsonAllen LLP. CLA (CliftonLarsonAllen LLP) is an independent network member of CLA Global. See [CLAGlobal.com/disclaimer](https://www.claglobal.com/disclaimer). Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor.