SWEETWATER SPRINGS WATER DISTRICT

TO: Board of Directors **AGENDA NO. V-A**

FROM: Steve Mack, General Manager

Meeting Date: November 1, 2018

SUBJECT: FY 2017-18 Audit discussion

RECOMMENDED ACTION: Receive a telephonic presentation by Michael Celentano, CPA, who is providing auditing services to the District, and provide direction to staff and the Auditor.

FISCAL IMPACT: (None.)

DISCUSSION:

Our Auditor, Michael Celentano, completed his field work at our office mid-October. He will be available by phone to present his findings, and to answer any questions you might have.

Of note for FY 2017-18 is the implementation of GASB 75, the counterpart of GASB 68. To refresh your memory GASB 68 required reporting of District Net **Pension Liability (UL)** on the Balance Sheet instead of the Audit footnotes. GASB 75 requires reporting of District Net **Post Employment Retirement Benefits (PERB) Liability** on the Balance Sheet instead of just the annual required contribution (ARC) that has been reported for the last few years.

The compliance details of GASB 75 are similar to GASB 68. In the opinion of our Auditor and District staff, the reporting requirements are overly complex. For that reason last year at Mr. Celentano's suggestion we reverted to discussing Net Pension Liability in the Audit footnotes. For the same reasons -- and to treat the two liabilities consistently -- Mr. Celentano has asked staff if we would also like to address PERB Liability in the Audit footnotes. Staff has agreed. Mr. Celentano does not believe there will be any penalties for failing to comply with the letter of GASB 68 or GASB 75 given the size of our District.

It should be noted that staff is keeping a close eye on these two liabilities, particularly the PERS UL which is charged interest. We have a plan in place to reduce the balance of these two liabilities by making extra payments each year.

In lieu of a draft Audit report (not yet prepared) attached is a Quickbooks Balance Sheet and Profit/Loss Statement that reflects all journal entries and anticipated adjusting journal entries thru Mr. Celentano's field visit. The full Audit report and approving resolution will be agendized when the Audit is completed.

Below are selected items of interest from these financials, compared to FY 2016-17. These preliminary numbers may change slightly in the final Audit report.

	2017-18	**2016-17**
Net Income (Change in Net Position)	**$408,837**	$162,771
Cash transferred to CIRF	**$320,000**	$330,000
District Reserves above Policy	**$1,265,940**	$1,405,978
Water Sales	**$2,447,124**	$2,318,328
Capital Improvement Projects	**$862,402**	$72,997
Debt Payments (Principal and Interest)	**$1,009,259**	$1,128,063
Operating Expenses	**$1,806,586**	$1,841,611
PERS UL (per Annual Report)	**$931,563***	$894,461
PERB UL (per CERBT AMM)	**$142,259****	n/a

** FY 2017-18 extra payments of app. $75,000 are not reflected in this figure*
*** AMM spreadsheet was revised in FY 2017-18 to reflect GASB 75 assumptions*

Sweetwater Springs Water District
Profit & Loss
July 2017 through June 2018

	TOTAL
Ordinary Income/Expense	
Income	
OPERATING REVENUE	
4031 · Water Sales	
4031.1 · Daily Water Sales Deposits	
4031.10 · Base Rate	1,533,554.30
4031.11 · Current Charges	597,460.89
4031.12 · Capital Debt Reduction Charge	279,369.42
4031.1 · Daily Water Sales Deposits - Other	38,687.70
Total 4031.1 · Daily Water Sales Deposits	2,449,072.31
4031.2 · Delinquent Deposits Applied	1,645.39
4031.4 · Delinquent Deposit Payments	-1,940.65
4031.5 · Delinquent Deposit Refunds	-128.43
4031.6 · Customer Refunds	-260.87
4031.7 · NSF Checks	-1,263.47
Total 4031 · Water Sales	2,447,124.28
Total OPERATING REVENUE	2,447,124.28
NON-OPERATING REVENUE	
4447 · Del Deposit Proceeds	-9.44
4445 · Grant Proceeds	36,424.00
1002 · Construction flat charges	15,763.80
1001 · CY Direct Charges	726,079.78
1061 · PY Direct Charges	24,084.95
1700 · Interest	25,244.53
1701 · Unrealized Gain on PARS Investm	945.35
3600 · Construction New Services	8,235.00
3601 · Construction - Service Upgrades	11,506.09
4032 · Rent	101,914.24
4117 · SCWA reimbursement	2,745.37
4040 · Miscellaneous Income	2,383.71
Total NON-OPERATING REVENUE	955,317.38
Total Income	3,402,441.66
Gross Profit	3,402,441.66
Expense	
OPERATING EXPENSES	
SALARY & BENEFITS	
Salary	
5910 · Wages	781,746.77
5912 · Overtime	28,255.54
5916 · On-Call Pay	34,590.00
5918 · Extra help - Contract	36,931.20
Total Salary	881,523.51
Benefits	
5500 · Flex Spending (Flex spending monies pd ee's)	819.85
5920 · Retirement	118,230.63
5920.2 · Retirement - EE share	-54,131.09
5920.4 · Retirement - UL	112,002.52
5922 · Payroll Taxes - Employer Paid	15,061.87
5930 · Health/Dental/Vision/AFLAC Ins.	186,420.09
5931 · Retiree Health	7,698.00
5940 · Workers Comp Insurance	42,099.70
Total Benefits	428,201.57
Total SALARY & BENEFITS	1,309,725.08

