



South Orange County Wastewater Authority

**AU-C 260 Communication With
Those Charge With Governance**

For the Year Ended June 30, 2023

December 1, 2023



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Required Communications (AU-C 260)

OUR RESPONSIBILITY IN ACCORDANCE WITH PROFESSIONAL STANDARDS

- Form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America
- Our responsibility is to plan and perform the audit to obtain “reasonable” assurance (not “absolute” assurance) about whether the financial statements are free of material misstatements.
- We considered internal control over financial reporting. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.
- We concluded there are no conditions or events that raise substantial doubt about the Authority's ability to continues as a going concern.
- Communicate with those charged with governance.

Required Communications (AU-C 260)

- **Ethics and Independence**
 - Complied with ALL relevant ethical requirements regarding independence
- **Significant Accounting Policies**
 - The Authority disclosed all significant accounting policies in Note 2 to the financial statements.
- **Significant Estimates**
 - Investment fair value
 - Depreciation and amortization on capital assets
 - Net other postemployment benefits (“OPEB”) liability
 - Net pension liability

Required Communications (AU-C 260)

- **Sensitive Disclosures**
 - Note 2 - Summary of Significant Accounting Policies
 - Note 7 – Other Postemployment Benefits (“OPEB”)
 - Note 8 – Defined Benefit Pension Plan
 - Note 11 – Commitment and Contingencies
 - Note 12- Restatement of 2022 Financial Statements
- **Misstatements**
 - There were no material uncorrected misstatement.

Required Communications (AU-C 260)

- **Consultation with Other Accountants**
 - Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and other matters.
- **Significant Difficulties**
 - We encountered no significant difficulties in dealing with management.
- **Disagreement with Management**
 - We did not have any disagreement with management in terms of accounting treatments nor audit procedures performed.

OVERVIEW OF THE FINANCIAL STATEMENTS

Net Position @ June 30

	2023	2022 (As Restated)
Assets	\$ 172,566,000	\$ 173,122,000
Deferred Outflows of Resources	8,269,000	3,913,000
Liabilities	30,752,000	19,722,000
Deferred Inflows of Resources	2,501,000	9,733,000
Net Position:		
Investment in Capital Assets	160,801,000	161,146,000
Unrestricted	(13,218,000)	(13,566,000)
Total Net Position	<u>\$ 147,583,000</u>	<u>\$ 147,580,000</u>

Changes in Net Position

	2023	2022 (As Restated)
Operating revenue	\$ 24,177,000	\$ 23,250,000
Less: Operating expenses	(30,986,000)	(33,335,000)
Operating Income (Loss)	(6,809,000)	(10,085,000)
Nonoperating revenues (expenses)	(608,000)	317,000
Capital Contributions from Member Agencies	7,420,000	15,554,000
Changes in Net Position	\$ 3,000	\$ 5,786,000

KEY PENSION AND OTHER POSTEMPLOYMENT BENEFITS INFORMATION

Net Pension Liability

	2023 (MD 6/30/22)	2022 (MD 6/30/21)
Plan Total Pension Liability	\$ 66,443,000	\$ 62,175,000
Plan Fiduciary Net Position	(48,150,000)	(52,918,000)
Net Pension Liability	<u>\$ 18,293,000</u>	<u>\$ 9,257,000</u>
Funding Ratio	<u>72%</u>	<u>85%</u>
Contribution Made During the Fiscal Year	<u>\$ 1,943,000</u>	<u>\$ 1,784,000</u>

Net OPEB Liability

	2023 (MD 6/30/23)	2022 (MD 6/30/22)
Plan Total OPEB Liability	\$ 10,993,000	\$ 10,677,000
Plan Fiduciary Net Position	(6,218,000)	(5,728,000)
Net OPEB Liability	<u>\$ 4,775,000</u>	<u>\$ 4,949,000</u>
Funding Ratio	<u>57%</u>	<u>54%</u>
Contribution Made During the Fiscal Year	<u>\$ 710,000</u>	<u>\$ 667,000</u>

AUDIT RESULTS

Audit Results

- **Financial Statements**
 - Unmodified opinion
 - Financial Statements are fairly presented in all material respects
 - Significant accounting policies have been consistently applied
 - Estimates are reasonable
 - Disclosures are properly reflected in the financial statements
- **AU-C 265, *Communicating Internal Control Related Matters Identified in an Audit***
 - None Reported



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