



Crescenta Valley Water District
Annual Financial Report
June 30, 2009 and 2008



Mission Statement

The mission of the Crescenta Valley Water District is to provide dependable water service and wastewater collection to its constituents in La Crescenta, Montrose, and portions of Glendale, and La Canada Flintridge.

Board of Directors as of June 30, 2009

Name	Title	Elected/ Appointed	Current Term
Vasken Yardemian	President	Elected	December 2009
Judy Tejada	Vice President	Elected	December 2011
Richard Atwater	Director	Elected	December 2009
Charles Beatty	Director	Appointed	December 2009
Kathleen Ross	Director	Elected	December 2011

**Dennis A. Erdman, General Manager
Crescenta Valley Water District
2700 Foothill Boulevard
La Crescenta, California 91214
(818) 248-3925 – www.cvwd.com**

Crescenta Valley Water District

Annual Financial Report

For the Years Ended June 30, 2009 and 2008

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Introductory Section



Crescenta Valley Water District

2700 Foothill Boulevard, La Crescenta, California 91214
Phone (818) 248-3925 Fax (818) 248-1659

Directors

Judy L. Tejada
Charles K. Beatty
Vasken Yardemian
Kathleen M. Ross
Richard W. Atwater

Officers

Dennis Erdman P.E.
General Manager
Ron L. Mitchell
Secretary-Treasurer

October 30, 2009

Board of Directors
Crescenta Valley Water District

Introduction

It is our pleasure to submit the Annual Financial Report for the Crescenta Valley Water District for the fiscal year ended June 30, 2009, following guidelines set forth by the Governmental Accounting Standards Board. District staff prepared this financial report. The District is ultimately responsible for both the accuracy of the data and the completeness and the fairness of presentation, including all disclosures in this financial report. We believe that the data presented is accurate in all material respects. The report is designed in a manner that we believe necessary to enhance your understanding of the District's financial position and activities.

This report is organized into two sections: (1) Introductory and (2) Financial. The Introductory section offers general information about the District's organization and current District activities and reports on a summary of significant financial results. The Financial section includes the Independent Auditors' Report, Management's Discussion and Analysis of the District's basic financial statements, the District's audited basic financial statements with accompanying Notes, and Supplemental Information.

Generally Accepted Accounting Principles (GAAP) requires that management provide a narrative introduction, overview and analysis to accompany the financial statements in the form of the Management's Discussion and Analysis (MD&A) section. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The District's MD&A can be found immediately after the Independent Auditors' Report.

District Structure and Leadership

The Crescenta Valley Water District is an independent special district, which operates under the authority of Division 12 of the California Water Code. The Crescenta Valley Water District has been providing services to the residents within the District's boundaries since 1950. The District is governed by a five-member Board of Directors, elected at-large from within the District's service area. The District General Manager administers the day-to-day operations of the District in accordance with policies and procedures established by the Board of Directors. The Crescenta Valley Water District employs a full-time staff of 35 employees. The District's Board of Directors meets on the first and third Tuesday of each month. Meetings are publicly noticed and citizens are encouraged to attend.

The District is located in the Crescenta Valley area of Los Angeles County in the foothills of the San Gabriel Mountains, between the San Fernando and San Gabriel valleys. The District provides water distribution and sewage collection within its boundaries to the unincorporated communities of La Crescenta, Montrose, and Verdugo City as well as a small portion of the City of La Canada-Flintridge. The District also serves a portion of the City of Glendale in Montrose and La Crescenta outside District boundaries.

The District serves an area of approximately 4 square miles in relatively steep terrain ranging from 1200 feet to almost 3000 feet above sea level. The customer base is primarily residential with some light commercial along Foothill Boulevard in La Crescenta and Honolulu Avenue in Montrose. The District currently provides water to over 8,000 accounts representing a population of approximately 32,000.

Economic Condition and Outlook

The District's administrative office is located in the City of La Crescenta, in Los Angeles County. The economic outlook for the area is steady although the Crescenta Valley area is nearly built-out. Residential growth is occurring through increased housing density in the multiple-unit zoned areas (primarily Montrose) as well as limited in-fill housing development on random parcels in La Crescenta.

California's water supply continues to be a concern due to projected population increases and a decrease in water-in-storage levels. This concern has increased interest in conservation and in irrigation methods and systems.

Major Initiatives

The activities of the Board and staff of the District are driven by its Mission Statement: "The mission of the Crescenta Valley Water District is to provide dependable water service and wastewater collection to its constituents in La Crescenta, Montrose, and portions of Glendale, and La Canada Flintridge."

The mission of the Crescenta Valley Water District is to provide a stable supply of high quality safe drinking water at a fair price to all customers of the District. In addition, the District has the mission to provide reliable sewer service through the City of Los Angeles Sanitation Department. The Board, the staff and all employees of Crescenta Valley Water District are committed to providing its customers with high quality, cost-effective and environmentally sensitive customer service."

1. To supply clean, wholesome water to the community and provide water for the future.
2. To plan, construct, operate, maintain and upgrade the water system facilities to adequately serve customer needs.
3. To utilize the District's financial resources in an effective, responsible, and prudent manner.
4. To provide quality customer service for District customers.
5. To inform, educate, and communicate with the community on District and water issues.
6. To review and maintain a plan to be proactive in preventative maintenance of the District's water and sewer systems.

All programs and operations of the District are developed and performed to provide the highest level of services to its customers.

Internal Control Structure

District management is responsible for the establishment and maintenance of the internal control structure that ensures the assets of the District are protected from loss, theft or misuse. The internal control structure also ensures that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The District's internal control structure is designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived, and (2) the valuation of costs and benefits requires estimates and judgments by management.

Budgetary Control

The District Board of Directors adopts an operating and capital budget every year. The budget authorizes and provides the basis for reporting and control of financial operations and accountability for the District's enterprise operations and capital projects. The budget and reporting treatment applied to the District is consistent with the accrual basis of accounting and the financial statement basis.

Investment Policy

The Board of Directors has adopted an investment policy that conforms to state law, District ordinance and resolutions, prudent money management, and the “prudent person” standards. The objective of the Investment Policy is safety, liquidity and yield.

Water and Sewer Rates and District Revenues

District policy direction ensures that all revenues from user charges and surcharges generated from District customers must support all District operations including capital project funding. Accordingly, water and sewer rates are reviewed periodically. Water rates are user charges imposed on customers for services and are the primary component of the District’s revenue. Water rates are composed of a commodity (usage) charge and a fixed (readiness-to-serve) charge. Sewer rates are a flat charge to all residential dwelling units.

Water Conservation Programs

The District has implemented conservation management practices. District staff participates in community events and distributes materials to encourage water conservation. The District offers the following conservation programs:

- Voluntary Water Conservation Program
- Low-Flow Retrofit Program
- Hi-Efficiency Washers Program
- Turf Removal Rebate Program

Audit and Financial Reporting

State Law and Bond covenants require the District to obtain an annual audit of its financial statements by an independent certified public accountant. The accounting firm of Charles Z. Fedak & Company, CPAs has conducted the audit of the District’s financial statements. Their unqualified Independent Auditor’s Report appears in the Financial Section.

Risk Management

The District participates in a joint powers agreement with the Association of California Water Agencies Joint Powers Insurance Authority (ACWA/JPA). The District participates in the Liability, Property and Workers’ Compensation programs. The Property program includes Fidelity Coverage and Boiler & Machinery Coverage.

Other References

More information is contained in the Management’s Discussion and Analysis and the Notes to the Basic Financial Statements found in the Financial Section of the report.

Acknowledgements

Preparation of this report was accomplished by the combined efforts of District staff. We appreciate the dedicated efforts and professionalism that these staff members contribute to the District. We would also like to thank the members of the Board of Directors and especially the Finance Committee members for their continued support in planning and implementation of the Crescenta Valley Water District’s fiscal policies.

Respectfully submitted,

Dennis A. Erdman
General Manager

Ron Mitchell
Director of Finance

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Financial Section

Independent Auditor's Report

Board of Directors
Crescenta Valley Water District
La Crescenta, California

We have audited the accompanying financial statements of the Crescenta Valley Water District (District) as of and for the year ended June 30, 2009 which collectively comprise the District's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these basic financial statements based on our audit. The comparative financial information as of June 30, 2008, was audited by other auditors whose report dated September 8, 2008, expressed an unqualified opinion on those basic financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the Crescenta Valley Water District as of June 30, 2009, and the respective changes in net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 30, 2009, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit. This report can be found on page 36.

Management's discussion and analysis on pages 6 through 10 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion on it.

Independent Auditor's Report (Continued)

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplemental information section on pages 30 through 35 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is stated fairly in all material respects in relation to the basic financial statements taken as a whole.

The accompanying introductory section on pages 1 through 3 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

October 30, 2009
Cypress, California

Crescenta Valley Water District
Management's Discussion and Analysis
For the Years Ended June 30, 2009 and 2008 for comparative purposes

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of the Crescenta Valley Water District (District) provides an introduction to the financial statements of the District for the fiscal years ended June 30, 2009 and 2008. We encourage readers to consider the information presented here in conjunction with the transmittal letter in the Introductory Section and with the basic financial statements and related notes, which follow this section.

Financial Highlights

- The District's net assets decreased 1.58% or \$758,587 to \$47,318,029 in 2009. In 2008, the District's net assets decreased 1.89% or \$926,907 to \$48,076,616.
- The District's operating revenues increased 1.34% or \$128,345 in fiscal year 2009. In 2008, the District's operating revenues increased 3.03% or \$282,164.
- The District's operating expense decreased 0.25% or \$26,019 in 2009. In 2008, the District's operating expenses decreased 4.00% or \$441,178.

Required Financial Statements

This annual report consists of a series of financial statements. The Statement of Net Assets, Statement of Revenues, Expenses and Changes in Net Assets and Statement of Cash Flows provide information about the activities and performance of the District using accounting methods similar to those used by private sector companies.

The District's statements consist of two funds, the Water Fund and the Sewer Fund. The District's records are maintained on an enterprise basis, as it is the intent of the Board of Directors that the costs of providing water and sewer to the customers of the District are financed primarily through user charges.

