

FISCAL YEAR 2016-17

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS REPORT**

Mary Jo Walker
Interim Chief Financial Officer

Annual Audit and Opinion

- Received annual audit from Lance, Soll & Lunghard LLP
 - Bryan Gruber, CPA and Partner available on conference line
 - Performed internal control, process, and procedure review in June
 - Provided recommendations
 - Conducted audit in September focusing on financial statements, amounts, and disclosures
 - Reviewed scope and responsibilities of audit with BPC (Pgs. 183-184)
 - Obtained an “unmodified” opinion or clean audit
 - Independent Auditors Report (Pgs. 30-31)
 - Independent Auditors Report on Internal Control (Pgs. 104-105)

Draft Audit

- “Draft” audit is included in the Board packet.
- We needed one final piece of information from an outside entity before the auditors would issue the final statements and report.
- We have subsequently received the information, and the final statements and report from the auditors, but too late for printing in the Board packet.
- We received a suggested change from Board member Tom Moore, which we will include in the final CAFR.

Change in Net Position

(Pages: 35, 43)

Revenue (operating and non-operating)	\$29,334,106
Expenses (operating, depreciation, non-operating)	(28,348,292)
Net Gain	985,814
Capacity Charges and Capital Contributions ♦	4,197,753
Change in Net Position – FY 16/17	\$5,183,567

- ♦ Capacity Charges are also known as connection fees. Capital contributions include grants and reimbursements from the Monterey Peninsula Water Management District.

Net Position

(Pages: 35, 43)

Net Position, Beginning of Year	\$66,500,160
Change in Net Position – FY 16/17	5,183,567
Prior Period Adjustment ♦	(1,016,845)
Net position, End of Year	\$70,666,882

- ♦ Prior Period Adjustment was due to non-capitalizable costs incurred in prior years which were added to construction in progress but should have been expensed in those years.

Classification of Net Position

(Pages: 34, 42)

	FY 16/17	FY 15/16	FY 14/15
Net invested in capital assets	\$80,209,413	\$82,834,307	\$76,913,787
Restricted	10,025,769	1,051,168	282,602
Unrestricted	(19,568,300)	(17,385,315)	(20,177,523)
Total Net Position	\$70,666,882	\$66,500,160	\$57,018,866

- Net investment in capital assets = Cost of capital assets, less depreciation, less related debt.
- Restricted = Includes the \$8.2 million receivable at June 30 from the State Revolving Fund loan.
- Unrestricted = Everything else.

Unrestricted Net Position

(Pages: 42, 64)

Bonds Payable – Pension Related	\$ (6,865,000)
Net Pension Liability	(18,793,633)
Deferred Inflows and Outflows – Pension Related	3,324,750
Operating Reserve	2,520,690
Total Unrestricted Net Position	<u>\$(19,813,193)</u>

Net Position/Reserve Calculation ⁽¹⁾

Unrestricted Accounts	FY 2016/17	FY 2015/16
Cash & Cash Equivalent	\$6,371,930	\$5,004,042
Accrued Interest Receivable	16,589	8,173
Accounts Receivable, net	2,695,955	4,619,059
AP and Accrued Expenses	(4,388,585)	(2,296,169)
Accrued Wages & Related Payables	(364,145)	(348,261)
Unearned Revenue and Deposits Payable	(473,916)	(533,178)
Collection Charges to Member Entities	(325,865)	(1,713,102)
Accrued Interest Payable	(42,605)	(49,995)
Compensated Absences—Current/Long Term	(968,668)	(851,605)
Operating Reserve – Financial Statement Calc.	\$2,520,690	\$3,838,964
Add Compensated Absences	968,668	851,605
Adjust for Line of Credit	(2,000,000)	(1,000,000)
Reserve Calc. – Budgetary / Working Capital	\$1,489,358	\$3,690,569

