

Scotts Valley Water District

Board of Directors

Presentation of 2017 Audit Results

Fedak & Brown LLP



Introduction & Background

- **Your Audit Team:**
 - **Christopher Brown – Engagement Partner**
 - **Charles Fedak – Technical Review**
 - **Jonathan Abadesco – Manager**
 - **Andy Beck – Manager / Staff**

Audit Requirements

- **State Law Requires the District to Have an Audit Performed Each Year by a Qualified CPA.**
- **A Copy of the Audit Report and the Results of That Years Operations Must be Submitted to the State Auditor Controller**

The Financial Statement Audit

- **The Annual Audit of the District's Financial Statements is to Determine Whether the Financial Statements are Free of Material Misstatements and Prepared in Accordance with Generally Accepted Accounting Principles (GAAP)**

Professional Guidance

- **The Audit Process is Governed by:**
 - **The AICPA's Statements of Auditing Standards**
 - **Federal and State Requirements**
- **GAAP is Established By The Governmental Accounting Standards Board (GASB)**

The Audit

- **Interim Fieldwork – Assess the District’s Internal Controls and Effectiveness**
 - **Gain and Understanding of the District’s Control Framework**
 - **Test of Controls Testing – Accounting Cycles**
- **Final Fieldwork**
 - **Agree Balance to Supporting Documentation**
 - **Perform Analysis of Key Relationships**

The Reports

- **The District's Annual Financial Report - The Auditor's Opinion**
- **The Management Report**
 - **Communication with Those Charged with Governance**

Management Report

- **We did not Identify Material Weakness Within the District's Internal Control Structure**

Communication to Governing Board

- **Auditor's Responsibility Under U.S. GAAS**
- **Planned Scope of Audit – Audit Engagement Letter**
- **Qualitative Aspects of Accounting Practices**
- **Management's Judgments & Accounting Estimates**



Communication to Governing Board

- **Corrected and/or Uncorrected Misstatements**
- **Management's Consultation with Other Accountants**
- **Difficulties Encountered in Performing the Audit**
- **Disagreements with Management**



The Auditor's Opinion

Unmodified “CLEAN” Opinion

- In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the **Scotts Valley Water District** as of June 30, 2017....

Financial Highlights

Condensed Statements of Net Position

	<u>2017</u>	<u>2016</u>	<u>Change</u>
Assets:			
Current assets	\$ 4,104,871	5,080,585	(975,714)
Non-current assets	554,070	715,853	(161,783)
Capital assets, net	<u>20,799,937</u>	<u>20,027,733</u>	<u>772,204</u>
Total assets	<u>25,458,878</u>	<u>25,824,171</u>	<u>(365,293)</u>
Deferred outflows of resources	<u>497,011</u>	<u>669,858</u>	<u>(172,847)</u>
Liabilities:			
Current liabilities	978,876	940,689	38,187
Non-current liabilities	<u>8,640,809</u>	<u>8,927,869</u>	<u>(287,060)</u>
Total liabilities	<u>9,619,685</u>	<u>9,868,558</u>	<u>(248,873)</u>
Deferred inflows of resources	<u>212,630</u>	<u>411,468</u>	<u>(198,838)</u>
Net position:			
Net investment in capital assets	14,790,579	13,665,884	1,124,695
Restricted	-	749,404	(749,404)
Unrestricted	<u>1,332,995</u>	<u>1,798,715</u>	<u>(465,720)</u>
Total net position	<u>\$ 16,123,574</u>	<u>16,214,003</u>	<u>(90,429)</u>

Financial Highlights

Condensed Statements of Revenues, Expenses and Changes in Net Position

	<u>2017</u>	<u>2016</u>	<u>Change</u>
Revenues:			
Operating revenues	\$ 4,549,738	4,048,964	500,774
Non-operating revenues	872,722	1,312,855	(440,133)
Total revenues	<u>5,422,460</u>	<u>5,361,819</u>	<u>60,641</u>
Expenses:			
Operating expenses	4,675,290	4,778,413	(103,123)
Depreciation and amortization	937,847	913,955	23,892
Non-operating expenses	703,031	417,796	285,235
Total expenses	<u>6,316,168</u>	<u>6,110,164</u>	<u>206,004</u>
Net loss before capital contributions	(893,708)	(748,345)	(145,363)
Capital contributions	<u>803,279</u>	<u>335,704</u>	<u>467,575</u>
Change in net position	<u>(90,429)</u>	<u>(412,641)</u>	<u>322,212</u>
Net position, beginning of period, as previously stated	16,214,003	16,626,644	(412,641)
Net position, beginning of period, as restated	<u>16,214,003</u>	<u>16,626,644</u>	<u>(412,641)</u>
Net position, end of period	<u>\$ 16,123,574</u>	<u>16,214,003</u>	<u>(90,429)</u>

Financial Highlights

In 2017:

Net Position - Decreased \$90,429 to \$16,123,574 as a result of ongoing operations.

Total Revenues – Increased by \$60,641 to \$5,422,460.

- **Operating Revenues** - Increased by \$500,774 to \$4,549,738, primarily due to increases of \$403,846 in potable water sales, and \$149,192 in service charges; which was offset by decreases of \$30,068 in recycled water sales, and \$22,196 in other revenue.
- **Non-operating Revenues** - Decreased by \$440,133 to \$872,722, primarily due to the recognition of \$487,735 one-time gain on disposal of capital assets in 2016; which was offset by a \$63,416 increase in property tax revenues.

Total Expenses – Increased by \$206,004 to \$6,316,168.

- **Operating Expenses** - Decreased by \$103,123 to \$4,675,290 primarily due to a decreases of \$74,463 in recycled water, \$83,385 in conservation; which was offset by a \$52,959 increase in source of supply.
- **Non-operating Expenses** - Increased by \$285,235 to \$703,031 primarily due to write off of deferred loss on amortization related to the defeasance of the District's 2004 Refunding Certificates of Participation and 2011 WFB Loan.

Capital Contributions – Increased by \$467,575.