



Metropolitan Water District of Southern California

Discussion with Those Charged with Governance

Audit results for the year ended June 30, 2022

Item 6a

November 8, 2022



Required Communications to Those Charged with Governance

[Prepared on: 11/1/2022]

[Presented on: 11/8/2022]



Summary: Audit results required communications and other matters

		Response
Audit results	Outstanding matters	No outstanding matters
	Significant unusual transactions	No significant unusual transactions identified during the audit.
	Uncorrected audit misstatements	See slide 5
	Corrected audit misstatements	No corrected misstatements identified during the audit.
	Financial presentation and disclosure omissions	No matters to communicate.
	Non-GAAP policies and practices	No matters to communicate.
	Auditors' report	Unmodified
	Changes to our risk assessment and planned audit strategy	No matters to report.
	Significant accounting policies and practices	See note 1 to the financial statements. Financial statements reflected the adoption of GASB 87, <i>Leases</i>
	Significant accounting estimates	See slide 6
	Significant financial statement disclosures	See notes to the financial statements.
	Related parties	No matters to report. Related parties represent the member agencies of Metropolitan
	Going concern	No matters to report.
	Other information	No matters to report.

Summary: Audit results required communications and other matters

		Response
Audit results	Subsequent events	See note 16 to the financial statements.
	Illegal acts or fraud	No actual or suspected fraud involving management, employees with significant roles in internal control, or where fraud results in a material misstatement in the financial statements were identified during the audit.
	Noncompliance with laws and regulations	No matters to report.
	Significant difficulties encountered during the audit	No matters to report.
	Significant findings or issues discussed, or the subject of correspondence, with management	No matters to report.
	Management's consultation with other accountants	No matters to report.
	Difficult or contentious matters for which the auditor consulted	No matters to report.
	Disagreements with management	No matters to report.
	Other significant matters	No matters to report.
	Written communications	Engagement letter, management representation letter, including summary of uncorrected misstatements.
Independence		No matters to report.
Inquiries		See slide 7

Uncorrected audit misstatements

\$(Million)		
Description of misstatement (Business-type activities)	Quantitative income statement effect	
		Rollover – year to date
Misstatement A – Out of period adjustment (accrual of liabilities and depreciation expense) Operations and maintenance Depreciation expense		(\$ 38.2) (18.0)
Total		(\$56.2)
Percentage of Total Revenues		3%
Percentage of Total Expenses		(4%)

Significant accounting estimates

Description of significant accounting estimates

- Net pension liability is actuarially determined based on various assumptions and the valuation of investments are recorded at the estimated fair value as of June 30, 2022.

Audit findings

Management's process used to develop the estimates

- Net pension liability is based on the actuarial report issued by CalPERS. The liabilities are determined based on the participant data and assumptions in accordance with GASB 68 for Pension.
- Investment valuations are based on issued financial statements of CalPERS

Significant assumptions used that have a high degree of subjectivity

- There were no changes in assumptions from the prior year.

Conclusions

- No reportable misstatements noted.

Inquiries

The following inquiries are in accordance with AU-C 260

Are those charged with governance aware of:

- Matters relevant to the audit, including, but not limited to, violations or possible violations of laws or regulations?
- Any significant communications with regulators?
- Any developments in financial reporting, laws, accounting standards, corporate governance, and other related matters, and the effect of such developments on, for example, the overall presentation, structure, and content of the financial statements, including the following:
 - The relevance, reliability, comparability, and understandability of the information presented in the financial statements
 - Whether all required information has been included in the financial statements, and whether such information has been appropriately classified, aggregated or disaggregated, and presented?

Do those charged with governance have knowledge of:

- Fraud, alleged fraud, or suspected fraud affecting the Company?
 - If so, have the instances been appropriately addressed and how have they been addressed?

Additional inquiries:

- What are those charged with governance's views about fraud risks in the Company?
- Who is the appropriate person in the governance structure for communication of audit matters during the audit?
- How are responsibilities allocated between management and those charged with governance?
- What are the Company's objectives and strategies and related business risks that may result in material misstatements?
- Are there any areas that warrant particular attention during the audit and additional procedures to be undertaken?
- What are those charged with governance's attitudes, awareness, and actions concerning (a) the Company's internal controls and their importance in the entity, including oversight of effectiveness of internal controls, and (b) detection of or possibility of fraud?
- Have there been any actions taken based on previous communications with the auditor?
- Has the Company entered into any significant unusual transactions?
- Whether the entity is in compliance with other laws and regulations that have a material effect on the financial statements?
- What are the other document(s) that comprise the annual report, and what is the planned manner and timing of issuance of such documents?
- Have any subsequent events occurred that might affect the financial statements?



Questions?

For additional information and audit committee resources, including National Audit Committee Peer Exchange series, a Quarterly webcast, and suggested publications, visit the KPMG Audit Committee Institute (ACI) at www.kpmg.com/ACI

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