



INDUSTRY SURVEY REVEALS TOP PRIORITIES FOR MUNICIPAL AND COOPERATIVE UTILITIES

*Mid-size Utilities Seek to Streamline their
Fixed Asset & Project Accounting Process*

Executive Summary

Fixed assets is extremely different for utilities, compared to other industries. Whether you're a municipal or cooperative utility, you have a large amount of assets that need to be constructed, tracked and retired over decades. It is no easy task to keep tabs on all the historical asset data while also managing current projects.

For years, utilities have pieced together multiple systems to track and report their fixed assets. Why? Because existing solutions didn't offer a good fit and required a substantial time and resource investment to implement specialized solutions. To complicate matters, utilities now must overcome increased scrutiny from their regulators, putting even greater pressure on their teams to lower costs while improving services for their customers. That's why driving more value from assets and optimizing fixed asset and project accounting practices has gained renewed attention.

Recently, we surveyed 350 finance and accounting employees in municipal or cooperative utilities to understand their current fixed asset accounting practices and future priorities. This white paper presents a summary of the findings. Although municipalities and cooperatives have unique operating environments, the survey results revealed that the similarities between these groups regarding fixed asset and project accounting far outweigh the differences. The survey data identified three key priorities for the accounting and finance teams to:

- Streamline fixed asset and project accounting processes to speed reporting and better track

costs while reducing the accounting burden on the field

- Increase efficiency and support compliance requirements with historical assets and new projects
- Improve scalability with limited technical support or resources

In order to achieve the information that is required, most municipalities and cooperatives are using multiple commercial solutions in their accounting process, but, as one might imagine, these systems are being heavily supplemented with homegrown databases, spreadsheets and third-party support to meet their needs.

Looking to the future, the respondents shared their priorities to optimize fixed asset and project accounting, lower costs and improve efficiencies so teams can focus on higher value projects and drive more value from their assets. Many plan to employ cloud-based fixed asset accounting solutions to lower costs, improve compliance and, most importantly, better serve their customers.

“One of our biggest problems is handling the data from one step to the next through the process in our current system. It doesn’t do a terrible job, but it isn’t setup for Fixed Asset Accounting – it tries to do everything, and it is old. We still do a lot of Excel work outside the system.”

—Accountant, Small Cooperative Utility

Case Study: Large Southeastern Cooperative

Challenges:

- Previous system had undergone a sunset, so it was unsupported and became outdated
- Needed a solution to automate fixed asset accounting process that met their updated requirements

Solution:

PowerPlan was selected to:

- Manage and automate asset utilization and book depreciation
- Automate accounting and optimize property tax basis through one platform

Results:

- Increased efficiency by automating the flow of capital project and asset data from operations to accounting, so information only needs to be captured once for internal and external stakeholders, saving both departments time.
- Achieved clarity to monitor and optimize their financials through dashboards, out-of-the-box reports, drill downs and alerts
- Improved data granularity, along with native reporting to support RUS compliance requirements – helping them maintain transparency to answer stakeholder questions and meet even the strictest of audit standards.
- Reduced their property tax basis by \$60M – which is an annual benefit, not just an initial improvement
- Improved their asset retirements to eliminate paying property tax for ghost assets they are no longer using

Priority #1: Streamline Fixed Asset and Project Accounting Processes to Improve Cost Tracking, Optimize Reporting and Reduce the Burden on the Field

Survey respondents from both municipal and cooperative finance and accounting teams prioritized the requirement to streamline and speed up reporting processes. Today, more than 50% of those surveyed are using more than 3 systems in their fixed asset and project accounting workflows, while augmenting the systems with Excel spreadsheets and relying on their field to help code projects for accounting. The results are suboptimal, leading to fragmented data views and inefficient reporting processes.

Large and small utilities alike cited the key benefits of an integrated fixed asset and project accounting solution process, which included:

- Gaining a more comprehensive view of their assets by better tracking estimated and actual costs
- Improving accuracy in data for reporting and strengthening their funding case for bonds and grants
- Achieving tighter integration with other systems to improve time to close and pull data required by regulators
- Reducing the accounting burden on the field

The survey found a critical need for a more comprehensive view of the integrated fixed asset and project data. As one FP&A manager stated, “It is really important for us to be able to track costs and easily turn those into a project. That is our biggest issue now – handling the asset data from CWIP to starting depreciation.”

In addition, utilities creating more than 2500 assets annually have a greater need for data management, specialized functionality, and integration to ensure a more comprehensive and more accurate view of their data. These larger firms require more robust fixed asset accounting solutions, while smaller firms are also willing to change their approach to update their outdated software

and achieve tighter integration with their financial processes, work management, reporting solutions and homegrown systems. Another FP&A Manager shared, “The operations team and plant managers might have an idea of the cost that’s going on throughout a project, but without the ability to track that detail, the day-to-day can quickly get muddled – it’s critical!”

As evidenced in the survey, the majority of munis and co-ops today are outpacing their current systems through their workflows and reporting requirements. At the same time, they have found that the number of systems they run is no longer scalable.