Sweetwater Springs Water District
Profit & Loss
July 2017 through June 2018

	TOTAL
SERVICES & SUPPLIES	
Communications	
6040-I · Internet service	2,015.89
6040-C · Cell Phones	4,076.25
6040-P · Pagers & Radios	469.87
6040-T · Telephones	16,670.86
Total Communications	23,232.87
Insurances	
6101 · Gen. Liability	36,181.39
Total Insurances	36,181.39
Maint/Rep - Office & Vehicles	
6140 · Vehicle Maintenance	11,743.14
6151 · Office Maintenance	7,148.06
Total Maint/Rep - Office & Vehicles	18,891.20
Maint/Repair - Facilities	
6085 · Janitorial Services	6,372.80
6100 · SCADA system	3,200.53
6180 · Distribution System Repairs	47,169.96
6235 · Treatment Sys/Well Repairs	31,593.79
6143 · Generator Maintenance	6,836.23
Total Maint/Repair - Facilities	95,173.31
Miscellaneous Expenses	
6280 · Memberships	11,081.97
6303 · Claims	16,069.93
6593 · Governmental Fees	4,700.44
Total Miscellaneous Expenses	31,852.34
Office Expense	
6410 · Postage	15,744.13
6430 · Printing Expense	7,752.56
6461 · Office Supplies	4,111.38
6800 · Subscriptions/Legal Notices	552.88
6890 · Computers/Software	1,559.76
6579 · Furniture	843.56
Total Office Expense	30,564.27
Operating Supplies	
6300 · Chemicals	11,979.17
6880 · Tools and Equipment	5,675.97
6881 · Safety Equipment	1,262.26
Total Operating Supplies	18,917.40
Professional Services	
6083 · Laundry Service	1,282.70
6514 · Lab/Testing Fees	11,611.00
6570 · Consultant Fees	17,000.00
6610 · Legal	12,423.10
6630 · Audit/Accounting	38,831.94
Total Professional Services	81,148.74
Rents & Leases	
6820 · Equipment	1,408.80
6840 · Building & Warehouse	29,671.80
Total Rents & Leases	31,080.60

Sweetwater Springs Water District
Profit & Loss
July 2017 through June 2018

	TOTAL
Transportation & Travel	
7120 · Seminars & related travel	473.13
7201 · Vehicle Gas	20,072.79
7300 · Travel Reimbursements	5,588.35
Total Transportation & Travel	26,134.27
Uniforms	
6021.1 · Boots	1,319.99
6021.3 · T-shirts	1,693.63
Total Uniforms	3,013.62
Utilities	
7320 · Electricity	97,850.84
7321 · Propane	2,819.61
Total Utilities	100,670.45
Total SERVICES & SUPPLIES	496,860.46
Total OPERATING EXPENSES	1,806,585.54
NON-OPERATING EXPENSES	
7980 · Depreciation Expense	812,134.94
7920 · Interest expense	376,900.22
Total NON-OPERATING EXPENSES	1,189,035.16
FIXED ASSET EXPENDITURES	
8517 · Field/Office equipment	500.00
System Upgrades (Cap. Imp.)	
8511.23 · Guernewood Park Project (Escrow acct for expenses related to t...	-2,515.75
Total System Upgrades (Cap. Imp.)	-2,515.75
Total FIXED ASSET EXPENDITURES	-2,015.75
Total Expense	2,993,604.95
Net Ordinary Income	408,836.71
Other Income/Expense	
Other Income	
TRANSFERS FROM OTHER FUNDS	
4620.2 · Tfers from Operations	638,615.00
4620 · Tfers from Operating Reserves	500,000.00
Total TRANSFERS FROM OTHER FUNDS	1,138,615.00
Total Other Income	1,138,615.00
Other Expense	
TRANSFERS TO OTHER FUNDS	
8620.8 · Tfers to Fed Construction	500,000.00
8620.7 · Tfers to CIRF for CDR Revenue	278,615.00
8620.3 · Tfers to CIRF	320,000.00
8620.5 · Tfers to Building Fund	15,000.00
8620.2 · Tfers to In-House Constr	25,000.00
Total TRANSFERS TO OTHER FUNDS	1,138,615.00
Total Other Expense	1,138,615.00
Net Other Income	0.00
Net Income	**408,836.71**

