# dcwater_water_is_life

**DISTRICT OF COLUMBIA**

**WATER AND SEWER AUTHORITY**

# Board of Directors

Joint Meeting of the Audit and

Finance and Budget Committee

## Thursday, February 27, 2014

10:30 a.m.

MEETING MINUTES

**Committee Members in Attendance DC Water Staff**

Bradford Seamon, Co- Chairperson Mark Kim, Chief Financial Officer

Robert L. Mallett, Co-Chairperson Randy Hayman, General Counsel

Ellen Boardman John Madrid, Controller

Dawn Hawkins-Nixon Linda R. Manley, Board Secretary

Kathleen Boucher

Linda Manley, Secretary to**Other Presenters and Guests**

**Other Presenters and Guests**

Paul Geraty (Partner, KPMG)

Johnny Ramsey (KPMG)

Steve Maex (KPMG)

**Call to Order**

Chairperson Bradford Seamon called the meeting to order at 10:30 a.m.

**FY 2013 Financial Statement Audit Results**

DC Water’s independent auditors, KPMG LLP, provided an overview of the FY 2013 financial statement audit results. The audit report was presented by Paul Geraty, Johnny Ramsey and Steve Maex.

DC Water received an unmodified or “clean” audit opinion from KPMG on its basic financial statements. In addition, KPMG’s Report on Internal Control over Financial Reporting (ICOFR) did not identify any material weaknesses in DC Water’s internal controls. Although the final A-133 single audit report is not expected until the week of March 3rd, KPMG indicated that there were no findings of non-compliance noted.

Although KPMG did not report any findings of “material weaknesses” in DC Water’s internal controls, it did note several areas for improvement that warranted management’s attention. These areas included: (1) internal controls over financial reporting; (2) year-end accounts payable and ROCIP accrual processes and controls; (3) estimation of IMA year-end operating cost adjustments; (4) design and execution of management review controls; and (5) general information technology (IT) controls.

During the course of the FY 2013 audit, management became aware of certain errors in its prior year financial statements. DC Water has historically issued comparative financial statements and desired to continue to do so in FY 2013. As a result, KPMG, the prior year audit firm and DC Water management worked together to make necessary corrections to the Authority’s FY 2012 and FY 2011 financial statements. The restatement of the FY 2012 and FY 2011 financial statements was not referenced in the FY 2013 KPMG audit report or financial statements, and there was no impact on the GFOA’s Certificate of Achievement for Excellence in Financial Reporting for FY 2012 and FY 2011 financial statements. As a result, DC Water has corrected comparative financial statements for fiscal years 2013, 2012 and 2011 that all have unmodified or “clean” opinions for use in subsequent bond official statements.

**FY 2013 Results from Financial Operations**

Mr. Mark Kim, CFO, provided the joint committee with an overview of the results from financial operations in FY 2013. In summary, the Authority’s balance sheet remains strong and is growing, with total net position of $1.2 billion, which represents an increase of $81.9 million or 7.1%.

Despite a challenging environment, the Authority realized financial results from operations generally in line with expectations and consistent with historical performance, with the exception of operating revenues which decreased by $1.5 million (0.03%) to $439 million. The primary driver of this decline in operating revenues was due to lower than forecast consumption for certain customer classes and several large, one-time billing adjustments. DC Water’s operating expenses increased by 3.2% (or $10.9 million) to $353.9 million; total cash at fiscal-year end totaled $277.5 million (vs. $270.0 million in FY 2012); and, long-term debt increased to $2.1 billion (a 15.3% increase due largely to the issuance of $300 million tax-exempt, subordinate lien bonds last July to finance DC Water’s CIP). The Authority maintained its credit rating of Aa2/AA+/AA with a stable outlook from all three major rating agencies.

Hearing no further business, Chairperson Seamon adjourned the meeting at 11:36 a.m.