The Statement of Net Assets includes all of the District's investments in resources (assets) and the obligations to creditors (liabilities). It also provides the basis for computing a rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District. All of the current year's revenue and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Assets. This statement measures the success of the District's operations over the past year and can be used to determine if the District has successfully recovered all of its costs through its rates and other charges. This statement can also be used to evaluate profitability and credit worthiness. The final required financial statement is the Statement of Cash Flows, which provides information about the District's cash receipts and cash payments during the reporting period. The Statement of Cash Flows reports cash receipts, cash payments and net changes in cash resulting from operations, investing, non-capital financing, and capital and related financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

Financial Analysis of the District

One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of this year's activities?" The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets report information about the District in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

Crescenta Valley Water District
Management's Discussion and Analysis
For the Years Ended June 30, 2009 and 2008 for comparative purposes

Financial Analysis of the District (Continued)

These two statements report the District's *net assets* and changes in them. You can think of the District's net assets (the difference between assets and liabilities), as one way to measure the District's financial health, or *financial position*. Over time, *increases or decreases* in the District's net assets are one indicator of whether its *financial health* is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth, zoning and new or changed government legislation, such as changes in Federal and State water quality standards.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements can be found on pages 16 through 36.

Statement of Net Assets

Condensed Statements of Net Assets			
	2009	2008	Change
Assets:			
Current assets	\$ 6,805,342	5,128,501	1,676,841
Non-current assets	6,760,634	10,171,265	(3,410,631)
Capital assets, net	44,713,448	44,242,474	470,974
Total assets	58,279,424	59,542,240	(1,262,816)
Liabilities:			
Current liabilities	1,204,790	1,528,781	(323,991)
Non-current liabilities	9,756,605	9,936,843	(180,238)
Total liabilities	10,961,395	11,465,624	(504,229)
Net assets:			
Net investment in capital assets	34,998,143	34,315,253	682,890
Restricted	1,874,412	4,909,532	(3,035,120)
Unrestricted	10,445,474	8,851,831	1,593,643
Total net assets	47,318,029	48,076,616	(758,587)
Total liabilities and net assets	\$ 58,279,424	59,542,240	(1,262,816)

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets of the District exceeded liabilities by \$47,318,029 and \$48,076,616 as of June 30, 2009 and 2008, respectively.

By far the largest portion of the District's net assets (74% and 71% as of June 30, 2009 and 2008, respectively) reflects the District's investment in capital assets (net of accumulated depreciation) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to customers within the District's service area; consequently, these assets are not available for future spending. See Note 7 for further information.

At the end of fiscal year 2009 and 2008, the District showed a positive balance in its unrestricted net assets of \$10,445,474 and \$8,851,831, respectively. See Note 7 for the amount of spendable net assets that may be utilized in future years.

Crescenta Valley Water District
Management's Discussion and Analysis
For the Years Ended June 30, 2009 and 2008 for comparative purposes

Statement of Revenues, Expenses and Changes in Net Assets

Condensed Statements of Revenues, Expenses and Changes in Net Assets			
	2009	2008	Change
Revenues:			
Operating revenues	\$ 9,737,404	9,609,059	128,345
Non-operating revenues	530,963	452,634	78,329
Total revenues	10,268,367	10,061,693	206,674
Expenses:			
Operating expenses	10,573,228	10,599,247	(26,019)
Non-operating expenses	468,162	433,408	34,754
Total expenses	11,041,390	11,032,655	8,735
Net income before capital contributions	(773,023)	(970,962)	197,939
Capital contributions	14,436	44,055	(29,619)
Change in net assets	(758,587)	(926,907)	168,320
Net assets, beginning of year	48,076,616	49,003,523	(926,907)
Net assets, end of year	\$ 47,318,029	48,076,616	(758,587)

The statement of revenues, expenses and changes of net assets shows how the District's net assets changed during the fiscal years. In the case of the District, net assets decreased by \$758,587 and \$926,907 for the fiscal years ended June 30, 2009 and 2008, respectively.

A closer examination of the sources of changes in net assets reveals that:

In 2009, the District's total revenues increased by \$206,674, primarily due a 1.34% or \$128,345 increase in operating revenues related to a 25.61% or \$521,999 increase in wastewater operations revenues. This was offset by a 5.20% or \$393,654 decrease in water operations revenue due to lower consumption levels. Non-operating revenues increased by 17.31% or \$78,329 primarily due to higher investment earnings.

In 2008, the District's total revenues increased 1.39% or \$137,915 primarily due to a 3.03% or \$282,164 increase operating revenues related to rate increases that went into effect in 2008. Non-operating revenues decreased by 24.17% or \$144,249 as the result of lower average investment balances held by the District during the year.

In 2009, the District's total expenses increased by 0.08% or \$8,735 as the result of operations. The District's operating expenses decreased 0.25% or \$26,019 which was offset by an 8.02% or \$34,754 increase in non-operating expenses related to the loss on sale of capital assets and other expenses.

In 2008, the District's total expenses decreased 2.45% or \$277,533 primarily due to a 4.00% or \$441,178 decrease in operating expense related to wastewater operations. Non-operating expenses increased 86.20% or \$232,540 primarily due to an 81.36% or \$219,483 increase in interest expense as the result Certificates of Participation in the amount of \$10,700,000 issued in December 2006.

In 2009 and 2008, capital contributions decreased 67.23% or \$29,619 and 88.81% or \$349,721, respectively as the result of reduced construction activity within the District's service area.

Crescenta Valley Water District
Management's Discussion and Analysis
For the Years Ended June 30, 2009 and 2008 for comparative purposes

Capital Asset Administration

At the end of fiscal year 2009 and 2008, the District's investment in capital assets amounted to \$44,713,448 and \$44,242,474, respectively, (net of accumulated depreciation). This investment in capital assets includes land, transmission and distribution systems, collection systems, buildings and structures, equipment, and vehicles, etc. Major capital assets additions during the year included upgrades to the District's water operations production and transmission and distribution systems.

Changes in capital asset amounts for 2009 are as follows:

	<u>Balance 2008</u>	<u>Additions</u>	<u>Transfers/ Deletions</u>	<u>Balance 2009</u>
Capital assets:				
Non-depreciable assets	\$ 1,589,899	1,560,717	(984,893)	2,165,723
Depreciable assets	70,453,002	1,657,531	(288,686)	71,821,847
Accumulated depreciation and amortization	<u>(27,800,427)</u>	<u>(1,756,781)</u>	<u>283,086</u>	<u>(29,274,122)</u>
Total capital assets, net	<u>\$ 44,242,474</u>	<u>1,461,467</u>	<u>(990,493)</u>	<u>44,713,448</u>

Changes in capital asset amounts for 2008 are as follows:

	<u>Balance 2007</u>	<u>Additions</u>	<u>Transfers/ Deletions</u>	<u>Balance 2008</u>
Capital assets:				
Non-depreciable assets	\$ 930,828	803,700	(144,629)	1,589,899
Depreciable assets	68,594,020	2,006,496	(147,514)	70,453,002
Accumulated depreciation and amortization	<u>(26,265,909)</u>	<u>(1,682,032)</u>	<u>147,514</u>	<u>(27,800,427)</u>
Total capital assets, net	<u>\$ 43,258,939</u>	<u>1,128,164</u>	<u>(144,629)</u>	<u>44,242,474</u>

(See note 3 for further discussion)

Debt Administration

Changes in long-term debt amounts for the year were as follows:

	<u>Balance 2008</u>	<u>Additions</u>	<u>Payments/ Deletions</u>	<u>Balance 2009</u>
Long-term debt:				
Certificates of Participation	\$ 10,070,000	-	(185,000)	9,885,000
Less: Unamortized Discount	<u>(255,332)</u>	<u>-</u>	<u>8,927</u>	<u>(246,405)</u>
Total Certificates of Participation	<u>9,814,668</u>	<u>-</u>	<u>(176,073)</u>	<u>9,638,595</u>
Loan payable	<u>112,553</u>	<u>-</u>	<u>(35,843)</u>	<u>76,710</u>
Total long-term debt	<u>\$ 9,927,221</u>	<u>-</u>	<u>(211,916)</u>	<u>9,715,305</u>

Changes in long-term debt amounts for the year were as follows:

	<u>Balance 2007</u>	<u>Additions</u>	<u>Principal Payments</u>	<u>Balance 2008</u>
Long-term debt:				
Certificates of Participation	\$ 10,070,000	-	-	10,070,000
Less: Unamortized Discount	<u>(264,259)</u>	<u>-</u>	<u>8,927</u>	<u>(255,332)</u>
Total Certificates of Participation	<u>9,805,741</u>	<u>-</u>	<u>8,927</u>	<u>9,814,668</u>
Loan payable	<u>148,396</u>	<u>-</u>	<u>(35,843)</u>	<u>112,553</u>
Total long-term debt	<u>\$ 9,954,137</u>	<u>-</u>	<u>(26,916)</u>	<u>9,927,221</u>

(See note 6 for further discussion)

Crescenta Valley Water District
Management's Discussion and Analysis
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Conditions Affecting Current Financial Position

Management is unaware of any conditions that would have a significant impact on the District's financial position, net assets, or operating results in terms of past, present and future.

Requests for Information

This financial report is designed to provide the District's funding sources, customers, stakeholders and other interested parties with an overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact Dennis A. Erdman, General Manager of Crescenta Valley Water District, 2700 Foothill Blvd., La Crescenta, California 91214.

