



Pajaro Valley
Water Management Agency

Board Meeting
FY 2023 Audit Presentation

January 17, 2024

C.J. Brown and Company CPAs



Professional Guidance

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

The Audit Process

- **Interim Fieldwork – Assess the Agency’s Internal Controls and Effectiveness**
 - **Gain and Understanding of the Agency’s Control Framework**
 - **Test of Controls Testing – Accounting Cycles**
- **Final Fieldwork**
 - **Agree Balance to Supporting Documentation**
 - **Perform Analysis of Key Account Relationships**
- **Consideration of Fraud per AU-C Section 240, “Consideration of Fraud in a Financial Statement Audit”**
 - **Professional Skepticism**
 - **Interview of Board and Management**

Audit Opinion – Page 1

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, 2023....

Management Report

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

Statement of Net Position – Page 5

Condensed Statements of Net Position

	<u>2023</u>	<u>2022</u>	<u>Change</u>
Assets:			
Current assets	\$ 61,368,768	20,153,930	41,214,838
Non-current assets	303,406	349,007	(45,601)
Capital assets, net	<u>94,114,914</u>	<u>85,218,352</u>	<u>8,896,562</u>
Total assets	<u>155,787,088</u>	<u>105,721,289</u>	<u>50,065,799</u>
Deferred outflows of resources	<u>933,080</u>	<u>314,353</u>	<u>618,727</u>
Liabilities:			
Current liabilities	9,634,435	4,270,699	5,363,736
Non-current liabilities	<u>59,859,274</u>	<u>20,378,428</u>	<u>39,480,846</u>
Total liabilities	<u>69,493,709</u>	<u>24,649,127</u>	<u>44,844,582</u>
Deferred inflows of resources	<u>467,811</u>	<u>904,436</u>	<u>(436,625)</u>
Net position:			
Net investment in capital assets	74,798,359	62,948,967	11,849,392
Restricted	335,191	329,364	5,827
Unrestricted	<u>11,625,098</u>	<u>17,203,748</u>	<u>(5,578,650)</u>
Total net position	<u>\$ 86,758,648</u>	<u>80,482,079</u>	<u>6,276,569</u>

Current assets

	<u>2023</u>	<u>2022</u>	<u>Change</u>	<u>Note</u>
Current assets:				
Cash and cash equivalents (note 2)	\$ 57,502,742	15,261,419	42,241,323	1
Cash and cash equivalents – restricted (note 2)	335,191	329,364	5,827	
Accounts receivable, net	3,263,853	4,336,788	(1,072,935)	2
Interest receivable	82,414	19,185	63,229	
Other receivable	35,136	42,333	(7,197)	
Prepaid expenses and other assets	103,831	100,174	3,657	
Long-term asset – due within one year:				
Lease receivable (note 3)	45,601	64,667	(19,066)	
Total current assets	\$ 61,368,768	20,153,930	41,214,838	

1. **Cash and cash equivalents** – account increased due to the proceeds from the 2023 Water Revenue COP for the purpose of financing the College Lake Project.
2. **Accounts receivable, net** – account decreased due to decrease in water usage as a result of recent rain/flooding in March 2023, which translated to less augmentation charges.

Non-current assets

	<u>2023</u>	<u>2022</u>	<u>Change</u>	<u>Note</u>
Non-current assets:				
Capital assets – not being depreciated (note 4)	\$ 30,186,755	17,980,233	12,206,522	3
Depreciable capital assets, net (note 4)	63,928,159	67,238,119	(3,309,960)	4
Long-term asset – due within one year:				
Lease receivable (note 3)	<u>303,406</u>	<u>349,007</u>	<u>(45,601)</u>	
Total non-current assets	\$ <u>94,418,320</u>	<u>85,567,359</u>	<u>8,850,961</u>	

3. **Capital assets – not being depreciated, net** – account increased due to the Land and easement acquisition for the College Lake Project, including construction in process related to capital projects during the year.

4. **Depreciable capital assets, net** – account decreased due to annual depreciation expense during the year.

