

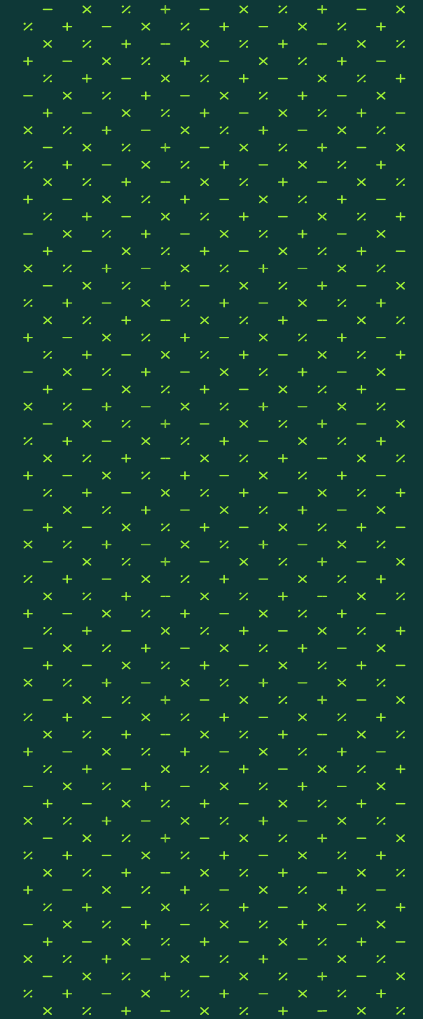


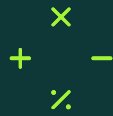
MOSSADAMS

Oak Lodge Water Services District

2022 AUDIT RESULTS

Discussion with Board of Directors





Agenda

01 AUDITOR REPORTS ISSUED

02 AREAS OF AUDIT EMPHASIS

03 MATTERS REQUIRED TO BE COMMUNICATED TO THOSE CHARGED WITH GOVERNANCE

04 OTHER COMMUNICATIONS



Nature of Services Provided

1 Independent Auditors' Report on the financial statements of the District

2 Assistance with, and technical review of the financial statements for compliance with GAAP

3 Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance in Accordance with *Oregon Minimum Standards*

4 Communication to Those Charged with Governance



Audit Process



Internal Controls

Walkthroughs surrounding all cycles
Includes IT
Revenue control testing



Analytical Procedures

- Revenue and expenses
- Trends, comparisons, and expectations



Substantive Procedures

- Confirm account balances
- Vouch to supporting documentation
- Representations from attorneys and management
- Examine objective evidence





Audit Opinion/Reports

Financial
Statements

Unmodified
(clean) opinion
on financial
statements

Oregon
Minimum
Standards
Report

Noncompliance
due to late filing

Communication
to Those
Charged with
Governance

Material
Weakness,
Significant
Deficiency and
Other Matters



GASB 87, Leases Implementation

- CY Impact:
 - LEASE RECEIVABLE – CURRENT - \$121,788
 - LEASE RECEIVABLE – NONCURRENT - \$2,378,753
 - DEFERRED INFLOW - \$2,385,356
- PY Impact (Note 1):
 - LEASE RECEIVABLE – CURRENT - \$101,781
 - LEASE RECEIVABLE – NONCURRENT - \$2,463,827
 - DEFERRED INFLOW - \$2,519,728



Required Communications



Audit was performed according to the planned scope and timing



Significant accounting policies are summarized in Note 1 to the financial statements



Financial statement disclosures were consistent, clear, and understandable



Representations were requested and received from management



Required Communications (continued)



There were significant difficulties due to significant delays by management in providing required documentation. There were no disagreements with management.



