



# MUNICIPAL WATER DISTRICT OF ORANGE COUNTY

AUDIT RESULTS

FISCAL YEAR ENDED JUNE 30, 2022

# Audit Results

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- ◎ Reports issued:
  - Opinion on the Basic Financial Statements
  - Report on Internal Control over Financial Reporting
    - One recommendation
  - Summary of Audit Results
  
- ◎ Unmodified opinion on financial statements

# Recommendation

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## IT Environment

During our audit, we performed a review of the District's information systems internal controls. We noted the following area where controls could be strengthened:

The District has a single information technology full time employee supporting approximately 50 District personnel. It was noted during inquiry that the Chief Information Officer (CIO) retired approximately 3 years ago. The District is training a Finance staff to act as a backup for certain IT functions.

## Recommendation

As a best practice, the District should consider the following:

Determine if an additional full-time employee is required to support the District. Another option, if a full-time employee is not deemed necessary, is to contract with a third-party IT services provider to act as a backup in the event the primary IT employee is no longer available.

# Areas of Audit Focus in FY 21/22

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**Internal  
Controls**

**New  
Accounting  
Standard -  
Leases**

**Pension and  
OPEB  
Obligations**

# Financial Statement Highlights

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	<u>2022</u>	<u>2021</u>
<b><u>ASSETS</u></b>		
<b>Current Assets:</b>		
<b>Restricted Assets (Note 3):</b>		
Cash and Cash Equivalents (Note 2)	\$ 946,679	\$ 1,871,973
Accounts Receivable Other	2,355,276	1,112,402
Accrued Interest Receivable	978	540
<b>Total Restricted Assets</b>	<b>3,302,933</b>	<b>2,984,915</b>
<b>Unrestricted Assets:</b>		
Cash and Cash Equivalents (Note 2)	7,291,393	9,219,011
Investments (Note 2)	2,962,367	3,144,568
Accounts Receivable:		
Water Sales	37,502,695	33,665,658
Other	85,033	230,826
Accrued Interest Receivable	47,085	40,561
Deposits and Prepaid Expenses	141,139	193,053
<b>Total Unrestricted Assets</b>	<b>48,029,712</b>	<b>46,493,677</b>
<b>Total Current Assets</b>	<b>51,332,645</b>	<b>49,478,592</b>
<b>Noncurrent Assets:</b>		
<b>Unrestricted Assets:</b>		
Capital Assets, Net (Note 4)	4,141,177	3,362,201
Net Other Post Employment Benefits (OPEB) Asset (Note 8)	104,284	89,196
<b>Total Noncurrent Assets</b>	<b>4,245,461</b>	<b>3,451,397</b>
<b>TOTAL ASSETS</b>	<b>55,578,106</b>	<b>52,929,989</b>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>		
Deferred Amount Related to Pensions (Note 7)	1,008,822	865,988
Deferred Amount Related to OPEB (Note 8)	336,022	31,791
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>1,344,844</b>	<b>897,779</b>

# Financial Statement Highlights

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	<u>2022</u>	<u>2021</u>
<b><u>LIABILITIES</u></b>		
<b>Current Liabilities:</b>		
<b>Payable from Restricted Assets</b>		
Accrued Liabilities	\$ 275,981	\$ 440,453
Advances from Participants	1,074,951	412,042
Total Payable from Restricted Assets	<u>1,350,932</u>	<u>852,495</u>
<b>Unrestricted Liabilities:</b>		
Accounts Payable, Metropolitan Water District of Southern California	38,268,338	34,290,284
Accrued Liabilities	2,288,018	4,359,106
Total Unrestricted Liabilities	<u>40,556,356</u>	<u>38,649,390</u>
Total Current Liabilities	<u>41,907,288</u>	<u>39,501,885</u>
<b>Noncurrent Liabilities:</b>		
<b>Unrestricted Liabilities:</b>		
Net Pension Liability (Note 7)	1,097,925	2,844,833
Total Noncurrent Liabilities	<u>1,097,925</u>	<u>2,844,833</u>
<b>TOTAL LIABILITIES</b>	<u>43,005,213</u>	<u>42,346,718</u>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>		
Deferred Amount Related to Pensions (Note 7)	1,195,031	237,042
Deferred Amount Related to OPEB (Note 8)	383,875	281,591
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>1,578,906</u>	<u>518,633</u>
<b><u>NET POSITION</u></b>		
Net Investment in Capital Assets	4,141,177	3,362,201
Restricted	1,952,001	2,132,420
Unrestricted	6,245,653	5,467,796
<b>TOTAL NET POSITION</b>	<u>\$ 12,338,831</u>	<u>\$ 10,962,417</u>



# Financial Statement Highlights

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	<u>2022</u>	<u>2021</u>
<b>Operating Revenues:</b>		
Water Sales	\$ 210,432,332	\$ 164,209,371
Special Projects Revenue	2,796,851	1,819,848
Federal Grant Revenue	702,714	314,942
State Grant Revenue	1,162,824	621,614
Total Operating Revenues	<u>215,094,721</u>	<u>166,965,775</u>
<b>Operating Expenses:</b>		
Cost of Water Sold	200,130,346	154,404,997
Salaries and Employee Benefits	5,275,533	6,609,558
General and Administrative	3,203,110	3,880,352
Special Project Expenses	4,662,389	2,756,404
Depreciation	281,210	228,688
Total Operating Expenses	<u>213,552,588</u>	<u>167,879,999</u>
Operating Income	<u>1,542,133</u>	<u>(914,224)</u>
<b>Nonoperating Revenues:</b>		
Investment Income/(Loss)	(174,503)	75,669
Other Income	8,784	14,552
Total Nonoperating Revenues	<u>(165,719)</u>	<u>90,221</u>
Change in Net Position	1,376,414	(824,003)
<b>NET POSITION - BEGINNING OF YEAR</b>	<u>10,962,417</u>	<u>11,786,420</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 12,338,831</u>	<u>\$ 10,962,417</u>

# Questions?