Current liabilities

	<u>2023</u>	<u>2022</u>	<u>Change</u>	<u>Note</u>
Current liabilities:				
Accounts payable	\$ 7,175,279	1,235,973	5,939,306	5
Accrued wages payable	39,227	31,852	7,375	
Accrued interest	235,438	235,438	-	
Unearned revenue	28,610	4,500	24,110	
Long-term liabilities – due within one year:				
Compensated absences (note 6)	88,083	76,731	11,352	
Note payable (note 8)	227,127	221,819	5,308	
Bonds payable (note 8)	1,790,000	2,415,000	(625,000)	6
Lease obligation (note 8)	<u>50,671</u>	<u>49,386</u>	<u>1,285</u>	
Total current liabilities	\$ <u>9,634,435</u>	<u>4,270,699</u>	<u>5,363,736</u>	

5. Accounts payable – account increased due to increase in expenses related to the College Lake Project (re: Mountain Cascade Inc.)

6. Bonds payable – account decreased due to principal payments made during the year.

Non-current liabilities

	<u>2023</u>	<u>2022</u>	<u>Change</u>	<u>Note</u>
Non-current liabilities:				
Long-term liabilities – due in more than one year:				
Compensated absences (note 6)	\$ 264,247	230,192	34,055	
Net pension liability (note 10)	1,733,322	565,056	1,168,266	7
Note payable (note 8)	2,634,600	2,919,404	(284,804)	
Certificate of participation (note 8)	40,612,948	-	40,612,948	8
Bonds payable (note 8)	14,505,681	16,504,629	(1,998,948)	9
Lease obligation (note 8)	108,476	159,147	(50,671)	
Total non-current liabilities	\$ 59,859,274	20,378,428	39,480,846	

7. **Net pension liability** – account increased due to investment loss suffered by the CalPERS Pool per the 2022 measurement date actuarial pool report (\$1.3B) and the decrease in discount rate per CalPERS from 7.15% to 6.90%.
8. **Certificate of Participation** – account increased due to the issuance of 2023 Water Revenue COP for the purpose of financing the College Lake Project.
9. **Bonds payable** – account decreased due to principal payments made during the year.

Statement of Activities – Page 6

Condensed Statements of Activities

	<u>2023</u>	<u>2022</u>	<u>Change</u>	<u>Note</u>
Revenues:				
Program revenues:				
Charge for services	\$ 12,939,454	14,739,341	(1,799,887)	
Capital grants and contributions	2,525,638	165,588	2,360,050	
Total program revenues	<u>15,465,092</u>	<u>14,904,929</u>	<u>560,163</u>	
General revenues:				
Management fees	371,975	353,849	18,126	
Investment earnings	403,547	(89,710)	493,257	
Other revenues	100,203	30,985	69,218	
Total general revenues	<u>875,725</u>	<u>295,124</u>	<u>580,601</u>	
Total revenues	<u>16,340,817</u>	<u>15,200,053</u>	<u>1,140,764</u>	1
Expenses:				
Water basin management	9,542,006	9,740,096	(198,090)	
Interest on long-term debt	522,242	598,395	(76,153)	
Total expenses	<u>10,064,248</u>	<u>10,338,491</u>	<u>(274,243)</u>	2
Changes in net position	6,276,569	4,861,562	1,415,007	
Net position, beginning of year	<u>80,482,079</u>	<u>75,620,517</u>	<u>4,861,562</u>	
Net position, end of year	<u>\$ 86,758,648</u>	<u>80,482,079</u>	<u>6,276,569</u>	3

Notes to Statement of Activities

1. **Total revenues** – account increased by \$1.1M due to the following:
 - Increase in capital grants and contributions of \$2.3M (DWR grant), which was offset by a decrease of \$1.8M in charges for services (including decrease augmentation charges and delivered water sales).
 - Increase in investment earnings of \$493K.
2. **Total expenses** – account decreased by \$274K due to the following:
 - Decrease of \$198K in water basin management (e.g. city connection water charges decreased from \$420K in 2022 to \$224K in 2023); and
 - Decrease of \$76K in interest on long-term debt.
3. **Net position** – account increased by \$6.2M as a result of ongoing operations.

QUESTIONS