Sweetwater Springs Water District
Balance Sheet
As of June 30, 2018

	Jun 30, 18	
ASSETS		
Current Assets		
Checking/Savings		
Cash		
101 · Cash at County		
101.1 · Operations (7106-0100) (Cash Balance at County 776013)	123,508.03	
101.2 · Bldg Fund (7106-0200)	10,850.00	
101.3 · Oper. Reserve (7106-0300)	96,475.00	
101.4 · GO Bonds (7106-0400)	500,000.00	
101.5 · In-House Constr. Dept 7106-0500	75,982.08	
101.7 · CIRF - Dep't 7106-0600	266,473.85	
101.8 · Guernewood Proj Esc (7106-0700)	18,486.90	
101.9 · State Res. 58330 (7106-0800)	0.00	
101.10 · State Loan 58340 (7106-0900-LG)	146,863.42	
101.11 · St. Loan Res 58340 (7106-1000)	0.00	
101.6 · Cap/Debt Policy Res (7106-1100)	102,315.00	
101.12 · Neeley Rd Slide	0.00	
101.13 · Priv. Placement - 7106-1200	791,250.09	
101 · Cash at County - Other	0.00	
Total 101 · Cash at County		2,132,204.37
102 · Petty Cash and Cash Boxes		500.00
103 · District Bank Accounts		
103.1 · West America - Daily $$, EFTs (Payroll, PERS, Deposits)	155,835.99	
103.2 · West America - Warrants (For In-house warrants)	-51,750.77	
103.3 · Flexible Spending Account	5,186.35	
103.4 · Delinquent Deposit Account	14,864.18	
103.5 · Road Maintenance	10,139.76	
103.8 · GO Bond payments	71,351.92	
103.6 · Redwood Credit Union - CD (5-yr; 5.06%; 5/10/2012)	0.00	
103.7 · Redwood Credit Union Business	0.00	
103 · District Bank Accounts - Other	0.00	
Total 103 · District Bank Accounts		205,627.43
104 · PARS		200,945.35
Cash - Other		0.00
Total Cash		2,539,277.15
Total Checking/Savings		2,539,277.15
Accounts Receivable		
107 · Grant Proceeds Receivable (& Reimbursements)		0.00
105 · Flat Charges Receivable		
105.1 · Uncollected flat charges	55,626.99	
105.2 · Allow.-Uncollectible Flat Chges	-14,967.69	
105 · Flat Charges Receivable - Other	0.00	
Total 105 · Flat Charges Receivable		40,659.30
108 · Rents and Other Receivables (Mt. Jackson tenants rent receivable)		13,762.44
106 · Petty Cash Receivable		0.00
109 · Water Sales Receivable		322,804.25
Total Accounts Receivable		377,225.99
Other Current Assets		
148 · Prepaid Retirement- (Current)		0.00
123 · Inventory		56,504.78
143 · Prepaid expenses		6,250.00
1499 · Undeposited Funds		0.00
Total Other Current Assets		62,754.78
Total Current Assets		2,979,257.92

Sweetwater Springs Water District
Balance Sheet
As of June 30, 2018

	Jun 30, 18
Fixed Assets	
161 · Land	143,053.50
162 · Buildings & Improvements	
162.1 · Cost	30,743,671.47
162.2 · Accumulated Depreciation	-10,490,977.23
162 · Buildings & Improvements - Other	0.00
Total 162 · Buildings & Improvements	20,252,694.24
164 · Equipment	
164.1 · Cost	616,822.80
164.2 · Accumulated Depreciation	-539,999.41
164 · Equipment - Other	0.00
Total 164 · Equipment	76,823.39
163 · Construction in Progress	36,822.92
Total Fixed Assets	20,509,394.05
Other Assets	
148.1 · Prepaid Retirement (UL Payoff)	0.00
Total Other Assets	0.00
TOTAL ASSETS	**23,488,651.97**
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
201 · Vendors Payable	30,837.51
Total Accounts Payable	30,837.51
Credit Cards	
203 · US Bank District Credit Card	0.00
Total Credit Cards	0.00
Other Current Liabilities	
227 · Capital One Bond Current	343,000.00
224 · Private Placement Loan current	150,901.31
234 · Constr New Services	0.00
209 · Constr. Claim Payable - Current	0.00
205 · State Loans current	136,346.23
222 · GO Bonds current	27,622.00
223 · Interest Payable	140,761.51
207 · Salaries & Benefits Payable	75,954.68
226 · Cal Water-Water Rights Retainer (Advance on water rights)	0.00
215 · Insurance Payable	2,698.11
Total Other Current Liabilities	877,283.84
Total Current Liabilities	908,121.35
Long Term Liabilities	
228 · Pension L - Deferred Inflows	0.00
229 · Net Pension (PERS) Liability	0.00
235 · Capital One Bond	5,945,000.00
225 · PERB Payable (Post employment retirement health benefit)	0.00
233 · Private Placement Loan	1,766,330.76
286 · Construction Claim Payable	0.00
220 · Customer Deposits	14,864.18
290 · Road Maintenance Reserves	10,139.76

Sweetwater Springs Water District
Balance Sheet
As of June 30, 2018

	Jun 30, 18
231 · State Loans	412,961.46
232 · GO Bonds	1,543,007.00
Total Long Term Liabilities	9,692,303.16
Total Liabilities	10,600,424.51
Equity	
301 · Contributed Capital	5,088,765.55
310 · Retained Earnings	7,390,625.20
Net Income	408,836.71
Total Equity	12,888,227.46
TOTAL LIABILITIES & EQUITY	23,488,651.97