

WHITE NELSON DIEHL EVANS LLP  
Certified Public Accountants & Consultants



# Rincon del Diablo Municipal Water District

June 30, 2019 and 2018 Audited Financial Statements

# The Audit Process

1. Internal Control Testing during June 2019
  - a. Gain Understanding of Internal Control Processes (Cash Receipts, Cash Disbursements, Payroll, etc.)
  - b. Not for the Purpose of Expressing an Opinion on the District's Internal Control
2. Testing Year End Balances During October 2019
3. Recording Journal Entries / Preparation of Financial Statements and Notes during November 2019 – January 2020
4. Met With Audit Committee January 20, 2020
5. Present to Board of Directors January 28, 2020

Communication  
with Those  
Charged with  
Governance at  
Conclusion of  
Audit

Required Letter issued to the Board in  
Conjunction with Audit

- Financial Statements contain estimates including Fair Value of Investments, Pension and OPEB Liabilities, Useful lives of Capital Assets
- No significant difficulties or disagreements in dealing with management in performing and completing the audit
- Findings:
  - All material adjustments were corrected by management
  - No management Letter
  - Separate letter of findings issued to staff

# INDEPENDENT AUDITORS' REPORT

White Nelson Diehl Evans LLP, issued an ***unmodified opinion*** on the Rincon del Diablo Municipal Water District's financial statements for the year ended June 30, 2019.

# Rincon del Diablo Municipal Water District

## Summary of Proprietary Funds Statements of Net Position

For the years ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>	<u>\$ Var</u>	<u>% Var</u>
<b>CURRENT ASSETS</b>				
Cash and investments	\$ 38,021,349	\$ 36,729,416	\$ 1,291,933	3.52%
Accounts receivable-water sale and services	2,331,027	2,573,153	(242,126)	-9.41%
Other Current Assets	324,368	277,137	47,231	17.04%
Total Current Assets	<u>40,676,744</u>	<u>39,579,706</u>	<u>1,097,038</u>	<u>2.77%</u>
<b>NONCURRENT ASSETS</b>				
Capital Assets	<u>41,481,768</u>	<u>38,476,045</u>	<u>3,005,723</u>	<u>7.81%</u>
Total Noncurrent Assets	<u>41,481,768</u>	<u>38,476,045</u>	<u>3,005,723</u>	<u>7.81%</u>
Total Assets	<u>82,158,512</u>	<u>78,055,751</u>	<u>4,102,761</u>	<u>5.26%</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>				
Deferred amount from Pension	<u>1,206,839</u>	<u>1,369,139</u>	<u>(162,300)</u>	<u>-11.85%</u>
<b>LIABILITIES</b>				
Net pension liability	4,028,997	4,074,666	(45,669)	-1.12%
Net OPEB Liability	1,863,227	1,930,469	(67,242)	-3.48%
Deposits and unearned revenue	1,835,110	3,075,679	(1,240,569)	-40.33%
Installment Purchase Contract	8,608,968	9,198,149	(589,181)	-6.41%
Other Liabilities	<u>2,428,706</u>	<u>2,466,963</u>	<u>(38,257)</u>	<u>-1.55%</u>
Total Liabilities	<u>18,765,008</u>	<u>20,745,926</u>	<u>(1,980,918)</u>	<u>-9.55%</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred amount from Pension	<u>463,759</u>	<u>470,962</u>	<u>(7,203)</u>	<u>-1.53%</u>
<b>NET POSITION</b>	<u>\$ 64,136,584</u>	<u>\$ 58,208,002</u>	<u>\$ 5,928,582</u>	<u>10.19%</u>

# Rincon del Diablo Municipal Water District

Summary of District's Cash Flows (Including Mark-to-Market Adjustment)