Illegal acts (none noted)



Ability to continue as a going concern (no disclosure necessary)



Consideration of fraud in a financial statement audit

Procedures performed included journal entry testing, third-party confirmations, and interviews of personnel



Audit Adjustments – Corrected and Uncorrected



Corrected Misstatements :

1. *To reclass PERS lump sum supplement payment from operating expenses to deferred outflows - \$550,000*

Uncorrected Misstatements:

1. *To adjust interest accrual related to debt- \$21,893*
2. *To adjust over accrual of compensated absences - \$67,282*
3. *To adjust lease deferred inflows related to GASB 87 - \$166,000*



Management Letter Recommendations

Finding	Recommendation	Category
<p>Financial Close and Reporting – District was significantly delayed in its close process and preparing year-end financial statements, including ineffective controls. The District failed to timely file its audited financial report with the Secretary of State and was out of compliance with the requirement to file within 6 months of the District’s fiscal year end.</p>	<p>We recommend the District establish more efficient and effective internal controls to provide timely and accurate completion of financial reporting.</p>	<p>Material Weakness</p>



Management Letter Recommendations

Finding	Recommendation	Category
<p>Capital Assets:</p> <ol style="list-style-type: none"> <i>Capital Asset Reconciliation to the General Ledger</i> – The District does not have a control in place to reconcile certain key, full-accrual accounts on a monthly basis, specifically capital assets. <i>Work Orders</i> – The District does not utilize work orders. Capital projects are approved in the annual capital budget and invoices are coded to applicable projects by field supervisors. 	<p>Capital Assets:</p> <ol style="list-style-type: none"> We recommend that the activity per the asset tracking system is routinely reconciled to capital outlay accounts on a monthly basis. We recommend that the District implement a formalized work order system to ensure projects initiated outside of the capital budget are approved and costs are coded correctly. 	<p>Significant Deficiency</p>



Management Letter Recommendations

Finding	Recommendation	Category
IT User Access – The District does not regularly perform and document its review of user access.	We recommend that the District perform routine reviews of user access, at least annually.	Other Matter
IT Change Management - An individual within the organization has the authority to authorize patches, upgrades, and releases, but there is no documentation of this authorization retained, and changes can be made in the live environment for Lucy without a test environment in place.	We recommend that all authorizations be documented and retained, and that changes to the live environment be approved by someone other than the individual implementing the changes to mitigate risks.	Other Matter
Purchase Orders – Purchase orders are utilized for any inventory items over \$500. However, non-inventory items do not have a similar requirement.	We recommend the District update its policy to require purchase orders on non-inventory items.	Other Matter
Review of Reconciliations – We noted no evidence to support that reconciliations are reviewed and approved timely by someone other than the person preparing the reconciliation.	We recommend that each reconciliation be reviewed monthly and that review be documented.	Other Matter

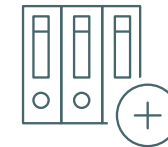


Management Letter Recommendations

Finding	Recommendation	Category
<p>Payroll Internal Controls– We were unable to obtain an approved timesheet for the individual being tested, and the timecard received for a prior pay period contained an incorrect pay rate due to Springbrook’s allowance for manual entry of pay period dates.</p>	<p>We recommend that the District implement a comprehensive review of payroll processes to identify and correct errors in pay rates and calculations of gross pay for each pay period.</p>	<p>Other Matter</p>
<p>Inventory– We were unable to obtain a listing of charge outs to work orders for 2022, which hindered our ability to review the rollforward of inventory and accurately reconcile the year-end balance.</p>	<p>We recommend that management maintain detailed inventory records and conduct a year-end rollforward to ensure alignment with the amounts recorded in the general ledger.</p>	<p>Other Matter</p>
<p>Pension and Other Post-Employment Benefits – There is no review process for the pension and other post-employment benefits to record journal entries based on valuation reports. Additionally, an audit adjustment was necessary to reclassify a \$550,000 PERS lump sum payment from operating expenses to deferred outflows.</p>	<p>We recommend implementing a review and approval process to ensure completeness and accuracy in financial reporting.</p>	<p>Other Matter</p>



Upcoming New Standards



New Standards

GASB 94 – Public-Private and Public-Public Partnerships and Availability Payment Arrangements

GASB 96 – Subscription-Based Information Technology Arrangements

Effective Date

Periods beginning after June 15, 2022

Periods beginning after June 15, 2022



YOUR DEDICATED TEAM



KEITH SIMOVIC
Engagement Reviewer
And Partner



OLGA DARLINGTON
Concurring Reviewer
and Partner



LAUREL BRASCHAYKO
Senior Manager



BETHANY PHILLIPS
In-Charge Audit Manager





**THANK
YOU**