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Basic Financial Statements

Crescenta Valley Water District
Statements of Net Assets
June 30, 2009 and 2008 for comparative purposes

<i>Assets</i>	2009	2008
Current assets:		
Cash and cash equivalents (note 2)	\$ 5,450,670	3,304,549
Account receivable, net (note 3)	963,809	1,430,065
Interest receivable	49,606	75,198
Other receivables	40,242	65,895
Inventory	249,329	212,931
Prepaid expenses	51,686	39,863
Total current assets	<u>6,805,342</u>	<u>5,128,501</u>
Non-current assets:		
Investments (note 2)	4,781,045	5,150,385
Investments - restricted (note 2)	1,874,412	4,909,532
Deferred charges, net	105,177	111,348
Capital assets - not being depreciated (note 4)	2,165,723	1,589,899
Depreciable capital assets (note 4)	<u>42,547,725</u>	<u>42,652,575</u>
Total non-current assets	<u>51,474,082</u>	<u>54,413,739</u>
Total assets	<u>\$ 58,279,424</u>	<u>59,542,240</u>
<i>Liabilities</i>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 497,036	818,256
Accrued wages and related payable	19,386	-
Accrued interest	37,434	35,636
Customer deposits	301,103	355,275
Long-term liabilities - due within one year:		
Compensated absences (note 5)	117,339	98,771
Loan payable (note 6)	37,492	35,843
Certificates of participation (note 6)	<u>195,000</u>	<u>185,000</u>
Total current liabilities	<u>1,204,790</u>	<u>1,528,781</u>
Non-current liabilities:		
Long-term liabilities - due in more than one year:		
Compensated absences (note 5)	273,792	230,465
Loan payable (note 6)	39,218	76,710
Certificates of participation, net (note 6)	<u>9,443,595</u>	<u>9,629,668</u>
Total non-current liabilities	<u>9,756,605</u>	<u>9,936,843</u>
Total liabilities	<u>10,961,395</u>	<u>11,465,624</u>
Net assets: (note 7)		
Net Investment in capital assets	34,998,143	34,315,253
Restricted	1,874,412	4,909,532
Unrestricted	<u>10,445,474</u>	<u>8,851,831</u>
Total net assets	<u>47,318,029</u>	<u>48,076,616</u>
Total liabilities and net assets	<u>\$ 58,279,424</u>	<u>59,542,240</u>

See accompanying notes to the basic financial statements

Crescenta Valley Water District
Statements of Revenues, Expenses and Changes in Net Assets
For the Years Ended June 30, 2009 and 2008 for comparative purposes

	<u>2009</u>	<u>2008</u>
Operating revenues:		
Water operations - consumption sales	\$ 5,772,236	7,214,792
Water operations - service charge	1,170,142	-
Water operations - other charges	234,774	356,014
Wastewater operations	<u>2,560,252</u>	<u>2,038,253</u>
Total operating revenues	<u>9,737,404</u>	<u>9,609,059</u>
Operating expenses:		
Source of supply - water purchases	1,779,854	1,770,199
Plant operations	2,012,828	1,909,521
Distribution system	732,266	1,004,659
City of Los Angeles wastewater system	697,144	881,485
Collection system	295,921	164,416
General and administrative expenses	<u>3,298,434</u>	<u>3,186,935</u>
Total operating expenses before depreciation	<u>8,816,447</u>	<u>8,917,215</u>
Operating loss before depreciation	920,957	691,844
Depreciation expense	<u>(1,756,781)</u>	<u>(1,682,032)</u>
Operating loss	<u>(835,824)</u>	<u>(990,188)</u>
Non-operating revenues (expenses):		
Investment earnings	530,963	417,382
Gain (loss) on sale of capital assets	(1,127)	17,000
Interest expense	(437,699)	(433,408)
Other income (expense), net	<u>(29,336)</u>	<u>18,252</u>
Total non-operating revenues, net	<u>62,801</u>	<u>19,226</u>
Net loss before capital contributions	(773,023)	(970,962)
Capital contributions	<u>14,436</u>	<u>44,055</u>
Changes in net assets	(758,587)	(926,907)
Net assets - beginning of year	<u>48,076,616</u>	<u>49,003,523</u>
Net assets - end of year	<u>\$ 47,318,029</u>	<u>48,076,616</u>

See accompanying notes to the basic financial statements

Crescenta Valley Water District
Statements of Cash Flows
For the Years Ended June 30, 2009 and 2008 for comparative purposes

	2009	2008
Cash flows from operating activities:		
Cash receipts from customers for water sales and services	\$ 10,229,313	9,615,899
Cash paid to employees for salaries and wages	(2,885,087)	(2,732,300)
Cash paid to vendors and suppliers for materials and services	(6,273,692)	(5,864,842)
Net cash provided by operating activities	1,070,534	1,018,757
Cash flows from non-capital financing activities:		
Proceeds from non-operating revenues, net	-	31,410
Net cash provided by non-capital financing activities	-	31,410
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(2,168,894)	(2,663,991)
Proceeds from sale of capital assets	-	17,000
Principal paid on long-term debt	(220,843)	(35,843)
Interest paid on long-term debt	(400,265)	(433,408)
Proceeds from property owner assessments	7,054	44,055
Net cash used in capital and related financing activities	(2,782,948)	(3,072,187)
Cash flows from investing activities:		
Purchases of investments	(4,930,889)	(8,386,707)
Proceeds from sale of investments	8,232,869	10,333,188
Interest earnings	556,555	371,724
Net cash provided by investing activities	3,858,535	2,318,205
Net increase in cash and cash equivalents	2,146,121	296,185
Cash and cash equivalents, beginning of year	3,304,549	3,008,364
Cash and cash equivalents, end of year	\$ 5,450,670	3,304,549
Reconciliation of cash and cash equivalents to statement of financial position:		
Cash and cash equivalents	\$ 5,450,670	3,304,549
Total cash and cash equivalents	\$ 5,450,670	3,304,549

Continued on next page

See accompanying notes to the basic financial statements

Crescenta Valley Water District
Statements of Cash Flows (Continued)
For the Year Ended June 30, 2009 and 2008 for comparative purposes

	<u>2009</u>	<u>2008</u>
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	\$ <u>(835,824)</u>	<u>(990,188)</u>
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Deprecation	1,756,781	1,682,032
Changes in assets and liabilities:		
(Increase)Decrease in assets:		
Accounts receivable – water sales and services, net	466,256	11,094
Accounts receivable – other	25,653	(36,257)
Materials and supplies inventory	(36,398)	6,574
Prepaid expenses and other deposits	(11,823)	(2,621)
Increase(Decrease) in liabilities:		
Accounts payable and accrued expenses	(301,834)	276,616
Compensated absences	61,895	39,504
Deposits and deferred revenue	<u>(54,172)</u>	<u>32,003</u>
Total adjustments	<u>1,906,358</u>	<u>2,008,945</u>
Net cash provided by operating activities	\$ <u>1,070,534</u>	<u>1,018,757</u>
Non-cash investing, capital and financing transactions:		
Change in fair-market value of funds deposited with LAIF	\$ <u>5,802</u>	<u>-</u>

See accompanying notes to the basic financial statements

Crescenta Valley Water District
Notes to the Basic Financial Statements
For the Years Ended June 30, 2009 and 2008 for comparative purposes

(1) Reporting Entity and Summary of Significant Accounting Policies

A. Organization and Operations of the Reporting Entity

The Crescenta Valley Water District is an independent special district, which operates under the authority of Division 12 of the California Water Code. The Crescenta Valley Water District has been providing water and sewer service to the residents of the La Crescenta/Montrose area since 1950. The District is governed by a five-member Board of Directors who serves overlapping four-year terms.

B. Basis of Accounting and Measurement Focus

The District reports its activities as an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the District is that the costs of providing water and sewer services to its customers on a continuing basis be financed or recovered primarily through user charges (water and sewer service fees). Revenues and expenses are recognized on the full accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred, regardless of when the related cash flows take place.

Operating revenues and expenses, such as water sales and water purchases, result from exchange transactions associated with the principal activity of the District. Exchange transactions are those in which each party receives and gives up essentially equal values. Management, administration and depreciation expenses are also considered operating expenses. Other revenues and expenses not included in the above categories are reported as non-operating revenues and expenses.

The District recognizes revenue from water and sewer service charges based on cycle billings performed bi-monthly. The District accrues revenues with respect to water and sewer service sold but not billed at the end of a fiscal period.

C. Financial Reporting

The District's basic financial statements are presented in conformance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, "*Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*" (GASB No. 34). This statement established revised financial reporting requirements for state and local governments throughout the United States for the purpose of enhancing the understandability and usefulness of financial reports.

GASB No. 34 and its related GASB pronouncements provide for a revised view of financial information and restructure the format of financial information provided prior to its adoption. A statement of net assets replaces the balance sheet and reports assets, liabilities, and the difference between them as net assets, not equity. A statement of revenues, expenses and changes in net assets replaces both the income statement and the statement of changes in retained earnings and contributed capital. GASB No. 34 also requires that the statement of cash flows be prepared using the direct method. Under the direct method, cash flows from operating activities are presented by major categories.

Crescenta Valley Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2009 and 2008 for comparative purposes

(1) Reporting Entity and Summary of Significant Accounting Policies (Continued)

C. Financial Reporting (Continued)

Under GASB No. 34, enterprise funds, such as the District, have the option of consistently following or not following pronouncements issued by the Financial Accounting Standards Board (FASB) subsequent to November 30, 1989. The District has elected not to follow FASB standards issued after that date, unless such standards are specifically adopted by GASB.

D. Assets, Liabilities and Net Assets

1. Use of Estimates

The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported changes in net assets during the reporting period.

2. Cash and Cash Equivalents

Substantially all of the District's cash is invested in interest bearing accounts. The District considers all highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents.

3. Investments and Investment Policy

The District has adopted an investment policy directing the Director of Finance to deposit funds in financial institutions. Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

4. Accounts Receivable

The District extends credit to customers in the normal course of operations. When Management deems a customer account uncollectable, the District uses the allowance method for the reservation and write-off of those accounts.

5. Prepaid Expenses

Certain payments to vendors reflects costs or deposits applicable to future accounting periods and are recorded as prepaid items in the basic financial statements.

6. Inventory

Inventory consists primarily of materials used in construction and maintenance of the water and sewer system and is stated at cost using the average-cost method.

Crescenta Valley Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2009 and 2008 for comparative purposes

(1) Reporting Entity and Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities and Net Assets (Continued)

7. Capital Assets

Capital assets acquired and/or constructed are capitalized at historical cost. District policy has set the capitalization threshold for reporting capital assets at \$1,000. Contributed assets are recorded at estimated fair market value at the date of contribution. Upon retirement or other disposition of capital assets, the cost and related accumulated depreciation are removed from the respective balances and any gains or losses are recognized. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

• Sewer facilities	40 to 50 years
• Water facilities	50 years
• Buildings	5 to 10 years
• Joint-use-facilities	40 to 50 years
• Meters	5 to 15 years
• Office equipment	3 to 15 years
• Maintenance facilities	5 to 15 years

8. Compensated Absences

The District's policy is to permit employees to accumulate earned vacation and sick leave according to the number of years of service with the District. The liability for vested vacation and sick leave is recorded as an expense when earned and become vested, in accordance with District policy.

9. Deposit Connection Fees

Connection fees are collected by the District to cover the cost of service connections within the District.

10. Water and Sewer Sales

The District recognizes water and sewer services charges based on cycle billings rendered to the customers on a bi-monthly basis.

11. Capital Contributions

Capital contributions represent cash and capital asset additions contributed to the District by property owners or real estate developers desiring services that require capital expenditures or capacity commitment.

