



FY 2024 Annual Audit and Financial Reports

Board of Directors Workshop | December 11, 2024
Financial Services Area



Annual Audit Results

Annual Audit Results – Key Highlights

- Audit Firm is Baker Tilly
 - Audit Services are bid every three years
 - Baker Tilly was selected by the Audit Committee and approved by the Board of Directors in April 2022
- Great News! Unqualified opinion with no auditor adjustments for both the a) Annual Comprehensive Financial Report and b) Statement of Expenses and Federal Awards
 - Also known as a “clean” audit opinion
- Even better! Another year with a clean internal control report



FY 2024 Financial Report Highlights

ACFR Contents

- ✓ ACFR = Annual Comprehensive Financial Report
- ✓ Prepared in accordance with Generally Accepted Accounting Standards (GAAP)
- ✓ 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 five years – 2019 through 2023)
- ✓ Key Sections:
 - ✓ Transmittal Letter – page vi
 - ✓ Independent Auditors Report – page 1
 - ✓ Management’s Discussion & Analysis – page 6
 - ✓ Basic Financial Statements (including footnotes) – page 34
 - ✓ Required Supplementary Information – page 98
 - ✓ Supplementary Information – page 104
 - ✓ Statistical Section – page 127
 - ✓ Financial Trends (127), Revenue Capacity (137), Debt Capacity (145), Demographic and Economic Information (159), and Operating Information (163)

What are the overall financial results for FY 2024?

- ✓ 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 2024 vs 2023		Change 2023 vs 2022	
	2024	2023	2022	Amount	Percent	Amount	Percent
Operating revenues	\$ 835,531	\$ 845,686	\$ 816,345	\$ (10,155)	-1.2%	\$ 29,341	3.6%
Operating expenses	646,638	660,786	609,951	(14,149)	-2.1%	50,835	8.3%
Operating income	188,893	184,900	206,394	3,993	2.2%	(21,494)	-10.4%
Nonoperating revenues (expenses)	(188,168)	(199,359)	(222,552)	(11,191)	-5.6%	(23,193)	-10.4%
Income (loss) before capital contributions	725	(14,459)	(16,158)	15,184	105.0%	1,699	10.5%
Capital contributions	40,432	2,176	6,991	38,256	1758.1%	(4,815)	-68.9%
Change in net position	41,157	(12,283)	(9,167)	53,440	435.1%	(3,116)	-34.0%
Net position (deficit), beginning of year	(231,582)	(219,299)	(210,132)	(12,283)	-5.6%	(9,167)	-4.4%
Net position (deficit), end of year	\$ (190,425)	\$ (231,582)	\$ (219,299)	\$ 41,157	17.8%	\$ (12,283)	-5.6%

Source: FY 2024 ACFR Page 11

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

- ✓ Net Position remains in a deficit position of \$190.4 million mainly due to the revaluation of assets and acquisition of debt as part of the stand-up of GLWA on January 1, 2016.
- ✓ The increase in asset values results in higher depreciation expense in the short-term.
- ✓ The decrease in net investment in capital assets is due to a) the reductions in debt and b) increase in capital asset additions being less than the depreciation expense.
- ✓ The increase in restricted for debt service is due to an increase in the debt requirements.
- ✓ The increase in unrestricted is due to a positive increase in unrestricted account activities for the year.

	Net Position (\$000)						
	Fiscal Year			Change 2024 vs 2023		Change 2023 vs 2022	
	2024	2023	2022	Amount	Percent	Amount	Percent
Net position (deficit)							
Net investment in capital assets	(428,662)	(336,553)	(194,715)	(92,109)	-27.4%	(141,838)	-72.8%
Restricted for construction	2,258	2,181	-	77	3.5%	2,181	100.0%
Restricted for debt service	213,674	147,436	123,415	66,238	44.9%	24,022	19.5%
Restricted for payment assistance program	1,716	4,653	12,318	(2,936)	-63.1%	(7,666)	-62.2%
Unrestricted	20,589	(49,299)	(160,317)	69,888	141.8%	111,018	69.2%
Total net position (deficit)	<u>\$ (190,425)</u>	<u>\$ (231,582)</u>	<u>\$ (219,299)</u>	<u>\$ 41,157</u>	<u>17.8%</u>	<u>\$ (12,283)</u>	<u>-5.6%</u>

Source: FY 2024 ACFR Page 9

How did the Operating Expense Budget perform?

