

# **Scotts Valley Water District**

**Board of Directors**

**Presentation of 2016 Audit Results**

**Fedak & Brown LLP**



# The Audit Process

- **Develop an Understanding of the District's Internal Controls**
- **Perform Tests of Accounting Transactions**
- **Assess Risk - Design Audit Programs**



# The Audit Process

- **Test Account Balances**
  - **Agree to Supporting Documentation**
  - **Perform Analysis of Key Relationships**



# The Reports

## **Independent Auditor's Report on the Financial Statement – 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, 2016....

## **Independent Auditor's Report – Performed in Accordance with Government Auditing Standards on Internal Controls and on Compliance and Other Matters**

## **Report to Management on Financial Reporting Matters**

# 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**



# New Items For 2016

## **New Accounting Pronouncements – GASB 72 & 79:**

- **The Primary Objective is to Improve Financial Reporting for Investments, and Pooled Funds**
- **Provides Additional Disclosures within the Notes to the Financial Statements**

# Financial Highlights

**Net Position** - Decreased \$412,641 to \$16,214,003 as a result of ongoing operations.

**Operating Revenues** - Decreased \$450,895 to \$4,048,964, primarily due to decreases of \$107,521 in potable water sales, \$218,261 in service charges, and \$189,553 in other revenue; which was offset by an increase of \$64,440 in recycled water sales.

**Non-operating Revenues** - Increased \$522,965 to \$1,312,856, primarily due to increases of \$467,913 in gain on disposal of capital assets, which includes a \$497,928 gain on sale of entitlement resulting from an agreement between the District and the City of Scotts Valley and \$51,246 in property tax revenue.

**Operating Expenses** - Increased \$594,777 to \$4,778,414 primarily due to increases of \$103,554 in source of supply, \$85,721 in pumping, \$182,755 in water treatment, \$444,416 in recycled water, \$39,371 in conservation, \$19,498 in customer accounts, and \$28,072 in general and administrative expenses; which were offset by a decrease of \$308,610 in transmission and distribution expenses.

**Non-operating Expenses** - Increased \$56,283 to \$417,796 primarily due to a \$30,645 decrease in interest expense related to the District's long-term debt, which was offset by an \$86,928 increase of costs associated with the retirement of the 2003 refunding bonds during the year.



# Financial Highlights

## Condensed Statements of Net Position

	<u>2016</u>	<u>2015</u>	<u>Change</u>
<b>Assets:</b>			
Current assets	\$ 5,080,585	8,080,225	(2,999,640)
Non-current assets	715,853	118,023	597,830
Capital assets, net	<u>20,027,733</u>	<u>19,521,856</u>	<u>505,877</u>
<b>Total assets</b>	<u>25,824,171</u>	<u>27,720,104</u>	<u>(1,895,933)</u>
<b>Deferred outflows of resources</b>	<u>669,858</u>	<u>1,223,345</u>	<u>(553,487)</u>
<b>Liabilities:</b>			
Current liabilities	940,689	1,818,498	(877,809)
Non-current liabilities	<u>8,927,869</u>	<u>10,051,375</u>	<u>(1,123,506)</u>
<b>Total liabilities</b>	<u>9,868,558</u>	<u>11,869,873</u>	<u>(2,001,315)</u>
<b>Deferred inflows of resources</b>	<u>411,468</u>	<u>446,932</u>	<u>(35,464)</u>
<b>Net position:</b>			
Net investment in capital assets	13,665,884	12,154,452	1,511,432
Restricted	749,404	932,329	(182,925)
Unrestricted	<u>1,798,715</u>	<u>3,539,863</u>	<u>(1,741,148)</u>
<b>Total net position</b>	<u>\$ 16,214,003</u>	<u>16,626,644</u>	<u>(412,641)</u>

# Financial Highlights

## Condensed Statements of Revenues, Expenses and Changes in Net Position

	<u>2016</u>	<u>2015</u>	<u>Change</u>
<b>Revenues:</b>			
Operating revenues	\$ 4,048,964	4,499,859	(450,895)
Non-operating revenues	1,312,856	789,891	522,965
<b>Total revenues</b>	<u>5,361,820</u>	<u>5,289,750</u>	<u>72,070</u>
<b>Expenses:</b>			
Operating expenses	4,778,414	4,183,637	594,777
Depreciation and amortization	913,955	883,615	30,340
Non-operating expenses	417,796	361,513	56,283
<b>Total expenses</b>	<u>6,110,165</u>	<u>5,428,765</u>	<u>681,400</u>
Net loss before capital contributions	(748,345)	(139,015)	(609,330)
<b>Capital contributions</b>	<u>335,704</u>	<u>399,554</u>	<u>(63,850)</u>
<b>Change in net position</b>	<u>(412,641)</u>	<u>260,539</u>	<u>(673,180)</u>
<b>Net position, beginning of period, as previously stated</b>	16,626,644	18,007,372	(1,380,728)
<b>Prior period adjustment (note 11)</b>	<u>-</u>	<u>(1,641,267)</u>	<u>1,641,267</u>
<b>Net position, beginning of period, as restated</b>	<u>16,626,644</u>	<u>16,366,105</u>	<u>260,539</u>
<b>Net position, end of period</b>	<u>\$ 16,214,003</u>	<u>16,626,644</u>	<u>(412,641)</u>

# Financial Highlights

	Measurement Dates	
	<u>6/30/15</u>	<u>6/30/14</u>
District's Proportionate Share of the Net Pension Liability (Asset)	\$ <u>1,233,015</u>	<u>1,329,971</u>
Plan's Fiduciary Net Position as a Percentage of the Total Pension Liability	<u>81.15%</u>	<u>81.15%</u>

- The District's Pension Plan is Approximately 81% Funded at the Measurement Date