12. Budgetary Policies

The District adopts a one year non-appropriated budget for planning, control, and evaluation purposes. Budgetary control and evaluation are affected by comparisons of actual revenues and expenses with planned revenues and expenses for the period. Encumbrance accounting is not used to account for commitments related to unperformed contracts for construction and services.

Crescenta Valley Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2009 and 2008 for comparative purposes

(1) Reporting Entity and Summary of Significant Accounting Policies (Continued)

13. Net Assets

The financial statements utilize a net assets presentation. Net assets are categorized as follows:

- **Net Investment in Capital Assets** – This component of net assets consists of capital assets, net of accumulated depreciation and reduced by any outstanding debt against the acquisition, construction or improvement of those assets.
- **Restricted Net Assets** – This component of net assets consists of constraints placed on net assets use through external constraints imposed by creditors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted Net Assets** – This component of net assets consists of net assets that do not meet the definition of *restricted* or *net investment in capital assets*.

(2) Cash and Investments

Cash and investments as of June 30, are classified in the Statement of Net Assets as follows:

	2009	2008
Cash and cash equivalents	\$ 5,450,670	3,304,549
Investments	4,781,045	5,150,385
Investments - restricted	1,874,412	4,909,532
Total cash and investments	\$ 12,106,127	13,364,466

Cash and investments as of June 30, consist of the following:

	2009	2008
Cash on hand	\$ 800	800
Deposits with financial institutions	1,024,879	1,983,572
Investments	11,080,448	11,380,094
Total cash and investments	\$ 12,106,127	13,364,466

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies.

Crescenta Valley Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2009 and 2008 for comparative purposes

(2) Cash and Investments, continued

Custodial Credit Risk, continued

California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. The District had deposits with bank balances of \$840,517 and \$555,213 as of June 30, 2009 and 2008. Of the bank balances, up to \$250,000 and \$100,000 at June 30, 2009 and 2008, respectively, is federally insured and the remaining balance is collateralized in accordance with the Code; however, the collateralized securities are not held in the District's name.

Investment in State Investment Pool

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio matures or comes close to maturity evenly over time as necessary to provide requirements for cash flow and liquidity needed for operations. Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity date:

Maturities of investments at June 30, 2009 were as follows:

<u>Investment Type</u>	<u>Total</u>	<u>Remaining Maturity (in Months)</u>		
		<u>12 Months Or Less</u>	<u>13 to 24 Months</u>	<u>25-60 Months</u>
U.S. Treasury Obligations	\$ 3,680,122	-	-	3,680,122
Federal Farm Credit Bank Bonds	1,410,350	-	-	1,410,350
Corporate bonds:				
CIT Group	947,920	947,920	-	-
Local Agency Investment Fund	4,258,503	4,258,503	-	-
Money Market Funds	783,553	783,553	-	-
Total	\$ 11,080,448	5,989,976	-	5,090,472

Maturities of investments at June 30, 2008 were as follows:

<u>Investment Type</u>	<u>Total</u>	<u>Remaining Maturity (in Months)</u>		
		<u>12 Months Or Less</u>	<u>13 to 24 Months</u>	<u>25-60 Months</u>
Federal Farm Credit Bank Bonds	\$ 1,350,894	-	-	1,350,894
Federal Home Loan Bank	1,033,750	-	-	1,033,750
Federal National Mortgage Association	1,356,178	-	1,356,178	-
Corporate bonds:				
CIT Group	5,235,921	4,354,950	880,971	-
Countrywide	465,320	-	465,320	-
Local Agency Investment Fund	1,121,845	1,121,845	-	-
Money Market Funds	816,186	816,186	-	-
Total	\$ 11,380,094	6,292,981	2,702,469	2,384,644

Crescenta Valley Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2009 and 2008 for comparative purposes

(2) Cash and Investments, continued

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of year end for each investment type.

Credit ratings of investments as of June 30, 2009 were as follows:

<u>Investment Types</u>	<u>Total</u>	<u>Minimum Legal Rating</u>	<u>Exempt From Disclosure</u>	<u>Rating as of Year End</u>			
				<u>AAA</u>	<u>A-</u>	<u>BBB-</u>	<u>Not Rated</u>
U.S. Treasury Obligations	\$ 3,680,122	AAA	\$ 3,680,122	-	-	-	-
Federal Farm Credit Bank Bonds	1,410,350	AAA	-	1,410,350	-	-	-
Corporate bonds:							
CIT Group	947,920	A	-	-	-	947,920	-
Local Agency Investment Fund	4,258,503	N/A	-	-	-	-	4,258,503
Money Market Funds	783,553	AAA	-	783,553	-	-	-
Total	\$ 11,080,448		\$ 3,680,122	2,193,903	-	947,920	4,258,503

Credit ratings of investments as of June 30, 2008 were as follows:

<u>Investment Types</u>	<u>Total</u>	<u>Minimum Legal Rating</u>	<u>Exempt From Disclosure</u>	<u>Rating as of Year End</u>			
				<u>AAA</u>	<u>A-</u>	<u>BB+</u>	<u>Not Rated</u>
Federal Farm Credit Bank Bonds	\$ 1,350,894	AAA	\$ -	1,350,894	-	-	-
Federal Home Loan Bank	1,033,750	AAA	-	1,033,750	-	-	-
Federal National Mortgage Association	1,356,178	AAA	-	1,356,178	-	-	-
Corporate bonds:							
CIT Group	5,235,921	A	-	-	5,235,921	-	-
Countrywide	465,320	A	-	-	-	465,320	-
Local Agency Investment Fund	1,121,845	N/A	-	-	-	-	1,121,845
Money Market Funds	816,186	AAA	-	816,186	-	-	-
Total	\$ 11,380,094		\$ -	4,557,008	5,235,921	465,320	1,121,845

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code.

(3) Accounts Receivable, net

Accounts receivable, net as of June 30, are as follows:

	<u>2009</u>	<u>2008</u>
Accounts receivable	\$ 974,809	1,441,065
Allowance for doubtful accounts	(11,000)	(11,000)
Accounts receivable, net	\$ 963,809	1,430,065

Crescenta Valley Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2009 and 2008 for comparative purposes

(4) Capital Assets

Capital assets at June 30, are summarized as follows:

	<u>Balance 2008</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance 2009</u>
Non-depreciable assets:				
Water operations	\$ 1,589,899	1,386,736	(984,893)	1,991,742
Wastewater operations	-	173,981	-	173,981
Total non-depreciable assets	<u>1,589,899</u>	<u>1,560,717</u>	<u>(984,893)</u>	<u>2,165,723</u>
Depreciable assets, net:				
Water operations	18,799,420	728,926	(20,566)	19,507,780
Wastewater operations	<u>23,853,155</u>	<u>(828,176)</u>	<u>14,966</u>	<u>23,039,945</u>
Total depreciable capital assets, net	<u>42,652,575</u>	<u>(99,250)</u>	<u>(5,600)</u>	<u>42,547,725</u>
Total capital assets, net	<u>\$ 44,242,474</u>			<u>44,713,448</u>

Changes in 2009 for water operations capital assets were as follows:

	<u>Balance 2008</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance 2009</u>
Non-depreciable assets:				
Land	\$ 955,796	-	-	955,796
Construction-in progress	<u>634,103</u>	<u>1,386,736</u>	<u>(984,893)</u>	<u>1,035,946</u>
Total non-depreciable assets	<u>1,589,899</u>	<u>1,386,736</u>	<u>(984,893)</u>	<u>1,991,742</u>
Depreciable assets:				
Production equipment	6,187,410	416,660	(112,860)	6,491,210
Distribution equipment	24,117,622	1,143,393	(5,150)	25,255,865
Groundwater reclamation plant	2,228,445	16,461	-	2,244,906
Autos and trucks	713,628	-	-	713,628
Office equipment	558,103	79,003	(163,180)	473,926
Office building	<u>424,254</u>	<u>-</u>	<u>(4,146)</u>	<u>420,108</u>
Total depreciable assets	<u>34,229,462</u>	<u>1,655,517</u>	<u>(285,336)</u>	<u>35,599,643</u>
Accumulated depreciation:				
Production equipment	(3,319,816)	(219,844)	112,348	(3,427,312)
Distribution equipment	(9,519,538)	(504,209)	680	(10,023,067)
Groundwater reclamation plant	(1,604,641)	(89,467)	-	(1,694,108)
Autos and trucks	(539,598)	(67,369)	-	(606,967)
Office equipment	(286,600)	(37,727)	147,837	(176,490)
Office building	<u>(159,849)</u>	<u>(7,975)</u>	<u>3,905</u>	<u>(163,919)</u>
Total accumulated depreciation	<u>(15,430,042)</u>	<u>(926,591)</u>	<u>264,770</u>	<u>(16,091,863)</u>
Total depreciable assets, net	<u>18,799,420</u>	<u>728,926</u>	<u>(20,566)</u>	<u>19,507,780</u>
Total capital assets, net	<u>\$ 20,389,319</u>			<u>21,499,522</u>

Changes in 2009 for water operations capital assets consisted primarily of \$416,660 in upgrades to water production equipment and \$1,143,393 in upgrades to water distribution equipment

Crescenta Valley Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2009 and 2008 for comparative purposes

(4) Capital Assets, continued

Changes in 2009 for wastewater operations capital assets were as follows:

	<u>Balance 2008</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance 2009</u>
Non-depreciable assets:				
Construction-in progress	\$ -	173,981	-	173,981
Total non-depreciable assets	<u>-</u>	<u>173,981</u>	<u>-</u>	<u>173,981</u>
Depreciable assets:				
Wastewater collection system				
Interceptor	4,953,835	-	-	4,953,835
Unit 1	10,821,839	1	-	10,821,840
Unit 2	19,769,601	-	-	19,769,601
Tools and lab equipment	31,775	1	-	31,776
Autos and trucks	514,224	-	(1,043)	513,181
Safety equipment	4,557	2,012	-	6,569
Booster building	96,368	-	-	96,368
Office equipment	31,341	-	(2,307)	29,034
Total depreciable assets	<u>36,223,540</u>	<u>2,014</u>	<u>(3,350)</u>	<u>36,222,204</u>
Accumulated depreciation:				
Wastewater collection system				
Interceptor	(1,655,236)	(100,473)	-	(1,755,709)
Unit 1	(3,723,563)	(216,386)	-	(3,939,949)
Unit 2	(6,530,287)	(394,379)	-	(6,924,666)
Tools and lab equipment	(24,189)	(4,529)	-	(28,718)
Autos and trucks	(353,279)	(81,868)	1,043	(434,104)
Safety equipment	(380)	(623)	-	(1,003)
Booster building	(43,729)	(3,212)	-	(46,941)
Office equipment	(39,722)	(28,720)	17,273	(51,169)
Total accumulated depreciation	<u>(12,370,385)</u>	<u>(830,190)</u>	<u>18,316</u>	<u>(13,182,259)</u>
Total depreciable capital assets, net	<u>23,853,155</u>	<u>(828,176)</u>	<u>14,966</u>	<u>23,039,945</u>
Total capital assets, net	<u>\$ 23,853,155</u>			<u>23,213,926</u>

Changes in 2009 for wastewater operations capital assets consisted primarily of \$2,012 in safety equipment upgrades.