- ✓ Audited Operating Expenses of \$384 million align with preliminary results reported in October 2024
- ✓ The operating budget is dynamic; during the year the operations budget was increased by \$35 million (10%) for significant cost increases being seen in all areas
- ✓ 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 the number of mobile dredgings needed and IT project spending being less than anticipated
 - ✓ Utilities were lower due to decreased usage as a decrease in water sales resulted in decreased water production for the water system and a decrease in the unit cost for gas by locking in rates for the sewer system
 - ✓ Chemicals are lower due to a stabilization in unit prices.
 - ✓ Supplies and Other are lower due to a decrease in anticipated repairs
- ✓ 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, 2024

	Adopted Budget	Final Amended Budget	Actual	Variance Over (Under) Amended Budget	Percent Over (Under) Amended Budget
Operating Expenses					
Personnel	\$ 120,887,100	\$ 125,652,500	\$ 125,455,261	\$ (197,239)	-0.16%
Contractual services	106,889,200	115,470,300	113,854,390	(1,615,910)	-1.40%
Utilities	63,395,200	73,823,400	71,938,730	(1,884,670)	-2.55%
Chemicals	30,451,800	32,824,100	31,075,405	(1,748,695)	-5.33%
Supplies and other expenses	34,019,500	43,853,500	42,093,447	(1,760,053)	-4.01%
Capital program allocation	(4,232,700)	(2,624,200)	(2,847,434)	(223,234)	8.51%
Intergovernmental reimbursements	(1,655,800)	(2,206,900)	(4,812,669)	(2,605,769)	118.07%
Centralized services allocation	-	-	-	-	0.00%
Administrative services allocation	-	-	-	-	0.00%
Unallocated reserve	8,795,800	-	-	-	0.00%
Total operating expenses before depreciation and amortization financial reporting basis	358,550,100	386,792,700	376,757,130	(10,035,570)	
SBITA	-	6,452,400	6,452,274	(126)	0.00%
Warehouse lease	-	501,500	501,512	12	0.00%
TOTAL OPERATING EXPENSES BUDGET BASIS	\$ 358,550,100	\$ 393,746,600	\$ 383,710,916	\$ (10,035,684)	-2.55%

SBITA: Subscription-Based Information Technology Arrangement
Source: FY 2024 ACFR Page 114

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]	\$ 340,540,600	\$ 333,229,600	\$ 331,520,336	\$ (1,709,264)
Local System Charges	25,537,200	25,537,200	25,537,200	-
Bad Debt Recovery Credit	-	(5,026,500)	(5,152,500)	(126,000)
Total Revenue from Charges	366,077,800	353,740,300	351,905,036	(1,835,264)
Investment Earnings [2]				
Unrestricted	3,067,000	12,640,000	13,343,940	703,940
Restricted for Debt Service	994,700	5,411,000	4,992,455	(418,545)
Total Investment Earnings	4,061,700	18,051,000	18,336,395	285,395
Other Revenue [3]	175,000	942,900	901,919	(40,981)
Total Revenues	\$ 370,314,500	\$ 372,734,200	\$ 371,143,350	\$ (1,590,850)
Revenue Requirements				
Operations and Maintenance Expense [4]	152,906,400	168,873,100	161,037,183	(7,835,917)
Debt Service	159,482,800	162,236,100	160,622,417	(1,613,683)
General Retirement System Pension	3,395,500	1,505,500	1,505,500	-
Water Residential Assistance Program Contribution	1,851,600	1,851,600	1,851,600	-
Extraordinary Repair & Replacement Deposit	-	-	2,836,000	2,836,000
Regional System Lease	22,500,000	22,500,000	22,500,000	-
Transfer to the Improvement & Extension Fund	30,178,200	15,767,900	15,767,900	-
Total Revenue Requirements	\$ 370,314,500	\$ 372,734,200	\$ 366,120,600	\$ (6,613,600)
Revenue Requirement Variance [5]	\$ -	\$ -	\$ 5,022,750	\$ 5,022,750

