



FY 2025 Annual Audit and Financial Reports

Audit Committee | December 3, 2025
Financial Services Area



Annual Audit Results

Annual Audit Results – Key Highlights

- Audit Firm
 - Baker Tilly was selected by the Audit Committee and approved by the Board of Directors in June 2025
 - Audit Services are bid every three years; first year of new contract
- Completed audit on time during inaugural year of Workday!
- Sewage Disposal system – first year of positive equity
- Water system equity – trending in the same path as Sewage Disposal system
- Great News! Unqualified opinion with no auditor adjustments for the Annual Comprehensive Financial Report and Report on Federal Awards
 - Also known as a “clean” audit opinion
- Second year in a row with a clean IT Risk Assessment audit report!





FY 2025 Financial Report Highlights

ACFR Contents

- ✓ ACFR = Annual Comprehensive Financial Report
- ✓ Prepared in accordance with Generally Accepted Accounting Standards (GAAS)
- ✓ Report content aligns with criteria to apply for the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting (earned by GLWA in prior six years – 2019 through 2024)
- ✓ Key Sections:
 - ✓ Transmittal Letter
 - ✓ Independent Auditors Report
 - ✓ Management's Discussion & Analysis
 - ✓ Basic Financial Statements (including footnotes)
 - ✓ Required Supplementary Information
 - ✓ Supplementary Information
 - ✓ Statistical Section
 - ✓ Financial Trends, Revenue Capacity, Debt Capacity, Demographic and Economic Information, and Operating Information



What are the overall financial results for FY 2025?

- ✓ The “Management Discussion & Analysis” summarizes Basic Financial Statements overall for the combined Water & Sewer Funds
- ✓ Positive “Operating Income” offset set by Nonoperating expenses (largely interest on debt)
- ✓ The following slides provide further analysis



| | Changes in Net Position (\$000) | | | | | | |
|--|---------------------------------|--------------|--------------|---------------------|-----------|---------------------|---------|
| | Fiscal Year | | | Change 2025 vs 2024 | | Change 2024 vs 2023 | |
| | 2025 | 2024 | 2023 | Amount | Percent | Amount | Percent |
| Operating revenues | \$ 884,068 | \$ 835,531 | \$ 845,686 | \$ 48,537 | 5.8% | \$ (10,155) | -1.2% |
| Operating expenses | 651,379 | 646,638 | 660,786 | 4,742 | 0.7% | (14,149) | -2.1% |
| Operating income | 232,689 | 188,893 | 184,900 | 43,795 | 23.2% | 3,993 | 2.2% |
| Nonoperating revenues (expenses) | (147,300) | (188,168) | (199,359) | (40,869) | -21.7% | (11,191) | -5.6% |
| Income (loss) before capital contributions | 85,389 | 725 | (14,459) | 84,664 | -11677.7% | 15,184 | 105.0% |
| Capital contributions | 40,693 | 40,432 | 2,176 | 261 | 0.6% | 38,256 | 1758.1% |
| Change in net position | 126,082 | 41,157 | (12,283) | 84,925 | -206.3% | 53,440 | 435.1% |
| Net position (deficit), beginning of year | (190,425) | (231,582) | (219,299) | 41,157 | 17.8% | (12,283) | -5.6% |
| Net position (deficit), end of year | \$ (64,342) | \$ (190,425) | \$ (231,582) | \$ 126,082 | 66.2% | \$ 41,157 | 17.8% |

Source: FY 2025 ACFR

Why is there a net deficit? Is there a plan to cure?

- ✓ Total Net Position remains in a deficit position of \$64.3 million largely due to the deficit in net investment in capital assets.
- ✓ The increase in asset values resulted in higher depreciation expense in the short-term.
- ✓ The decrease in net investment in capital assets is due to a) reductions in debt and b) increased capital asset additions being less than the depreciation expense.
- ✓ The change in restricted for debt service reflects the change in debt service requirements.
- ✓ The increase in unrestricted is due to a positive increase in unrestricted account activities for the year.

