



Pajaro Valley

Water Management Agency

**Finance Committee Meeting
Review of 2022 Audit Results
FY 2022**

**C.J. Brown and Company CPAs
(formerly Fedak & Brown LLP)**



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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 Pajaro Valley Water Management Agency as of June 30, 2022....

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Condensed Statements of Net Position

	<u>2022</u>	<u>2021</u>	<u>Change</u>
Assets:			
Current assets	\$ 20,153,930	22,197,975	(2,044,045)
Non-current assets	349,007	-	349,007
Capital assets, net	<u>85,218,352</u>	<u>81,887,888</u>	<u>3,330,464</u>
Total assets	<u>105,721,289</u>	<u>104,085,863</u>	<u>1,635,426</u>
Deferred outflows of resources	<u>314,353</u>	<u>353,818</u>	<u>(39,465)</u>
Liabilities:			
Current liabilities	4,270,699	4,861,401	(590,702)
Non-current liabilities	<u>20,378,428</u>	<u>23,947,672</u>	<u>(3,569,244)</u>
Total liabilities	<u>24,649,127</u>	<u>28,809,073</u>	<u>(4,159,946)</u>
Deferred inflows of resources	<u>904,436</u>	<u>10,091</u>	<u>894,345</u>
Net position:			
Net investment in capital assets	62,948,967	57,065,540	5,883,427
Restricted	329,364	254,139	75,225
Unrestricted	<u>17,203,748</u>	<u>18,300,838</u>	<u>(1,097,090)</u>
Total net position	<u>\$ 80,482,079</u>	<u>75,620,517</u>	<u>4,861,562</u>

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Condensed Statements of Activities

	<u>2022</u>	<u>2021</u>	<u>Change</u>
Revenues:			
Program revenues:			
Charge for services	\$ 14,739,341	14,212,182	527,159
Capital grants and contributions	<u>165,588</u>	<u>4,551,434</u>	<u>(4,385,846)</u>
Total program revenues	<u>14,904,929</u>	<u>18,763,616</u>	<u>(3,858,687)</u>
General revenues:			
Management fees	353,849	387,333	(33,484)
Investment earnings	(89,710)	7,750	(97,460)
Other revenues	<u>30,985</u>	<u>19,870</u>	<u>11,115</u>
Total general revenues	<u>295,124</u>	<u>414,953</u>	<u>(119,829)</u>
Total revenues	<u>15,200,053</u>	<u>19,178,569</u>	<u>(3,978,516)</u>
Expenses:			
Water basin management	9,740,096	9,738,959	1,137
Interest on long-term debt	<u>598,395</u>	<u>708,325</u>	<u>(109,930)</u>
Total expenses	<u>10,338,491</u>	<u>10,447,284</u>	<u>(108,793)</u>
Changes in net position	4,861,562	8,731,285	(3,869,723)
Net position, beginning of year	<u>75,620,517</u>	<u>66,889,232</u>	<u>8,731,285</u>
Net position, end of year	<u>\$ 80,482,079</u>	<u>75,620,517</u>	<u>4,861,562</u>

Notes

In 2022:

- 1. Net position decreased by \$4.8M as a result of ongoing operations.**
- 2. Total revenues decreased by \$3.98M primarily due to a decrease in capital grants and contribution.**
- 3. Total expenses decreased by \$109K due to a decrease in interest payment on long-term debt.**

Capital Assets – Page 19 of 128

	<u>Balance 2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 2022</u>
Non-depreciable assets	\$ 11,630,943	6,349,290	-	17,980,233
Depreciable assets	106,184,063	411,076	(61,461)	106,533,678
Accumulated depreciation	<u>(35,927,118)</u>	<u>(3,422,320)</u>	<u>53,879</u>	<u>(39,295,559)</u>
Total capital assets, net	<u>\$ 81,887,888</u>	<u>3,338,046</u>	<u>(7,582)</u>	<u>85,218,352</u>

The Agency's assets increased primarily due to increased in construction activities during the year, which includes:

1. College Lake Integrated Resource Management;
2. Watsonville Slough Project; and
3. Harkins Slough Facility project

A detailed breakdown of the construction project balances can be found on page 41 of 128 of the board packet.

Net Pension Liability – Page 66 of 128

The Agency's net pension liability decrease from \$1.4M from FY 2021 to \$565,056.

New accounting pronouncement

GASB 87: recognition of:

- 1. Lease receivable (future rental payments to be received) and deferred rent revenue (future rental income to be earned) for all operating leases over 12 months. See page 39/40 of 128 of the board packet.**
- 2. Lease assets (right-to-use asset) and liabilities (lease liability) for all operating leases over 12 months. See page 42/43 of 128 of the board packet.**

Current operating leases:

- 1. Lease of District's real property (e.g. Gem-Pack Berries, S. Martinelli & Company, and J.E. Farms, Inc.); and**
- 2. Lease of communication equipment with Avatel and lease of well with Arnold LLC.**

Management Report

- ▶ **Our communication of control deficiencies:**
 - ▶ **No material weaknesses or significant deficiencies.**