For the years ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>	<u>\$ Diff</u>	<u>% Diff</u>
<b>CASH INFLOWS</b>				
Net cash provided by operating activities	<u>4,011,824</u>	<u>3,320,346</u>	<u>691,478</u>	<u>20.83%</u>
Property taxes received-ad valorem & redevelopment agency	<u>820,290</u>	<u>795,579</u>	<u>24,711</u>	<u>3.11%</u>
<b>Net cash provided by operations and taxes</b>	<u>4,832,114</u>	<u>4,115,925</u>	<u>716,189</u>	<u>17.40%</u>
Investment earnings	770,460	477,598	292,862	61.32%
Unrealized Gains and Losses on Investments	266,168	(628,293)	894,461	
Rental income received	156,103	146,306	9,797	6.70%
Proceeds from capital contributions	<u>298,973</u>	<u>2,071,588</u>	<u>(1,772,615)</u>	<u>-85.57%</u>
<b>Total Cash Inflows</b>	<u>6,323,818</u>	<u>6,183,124</u>	<u>140,694</u>	<u>2.28%</u>
<b>CASH OUTFLOWS</b>				
Acquisition and construction of capital assets	(4,236,305)	(2,451,944)	(1,784,361)	72.77%
Principal and Interest paid on Debt	<u>(795,580)</u>	<u>(800,334)</u>	<u>4,754</u>	<u>-0.59%</u>
<b>Total Cash Outflows</b>	<u>(5,031,885)</u>	<u>(3,252,278)</u>	<u>(1,779,607)</u>	<u>54.72%</u>
<b>Net increase (decrease) in cash and investments</b>	<u>\$ 1,291,933</u>	<u>\$ 2,930,846</u>	<u>\$ (1,638,913)</u>	

# Rincon del Diablo Municipal Water District

## Summary of Proprietary Funds Statements of Revenues, Expenses and Changes in Net Position

For the years ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>	<u>\$ Var</u>	<u>% Var</u>
OPERATING REVENUES:				
Water sales and service charges	\$ 16,696,097	\$ 17,209,634	\$ (513,537)	-2.98%
Other charges and services	614,137	534,138	79,999	14.98%
Total Operating Revenues	<u>17,310,234</u>	<u>17,743,772</u>	<u>(433,538)</u>	<u>-2.44%</u>
OPERATING EXPENSES:				
Source of supply	8,525,467	9,352,434	(826,967)	-8.84%
Other operating expenses	5,004,514	4,911,721	92,793	1.89%
Depreciation expense	1,289,571	1,414,048	(124,477)	-8.80%
Total Operating Expenses	<u>14,819,552</u>	<u>15,678,203</u>	<u>(858,651)</u>	<u>-5.48%</u>
Operating Income	2,490,682	2,065,569	425,113	20.58%
NONOPERATING REVENUES (EXPENSES)				
Property taxes / RDA	835,853	775,445	60,408	7.79%
Investment earnings	1,092,774	(130,538)	1,223,312	
Interest Expense	(204,159)	(217,451)	13,292	-6.11%
Capital contributions	1,557,329	2,964,398	(1,407,069)	-47.47%
Other Nonoperating revenues	156,103	161,306	(5,203)	-3.23%
Total Nonoperating Revenues (Expenses), net	<u>3,437,900</u>	<u>3,553,160</u>	<u>(115,260)</u>	<u>-3.24%</u>
Changes In Net Position	<u>\$ 5,928,582</u>	<u>\$ 5,618,729</u>	<u>\$ 309,853</u>	<u>5.51%</u>