Crescenta Valley Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2009 and 2008 for comparative purposes

(4) Capital Assets, continued

Changes in 2008 for water operations capital assets were as follows:

	<u>Balance 2007</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance 2008</u>
Non-depreciable assets:				
Land	\$ 663,199	292,597	-	955,796
Construction-in progress	<u>267,629</u>	<u>511,103</u>	<u>(144,629)</u>	<u>634,103</u>
Total non-depreciable assets	<u>930,828</u>	<u>803,700</u>	<u>(144,629)</u>	<u>1,589,899</u>
Depreciable assets:				
Production equipment	5,932,539	254,871	-	6,187,410
Distribution equipment	22,773,407	1,406,579	(62,364)	24,117,622
Groundwater reclamation plant	2,228,445	-	-	2,228,445
Autos and trucks	652,358	103,845	(42,575)	713,628
Office equipment	420,376	137,727	-	558,103
Office building	<u>402,331</u>	<u>21,923</u>	<u>-</u>	<u>424,254</u>
Total depreciable assets	<u>32,409,456</u>	<u>1,924,945</u>	<u>(104,939)</u>	<u>34,229,462</u>
Accumulated depreciation:				
Production equipment	(3,117,818)	(201,998)	-	(3,319,816)
Distribution equipment	(9,113,051)	(468,851)	62,364	(9,519,538)
Groundwater reclamation plant	(1,515,503)	(89,138)	-	(1,604,641)
Autos and trucks	(517,880)	(64,293)	42,575	(539,598)
Office equipment	(260,507)	(26,093)	-	(286,600)
Office building	<u>(152,135)</u>	<u>(7,714)</u>	<u>-</u>	<u>(159,849)</u>
Total accumulated depreciation	<u>(14,676,894)</u>	<u>(858,087)</u>	<u>104,939</u>	<u>(15,430,042)</u>
Total depreciable assets, net	<u>17,732,562</u>	<u>1,066,858</u>	<u>-</u>	<u>18,799,420</u>
Total capital assets, net	<u>\$ 18,663,390</u>			<u>20,389,319</u>

Changes in 2008 for water operations capital assets consisted primarily of \$254,874 for water production equipment upgrades and \$1,406,579 for water distribution equipment upgrades. Other additions included: \$103,845 for autos and trucks and \$137,727 for office equipment.

Crescenta Valley Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2009 and 2008 for comparative purposes

(4) Capital Assets, continued

Changes in 2008 for wastewater operations capital assets were as follows:

	<u>Balance 2007</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance 2008</u>
Depreciable assets:				
Wastewater collection system				
Interceptor	4,953,835	-	-	4,953,835
Unit 1	10,821,839	-	-	10,821,839
Unit 2	19,769,601	-	-	19,769,601
Tools and lab equipment	30,530	1,245	-	31,775
Autos and trucks	523,943	32,856	(42,575)	514,224
Safety equipment	-	4,557	-	4,557
Booster building	53,475	42,893	-	96,368
Office equipment	31,341	-	-	31,341
	<u>36,184,564</u>	<u>81,551</u>	<u>(42,575)</u>	<u>36,223,540</u>
Accumulated depreciation:				
Wastewater collection system				
Interceptor	(1,554,762)	(100,474)	-	(1,655,236)
Unit 1	(3,505,499)	(218,064)	-	(3,723,563)
Unit 2	(6,135,907)	(394,380)	-	(6,530,287)
Tools and lab equipment	(19,760)	(4,429)	-	(24,189)
Autos and trucks	(314,827)	(81,027)	42,575	(353,279)
Safety equipment	-	(380)	-	(380)
Booster building	(41,232)	(2,497)	-	(43,729)
Office equipment	(17,028)	(22,694)	-	(39,722)
	<u>(11,589,015)</u>	<u>(823,945)</u>	<u>42,575</u>	<u>(12,370,385)</u>
Total depreciable capital assets, net	<u>\$ 24,595,549</u>			<u>23,853,155</u>

Changes in 2008 for wastewater operations capital assets consisted primarily of \$32,856 for autos and trucks.

(5) Compensated Absences

Compensated absences comprise unpaid vacation leave, sick leave and compensating time off which is accrued as earned. The District's liability for compensated absences is determined annually.

The changes to compensated absences balances at June 30, were as follows:

<u>Balance 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 2009</u>	<u>Due Within One Year</u>	<u>Due in More Than One Year</u>
\$ 329,236	253,227	(191,332)	391,131	117,339	273,792
<u>329,236</u>	<u>253,227</u>	<u>(191,332)</u>	<u>391,131</u>	<u>117,339</u>	<u>273,792</u>
<u>Balance 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 2008</u>	<u>Due Within One Year</u>	<u>Due in More Than One Year</u>
\$ 289,732	273,624	(234,120)	329,236	98,771	230,465
<u>289,732</u>	<u>273,624</u>	<u>(234,120)</u>	<u>329,236</u>	<u>98,771</u>	<u>230,465</u>

Crescenta Valley Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2009 and 2008 for comparative purposes

(6) Long-Term Debt

	<u>2008</u>	<u>Additions</u>	<u>Principal Pmts Amortization</u>	<u>2009</u>
2007 Series COP	\$ 10,070,000	-	(185,000)	9,885,000
Less: Unamortized Discount	(255,332)	-	8,927	(246,405)
Total 2007 Series COPs	<u>9,814,668</u>	<u>-</u>	<u>(176,073)</u>	<u>9,638,595</u>
Total COPs	<u>9,814,668</u>	<u>-</u>	<u>(176,073)</u>	<u>9,638,595</u>
Loan payable:				
Equipment loan	112,553	-	(35,843)	76,710
Total loan payable	<u>112,553</u>	<u>-</u>	<u>(35,843)</u>	<u>76,710</u>
Total long-term debt	<u>9,927,221</u>	<u>-</u>	<u>(211,916)</u>	<u>9,715,305</u>
Less: current portion	<u>(220,843)</u>			<u>(232,492)</u>
Long-term portion	<u>\$ 9,706,378</u>			<u>9,482,813</u>

2007 Series Certificates of Participation

On December 1, 2006, the Crescenta Valley Water District issued \$10,070,000 of 2007 Series Certificates of Participation at an average rate of 4.19% to construct a variety of capital improvements to the District's water system and pay down loan debt from La Salle Bank. A reserve fund is held by the trustee and was funded from proceeds from the 2007 Certificates of Participation. Improvements include well rehabilitation, improvements to water reservoirs, water production and distribution systems. Debt service payments are due each June 1st and December 1st with principal payments commencing on June 1, 2009 and matures in 2037.

Certificates of Participation issuance costs of \$115,187 have been capitalized and are being amortized over the term of the Certificates of Participation using the straight-line method.

A discount on issuance in the amount of \$264,136 has been capitalized and is shown on the financial statements as a decrease to the 2007 Certificates of Participation debt liability and is amortized as a component of interest expense through the term of the Certificates of Participation on the straight-line method.

Future annual debt service requirements are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 195,000	420,238	615,238
2011	200,000	412,438	612,438
2012	210,000	404,438	614,438
2013	220,000	396,038	616,038
2014	225,000	387,238	612,238
2015-2019	1,275,000	1,793,188	3,068,188
2020-2024	1,560,000	1,512,650	3,072,650
2025-2029	1,925,000	1,150,838	3,075,838
2030-2034	2,380,000	692,344	3,072,344
2035-2036	1,695,000	150,500	1,845,500
Total	<u>\$ 9,885,000</u>	<u>7,319,908</u>	<u>17,204,908</u>
Less current portion	<u>(195,000)</u>		
Unamortized discount	<u>(246,405)</u>		
Total non-current	<u>\$ 9,443,595</u>		

Crescenta Valley Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2009 and 2008 for comparative purposes

(6) Long-Term Debt

Loan Payable

On January 26, 2006, the District entered into a loan agreement with LaSalle Bank in the amount of \$179,577. Principal and interest payments at the rate of 4.55% are due each July 27th and January 27th, maturing in 2011.

Future annual debt service requirements are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 37,492	3,069	40,561
2011	39,218	1,343	40,561
Total	\$ 76,710	4,412	81,122
Less current portion	(37,492)		
Total non-current	\$ 39,218		

(7) Net Assets

Calculation of net assets as of June 30, were as follows:

	<u>2009</u>	<u>2008</u>
Net investment in capital assets:		
Capital assets, net	\$ 44,713,448	44,242,474
Loan payable - current	(37,492)	(35,843)
Loan payable - non-current	(39,218)	(76,710)
Certificates of participation payable - current	(195,000)	(185,000)
Certificates of participation payable - non-current	(9,443,595)	(9,629,668)
Total net investment in capital assets	34,998,143	34,315,253
Restricted	1,874,412	4,909,532
Unrestricted net assets:		
Non-spendable net assets:		
Inventory	249,329	212,931
Prepaid expenses	51,686	39,863
Deferred charges, net	105,177	111,348
Total non-spendable net assets	406,192	364,142
Spendable net assets are as follows:		
Unrestricted	10,039,282	8,487,689
Total spendable net assets	10,039,282	8,487,689
Total unrestricted net assets	10,445,474	8,851,831
Total net assets	\$ 47,318,029	48,076,616

Crescenta Valley Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2009 and 2008 for comparative purposes

(8) Defined Benefit Pension Plan

Plan Description

The Agency contributes to the California Public Employees Retirement System (CalPERS), a cost-sharing multi-employer defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public agencies within the State of California. Benefit provisions and all other requirements are established by state statute and the Agency. Copies of CalPERS annual financial report may be obtained from their executive Office: 400 P Street, Sacramento, CA, 95814.