Source: FY 2024 ACFR page 115

- ✓ 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 \$5 million offsets 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, 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	\$ 282,687,600	\$ 282,878,600	\$ 282,767,090	\$ (111,510)
Local System Charges	196,569,600	196,569,600	196,569,600	-
Industrial Waste Control	8,584,200	8,560,200	8,617,495	57,295
Pollutant Surcharges	5,328,300	5,328,300	4,088,519	(1,239,781)
Less: Bad Debt Recovery Credit	-	(15,000,000)	(15,556,900)	(556,900)
Total Revenue from Charges	493,169,700	478,336,700	476,485,804	(1,850,896)
Investment Earnings [1]				
Unrestricted	5,567,000	16,096,000	16,344,105	248,105
Restricted for Debt Service	1,490,300	6,786,000	6,824,701	38,701
Total Investment Earnings	7,057,300	22,882,000	23,168,806	286,806
Other Revenue (Expense) [2]	400,000	1,129,800	(827,846)	(1,957,646)
Total Revenues	\$ 500,627,000	\$ 502,348,500	\$ 498,826,764	\$ (3,521,736)
Revenue Requirements				
Operations and Maintenance Expense [3]	205,643,700	224,873,500	222,673,733	(2,199,767)
Debt Service	228,328,300	230,975,500	229,316,502	(1,658,998)
General Retirement System Pension	6,479,300	3,096,800	3,096,800	-
Water Residential Assistance Program Contribution	2,503,100	2,503,100	2,503,104	4
Regional System Lease	27,500,000	27,500,000	27,500,004	4
Transfer to the Improvement & Extension Fund	30,172,600	13,399,600	13,399,600	-
Total Revenue Requirements	\$ 500,627,000	\$ 502,348,500	\$ 498,489,743	\$ (3,858,757)
Revenue Requirement Variance [4]	\$ -	\$ -	\$ 337,021	\$ 337,021

- ✓ 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 improve 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?

Water I&E Fund (Source: FY 2024 ACFR page 118)

Sewer I&E Fund (Source: FY 2024 ACFR page 119)

	Adopted Budget	Amended Budget	Actual [3]	Variance Over (Under) Amended Budget
Inflows				
Transfers in from Water Operations Fund				
Revenue transfers	\$ 30,178,200	\$ 15,767,900	\$ 15,767,900	\$ -
Transfers in from Water Construction Fund				
Working capital adjustment [1]	-	4,303,700	4,232,467	(71,233)
Investment earnings [2]	1,694,800	7,205,000	7,195,419	(9,581)
Total Inflows	<u>31,873,000</u>	<u>27,276,600</u>	<u>27,195,786</u>	<u>(80,814)</u>
Outflows				
Capital outlay	11,539,100	11,666,800	11,102,762	(564,038)
Transfers out to Water Operations Fund				
Investment earnings [2]	1,694,800	7,205,000	5,613,858	(1,591,142)
Transfer out to Water Construction Fund				
Revenue financed capital	7,713,000	-	-	-
Total Outflows	<u>20,946,900</u>	<u>18,871,800</u>	<u>16,716,620</u>	<u>(2,155,180)</u>
Net Increase (Decrease) - Budget Basis	<u>\$ 10,926,100</u>	<u>\$ 8,404,800</u>	<u>10,479,166</u>	<u>\$ 2,074,366</u>
Non-budgeted inflows (outflows)				
Unrealized net decrease in fair value of investments			(18,028)	
Combining Schedule Water Improvement and Extension Fund Change in Net Position [3]			<u>\$ 10,461,138</u>	