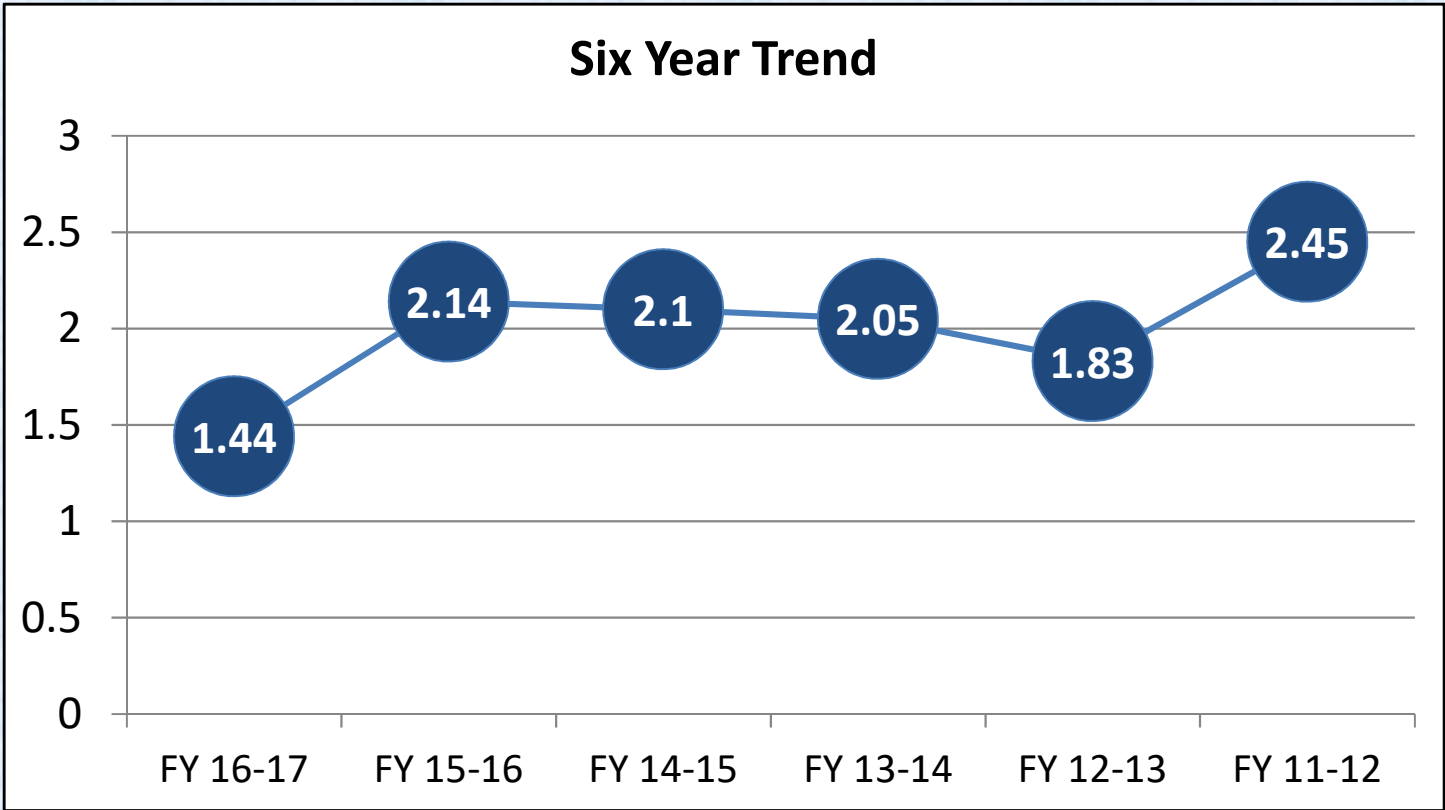
Note 10: Net Position (pg. 64)

Debt Service Coverage Ratio

Debt Covenant Requirement: 1.25x

Fiscal Year 16/17 Ratio: 1.44x

(Page 78)



Notes

(Pages: 46 - 71)

- Notes are an integral part of the financial statements.
- Some of the more important or interesting notes are:
 - Note 7 – Pension Related Debt
 - Note 8 – Bonds Payable
 - Note 9 – Loans Payable
 - Note 10 – Net Position
 - Note 11 – Pension Plan

Statistical Section

(Pages: 82 - 100)

- A lot of interesting information.
- 10-year trends, including:
 - Revenues and expenses
 - User Fees
 - Debt Capacity
 - Demographics

STAFF RECOMMENDATION:

**That the Board receive the FY 2016-17
Draft Financial Statements and
Independent Auditors Report**