Priority #2: Increase Efficiency & Support Compliance Requirements of All Assets and Projects

The most common solutions supporting fixed asset and project accounting workflows are accounting and operational systems such as the ERP or Work Management solution. However, these systems must be heavily supplemented by spreadsheets and homegrown systems and, many times, even third-party resources to meet the established industry requirements. It’s no surprise that survey respondents across both municipalities and cooperatives see the pitfalls of this approach. Both groups really want to ease the burden on the accounting team and improve regulatory compliance and reporting.

Respondents emphasized their desire to:

- Remove the burden of manual processes, saving staff time with a user-friendly solution, allowing them to focus on more strategic tasks

- Speed up recurring processes such as month-end close
- Support compliance requirements and reporting with more frequent updates of regulatory accounting standards
- Pave the way for a more strategic approach to fixed asset accounting and elevate overall performance

Taking it a step further, the survey results indicated that leading munis and co-ops are lacking the specialized fixed asset accounting functionality they need to strategically leverage fixed assets and drive significant value. Utilities that view their fixed asset accounting process as strategic have a greater reliance on advanced functionality and granular data tracking. For instance, in the survey, one of the Finance & Administration Analysts explained, “Right now, if the estimated project cost didn’t line up with the estimated and budgeted cost, that wouldn’t be called out – we would just capitalize it the normal way. But if we had the ability to track those issues in a way that alerted us, that could be really helpful.” Automating the tracking and data flow throughout an asset’s lifecycle, from planning to retirement, enables teams to optimize financial decision-making.

“We get funding through bonds and grants, and we have to keep more stringent tracking on the assets funded through those programs. However, it happens outside of our system in an Excel document, so a more streamlined integration would be greatly preferred.”

– Plant Accountant & Sr. Financial Analyst, Large Cooperative

Priority #3: Improve Scalability with Limited Technical Support or Resources

It's no secret that mid-size utilities have fewer resources than their larger counterparts. They are always being tasked to do more with their existing resources, and many accounting and finance teams are specifically limited by IT support and resources.

That's why survey respondents wanted to simplify their technical infrastructure with the latest innovations, so they can:

- Leverage scalability through cloud-based technologies
- Lower the total cost of ownership, including implementation and support
- Provide better data security compliance and integrity

Financial leaders are now highlighting the criticality of their systems to support this effort. In the survey, one EVP and CFO shared, "I prefer systems that are functional and do what you want, rather than having to cobble together different systems that weren't even built for the Fixed Asset Accounting Process. The massive overhead for some of these projects weighs on us. Additionally, data security is important to us: we're never really aware of where the server stores our data, especially with respect to the plant information."

Cloud-based fixed asset and project accounting solutions can simplify product updates for accounting and finance teams according to changes in market

"A big driver for change is the way that you interact with the information that you're ultimately responsible for storing - reducing issues between systems and cutting the manual effort. The ability to make our own changes would give us more confidence in the security and integrity of data. Right now, you have systems that work and do a good enough job, but the chance to drive efficiency and improvement is definitely there."

—VP Administration & Finance/CFO, Large Cooperative

regulations as well as the ability to scale, or opt-in to additional features and enhancements as their business evolves. Additionally, auditors are spending more time requiring SOC 1 and SOC 2 compliance, a base that's easily covered by best in class software providers.

The respondents also prioritized achieving a lower total cost of ownership of their systems. According to respondents, the cost of a system implementation typically falls between 1-3x the annual cost of the software, with an average of ~2x. However, a cloud-based solution is far easier for business teams to implement, and cheaper to maintain and support with limited IT support, while increasing data security.

Cloud Computing: The New Approach for Fixed Asset Accounting in Municipal & Cooperative Utilities

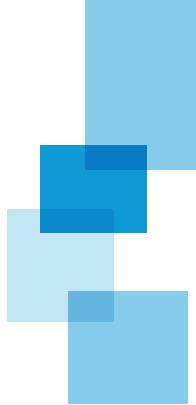
Today, dozens of municipal and cooperative utilities already rely on PowerPlan. And that number is growing with our software's renewed ability to specifically help municipalities and cooperatives.

The end-to-end solution builds in years of domain expertise, is easier than ever to use and fits the requirements, budget and resources of mid-sized utilities to provide:

- Streamlined processes for flow between project and accounting data
- More visible and accurate asset data
- Tighter integration with other systems
- Improved ability to comply with rapidly evolving industry standards
- Enhanced reporting where GL, projects and assets systematically balance

Simply stated, progressive munis and co-ops are already leading the way to tightening their month-end timeline, while reducing costs and strategically leveraging fixed assets. And PowerPlan is now uniquely positioned to help them solve their most complex financial challenges, improve compliance and ensure a brighter future for their own customers.

With cloud technology, utilities can experiment and improve solutions without significant outlays of money, providing flexibility and elevating their approach to fixed asset accounting.



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confidence@powerplan.com