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Madison Metropolitan Sewerage District

Audit Exit Presentation

Year ended December 31, 2023

Agenda

- Audit scope and process
- Audit opinions and communications
- Industry insights and emerging issues



Audit Scope



Report on the
organization's
financial
statements



Internal control/
management letter



Required
governance
communications
letter



Audit Process

RISK-BASED APPROACH

Internal controls

Revenue recognition

Pension/OPEB

Debt and covenants

Capital assets





AUDIT OPINIONS

Financial statement

Financial statement audit opinion is **unmodified**.



AUDIT RESULTS

Financial statement

No material weaknesses noted.
One significant deficiency noted.



Management Letter Recommendations

Timely reconciliation of key accounts

- Significant deficiency
- Capital Assets and key expenses
- Resulted in adjustments to the account balances during the audit process



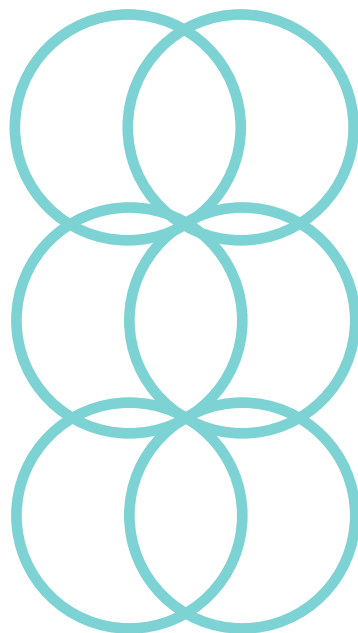
Governance Communications

Overall

- No new accounting policies, key policies identified in Note 1
- No significant transactions, restatement or adjustments
- No uncorrected misstatements

Difficulties

- None



Estimates

- Other Postemployment Benefits – Retiree Health Insurance

Other

- No consultations with other auditors
- No other matters to discuss





Emerging Issues

SIGNIFICANT AUDIT CHANGES

What changed

Auditing standards (SAS 143-145) were modernized for evolving business environment

Effective for 2023 year-end audits

New requirements

Enhanced risk assessment and understanding of estimates

Deeper IT understanding; more inquiries; data requests and testing

Audit impact

More time evaluating controls; more use of IT specialists

Potential for additional recommendations

Greater impact on complex IT systems





GASB Standards



GASB 100 Accounting for Changes and Error Corrections



Effective date
June 30, 2024



New requirements:

Updated disclosure guidance for:

- Accounting principles
- Accounting estimates
- Correction of errors

Required to disclose line items impacted by the change even if beginning balances remain the same



CLA can help by
assisting with or evaluating
financial statement
disclosure updates



GASB 101 Compensated Absences



Effective date
December 31, 2024



Updated framework

- Reevaluate leave policies
- Liability must include any accumulated leave that is unused or used but unpaid
- Footnote disclosures will be enhanced



Examples include

- Sick leave not paid at termination
- Parental leave
- Military leave and jury duty that has commenced



CLA can help by evaluating the standard related to compensated absences and assisting with or evaluating in financial statement disclosures



GASB 102 Certain Risk Disclosures

CLA can help by assisting with or evaluating financial statement disclosure updates



Effective date
June 30, 2025



Increased footnote disclosures surrounding risk:

- Limitations on raising revenues
- Concentrations related to tax revenue or vendors
- Debt or mandated spending — especially unfunded mandates
- Impact of major employer leaving the community
- Collective bargaining agreements



GASB 103 Financial Reporting Module

CLA can help by
assisting with or
evaluating financial
statement
disclosure updates



Effective date
June 30, 2026



Impacts financial statement presentation

Updated disclosure guidance for:

- MD&A consistency
- Clearer definition of unusual or infrequent items
- Presentation of proprietary fund statements
- Major component unit information
- Budgetary comparison information



Future GASB – Classification of Nonfinancial Assets



Likely effective date
June 30, 2026



Will clarify how nonfinancial assets are presented in financials:

- Capital assets
- Leased assets
- Subscription assets
- Intangible assets



CLA can help by assisting with or evaluating financial statement disclosure updates





Questions and Feedback

We appreciate the opportunity to serve you and welcome any feedback relative to our performance and to the engagement.





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