

# South Orange County Wastewater Authority

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

For the Year Ended June 30, 2020

December 17, 2020



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# SCOPE OF WORK

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- Audit of the Comprehensive Annual Financial Report
- Report on internal control over financial reporting and on compliance in accordance with *Government Auditing Standards*

# 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.

# Required Communications (AU-C 260)

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- **Ethics and Independence**
  - Complied with ALL relevant ethical requirements regarding independence
- **Significant Accounting Policies**
  - SOCWA disclosed all significant accounting policies in Note 2 to the financial statements.
  - SOCWA implemented GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*
- **Significant Estimates**
  - Fair Value on Investments
  - Depreciation on Capital Assets
  - Net Pension Liability
  - Net OPEB Liability

# Required Communications (AU-C 260)

- **Sensitive Disclosures**
  - Note 4 – Capital Assets
  - Note 6 – Other Postemployment Benefits (“OPEB”)
  - Note 7 – Defined Benefit Pension Plan
  - Note 9 – Commitment and Contingencies
- **Misstatements**
  - There were no corrected or uncorrected misstatement reported.
- **Consultation with Other Accountants**
  - Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and other matters.



# Required Communications (AU-C 260)

- **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

|                                | 2020                  | 2019                  |
|--------------------------------|-----------------------|-----------------------|
| Assets                         | \$ 161,174,478        | \$ 153,395,589        |
| Deferred Outflows of Resources | 4,002,143             | 3,557,774             |
| Liabilities                    | 26,132,000            | 24,242,464            |
| Deferred Inflows of Resources  | 1,578,808             | 1,724,491             |
| Net Position:                  |                       |                       |
| Investment in capital asset    | 137,653,909           | 130,640,588           |
| Unrestricted (deficit)         | (188,096)             | 345,820               |
| Total net position             | <u>\$ 137,465,813</u> | <u>\$ 130,986,408</u> |

# Changes in Net Position

|                               | 2020                | 2019                |
|-------------------------------|---------------------|---------------------|
| O&M Member Agency Assessments | \$ 22,455,961       | \$ 20,945,369       |
| Less: Operating expenses      | (31,281,811)        | (28,366,905)        |
| Non operating revenues        | 717,384             | 1,765,382           |
| Capital contributions         | 14,587,871          | 9,490,114           |
| Changes in Net Position       | <u>\$ 6,479,405</u> | <u>\$ 3,833,960</u> |

# Net Pension Liability

| Measurement Date | Plan's Aggregate Net Pension Liability/(Asset) |                                  |                              |
|------------------|--|----------------------------------|------------------------------|
|                  | Discount Rate<br>-1% (6.15%)                   | Current Discount<br>Rate (7.15%) | Discount Rate<br>+1% (8.15%) |
| June 30, 2019    | \$ 21,819,832                                  | \$ 14,361,551                    | \$ 8,205,266                 |

# Net OPEB Liability

| Measurement Date | Plan's Net OPEB Liability    |                                  |                              |
|------------------|------------------------------|----------------------------------|------------------------------|
|                  | Discount Rate -1%<br>(5.50%) | Current Discount Rate<br>(6.50%) | Discount Rate +1%<br>(7.50%) |
| June 30, 2020    | \$ 7,559,992                 | \$ 5,688,551                     | \$ 4,879,506                 |

# AUDIT RESULT

# 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





THE  
PUN GROUP  
ACCOUNTANTS & ADVISORS

# Thank You



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