| | Net Position (\$000) | | | | | | |
|---|----------------------|---------------------|---------------------|---------------------|---------|---------------------|---------|
| | Fiscal Year | | | Change 2025 vs 2024 | | Change 2024 vs 2023 | |
| | 2025 | 2024 | 2023 | Amount | Percent | Amount | Percent |
| Net position (deficit) | | | | | | | |
| Net investment in capital assets | (355,298) | (428,662) | (336,553) | 73,364 | 17.1% | (92,109) | -27.4% |
| Restricted for construction | 2,328 | 2,258 | 2,181 | 70 | 3.1% | 77 | 3.5% |
| Restricted for debt service | 203,653 | 213,674 | 147,436 | (10,021) | -4.7% | 66,238 | 44.9% |
| Restricted for payment assistance program | 2,306 | 1,716 | 4,653 | 590 | 34.4% | (2,936) | -63.1% |
| Unrestricted | 82,669 | 20,589 | (49,299) | 62,080 | -301.5% | 69,888 | 141.8% |
| Total net position (deficit) | <u>\$ (64,342)</u> | <u>\$ (190,425)</u> | <u>\$ (231,582)</u> | <u>\$ 126,082</u> | 66.2% | <u>\$ 41,157</u> | 17.8% |

Source: FY 2025 ACFR

How did the Operating Expense Budget perform?

- ✓ Audited Operating Expenses of \$405 million align with preliminary results reported in November 2025
- ✓ The operating budget is dynamic; during the year the operations budget was increased by \$18.9 million (4.7%) for cost increases seen mainly in contractual services, utilities and chemicals
- ✓ Actual results were higher than the original adopted budget. The reasons for the variance shown in the table between actual and the amended budget are described below:
 - ✓ Contractual services were lower than anticipated due to a delay in mobile dredgings, IT project system upgrade delay and project timing
 - ✓ Utilities were lower due to an unanticipated electric power supply cost recovery factor which decreased pricing in addition to reduced electrical demand related to reduced forecasted water consumption
 - ✓ Chemicals came in lower than original estimates due to reduced consumption
- ✓ Intergovernmental reimbursement activity varies from year to year

SCHEDULE OF OPERATING EXPENSES FOR COMBINED WATER AND SEWER OPERATIONS FUNDS - BUDGET TO ACTUAL
For the Year Ended June 30, 2025

| | Adopted Budget | Final Amended Budget | Actual | Variance Over (Under) Amended | Percent Over (Under) Amended |
|--|-----------------------|----------------------------|-----------------------|-------------------------------------|------------------------------------|
| Operating Expenses | | | | | |
| Personnel | \$ 130,368,300 | \$ 138,535,200 | \$ 136,882,729 | \$ (1,652,471) | -1.19% |
| Contractual services | 114,508,700 | 132,821,200 | 126,920,882 | (5,900,318) | -4.44% |
| Utilities | 70,602,500 | 69,702,500 | 67,059,281 | (2,643,219) | -3.79% |
| Chemicals | 34,834,900 | 38,234,900 | 34,385,123 | (3,849,777) | -10.07% |
| Supplies and other expenses | 43,538,700 | 43,484,000 | 43,917,542 | 433,542 | 1.00% |
| Capital program allocation | (4,581,800) | (4,581,800) | (2,900,580) | 1,681,220 | 36.69% |
| Intergovernmental reimbursements | (2,917,700) | (3,819,200) | (4,147,344) | (328,144) | -8.59% |
| Unallocated reserve | 12,205,400 | - | - | - | 0.00% |
| Total operating expenses before depreciation and amortization financial reporting basis | 398,559,000 | 414,376,800 | 402,117,633 | (12,259,167) | |
| SBITA | - | 2,527,800 | 2,527,856 | 56 | 0.00% |
| Warehouse lease | - | 514,100 | 514,123 | 23 | 0.00% |
| TOTAL OPERATING EXPENSES BUDGET BASIS | \$ 398,559,000 | \$ 417,418,700 | \$ 405,159,612 | \$ (12,259,088) | -2.94% |

SBITA: Subscription-Based Information Technology Arrangement

How did the Water System Revenue Requirements perform?

