

FAIR OAKS WATER DISTRICT

Auditor Presentation of
2025 Audit

Richardson & Company, LLP
Ingrid Sheipline

Reports Issued

- Opinion on Financial Statements
- Internal Control and Compliance Report
- Governance Letter
- Management Letter

Audit Results and Observations

- Unmodified (clean) opinion on financials
- Annual Comprehensive Financial Report to be submitted for award
- Good internal controls
- No audit adjustments

Financial Highlights

- Water sales increased \$465,000
- Operating expenses decreased \$368,000
- \$6.5 million spent on capital projects
- Revenue exceeded expenses by \$1.2 million (excluding capital revenue)
- No debt
- Reserves of \$7.6 million (after pension liability)

Statement of Net Position

December 31, 2025 and 2024

	2025	2024	Change
<u>Assets</u>		<u>in thousands</u>	
Cash	\$ 8,448	\$ 11,115	\$ (2,667)
Other Assets	1,363	2,061	(698)
Capital Assets	46,356	41,243	5,113
Total Assets	<u>\$ 56,167</u>	<u>\$ 54,419</u>	<u>\$ 1,748</u>

Statement of Net Position

December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>	<u>Change</u>
<u>Liabilities</u>	<u>in thousands</u>		
Current liabilities	\$2,242	\$1,612	\$ 630
Compensated absence	481	486	(5)
Net pension liability	3,637	4,179	(542)
Total Liabilities	<u>\$6,360</u>	<u>\$6,277</u>	<u>\$ 83</u>

Statement of Net Position

December 31, 2025 and 2024

	2025	2024	Change
<u>Net Position</u>		<u>in thousands</u>	
Net Investment in Capital Assets	\$ 45,687	\$ 41,166	\$ 4,521
Unrestricted	7,575	8,104	(529)
Total Net Position	<u>\$ 53,262</u>	<u>\$ 49,270</u>	<u>\$ 3,992</u>

Statement of Revenues/Expenses

December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>	<u>Change</u>
	<u>in thousands</u>		
Operating revenue	\$ 11,605	\$ 11,364	\$ 241
Operating expenses	(10,848)	(11,216)	(368)
Net income from operations	757	148	609
Nonoperating revenue/expense	446	564	(118)
Net income (before capital)	<u>\$ 1,203</u>	<u>\$ 712</u>	<u>\$ 491</u>
Capital contributions	<u>\$ 2,789</u>	<u>\$ 533</u>	<u>\$ 2,256</u>

Report on Internal Controls and Compliance

- No weaknesses in internal control
- Good system of internal control
- No instances of noncompliance with laws and regulations affecting the financials

Required Communications (Governance Letter)

- Risks required to be identified during planning of audit
- Significant estimates
 - Unfunded pension liability
 - No significant changes in assumptions

Required Communications (Governance Letter)

- No audit adjustments
 - Accounting records clean
- Items identified but not adjusted
 - Asset retirement obligation for wells (\$175,000)
 - Copier lease asset/liability (\$15,000)

Questions