



Wastewater Treatment



TRANSFORMING
WASTEWATER
TO RESOURCES



Recycled Water



Energy Production



Biosolids Reuse

FY22/23 Financial Audit Results

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Finance Committee Meeting
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Background

- Annual external audit of basic financial statements is required to comply with legal and regulatory requirements
- District has exceeded basic requirements and prepared an Annual Comprehensive Financial Report (ACFR)
 - Includes Transmittal Letter and Statistical Section for improved reader context and transparency
- Cropper Accountancy Corporation is the CPA firm serving as the District's external auditor (third year)

FY22/23 Financial Audit Key Findings



- ACFR presents the District's financial position
 - “Unmodified” or “clean” opinion issued by auditor represents the highest quality outcome
- District continues to maintain a strong financial position

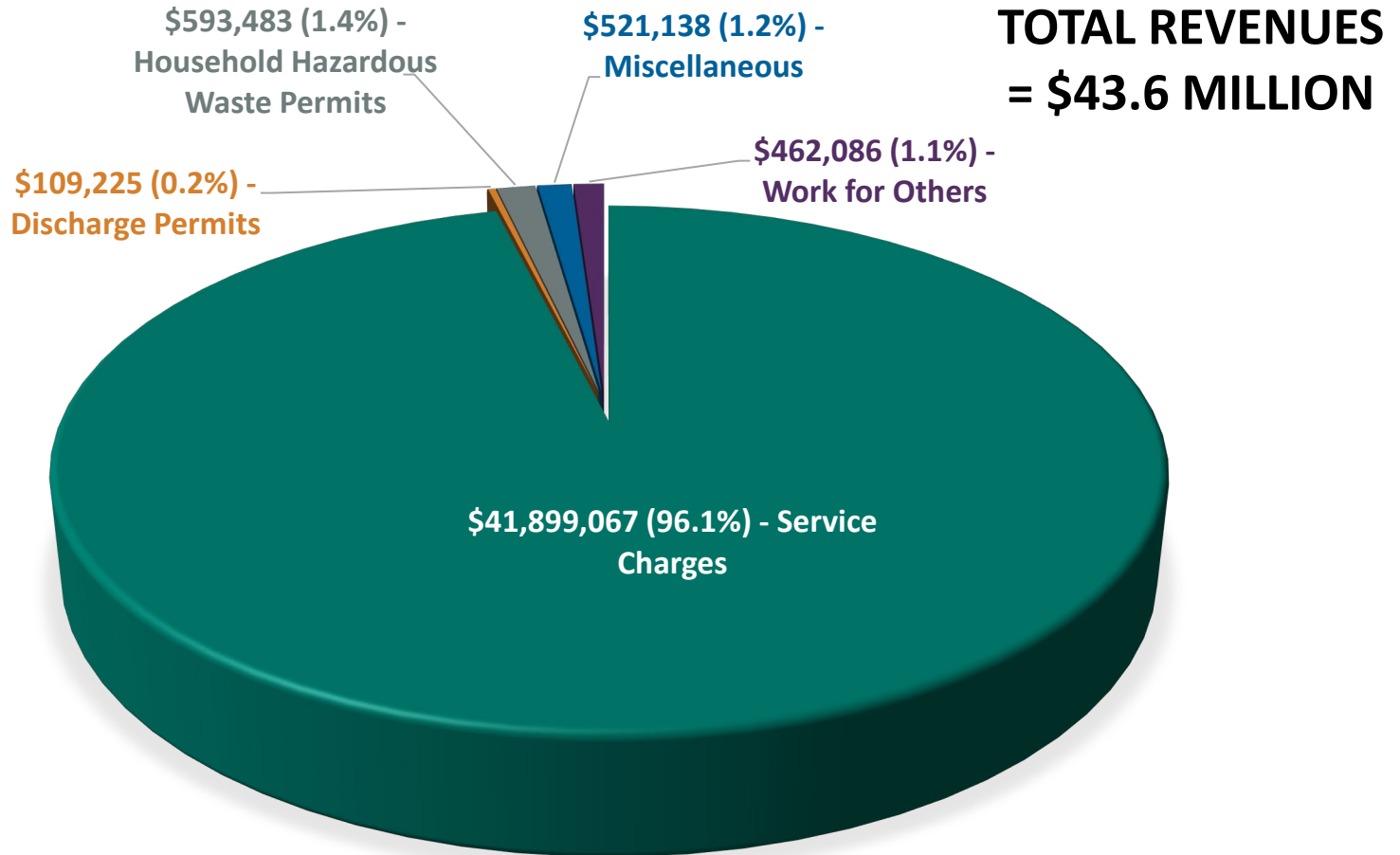
FY22/23 Financial Audit

Key Findings/Highlights

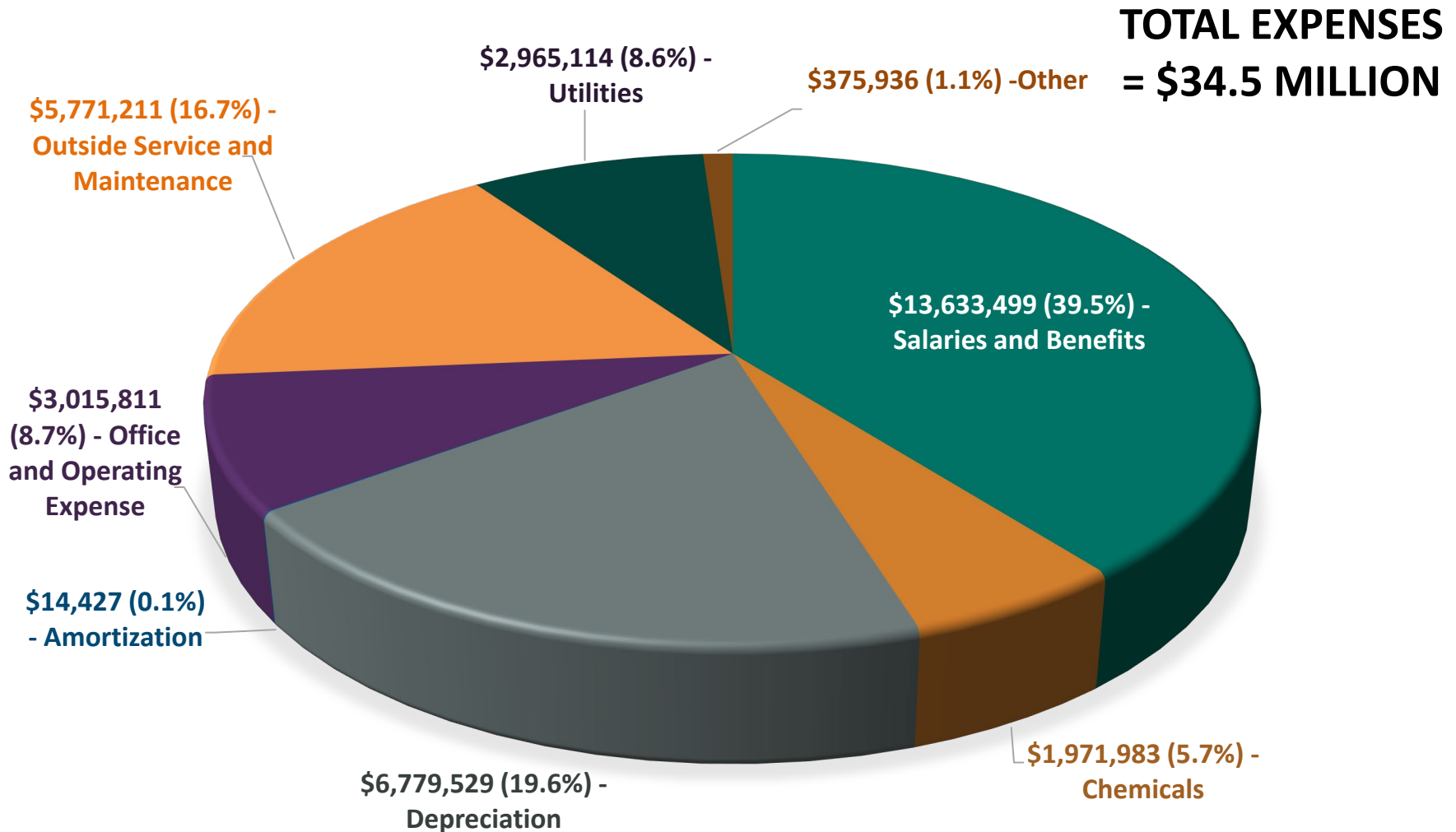


- District net position was \$227.8 million on June 30, 2023
 - Net investment in capital assets (land, treatment and collection facilities, machinery, equipment) = \$132.0 million
 - Unrestricted net position = \$94.1 million (\$51.4 million in “committed investments”)
 - Restricted for debt service = \$1.7 million
- District net position increased by \$20.2 million in FY22/23
 - Operating Revenues = \$43.6 million and Operating Expenses = \$34.5 million yielded \$9.1 million in net income before non-operating