| | Adopted Budget | Amended Budget | Actual | Variance Over (Under) Amended Budget |
|---|--------------------|--------------------|----------------------|---|
| Revenues | | | | |
| Revenue from Charges | | | | |
| Wholesale Charges [1] | \$ 347,758,000 | \$ 347,758,000 | \$ 343,199,317 | \$ (4,558,683) |
| Charges to Local System | 27,094,800 | 27,094,800 | 27,094,800 | - |
| Total Revenue from Charges | 374,852,800 | 374,852,800 | 370,294,117 | (4,558,683) |
| Investment Earnings [2] | | | | |
| Unrestricted | 6,692,200 | 11,933,000 | 12,109,614 | 176,614 |
| Restricted for Debt Service | 3,182,100 | 3,885,000 | 4,346,719 | 461,719 |
| Total Investment Earnings | 9,874,300 | 15,818,000 | 16,456,333 | 638,333 |
| Other Revenue [3] | 400,000 | 400,000 | 503,708 | 103,708 |
| Total Revenues | 385,127,100 | 391,070,800 | 387,254,158 | (3,816,642) |
| Revenue Requirements | | | | |
| Operations and Maintenance Expense [4] | 169,625,000 | 182,227,100 | 175,405,631 | (6,821,469) |
| Debt Service | 175,300,800 | 161,945,100 | 162,019,744 | 74,644 |
| General Retirement System Pension | 2,283,300 | 1,653,300 | 1,653,300 | - |
| Water Residential Assistance Program Contribution | 1,947,800 | 1,876,500 | 1,876,500 | - |
| Extraordinary Repair & Replacement Deposit | - | 2,650,000 | 2,144,000 | (506,000) |
| Regional System Lease | 22,500,000 | 22,500,000 | 22,500,000 | - |
| Working Capital Requirement [5] | 6,200,000 | 4,956,000 | - | (4,956,000) |
| Transfer to the Improvement & Extension Fund | 7,270,200 | 13,262,800 | 8,315,700 | (4,947,100) |
| Total Revenue Requirements | 385,127,100 | 391,070,800 | 373,914,875 | (17,155,925) |
| Revenue Requirement Variance [5] | \$ - | \$ - | \$ 13,339,283 | \$ 13,339,283 |

- ✓ Revenue Requirements are the basis for establishing Member Partner Charges
- ✓ The goal is to net to zero as the “bottom line”
- ✓ To extent there is a positive variance, those funds support an improved financial position for subsequent years
- ✓ The net positive variance of \$13.3 million improves cashflow and offsets reductions during the year to the Improvement & Extension Fund to keep the budget balanced
- ✓ This schedule also shows that the Water System met its financial and contractual commitments for the General Retirement System legacy pension, Water Residential Assistance Program, and Regional System Lease
- ✓ All debt payments were made as required; variance relates to final calculations related to State Revolving Fund (SRF) at year end based on actual draws

How did the Sewage Disposal System Revenue Requirements perform?

| | Adopted Budget | Amended Budget | Actual | Variance Over (Under) Amended Budget |
|---|--------------------|--------------------|---------------------|---|
| Revenues | | | | |
| Revenue from Charges | | | | |
| Wholesale Charges | \$ 287,517,600 | \$ 287,386,800 | \$ 287,690,760 | \$ 303,960 |
| Charges to Local System | 205,924,800 | 205,924,800 | 205,924,800 | - |
| Industrial Waste Control | 8,719,300 | 8,719,300 | 8,849,415 | 130,115 |
| Pollutant Surcharges | 5,434,400 | 5,434,400 | 4,583,986 | (850,414) |
| Total Revenue from Charges | 507,596,100 | 507,465,300 | 507,048,961 | (416,339) |
| Investment Earnings [1] | | | | |
| Unrestricted | 10,494,500 | 16,113,000 | 16,514,414 | 401,414 |
| Restricted for Debt Service | 1,861,500 | 4,492,000 | 5,128,850 | 636,850 |
| Total Investment Earnings | 12,356,000 | 20,605,000 | 21,643,264 | 1,038,264 |
| Other Revenue (Expense) [2] | 700,000 | 700,000 | 685,291 | (14,709) |
| Total Revenues | 520,652,100 | 528,770,300 | 529,377,516 | 607,216 |
| Revenue Requirements | | | | |
| Operations and Maintenance Expense [3] | 228,934,000 | 235,191,600 | 229,753,981 | (5,437,619) |
| Debt Service | 226,279,400 | 217,448,700 | 217,295,589 | (153,111) |
| General Retirement System Pension | 4,846,300 | 3,718,800 | 3,718,800 | - |
| Water Residential Assistance Program Contribution | 2,651,700 | 2,541,500 | 2,541,501 | 1 |
| Extraordinary Repair & Replacement Deposit | - | 276,000 | 345,000 | 69,000 |
| Regional System Lease | 27,500,000 | 27,500,000 | 27,500,000 | - |
| Working Capital Requirement [4] | 2,300,000 | - | - | - |
| Transfer to the Improvement & Extension Fund | 28,140,700 | 42,093,700 | 42,093,700 | - |
| Total Revenue Requirements | 520,652,100 | 528,770,300 | 523,248,571 | (5,521,729) |
| Revenue Requirement Variance [4] | \$ - | \$ - | \$ 6,128,945 | \$ 6,128,945 |

- ✓ Revenue Requirements are the basis for establishing Member Partner Charges
- ✓ The goal is to net to zero as the “bottom line”
- ✓ To extent there is a positive variance, those funds support an improving financial position for subsequent years
- ✓ This schedule also shows that the Sewage Disposal System met all of its financial and contractual commitments for the General Retirement System legacy pension, Water Residential Assistance Program, Regional System Lease
- ✓ All debt payments were made as required; variance relates to final calculations related to SRF at year end based on actual draws.