Funding Policy

The contribution rate for plan members in the CalPERS, 2.0% at 55 Risk Pool Retirement Plan is 7% of their annual covered salary and is paid by the District. The Agency makes these contributions required of Agency employees on their behalf and for their account. Also, the Agency is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The required employer contribution rates are equal to the annual pension costs (APC) percentage of payroll for fiscal years 2009, 2008 and 2007 as noted below. The contribution requirements of the plan members are established by State statute, and the employer contribution rate is established and may be amended by CalPERS.

Funding Policy, continued

For Fiscal years 2009, 2008 and 2007, the Agency's annual contributions for the CalPERS plan were equal to the Agencies required and actual contributions for each fiscal year as follows:

Three Year Trend Information:

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>	<u>APC Percentage of Payroll</u>
2006-2007	\$ 168,915	100%	-	11.569%
2007-2008	185,942	100%	-	11.647%
2008-2009	284,123	100%	-	11.635%

(9) Deferred Compensation Plan

For the benefit of its employees, the District participates in a 457 Deferred Compensation Program (Program) administered by Lincoln Financial Services. The purpose of this program is to provide deferred compensation for public employees that elect to participate in the Program. Generally, eligible employees may defer receipt of a portion of their salary until termination, retirement, death, or unforeseen emergency. Until the funds are paid or otherwise made available to the employee, the employee is not obligated to report the deferred salary for income tax purposes.

Federal law requires deferred compensation assets to be held in trust for the exclusive benefit of the participants. Accordingly, the District is in compliance with this legislation. Therefore, these assets are not the legal property of the District, and are not subject to claims of the District's general creditors. Market value of all plan assets held in trust by the District plan amounted to \$565,334 and \$590,637 in fiscal years 2009 and 2008, respectfully.

The District has implemented GASB Statement No. 32, Accounting for Financial Reporting for Internal Revenue code Section 457 Deferred Compensation Plans. Since the District has little administrative involvement and does not perform the investing function of this plan, the assets and related liabilities are not shown on the Statements of Net Assets.

Crescenta Valley Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2009 and 2008 for comparative purposes

(10) Other Post Retirement Benefits

The District provides postretirement health benefits, in accordance with State statute, to all employees who retire from the District on or after attaining age 55 with at least 10 consecutive years of service. Currently, 15 retirees meet those eligibility requirements.

The District pays the full cost to continue coverage for the qualified retiree and eligible dependents. Expenditures for post-employment health care benefits are recognized as healthcare premiums paid. Total postretirement benefits expenditures for the years ending June 30, 2009 and 2008, totaled \$101,301 and \$86,481, respectively.

(11) Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is a member of the Association of California Water Agencies/Joint Powers Insurance Authority (ACWA/JPIA), an intergovernmental risk sharing joint powers authority created to provide self-insurance programs for California water agencies. The purpose of the ACWA/JPIA is to arrange and administer programs of self-insured losses and to purchase excess insurance coverage. At June 30, 2009, the District participated in the liability and property programs of the ACWA/JPIA as follows:

- General and auto liability, public officials and employees' errors and omissions: Total risk financing self-insurance limits of \$1,000,000, combined single limit at \$1,000,000 per occurrence. The District has additional excess coverage layers through ACWA/JPIA: \$49 million for general, auto and public officials liability, which increases the limits on the insurance coverage noted above.

In addition to the above, the District also has the following insurance coverage:

- Employee dishonesty coverage up to \$100,000 per loss includes public employee dishonesty, forgery or alteration and theft, disappearance and destruction coverage's.
- Property loss is paid at the replacement cost for property on file, if replaced within two years after the loss, otherwise paid on an actual cash value basis, to a combined total of \$100 million per occurrence, subject to a \$2,500 deductible per occurrence.
- Boiler and machinery coverage for the replacement cost up to \$100 million per occurrence, subject to various deductibles depending on the type of equipment.
- Workers' compensation insurance up to California statutory limits for all work related injuries/illnesses covered by California law.

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years and there were no reductions in the District's insurance coverage during the year ending June 30, 2008. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR). There were no IBNR claims payable as of June 30, 2009, 2008 and 2007, respectively.

Crescenta Valley Water District
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2009 and 2008 for comparative purposes

(12) Governmental Accounting Standards Board Statements Issued, Not Yet Effective

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2008, that has effective dates that may impact future financial presentations.

Governmental Accounting Standards Board Statement No. 45

In June 2004, the GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions*. This Statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local government employers. This statement is not effective for this District until the fiscal year ended June 30, 2010. This statement is expected to have a significant impact on the presentation of the District's financial statements in future years.

Governmental Accounting Standards Board Statement No. 51

In June 2007, the GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. This statement is not effective for this District until the fiscal year ended June 30, 2010. This statement is not expected to have a significant impact on the presentation of the District's financial statements.

(13) Commitments and Contingencies

Litigation

In the ordinary course of operations, the District is subject to claims and litigation from outside parties. After consultation with legal counsel, the District believes the ultimate outcome of such matters, if any, will not materially affect its financial condition.

Supplemental Information

Crescenta Valley Water District
Combining Schedule of Revenues, Expenses and Changes in Fund Net Assets
For the Year Ended June 30, 2009

	Enterprise Funds		Total
	Water Fund	Sewer Fund	
Operating revenues:			
Water operations - consumption sales	\$ 5,772,236	-	5,772,236
Water operations - service charge	1,170,142	-	1,170,142
Water operations - other charges	234,774	-	234,774
Wastewater operations	-	2,560,252	2,560,252
Total operating revenues	7,177,152	2,560,252	9,737,404
Operating expenses:			
Source of supply - water purchases	1,779,854	-	1,779,854
Plant operations	1,805,600	207,228	2,012,828
Distribution system	732,266	-	732,266
City of Los Angeles wastewater system	-	697,144	697,144
Collection system	-	295,921	295,921
General and administrative expenses	2,166,559	1,131,875	3,298,434
Total operating expenses	6,484,279	2,332,168	8,816,447
Operating income before depreciation	692,873	228,084	920,957
Depreciation expense	(926,591)	(830,190)	(1,756,781)
Operating loss	(233,718)	(602,106)	(835,824)
Non-operating revenues (expenses):			
Investment earnings	319,612	211,351	530,963
(Loss) on sale of capital assets	(1,127)	-	(1,127)
Interest expense	(427,638)	(10,061)	(437,699)
Other income(expense), net	(14,575)	(14,761)	(29,336)
Total non-operating revenues, net	(123,728)	186,529	62,801
Net loss before capital contributions	(357,446)	(415,577)	(773,023)
Capital contributions	-	14,436	14,436
Changes in net assets	\$ (357,446)	(401,141)	(758,587)

See accompanying notes to the basic financial statements

Crescenta Valley Water District
Combining Schedule Revenues, Expenses and Changes in Fund Net Assets
For the Year Ended June 30, 2008

	Enterprise Funds		Total
	Water Fund	Sewer Fund	
Operating revenues:			
Water operations - consumption sales	\$ 7,214,792	-	7,214,792
Water operations - service charge	-	-	-
Water operations - other charges	356,014	-	356,014
Wastewater operations	-	2,038,253	2,038,253
Total operating revenues	<u>7,570,806</u>	<u>2,038,253</u>	<u>9,609,059</u>
Operating expenses:			
Source of supply - water purchases	1,770,199	-	1,770,199
Plant operations	1,727,105	182,416	1,909,521
Distribution system	1,004,659	-	1,004,659
City of Los Angeles wastewater system	-	881,485	881,485
Collection system	-	164,416	164,416
General and administrative expenses	2,140,012	1,046,923	3,186,935
Total operating expenses	<u>6,641,975</u>	<u>2,275,240</u>	<u>8,917,215</u>
Operating income (loss) before depreciation	928,831	(236,987)	691,844
Depreciation expense	<u>(858,087)</u>	<u>(823,945)</u>	<u>(1,682,032)</u>
Operating loss	70,744	(1,060,932)	(990,188)
Non-operating revenues (expenses):			
Investment earnings	356,711	60,671	417,382
Gain on sale of capital assets	17,000	-	17,000
Interest expense	(433,408)	-	(433,408)
Other income(expense), net	<u>(13,158)</u>	<u>31,410</u>	<u>18,252</u>
Total non-operating revenues, net	(72,855)	92,081	19,226
Net loss before capital contributions	(2,111)	(968,851)	(970,962)
Capital contributions	<u>44,055</u>	<u>-</u>	<u>44,055</u>
Changes in net assets	<u>\$ 41,944</u>	<u>(968,851)</u>	<u>(926,907)</u>

See accompanying notes to the basic financial statements

Crescenta Valley Water District
Detailed Schedule of Revenues, Expenses and Changes in Net Assets
Water Operations
For the Years Ended June 30, 2009 and 2008

	2009		2008	
	Amount	Percent	Amount	Percent
Operating revenues:				
Consumption sales - customers	\$ 5,772,236	80.43%	7,214,792	95.30%
Consumption sales - others	7,557	0.11%	13,585	0.18%
Service charges	1,170,142	16.30%	-	0.00%
Meter installations	123,523	1.72%	158,933	2.10%
Other revenue	103,694	1.44%	183,496	2.42%
Total operating revenues	<u>7,177,152</u>	<u>100.00%</u>	<u>7,570,806</u>	<u>100.00%</u>
Operating expenses:				
Source of supply - water purchases	1,779,854	24.80%	1,770,199	23.38%
Plant operations:				
Power	710,323	9.90%	691,447	9.13%
Plant wages	589,310	8.21%	306,353	4.05%
Utilities	9,509	0.13%	23,517	0.31%
Telephone	27,881	0.39%	6,010	0.08%
Maintenance	98,501	1.37%	181,916	2.40%
Signal system	41,125	0.57%	96,997	1.28%
Lab and treatment	142,401	1.98%	169,011	2.23%
Nitrate treatment	47,944	0.67%	86,169	1.14%
Insurance	81,097	1.13%	99,867	1.32%
Other expense	57,509	0.80%	65,818	0.87%
Total plant operations	<u>1,805,600</u>	<u>25.16%</u>	<u>1,727,105</u>	<u>22.81%</u>
Distribution system:				
Meter reading	-	0.00%	29,896	0.39%
Meter maintenance	478,379	6.67%	459,858	6.07%
Pipeline maintenance	119,772	1.67%	339,517	4.48%
Backflow operations	-	0.00%	2,467	0.03%
Reservoir and building maintenance	48,562	0.68%	61,130	0.81%
Auto and truck expense	80,543	1.12%	101,921	1.35%
Property taxes	5,010	0.07%	9,870	0.13%
Total distribution system	<u>\$ 732,266</u>	<u>10.20%</u>	<u>1,004,659</u>	<u>13.27%</u>