	Adopted Budget	Amended Budget	Actual [3]	Variance Over (Under) Amended Budget
Inflows				
Transfers in from Sewer Operations Fund				
Revenue transfers	\$ 30,172,600	\$ 13,399,600	\$ 13,399,600	\$ -
Transfers in from Sewer Construction Fund				
Working capital adjustment [1]	-	14,012,800	14,012,765	(35)
Grants and Capital Contributions	-	40,000	65,277	25,277
Investment earnings [2]	2,133,000	6,821,000	6,814,694	(6,306)
Total Inflows	<u>32,305,600</u>	<u>34,273,400</u>	<u>34,292,336</u>	<u>18,936</u>
Outflows				
Capital outlay	14,970,500	9,113,600	12,871,797	3,758,197
Capital spending other (net operating expenses)			270	270
Transfers out to Sewer Operations Fund				
Investment earnings [2]	2,133,000	6,821,000	6,027,318	(793,682)
Total Outflows	<u>17,103,500</u>	<u>15,934,600</u>	<u>18,899,385</u>	<u>2,964,785</u>
Net Increase (Decrease) - Budget Basis	<u>\$ 15,202,100</u>	<u>\$ 18,338,800</u>	<u>15,392,951</u>	<u>\$ (2,945,849)</u>
Non-budgeted inflows (outflows)				
Unrealized net increase in fair value of investments			29,047	
Combining Schedule Sewer Improvement and Extension Fund Change in Net Position [3]			<u>\$ 15,421,998</u>	

✓ Related to Transfers In - 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?

Water Construction Fund (Source FY 2024 ACFR page 120)

	Adopted Budget	Amended Budget	Actual [3]	Variance Over (Under) Amended Budget
Inflows				
Transfers from Water Improvement & Extension Fund				
Revenue financed capital	\$ 7,713,000	\$ -	\$ -	\$ -
Transfers in from Water Operations Fund				
Bond proceeds	-	150,570,000	150,569,980	(20)
State revolving loans	97,102,000	35,187,000	35,186,655	(345)
Grants and Capital Contributions	-	8,651,700	10,313,987	1,662,287
Investment earnings [1]	1,864,700	8,151,000	8,266,834	115,834
Total Inflows	106,679,700	202,559,700	204,337,456	1,777,756
Outflows				
Capital Program	239,260,000	190,000,000	174,991,574	(15,008,426)
Transfers out to Water Operations Fund				
Bond cost of issuance	-	561,400	561,383	(17)
Transfers out to Water Improvement & Extension Fund				
Working capital adjustment [2]	-	4,303,700	4,232,467	(71,233)
Total Outflows	239,260,000	194,865,100	179,785,424	(15,079,676)
Net Increase (Decrease) - Budget Basis	\$ (132,580,300)	\$ 7,694,600	24,552,032	\$ 16,857,432
Non-budgeted inflows (outflows)				
Unrealized net decrease in fair value of investments			(405)	
Combining Schedule Water Construction Fund Change in Net Position [3]			\$ 24,551,627	

Sewer Construction Fund (Source: FY 2024 ACFR page 121)

	Adopted Budget	Amended Budget	Actual [3]	Variance Over (Under) Amended Budget
Inflows				
Transfers in from Sewer Improvement & Extension Fund				
Revenue financed capital	\$ -	\$ -	\$ -	\$ -
Transfers in from Sewer Operations Fund				
Bond proceeds	-	100,315,500	100,315,497	(3)
State revolving loans	47,253,000	29,022,000	29,718,140	696,140
Grants and Capital Contributions	-	29,743,000	36,616,620	6,873,620
Investment earnings [1]	2,365,600	9,742,000	9,822,393	80,393
Total Inflows	49,618,600	168,822,500	176,472,650	7,650,150
Outflows				
Capital Program	199,061,000	140,000,000	135,404,096	(4,595,904)
Transfers out to Sewer Operations Fund				
Bond cost of issuance	-	307,300	307,293	(7)
Transfers out to Sewer Improvement & Extension Fund				
Working capital adjustment [2]	-	14,012,800	14,012,765	(35)
Total Outflows	199,061,000	154,320,100	149,724,154	(4,595,946)
Net Increase (Decrease) - Budget Basis	\$ (149,442,400)	\$ 14,502,400	26,748,496	\$ 12,246,096
Non-budgeted inflows (outflows)				
Unrealized net increase in fair value of investments			171,723	
Other			(1,310)	
Combining Schedule Sewer Construction Fund Change in Net Position [3]			\$ 26,918,909	

- ✓ The Construction Funds expenditures for Water were \$16.9 million less than the amended budget and Sewer were \$12.2 million less than the amended budget
- ✓ Bond transactions in December 2023 replenished bond proceeds available to fund construction activities
- ✓ 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.

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