 - Other key factors driving increased net position
 - Net non-operating revenue of \$11.2 million (Capital Facilities Capacity Charges of \$4.2 million + ad valorem property taxes of \$4.1 million + interest income of \$2.1 million + grant revenue of \$1.7 million – interest expense of \$1.0 million)

FY22/23 Operating Revenues



FY22/23 Operating Expenses



FY22/23 Operating Expenses



	<u>FY22/23</u>	<u>FY21/22</u>	YTY Change	%
Salaries and Benefits	\$13,633,499	\$15,849,013	\$-2,215,514	-14%
Chemicals	1,971,983	1,555,667	416,316	27%
Depreciation	6,779,529	7,176,966	-397,437	-6%
Amortization	14,427	2,404	12,023	500%
Office and Operating	3,015,811	2,528,359	487,452	19%
Outside Service and Maintenance	5,771,211	5,608,812	162,399	3%
Utilities	2,965,114	2,686,744	278,370	10%
Other	375,936	241,521	134,415	56%
Total Operating Expenses	\$34,527,510	\$35,649,486	\$-1,121,976	-3%

Additional Notes

- Pension under GASB 68 (9th year)
 - Net Pension Liability = \$23,457,269
 - Deferred Outflows = \$10,824,110
 - Deferred Inflows = \$1,648,597

- OPEB under GASB 75 (6th year)
 - Net OPEB Liability = \$1,160,741
 - Deferred Outflows = \$1,287,330
 - Deferred Inflows = \$2,183,139

Pension, OPEB represent 41% of Total Liabilities (and Deferred Inflows)

Auditor Findings and Recommendations



Provide insights and guidance for organizations to strengthen their internal controls, manage risks effectively, ensure compliance, and improve overall operations and performance

Auditor Finding #1:

Review the timing and review of the ongoing capital improvement projects to ensure accounting for expenditures in the proper fiscal year

District Response:

A more thorough analysis of capital costs will be performed to ensure proper recording of capital costs in the correct fiscal year

Auditor Findings and Recommendations (cont'd)



Provide insights and guidance for organizations to strengthen their internal controls, manage risks effectively, ensure compliance, and improve overall operations and performance

Auditor Finding #2:

A pair of nine-year-old, stale-dated checks were discovered during the bank reconciliation review

District Response:

The District will review its outstanding checks and will exercise proper procedure and diligence to ensure that old stale-date checks are reissued or transferred to the State of California as unclaimed money.

Auditor Findings and Recommendations (cont'd)



Provide insights and guidance for organizations to strengthen their internal controls, manage risks effectively, ensure compliance, and improve overall operations and performance

Auditor Finding #3:

The District needs a Code of Conduct/Ethics Policy to ensure proper compliance with purchasing and managerial oversight

District Response:

The District has hired a consultant to assist in developing key financial policies, including the Code of Conduct/Ethics Policy. The updated policy will allow the District to ensure compliance with purchasing, procurement, and other matters as deemed appropriate and reasonable. The Code of Conduct should be specific enough regarding required and prohibited behavior to provide a reasonable guide to employees in making appropriate decisions.

Any Questions?