How did the Improvement & Extension Funds Perform?

| | Adopted Budget | Amended Budget | Actual [2] | Variance Over (Under) Amended Budget | | Adopted Budget | Amended Budget | Actual [3] | Variance Over (Under) Amended Budget |
|---|------------------------|---------------------|-------------------|--------------------------------------|---|----------------------|----------------------|----------------------|--------------------------------------|
| Inflows | | | | | Inflows | | | | |
| Transfers in from Water Operations Fund | | | | | Transfers in from Sewer Operations Fund | | | | |
| Revenue transfers | \$ 7,270,200 | \$ 13,262,800 | \$ 8,315,700 | \$ (4,947,100) | Revenue transfers | \$ 28,140,700 | \$ 42,093,700 | \$ 42,093,700 | \$ - |
| Investment earnings [1] | 938,700 | 6,125,000 | 6,257,059 | 132,059 | Transfers in from Sewer Construction Fund | | | | |
| Total Inflows | 8,208,900 | 19,387,800 | 14,572,759 | (4,815,041) | Working capital adjustment [1] | - | - | 1,942,016 | 1,942,016 |
| | | | | | Investment earnings [2] | 1,076,000 | 6,210,000 | 6,347,085 | 137,085 |
| | | | | | Total Inflows | 29,216,700 | 48,303,700 | 50,382,801 | 2,079,101 |
| Outflows | | | | | Outflows | | | | |
| Capital outlay | 10,527,800 | 11,835,700 | 8,883,041 | (2,952,659) | Capital outlay | 12,071,300 | 12,071,300 | 9,038,304 | (3,032,996) |
| Transfers out to Water Operations Fund | | | | | Transfers out to Sewer Operations Fund | | | | |
| Investment earnings [1] | 938,700 | 6,125,000 | 4,803,139 | (1,321,861) | Investment earnings [2] | 1,076,000 | 6,210,000 | 4,794,375 | (1,415,625) |
| Transfer out to Water Construction Fund | | | | | Transfer out to Sewer Construction Fund | | | | |
| Revenue financed capital | 15,000,000 | - | 171,562 | 171,562 | Revenue financed capital | 5,500,000 | - | 955,262 | 955,262 |
| Total Outflows | 26,466,500 | 17,960,700 | 13,857,742 | (4,102,958) | Total Outflows | 18,647,300 | 18,281,300 | 14,787,941 | (3,493,359) |
| Net Increase (Decrease) - Budget Basis | \$ (18,257,600) | \$ 1,427,100 | 715,017 | \$ (712,083) | Net Increase (Decrease) - Budget Basis | \$ 10,569,400 | \$ 30,022,400 | 35,594,860 | \$ 5,572,460 |
| Non-budgeted inflows (outflows) | | | | | Non-budgeted inflows (outflows) | | | | |
| Unrealized net decrease in fair value of investments | | | (129,707) | | Unrealized net increase in fair value of investments | | | (156,045) | |
| Combining Schedule Water Improvement and Extension Fund Change in Net Position [3] | | | \$ 585,310 | | Combining Schedule Sewer Improvement and Extension Fund Change in Net Position [3] | | | \$ 35,438,815 | |

- ✓ Transfers In from Construction Funds - The Improvement & Extension (I&E) Funds received funds back from the construction fund. Capital expenditures, originally paid for with I&E funds, were subsequently funded by grants.

How did the Construction Funds perform?

