

TUOLUMNE CITY SANITARY DISTRICT

TCSO
18050 BOX FACTORY ROAD
TUOLUMNE, CA 95379

SPECIAL MEETING STAFF REPORT DECEMBER 6, 2023

PHONE: 209.928.3517
FAX: 209.928.4550
EMAIL: brendatsd@frontier.com

To: Board of Director

Agenda Item 5

From: Dave Andres, General Manager

Subject: 2022-23 Independent Auditor's Report and Financial Statements

Date: November 29, 2023

Background: Bryant L. Jolley, Certified Public Accountants prepared the attached Fiscal Year (FY) 2022-23 Independent Auditor's Report and Financial Statements. The District's *Fiscal Year* runs from July 1 through June 30. 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 regarding the information provided.

In general, our net financial position improved by \$3,798,762 from FY 2021-22 to FY 2022-23 (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 \$4,126,716 increase in *Total Assets* and a \$331,434 increase in *Total Liabilities*. These changes are largely a result of capital construction grants received for new infrastructure.

Our operating revenues (up \$17,065) and our net non-operating revenues (up \$67,252) and capital grant revenues (up \$2,338,466) all reflect increases over the 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 revenue and expense types 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 \$3,976,427 (see page 19, Note 4) and \$647,352 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 2022-23 Revenue and Expenses

is provided on page 10. This page presents the actual costs paid by the District for both FY 2022-23 and 2021-22. Operating expenses totaled \$1,457,865 for FY 2022-23 and that resulted in an *Operating Income* loss of (\$279,007) which includes \$400,145 in depreciation. The District currently has \$16,060,061 in net capital assets (see page 18, Note 3). This represents an increase of \$3,649,387 over FY 2021-22.

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 approximately 34% of our total operating revenues (see page 25, Note 8). When the Summerville Elementary and High School District are included this number approaches 40%. 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 \$11,000 fee was charged to prepare the Audit Report.

Attachment(s): Resolution 2023-11; FY 2022-23 Independent Auditor's Report and Financial Statements

Recommendation: Adopt Resolution 2023-11

Recommended Motion: I move to adopt Resolution 2023-11 accepting the Fiscal Year 2022-2023 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	