

TUOLUMNE CITY SANITARY DISTRICT

TCSO
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REGULAR MEETING STAFF REPORT DECEMBER 7, 2022

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To: Board of Director

Agenda Item V

From: Dave Andres, General Manager

Subject: 2021-22 Independent Auditor's Report and Financial Statements

Date: November 30, 2022

Background: Bryant L. Jolley, Certified Public Accountants prepared the attached Fiscal Year (FY) 2021-22 Independent Auditor's Report and Financial Statements. A summary of the financial highlights is found on page 5 of the report. I would like to provide an overview of the report and respond to any questions you may have on the information provided.

In general, our net financial position improved by \$1,814,219 over FY 2020-21 (see page 5). District financial assets include both cash received and capital purchases. These assets are then adjusted for cash expenditures and equipment and facility depreciation. The overall basis for the net increase is a result of a \$1,944,262 increase in net assets and a \$177,125 increase in net liabilities. These changes are largely a result of capital construction grants received for new infrastructure.

Our operating revenues and non-operating revenues both increased over last fiscal year. Operating revenues and expenses are associated with providing services to our customers (i.e., service charges, salaries, maintenance & repairs, etc.) and non-operating revenues and expenses (property taxes, interest on debt, grants, etc.) are all other revenues and expenses that do not directly relate to providing a service (see page 12, *Note 1-Basis of Accounting and Measurement Focus*).

The District's largest outstanding liabilities include the USDA loan of \$4,076,427 (see page 19, Note 4) and \$699,552 in pre-paid connection fees granted under a settlement agreement with the Tuolumne Band of the Me-Wuk Indian Tribe (see page 20, Note 6). A detailed breakdown of the FY 2021-22 Revenue and Expenses is provided on page 10. This page presents the actual costs paid by the District for both FY 2021-22 and 2020-21. Operating expenses totaled \$1,275,893 for FY

2021-22 and that resulted in Operating Income loss of (\$114,100). The District currently has \$12,695,542 in net capital assets (see page 18, Note 3).

Overall, the audit shows that the District is managing its resources well. The only concern lies with the fact that the District is heavily dependent on one customer for almost 29% of our total operating revenues (see page 20, Note 6). When the Summerville Elementary and High School District are included this number approaches 35%. A more widely diversified customer base is preferable for a long-term, sustainable revenue stream. In order to offset this situation, the District needs to maintain sufficient reserves in the event these revenue sources are interrupted.

Fiscal Impact: A \$8,750 fee was charged to prepare the Audit Report.

Attachment(s): Resolution 2022-10; FY 2021-22 Independent Auditor's Report and Financial Statements

Recommendation: Adopt Resolution 2022-10

Recommended Motion: I move to adopt Resolution 2022-10 accepting the Fiscal Year 2021-2022 Independent Auditor's Report and Financial Statements.

BOARD ACTION:

<input type="checkbox"/> Resolution No _____	Moved by: _____	Second by: _____
_____ AYES	_____ NOES	_____ ABSTAINED
_____ ABSENT	<input type="checkbox"/> No Action Taken	