Crescenta Valley Water District
Detailed Schedule of Revenues, Expenses and Changes in Net Assets
Water Operations, Continued
For the Years Ended June 30, 2009 and 2008

	2009		2008	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
General and administrative:				
Directors' fees	\$ 11,350	0.16%	9,500	0.13%
Salaries - statutory officers	131,093	1.83%	152,942	2.02%
Salaries - general office	245,119	3.42%	296,676	3.92%
Retirement (CalPERS)	326,946	4.56%	321,427	4.25%
Payroll taxes	121,308	1.69%	113,773	1.50%
Engineering and drafting	310,542	4.33%	336,021	4.44%
Accounting	8,488	0.12%	9,438	0.12%
Legal	84,700	1.18%	69,782	0.92%
Administrative consultant - water system	103,143	1.44%	99,787	1.32%
Insurance - general	11,103	0.15%	23,890	0.32%
Insurance - group	279,254	3.89%	241,093	3.18%
Maintenance	16,980	0.24%	36,728	0.49%
Computer and supplies	60,266	0.84%	51,803	0.68%
Utilities	13,802	0.19%	7,089	0.09%
Telephone	65,389	0.91%	20,076	0.27%
Printing and postage	45,727	0.64%	42,492	0.56%
Bad debt	531	0.01%	2,746	0.04%
Water system fees	32,682	0.46%	6,828	0.09%
Water conservation	200,561	2.79%	107,483	1.42%
Training	20,610	0.29%	76,570	1.01%
Other	76,965	1.07%	113,868	1.50%
Total general and administrative	<u>2,166,559</u>	<u>30.19%</u>	<u>2,140,012</u>	<u>28.27%</u>
Total operating expenses	<u>6,484,279</u>	<u>90.35%</u>	<u>6,641,975</u>	<u>87.73%</u>
Operating income before depreciation	692,873	9.65%	928,831	12.27%
Depreciation expense	<u>(926,591)</u>	<u>-12.91%</u>	<u>(858,087)</u>	<u>-11.33%</u>
Operating income	<u>(233,718)</u>	<u>-3.26%</u>	<u>70,744</u>	<u>0.93%</u>
Non-operating revenues(expense):				
Investment earnings	319,612	4.45%	356,711	4.71%
Gain(loss) on sale of capital assets	(1,127)	-0.02%	17,000	0.22%
Interest expense	(427,638)	-5.96%	(433,408)	-5.72%
Other income(expense), net	<u>(14,575)</u>	<u>-0.20%</u>	<u>(13,158)</u>	<u>-0.17%</u>
Total non-operating revenues, net	<u>(123,728)</u>	<u>-1.72%</u>	<u>(72,855)</u>	<u>-0.96%</u>
Loss before capital contributions	(357,446)	-4.98%	(2,111)	-0.03%
Capital contributions	<u>-</u>	<u>0.00%</u>	<u>44,055</u>	<u>0.58%</u>
Change in net assets	<u>\$ (357,446)</u>	<u>-4.98%</u>	<u>41,944</u>	<u>0.55%</u>

See accompanying notes to the basic financial statements

Crescenta Valley Water District
Detailed Schedule of Revenues, Expenses and Changes in Net Assets
Wastewater Operations
For the Years Ended June 30, 2009 and 2008

	2009		2008	
	Amount	Percent	Amount	Percent
Operating revenues:				
User and standby charges	\$ 2,523,524	98.57%	2,006,071	98.42%
Other revenue	36,728	1.43%	32,182	1.58%
Total operating revenues	<u>2,560,252</u>	<u>100.00%</u>	<u>2,038,253</u>	<u>100.00%</u>
Operating expenses:				
City of Los Angeles wastewater system expense	<u>697,144</u>	<u>27.23%</u>	<u>881,485</u>	<u>43.25%</u>
Plant operations:				
Power	635	0.02%	1,249	0.06%
Plant wages	87,184	3.41%	83,444	4.09%
Utilities	1,767	0.07%	511	0.03%
Telephone	9,151	0.36%	2,003	0.10%
Maintenance	5,953	0.23%	36,810	1.81%
Insurance - general	69,776	2.73%	33,289	1.63%
Other expense	<u>32,762</u>	<u>1.28%</u>	<u>25,110</u>	<u>1.23%</u>
Total plant operations	<u>207,228</u>	<u>8.09%</u>	<u>182,416</u>	<u>8.95%</u>
Collection system:				
Maintenance	233,280	9.11%	106,318	5.22%
Auto and truck expense	48,010	1.88%	54,900	2.69%
Inspection	<u>14,631</u>	<u>0.57%</u>	<u>3,198</u>	<u>0.16%</u>
Total collection system	<u>\$ 295,921</u>	<u>11.56%</u>	<u>164,416</u>	<u>8.07%</u>

Crescenta Valley Water District
Detailed Schedule of Revenues, Expenses and Changes in Net Assets
Wastewater Operations, Continued
For the Years Ended June 30, 2009 and 2008

	<u>2009</u>		<u>2008</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
General and administrative:				
Directors' fees	\$ 11,350	0.44%	9,500	0.47%
Salaries - statutory officers	131,093	5.12%	88,922	4.36%
Salaries - general office	204,448	7.99%	248,498	12.19%
Retirement (CalPERS)	124,308	4.86%	107,142	5.26%
Payroll taxes	80,872	3.16%	75,848	3.72%
Engineering and drafting	98,303	3.84%	3,172	0.16%
Accounting	8,488	0.33%	9,438	0.46%
Legal	15,787	0.62%	13,569	0.67%
Administrative	17,490	0.68%	88,488	4.34%
Insurance - general	7,402	0.29%	13,188	0.65%
Insurance - group	183,831	7.18%	160,729	7.89%
Maintenance	26,513	1.04%	20,909	1.03%
Computer and supplies	89,271	3.49%	49,677	2.44%
Utilities	6,744	0.26%	6,333	0.31%
Telephone	13,171	0.51%	19,767	0.97%
Printing and postage	44,847	1.75%	37,657	1.85%
Bad debt	-	0.00%	2,746	0.13%
Training	9,085	0.35%	28,881	1.42%
Other	58,872	2.30%	62,459	3.06%
Total general and administrative	<u>1,131,875</u>	<u>44.21%</u>	<u>1,046,923</u>	<u>51.36%</u>
Total operating expenses	<u>2,332,168</u>	<u>91.09%</u>	<u>2,275,240</u>	<u>111.63%</u>
Operating income before depreciation	228,084	8.91%	(236,987)	-11.63%
Depreciation expense	<u>(830,190)</u>	<u>-32.43%</u>	<u>(823,945)</u>	<u>-40.42%</u>
Operating income	<u>(602,106)</u>	<u>-23.52%</u>	<u>(1,060,932)</u>	<u>-52.05%</u>
Non-operating revenues(expense):				
Investment earnings	211,351	8.26%	60,671	2.98%
Gain(loss) on sale of capital assets	-	0.00%	-	0.00%
Interest expense	(10,061)	-0.39%	-	0.00%
Other income(expense), net	<u>(14,761)</u>	<u>-0.58%</u>	<u>31,410</u>	<u>1.54%</u>
Total non-operating revenues, net	<u>186,529</u>	<u>7.29%</u>	<u>92,081</u>	<u>4.52%</u>
Loss before capital contributions	(415,577)	-16.23%	(968,851)	-47.53%
Capital contributions	<u>14,436</u>	<u>0.56%</u>	<u>-</u>	<u>0.00%</u>
Change in net assets	<u><u>\$ (401,141)</u></u>	<u><u>-15.67%</u></u>	<u><u>(968,851)</u></u>	<u><u>-47.53%</u></u>

See accompanying notes to the basic financial statements

Report on Internal Controls and Compliance

**Independent Auditor's Report on Internal Control Over Financial Reporting
And on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

Board of Directors
Crescenta Valley Water District
La Crescenta, California

We have audited the basic financial statements of the Crescenta Valley Water District (District) as of and for the year ended June 30, 2009, and have issued our report thereon dated October 30, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control. Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors and management and is not intended to be and should not be used by anyone other than these specified parties.

October 30, 2009
Cypress, California

Crescenta Valley Water District

Management Report

June 30, 2009

Crescenta Valley Water District

Management Report

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Board of Directors
Crescenta Valley Water District
La Crescenta, California

Dear Members of the Board:

In planning and performing our audit of the financial statements of Crescenta Valley Water District (District) as of and for the years ended June 30, 2009, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of District's internal control. Accordingly, we do not express an opinion on the effectiveness of District's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

A significant deficiency is a control deficiency, or combination of control deficiencies that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected.

Our consideration on internal control was for the limited period described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

During our audit, we became aware of certain matters that are opportunities for strengthening internal controls and/or operating efficiencies over accounting areas or financial reporting. This letter does not affect our report dated October 30, 2009, on the audit of the financial statements of the District.

Our comments, all of which have been discussed with the appropriate members of management, are summarized as follows:

Summary of Current Year Comments and Recommendations

Chart of Accounts – Self-Balancing Fund Basis

Our analysis of the District's accounting system revealed that the existing chart of accounts is not prepared on a self-balancing basis for each individual fund. Transactions that comprise various fund balances may be comingled in a single account requiring accounting staff to track fund balances on separate spreadsheets. It is critical for an organization such as the District to be able to evaluate financial results on a fund functional basis to monitor the success of its programs or activities. We recommend that the chart of accounts be modified to allow for the results of operations of each fund to be determined. Management decisions are based on this type of fund financial data and inaccurate information may lead to poor stewardship of the business enterprise.

Management's Response

We concur with the auditor's recommendation and we will review the District's chart of accounts and present our recommendations to the Board of Directors.

