

Scotts Valley Water District

Board of Directors

Presentation of 2018 Audit Results

Fedak & Brown LLP



The Audit

The Audit was Performed in Accordance with Auditing Standards Generally Accepted in the United States of America

– Our Audit Procedures Include:

- Assessing the District's Internal Controls**
- Agree Balances to Supporting Documentation**
- Perform Analysis of Key Relationships**

The Auditors Reports

Independent Auditor's Report

- **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, 2018....

Management Report Findings

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

What is New – GASB 75

In 2018, the Scotts Valley Water District Adopted the Provisions of Governmental Standards Board No. 75 – OPEB (*Post-Employment Benefits*). As a Result, the District has Recorded a Onetime Restatement of beginning Net Position in the Amount of \$1,561,066 and Recorded the OPEB Liability of \$2,848,438 as a Long Term Liability.

Financial Highlights

Condensed Statements of Net Position

	<u>2018</u>	<u>2017</u>	<u>Change</u>
Assets:			
Current assets	\$ 3,398,451	4,104,871	(706,420)
Non-current assets	392,431	554,070	(161,639)
Capital assets, net	21,800,708	20,799,937	1,000,771
Total assets	<u>25,591,590</u>	<u>25,458,878</u>	<u>132,712</u>
Deferred outflows of resources	<u>692,350</u>	<u>497,011</u>	<u>195,339</u>
Liabilities:			
Current liabilities	561,527	978,876	(417,349)
Non-current liabilities	10,176,886	8,640,809	1,536,077
Total liabilities	<u>10,738,413</u>	<u>9,619,685</u>	<u>1,118,728</u>
Deferred inflows of resources	<u>183,523</u>	<u>212,630</u>	<u>(29,107)</u>
Net position:			
Net investment in capital assets	16,700,288	14,790,579	1,909,709
Unrestricted (deficit)	(1,338,284)	1,332,995	(2,671,279)
Total net position	<u>\$ 15,362,004</u>	<u>16,123,574</u>	<u>(761,570)</u>

Financial Highlights

	<u>2018</u>	<u>2017</u>
Current liabilities:		
Accounts payable and accrued expense	\$ 342,344	265,933
Accrued wages and related payables	80,885	64,500
Customer deposits	112,436	110,346
Long-term liabilities – due in one year:		
Compensated absences (note 6)	25,862	26,103
Total current liabilities	<u>561,527</u>	<u>978,876</u>
Non-current liabilities:		
Unearned revenue	8,142	10,178
Long-term liabilities – due in more than one year:		
Compensated absences (note 6)	77,585	78,305
Net OPEB liability (note 7)	2,848,438	1,173,326
Net pension liability (note 9)	2,106,130	1,782,379
Loan payable (note 8)	5,136,591	5,596,621
Total non-current liabilities	<u>10,176,886</u>	<u>8,640,809</u>
Total liabilities	<u>10,738,413</u>	<u>9,619,685</u>

Financial Highlights

Condensed Statements of Revenues, Expenses and Changes in Net Position

	<u>2018</u>	<u>2017</u>	<u>Change</u>
Revenues:			
Operating revenues	\$ 6,270,621	4,549,738	1,720,883
Non-operating revenues	1,116,701	872,722	243,979
Total revenues	<u>7,387,322</u>	<u>5,422,460</u>	<u>1,964,862</u>
Expenses:			
Operating expenses	5,134,891	4,675,290	459,601
Depreciation and amortization	998,094	937,847	60,247
Non-operating expenses	455,561	703,031	(247,470)
Total expenses	<u>6,588,546</u>	<u>6,316,168</u>	<u>272,378</u>
Net loss before capital contributions	798,776	(893,708)	1,692,484
Capital contributions	<u>720</u>	<u>803,279</u>	<u>(802,559)</u>
Change in net position	<u>799,496</u>	<u>(90,429)</u>	<u>889,925</u>
Net position, beginning, previously stated	16,123,574	16,214,003	(90,429)
Prior period adjustment	<u>(1,561,066)</u>	-	<u>(1,561,066)</u>
Net position, beginning of period, restated	<u>14,562,508</u>	<u>16,214,003</u>	<u>(1,651,495)</u>
Net position, end of period	<u>\$ 15,362,004</u>	<u>16,123,574</u>	<u>(761,570)</u>

Financial Highlights

In 2018:

Net Position - Decreased by \$761,570 to \$15,362,004, primarily due to a prior period adjustment in the amount of \$1,561,066, which was offset by an increase in operations of \$799,496.

Total Revenues – Increased by \$1,964,862 to \$7,387,322.

- **Operating Revenues** - Increased by \$1,720,883 to \$6,270,621, primarily due to increases of \$858,210 in potable water sales, \$795,554 in service charges, and \$102,775 in recycled water sales.
- **Non-operating Revenues** - Increased \$243,979 to \$1,116,701, primarily due to increases of \$84,799 in property tax revenues, and \$161,765 in other non-operating revenue consisting of reimbursements from insurance claims in the amount of \$108,295.
- **Capital Contributions** – Decreased by \$802,559.

Total Expenses – Increased by \$272,378.

- **Operating Expenses** - Increased by \$459,601 to \$5,134,891 primarily due to higher general and administrative expenses of \$165,639 and higher production costs consisting of increases in water treatment costs of \$169,032, pumping of \$48,134, and transmission and distribution of \$38,164.
- **Non-operating Expenses** - Decreased by \$247,470 to \$455,561, primarily due to the disposal of the Well 7A Phase II.