



Audited Financial Report FY 2016/17

December 6, 2017



Contents



- Independent Auditor's Report
- Management's Discussion and Analysis (MD&A)
- Financial Statements
 - Statements of Net Position
 - Statements of Revenues, Expenses and Changes in Net position
 - Statements of Cash Flows
- Notes to the Financial Statements
- Supplementary Information



Financial Highlights



	2017	2016	Change	% Change
Purchased Water	\$27.4	\$22.2	\$5.2	23.4%
Water Sales	\$23.2	\$18.8	\$4.4	23.3%
Capacity Fees	\$6.6	\$3.1	\$3.5	112.9%
Capital Asset Acquisitions	\$3.9	\$9.3	(\$5.4)	(58.06%)



Financial Highlights *(continued)*



	<u>2016/17</u>	<u>2015/16</u>
Operating Income/(Loss)	\$ (1,549,069)	\$ (806,851)
Net Nonoperating Revenues/(Expenses)	(285,011)	(4,884,002)
Capital contributions	<u>6,760,690</u>	<u>7,083,887</u>
Change in net position	<u>4,926,610</u>	<u>1,393,034</u>
Net Position, Beginning of Year as Previously Stated	249,393,147	251,271,134
Prior Period Adjustment	-	<u>(3,271,021)</u>
Total Net Position, Beginning of Year	<u>249,393,147</u>	<u>248,000,113</u>
Total Net Position, End of Year	<u>\$ 254,319,757</u>	<u>\$ 249,393,147</u>

- Operating loss of \$1.5 million
- Net position increased by \$4.9 million after capital contributions of \$6.8 million

Financial Highlights *(continued)*



- The District paid down \$3.3 million in long-term debt
- Fitch Rating affirmed the District's AA+ rating with a stable outlook in May 2017
- Board approved a Cost of Service and Rate Structure Study in June 2017



Current Year to Prior Year Analysis



VALLECITOS WATER DISTRICT'S NET POSITION

	2016/17	2015/16	Change	
			Amount	%
Cash and investments	\$ 57,718,120	\$ 51,223,654	\$ 6,494,466	12.7%
Capital assets	268,694,939	272,973,229	(4,278,290)	-1.6%
Other assets	11,180,338	10,916,306	264,032	2.4%
Total Assets	337,593,397	335,113,189	2,480,208	0.7%
Deferred Outflows of Resources	7,557,899	4,727,494	2,830,405	59.9%
Current liabilities	14,732,646	14,047,333	685,313	4.9%
Noncurrent liabilities	75,095,353	74,873,342	222,011	0.3%
Total Liabilities	89,827,999	88,920,675	907,324	1.0%
Deferred Inflows-PERS Contributions	1,003,540	1,526,861	(523,321)	-34.3%
Net Position				
Net investment in capital assets	205,840,028	206,775,864	(935,836)	-0.5%
Restricted	2,579,677	2,120,022	459,655	21.7%
Unrestricted	45,901,052	38,710,870	7,190,182	18.6%
Total Net Position	\$ 254,319,757	\$ 249,393,147	\$ 4,926,610	2.0%



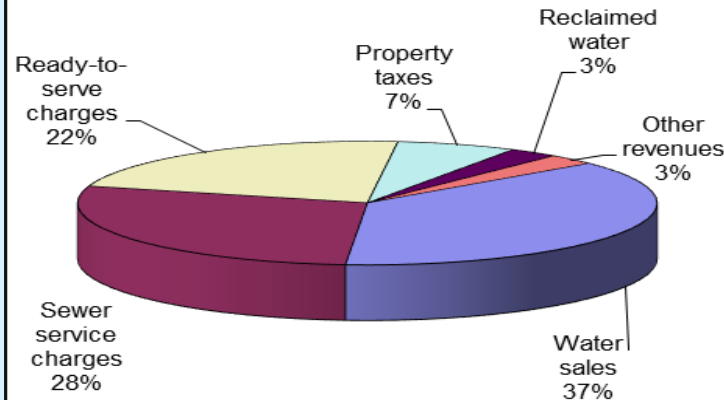
Current Year to Prior Year Analysis (continued)



VALLECITOS WATER DISTRICT'S REVENUES

	For Fiscal Year:		Change	
	2016/17	2015/16	Amount	%
Water sales	\$ 23,180,452	\$ 18,797,274	\$4,383,178	23.3%
Wastewater service charges	17,503,448	17,286,888	216,560	1.3%
Ready-to-serve charges	13,850,592	13,602,800	247,792	1.8%
Property taxes	4,162,701	3,830,522	332,179	8.7%
Reclaimed water sales	1,711,156	1,069,074	642,082	60.1%
Other revenues	1,705,760	2,667,926	(962,166)	-36.1%
Total Revenues	62,114,109	57,254,484	4,859,625	8.5%

Revenues
for Year Ended June 30, 2017



Current Year to Prior Year Analysis (continued)



VALLECITOS WATER DISTRICT'S EXPENSES

	For Fiscal Year:		Change	
	2016/17	2015/16	Amount	%
Purchased water	\$ 27,392,003	\$ 22,190,912	\$ 5,201,091	23.4%
Depreciation expense	9,425,308	9,189,604	235,704	2.6%
General and administrative	5,637,471	5,851,489	(214,018)	-3.7%
Meadowlark Reclamation Facility (M.R.F.)	2,993,914	2,750,187	243,727	8.9%
Interest expense	2,153,641	2,512,597	(358,956)	-14.3%
Encina disposal	2,529,715	2,485,765	43,950	1.8%
Engineering	1,988,197	1,889,037	99,160	5.2%
Collections	1,896,688	1,756,927	139,761	8.0%
Transmission & Distribution	1,747,767	1,195,405	552,362	46.2%
Other expenses	8,183,485	13,123,414	(4,939,929)	-37.6%
Total Expenses	\$ 63,948,189	\$ 62,945,337	\$ 1,002,852	1.6%



Restrictions, Commitments, and Limitations



- \$62.8 million in long-term debt
- Capital projects contracted through design:

<u>Project Description</u>	<u>2017/18 Budget</u>	<u>Spent Through June 30, 2017</u>	<u>Remaining</u>
Encina Land Parallel Outfall	\$ 31,000,000	\$ 138,901	\$ 30,861,099
San Marcos interceptor sewer	19,700,000	13,661,323	6,038,677
Meadowlark Tank #3	4,552,000	488,961	4,063,039
Mountain Belle Pump Station & Pipeline Design	3,860,000	99,350	3,760,650
Rock Springs Sewer Replacement	3,165,000	561,141	2,603,859
Chlorine Contact Tank Expansion	4,815,000	63,292	4,751,708
Montiel Gravity Outfall	1,750,000	139,951	1,610,049



Capital Assets



SIGNIFICANT ADDITIONS TO CAPITAL ASSETS

Water mains, service lines, meters, and valves	\$	2,351,753
Reclamation equipment		1,358,661
Sewer mains, manholes, and cleanouts		628,375
Sewer vehicles and equipment		573,096
Buildings and improvements		278,375



Next Year's Budget and Rates



- Increased water usage due to drought restrictions being rescinded
- Cost of service study and rate structure study completed and adopted by the board June 7, 2017
- Slow but steady recovery in construction
- Increasing regulatory compliance





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