# Rincon del Diablo Municipal Water District

## Detail of Water Consumption Sales and Source of Supply

				<b>\$ Variance</b>	<b>% Variance</b>
<b>Water Consumption Sales</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2019 - 2018</b>	<b>2019 - 2018</b>
WATER CONSUMPTION DOMESTIC	\$ 9,200,519	\$ 9,893,135	\$ 7,776,023	\$ (692,616)	-7.00%
WATER CONSUMPTION BUSINESS	2,304,684	2,363,540	2,241,657	(58,856)	-2.49%
WATER CONSUMPTION IRRIGATION	53,015	82,685	66,233	(29,670)	-35.88%
AGRICULTURE REBATE	(5,405)	(10,824)	(8,891)	5,419	50.06%
RECYCLED WATER SALES	642,257	667,468	429,338	(25,211)	-3.78%
WATER SERVICE CHARGES	<u>4,501,027</u>	<u>4,213,630</u>	<u>3,845,820</u>	<u>287,397</u>	<u>6.82%</u>
TOTAL	<u>\$ 16,696,097</u>	<u>\$ 17,209,634</u>	<u>\$ 14,350,179</u>	<u>\$ (513,537)</u>	<u>-2.98%</u>
<b>Source of Supply</b>					
PURCHASED WATER-SDCWA	\$ 5,646,568	\$ 6,373,444	\$ 5,438,390	\$ (726,876)	-11.40%
SDCWA EMERGENCY STORAGE CHARGE	843,781	880,581	906,833	(36,800)	-4.18%
WATER TRANSPORTATION CHARGES	553,928	613,309	533,579	(59,381)	-9.68%
SDCWA SUPPLY RELIABILITY CHARGE	400,204	370,018	358,167	30,186	8.16%
SDCWA IAC	356,052	341,262	323,136	14,790	4.33%
SDCWA CUSTOMER SERVICE CHARGE	313,460	334,677	352,056	(21,217)	-6.34%
PURCHASED WATER-RECYCLED	235,884	240,766	169,186	(4,882)	-2.03%
SDCWA CAPACITY RESERVATION CHARGE	115,373	121,806	142,128	(6,433)	-5.28%
SDCWA READINESS TO SERVE	53,209	77,818	117,742	(24,609)	-31.62%
PURCHASED WATER-VALLEY CENTER	4,852	4,824	5,944	28	0.58%
TSAWR CREDITS	<u>2,156</u>	<u>(6,072)</u>	<u>(3,886)</u>	<u>8,228</u>	
TOTAL	<u>\$ 8,525,467</u>	<u>\$ 9,352,434</u>	<u>\$ 8,343,276</u>	<u>\$ (826,967)</u>	<u>-8.84%</u>



**RINCON DEL DIABLO MUNICIPAL WATER DISTRICT****KEY RATIOS**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
<u>Current Ratio</u>				
Current Assets	40,676,744	39,579,706	36,371,357	24,893,191
Current Liabilities	4,808,280	6,076,549	6,431,775	6,155,494
Current Ratio	8.46	6.51	5.65	4.04
<u>Capital Condition Ratio</u>				
Total Depreciable Capital Assets	70,804,285	65,781,973	64,908,191	62,917,529
Total Accumulated Depreciation	34,655,146	33,365,575	31,951,527	30,540,660
Capital Condition Ratio	48.94%	50.72%	49.23%	48.54%
<u>Operating Margin Ratio Before Depreciation</u>				
Operating Revenues	17,310,234	17,743,772	14,903,184	13,212,193
Operating Expenses (before depreciation)	13,529,981	14,264,155	13,232,607	12,028,576
Operating Margin Ratio Before Depreciation	1.28	1.24	1.13	1.10

## FY 19 Net Changes to Net OPEB Liability

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Beginning of Year	\$ 2,860,763	\$ 930,294	\$ 1,930,469
Changes in the Year:			
Service cost	60,403	-	60,403
Interest on the total OPEB liability	196,587	-	196,587
Differences between actual and expected experience	(72,952)	-	(72,952)
Contribution - employer	-	178,972	(178,972)
Net investment income	-	74,035	(74,035)
Administrative expenses	-	(1,727)	1,727
Benefit payments	(165,154)	(165,154)	-
Net Changes	18,884	86,126	(67,242)
End of Year	\$ 2,879,647	\$ 1,016,420	\$ 1,863,227
Funded Ratio Beginning of Year		32.52%	
Funded Ratio End of Year		35.30%	

## FY 19 Net Changes to Net Pension Liability

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Beginning of Year	\$ 15,510,425	\$ 11,435,759	\$ 4,074,666
Changes in the Year:			
Service Cost	385,297		385,297
Interest on the Total Pension Liability	1,076,841		1,076,841
Change of Proportion of Misc Pool	(350,781)	(406,776)	55,995
Changes of Benefit Terms	652		652
Changes of Assumptions	(135,258)		(135,258)
Differences between actual and expected experience	185,742		185,742
Net Plan to Plan Resource Movement		107,116	(107,116)
Contribution - employer/employee		616,657	(616,657)
Net investment income		940,200	(940,200)
Benefit payments	(685,440)	(685,440)	-
Administrative expenses		(16,915)	16,915
Other Misc Inc/Exp		(32,121)	32,121
Net Changes	477,052	522,722	(45,669)
End of Year	\$ 15,987,477	\$ 11,958,481	\$ 4,028,997
Funded Ratio Beginning of Year	73.73%		
Funded Ratio End of Year	74.80%		

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QUESTIONS?