| | Adopted Budget | Amended Budget | Actual [2] | Variance Over (Under) Amended Budget |
|--|-----------------------|----------------------|-----------------------|--------------------------------------|
| Inflows | | | | |
| Transfers from Water Improvement & Extension Fund | | | | |
| Revenue financed capital | \$ 15,000,000 | \$ - | \$ 171,562 | \$ 171,562 |
| Transfers in from Water Operations Fund | | | | |
| Bond proceeds | 271,562,500 | 230,000,000 | 231,833,814 | 1,833,814 |
| State revolving loans | 30,800,000 | 61,643,800 | 56,270,485 | (5,373,115) |
| Grants and Capital Contributions | - | 1,848,900 | 3,348,636 | 1,499,736 |
| Investment earnings [1] | 7,953,300 | 4,839,000 | 5,248,342 | 409,342 |
| Total Inflows | 325,315,800 | 298,331,500 | 296,872,839 | (1,458,661) |
| Outflows | | | | |
| Capital Program | 210,000,000 | 210,000,000 | 156,209,178 | (53,790,822) |
| Transfers out to Water Operations Fund | | | | |
| Bond cost of issuance | - | 1,725,000 | 1,812,585 | 87,585 |
| Total Outflows | 210,000,000 | 211,725,000 | 158,021,763 | (53,703,237) |
| Net Increase (Decrease) - Budget Basis | \$ 115,315,800 | \$ 86,606,500 | 138,851,076 | \$ 52,244,576 |
| Non-budgeted inflows (outflows) | | | | |
| Unrealized net decrease in fair value of investments | | | - | |
| Combining Schedule Water Construction Fund Change in Net Position [2] | | | \$ 138,851,076 | |

| | Adopted Budget | Amended Budget | Actual [3] | Variance Over (Under) Amended Budget |
|--|------------------------|------------------------|------------------------|--------------------------------------|
| Inflows | | | | |
| Transfers in from Sewer Improvement & Extension Fund | | | | |
| Revenue financed capital | \$ 5,500,000 | \$ - | \$ 955,262 | \$ 955,262 |
| Transfers in from Sewer Operations Fund | | | | |
| Bond proceeds | - | 50,000,000 | 51,717,480 | 1,717,480 |
| State revolving loans | 96,852,000 | 96,852,000 | 83,533,191 | (13,318,809) |
| Grants and Capital Contributions | - | 2,664,800 | 15,260,416 | 12,595,616 |
| Investment earnings [1] | 2,359,000 | 6,830,000 | 3,840,499 | (2,989,501) |
| Total Inflows | 104,711,000 | 156,346,800 | 155,306,848 | (1,039,952) |
| Outflows | | | | |
| Capital Program | 170,000,000 | 185,000,000 | 174,702,592 | (10,297,408) |
| Transfers out to Sewer Operations Fund | | | | |
| Bond cost of issuance | - | 375,000 | 1,710,095 | 1,335,095 |
| Transfers out to Sewer Improvement & Extension Fund | | | | |
| Working capital adjustment [2] | - | - | 1,942,016 | 1,942,016 |
| Total Outflows | 170,000,000 | 185,375,000 | 178,354,703 | (7,020,297) |
| Net Increase (Decrease) - Budget Basis | \$ (65,289,000) | \$ (29,028,200) | (23,047,855) | \$ 5,980,345 |
| Non-budgeted inflows (outflows) | | | | |
| Unrealized net increase in fair value of investments | | | - | |
| Combining Schedule Sewer Construction Fund Change in Net Position [3] | | | \$ (23,047,855) | |

- ✓ Expenditures for Water were \$52.2 million less than the amended budget and Sewer were \$5.9 million less than the amended budget
- ✓ Bond transactions in June 2025 refunded bonds and provided new money bond proceeds to fund construction activities
- ✓ State revolving loan differences are due to timing of when funds are submitted and subsequently received
- ✓ Capital expenditures, originally paid for with I&E funds, were subsequently funded by grants. Therefore, the funds were transferred back to the I&E funds.

Acknowledgements

Direct Contributors and Participants in the Annual Financial Audit

Excellence in financial management and a commitment to strong internal controls is supported by all GLWA team members.

Every successful audit is the result of collaboration and partnership between GLWA team members and our auditors. We are pleased to acknowledge the efforts of those directly involved in the audit from all areas of GLWA in addition to the Board of Directors Audit Committee and GLWA Executive Leadership Team.

GLWA Contributors

| | | | | |
|------------------|--------------------|-------------------|----------------|-------------------|
| Alicia Schwartz | Angela Stevenson | Cindy Cezat | Connie Delling | David Slowik |
| Dionna Wilson | Gerri Williams | Gregory Bolterman | Guy Belew | Jacqueline Morgan |
| Jay Oswalt | Jennifer Eddy | Jill Kusters | Jodi DiVito | Joseph McMichael |
| Judi Cook | Karen Gerow | Kathy Smith-Roy | Keiano Vanzant | Kim Garland |
| Lisa Mancini | Matt Lane | Michelle Burt | Nick Fedewa | Phyllis Walsh |
| Renee Marcos | Robert Arbaugh | Sandy Chen | Scott Juryn | Scott Schultz |
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Baker Tilley Auditors

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