Pajaro Valley
Water Management Agency

FY 2024 Audit Presentation

Board Meeting

January 15, 2025

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 Report - Opinion on Page 1
(or Page 34 of 129 of Board Packet)

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, 2024….

Single Audit Report – Page 5
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- **Unmodified "CLEAN" Opinion**
  - In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.
- **Federal Expenditures of $750,000 or more as of FY June 30, 2024 (U.S. EPA WIFIA – College Lake Project - $9.2M spent)**
- **Data Collection Form** must be submitted to the **Federal Audit Clearinghouse** within **30 calendar days** after receiving (issuance) the auditor's report.

Management Report
(Starting on Page 100 of 129 of Board Packet)

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

Statement of Net Position – Page 5
(or Page 38 of 129 of Board Packet)

Condensed Statements of Net Position

	2024	2023	Change
Assets:			
Current assets	$ 25,322,520	61,368,768	(36,046,248)
Non-current assets	256,327	303,406	(47,079)
Capital assets, net	147,547,062	94,114,914	53,432,148
Total assets	173,125,909	155,787,088	17,338,821
Deferred outflows of resources	927,751	933,080	(5,329)
Liabilities:			
Current liabilities	10,900,564	9,634,435	1,266,129
Non-current liabilities	67,292,351	59,859,274	7,433,077
Total liabilities	78,192,915	69,493,709	8,699,206
Deferred inflows of resources	347,339	467,811	(120,472)
Net position:			
Net investment in capital assets	80,670,991	74,798,359	5,872,632
Restricted	348,259	335,191	13,068
Unrestricted	14,494,156	11,625,098	2,869,058
Total net position	$ 95,513,406	86,758,648	8,754,758

Current assets

		2024	2023	Change	Note
Current assets:					
Cash and cash equivalents (note 2)	$	20,248,523	57,502,742	(37,254,219)	1
Cash and cash equivalents – restricted (note 2)		348,259	335,191	13,068	
Accounts receivable, net		3,831,207	3,263,853	567,354	2
Grant receivable		538,600	-	538,600	3
Interest receivable		121,997	82,414	39,583	
Other receivable		103,570	35,136	68,434	
Prepaid expenses and other assets		83,285	103,831	(20,546)	
Long-term asset – due within one year:					
Lease receivable (note 3)		47,079	45,601	1,478	
Total current assets		25,322,520	61,368,768	(36,046,248)	

1. Cash and cash equivalents – account decreased primarily due to the utilization of cash proceeds from the 2023 Water Revenue COP for the purpose of financing the College Lake Project.

2. Accounts receivable, net – account increased due to increase in water usage, which translated to more augmentation charges and delivered water compared to the prior year.

3. Grants receivable, net – account increased due to the Department of Water Resources' SGMA Implementation Grant receivable related to the College Lake Project Pre-Construction Activities.

Non-current assets

	2024	2023	Change	Note
Non-current assets:				
Capital assets – not being depreciated (note 4)	86,904,330	30,186,755	56,717,575	4
Depreciable capital assets, net (note 4)	60,642,732	63,928,159	(3,285,427)	5
Long-term asset – due within one year:				
Lease receivable (note 3)	256,327	303,406	(47,079)	
Total non-current assets	147,803,389	94,418,320		

4. Capital assets – not being depreciated, net – account increased primarily due to the increased in construction activities related to the College Lake Project during the year.

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

Current liabilities

		2024	2023	Change	Note
Current liabilities:					
Accounts payable	$	8,174,219	7,175,279	998,940	6
Accrued wages payable		62,307	39,227	23,080	
Accrued interest		757,866	235,438	522,428	7
Unearned revenue		8,128	28,610	(20,482)	
Long-term liabilities – due within one year:					
Compensated absences (note 6)		94,521	88,083	6,438	
Note payable (note 8)		291,533	227,127	64,406	
Bonds payable (note 8)		1,460,000	1,790,000	(330,000)	8
Lease payable (note 8)		51,990	50,671	1,319	
Total current liabilities		10,900,564	9,634,435		

6. Accounts payable – account increased due to increase in expenses related to the City of Watsonville utilities for the operational water treatment plant and potable city connection water usage.

7. Accrued interest – account increased due to increase in accrued interest related to the 2023 COP Loan.

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

Non-current liabilities

	2024	2023	Change	Note
Non-current liabilities:				
Long-term liabilities – due in more than one year:				
Compensated absences (note 6)	283,563	264,247	19,316	
Net pension liability (note 9)	1,936,240	1,733,322	202,918	**9**
Note payable (note 8)	2,284,815	2,634,600	(349,785)	**10**
WIFIA payable (note 8)	9,281,567	-	9,281,567	**11**
Certificate of participation (note 8)	40,612,948	40,612,948	-	
Bonds payable (note 8)	12,836,733	14,505,681	(1,668,948)	**12**
Lease payable (note 8)	56,485	108,476	(51,991)	
Total non-current liabilities	67,292,351	59,859,274		

9. Net pension liability – account increased due to increase in service cost and interest on total pension liability (per CalPERS 2023 Miscellaneous Risk Pool Report).

10. Note payable – account decreased due to the issuance of 2023 Water Revenue COP for the purpose of financing the College Lake Project.

11. WIFIA payable – account increased due to the issuance of the WIFIA Loan related to the College Lake Project.

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

Statement of Activities – Page 6
(or Page 39 of 129 of Board Packet)

Condensed Statements of Activities

	2024	2023	Change	Note
Revenues:				
Program revenues:				
Charge for services	$ 13,822,188	12,939,454	882,734	
Capital grants and contributions	5,612,452	2,525,638	3,086,814	
Total program revenues	19,434,640	15,465,092	3,969,548	
General revenues:				
Management fees	375,546	371,975	3,571	
Investment earnings	1,852,509	403,547	1,448,962	
Other revenues	116,001	100,203	15,798	
Total general revenues	2,344,056	875,725	1,468,331	
Total revenues	21,778,696	16,340,817	5,437,879	1
Expenses:				
Water basin management	10,854,334	9,542,006	1,312,328	
Interest on long-term debt	2,169,604	522,242	1,647,362	
Total expenses	13,023,938	10,064,248	2,959,690	2
Changes in net position	8,754,758	6,276,569	2,478,189	
Net position, beginning of year	86,758,648	80,482,079	6,276,569	
Net position, end of year	$ 95,513,406	86,758,648	8,754,758	3

Notes to Statement of Activities

1. Total revenues – account increased by $5.4M due to the following:
   - Increases in **program revenues**: capital grants and contributions of $3.1M (Prop 84 grant and DWR grant), and charges for services (including increases in augmentation charges and delivered water sales).
   - Increases in **general revenues**: investment earnings of $1.4M.

2. Total expenses – account increased by $3M due to the following:
   - Increase of $1.3M in water basin management (e.g. increases in city connection water charges, major repairs of Blend Well 1 and 2, and booster pump, WIFIA application fees); and
   - Increase of $1.6M in interest on long-term debt.

3. Net position – account increased by $8.8M as a result of ongoing operations.

QUESTIONS