Timely Reconciliation of Accounts

Accounting tasks such as monthly or quarterly account reconciliations play a key role in substantiating the accuracy of accounting data and information included in the financial statements. Therefore, in order to provide more accurate and timely accounting information, we strongly recommend that the District establish more effective monthly and/or quarterly review and reconciliation policies and procedures as a customary part of the accounting process. This would involve monthly and/or quarterly reconciliations of all balance-sheet accounts, making adjustments throughout the year that have typically been made at year-end only, and performing more frequent reviews of the general ledger throughout the year, including making any necessary adjustments on a timely basis.

Management's Response

We concur with the auditor's recommendation and we will make the necessary changes in our account reconciliation process accordingly.

Capitalization Policy

It was noted during the audit that the District had not updated their capitalization of capital assets policy in regards to New Accounting Pronouncements that became effective in fiscal year 2003. The District's current capitalization of capital assets threshold is \$1,000 per item. However, we recommend the written policy be updated to a more comprehensive policy as described below and increased to a threshold of \$5,000 or more per item. This policy will insure that capital assets are properly and consistently capitalized and contribute to accurate financial reporting in connection with GASB Statement No. 34.

Capitalization Policy (Accounting and Financial Reporting)

In general all capital assets, including land, buildings, machinery and equipment, with an original cost of \$5,000 or more, will be subject to accounting and reporting (capitalization). All costs associated with the purchase or construction should be considered, including ancillary costs such as freight and transportation charges, site preparation expenditures, professional fees, and legal claims directly attributable to asset acquisition. Specific capitalization requirements are described below:

- The capitalization threshold is applied to **individual units** of capital assets. For example, ten desks purchased through a single purchase order, each costing \$1,000, will not qualify for capitalization even though the total (\$10,000) exceeds the threshold of \$5,000.
- For purposes of capitalization, the threshold will generally not be applied to **components** of capital assets. For example, a keyboard, monitor and central processing unit purchased as components of a computer system will not be evaluated individually against the capitalization threshold. The entire computer system will be treated as a single capital asset.

- **Repairs** to existing capital assets will generally not be subject to capitalization unless it extends the useful life of the asset. In this case, it represents an improvement and is subject to the requirements described below:
- **Improvements** to existing capital assets will be presumed (by definition) to extend the useful life of the related capital asset and, therefore, will be subject to capitalization only if the cost of the improvement meets the \$5,000 threshold. In theory, an improvement to a capital asset that had an original cost of less than \$5,000, but now exceeds the threshold as a result of the improvement, should be combined as a single asset at the total cost (original cost plus the cost of the improvement) and capitalized.
- **Capital projects** will be capitalized as **Construction-In-Progress** until completed. Costs to be capitalized include direct costs, such labor and materials, as well as ancillary costs and any construction period interest costs as required by GASB Statement No. 34.

Management's Response

Management concurs with the auditor's recommendation for the District to adopt a more comprehensive ***Capitalization Policy***. Management intends to prepare the appropriate "accounting policy" document necessary to implement the comprehensive ***Capitalization Policy***.

Disclosure of Audit Adjustments and Reclassifications

As your external auditor, we assume that the books and records of the District are properly adjusted before the start of the audit. In many cases, however, audit adjustments and reclassifications are made in the normal course of the audit process to present the District's financial statements in conformity with accounting principles generally accepted in the United States of America or for comparison purposes with the prior year. For the Board of Directors to gain a full and complete understanding and appreciation of the scope and extent of the audit process we have presented these audit adjustments and reclassifications as an attachment to this letter. There can be very reasonable explanations for situations of having numerous adjustments as well as having no adjustments at all. However, the issue is simply disclosure of the adjustments and reclassifications that were made and to provide the Board of Directors with a better understanding of the scope of the audit.

Management's Response

We have reviewed and approved all of the audit adjustment and reclassification entries provided by the auditor and have entered those entries into the District's accounting system to close-out the District's year-end trial balance.

Status of Comments and Recommendations Made in the Previous Year

None Noted

* * * * *

This report is intended solely for the information and use of management and the Board of Directors of the District. This restriction is not intended to limit the distribution of this letter, which is a matter of public record.

We appreciate the courtesy and cooperation extended to us during our examination. We would be pleased to discuss the contents of this letter with you at your convenience. Please do not hesitate to contact us.

October 30, 2009
Cypress, California

APPENDIX

Crescenta Valley Water District

Audit/Finance Committee Letter

June 30, 2009

Board of Directors
Crescenta Valley Water District
La Crescenta, California

We have audited the basic financial statements of the Crescenta Valley Water District (District) for the year ended June 30, 2009 and have issued our report thereon dated October 30, 2009. Generally accepted auditing standards require that we provide the Governing Board and management with the following information related to our audit of the District's basic financial statements.

Auditor's Responsibility under United States Generally Accepted Auditing Standards

As stated in our Audit Engagement Letter dated July 20, 2009, our responsibility, as described by professional standards, is to express an opinion about whether the basic financial statements prepared by management with oversight of the Governing Board are fairly presented, in all material respects, in conformity with United States generally accepted accounting principles. Our audit of the financial statements does not relieve the Governing Board or management of its responsibilities of oversight in the District's external financial reporting process or any other processes.

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Governmental Auditing Standards*.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing requirements previously communicated to management during our interim fieldwork on August 14, 2009.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the basic financial statements.

We noted no transactions entered into by the District during fiscal year 2009 for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Management's Judgments, Accounting Estimates and Financial Disclosures

Accounting estimates play an integral part in the preparation of basic financial statements by management and are based upon management's knowledge, experience and current judgment(s) about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the basic financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the position in the basic financial statements is (are):

Management's estimate of the fair value of cash and investments is based on information provided by financial institutions. We evaluated the key factors and assumptions used to develop the fair value of cash and investments in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the allowance for delinquent/doubtful accounts is based on historical write-offs of past due delinquent/doubtful customer accounts, customer creditworthiness, and calculated assumptions of expected future write-offs. We evaluated the key factors and assumptions used to develop the allowance for delinquent/doubtful accounts in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of capital assets depreciation is based on historical estimates of each capitalized item's useful life expectancy or cost recovery period. We evaluated the key factors and assumptions used to develop the capital asset depreciation calculations in determining that they are reasonable in relation to the financial statements taken as a whole.

The disclosures in the basic financial statements are neutral, consistent and clear. Certain basic financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure(s) affecting the basic financial statements is (are):

The disclosure of fair value of cash and investments in Note 2 to the basic financial statements represents amounts susceptible to market fluctuations.

The disclosure of the District's allowance for delinquent/doubtful accounts in Note 3 to the basic financial statements represents amounts susceptible to external factors the District has no control over, such as, the state of the economy in the District's service area.

The disclosure of capital assets, net in Note 4 to the basic financial statements is based on historical information which could differ from actual useful lives of each capitalized item.

Corrected and Uncorrected Misstatements

Generally Accepted Auditing Standards require us to accumulate all known and likely misstatements identified during the audit, except those that are considered trivial, and communicate them to the appropriate level of management as follows:

There were seven audit adjustments and/or reclassification entries and one passed entry, made to the original trial balance presented to us to begin our audit. The overall net effect of these adjustments was to decrease the net assets of the District by approximately \$81,320. We have provided a listing of these audit adjustments to the District's management and have included them at the end of this report.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves the application of an accounting principal to the District’s basic financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District’s auditor. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit processes and testwork.

Disagreements with Management

For the purpose of this letter, professional standards define a disagreement with management as a financial accounting, reporting or auditing matter, whether or not resolved to our satisfaction that could be significant to the basic financial statements or the auditor’s report. We are pleased to report that no such disagreements arose during the course of our audit of the District.

Management Representations

We have requested certain representations from management that are included in the Management Representational Letter to the Auditor dated October 30, 2009.

Conclusion

We appreciate the cooperation extended us by Ron Mitchell, Secretary/Treasurer in the performance of our audit testwork.

We will be pleased to respond to any question you have about the foregoing. We appreciate the opportunity to continue to be of service to the District.

This report is intended solely for the information and use of the Board of Directors and management and is not intended to be and should not be used by anyone other than the specified, parties. This restriction is not intended to limit the distribution of this letter, which is a matter of public record.

October 30, 2009
Cypress, California

**Crescenta Valley Water District
Adjusting Journal Entries Report
June 30, 2009**

Entry #	Status	Account/Code	Description	Debit	Credit
AJE 1	Posted	105-FV	Fair Value Adj-Investment		11,112.57
		321-00	Interest Earned - Water	11,112.57	
AJE - To adjust Investments to fair market value at 6/30/2009.					
AJE 2	Posted	106-FV	Fair Market Value Adj - COPS Invest	22,565.51	
		321-03	Interest Earned-2007 COPS Proceeds		22,565.51
AJE - To adjust Investment - Construction Funds to fair market value at 6/30/2009.					
AJE 3	Posted	105-99	LAIF -Fair Market Value	5,801.57	
		321-00	Interest Earned - Water		5,801.57
AJE - To adjust LAIF to fair market value at 6/30/2009.					
AJE 4	Posted	117-01	Interest Receivable		53,986.25
		321-00	Interest Earned - Water	53,986.25	
AJE - To adjust accrued interest receivable to actual at 6/30/2009.					
AJE 5	Posted	403-99	System Operations	3,350.24	
		425-99	Meter/Maintenance - Labor	4,337.58	
		447-99	Plant-Office Salaries-Water	1,567.45	
		647-99	Plant-Office Salaries-Sewer	522.48	
		452-99	Administrative Services-Labor	1,581.66	
		652-99	Administrative Services-Labor-Sewer	1,581.66	
		473-99	Engineering & Drafting - Labor	1,295.69	
		673-99	Engineering & Drafting - Labor	1,200.91	
		490-99	Capital Improvement-Labor	1,803.93	
		690-99	Capital Improvement-Labor-Sewer	200.44	
		623-99	Pipeline Maintenance-Sewer-Labor	1,943.58	
		221-00	Payroll Accrual		19,385.62
AJE - To record accrued wages at 6/30/09.					
AJE 6	Posted	665-00	Wastewater Expense	21,489.53	
		535-00	Property Owner Assessments-Sewer		21,489.53
AJE - To reclassify refunds from capital contributions to non-operating expense at 6/30/2009.					
AJE 7	Posted	401-00	Purchased Water	25,203.00	
		223-00	Accrued Utility Expense		25,203.00
CPE - To record adjusted invoice for water purchases received subsequent to 6/30/2009.					
TOTALS				159,544.05	159,544.05

Key:	Description
CPE	Client Prepared Entry
RJE	Reclass Journal Entry
AJE	Auditor Journal Entry