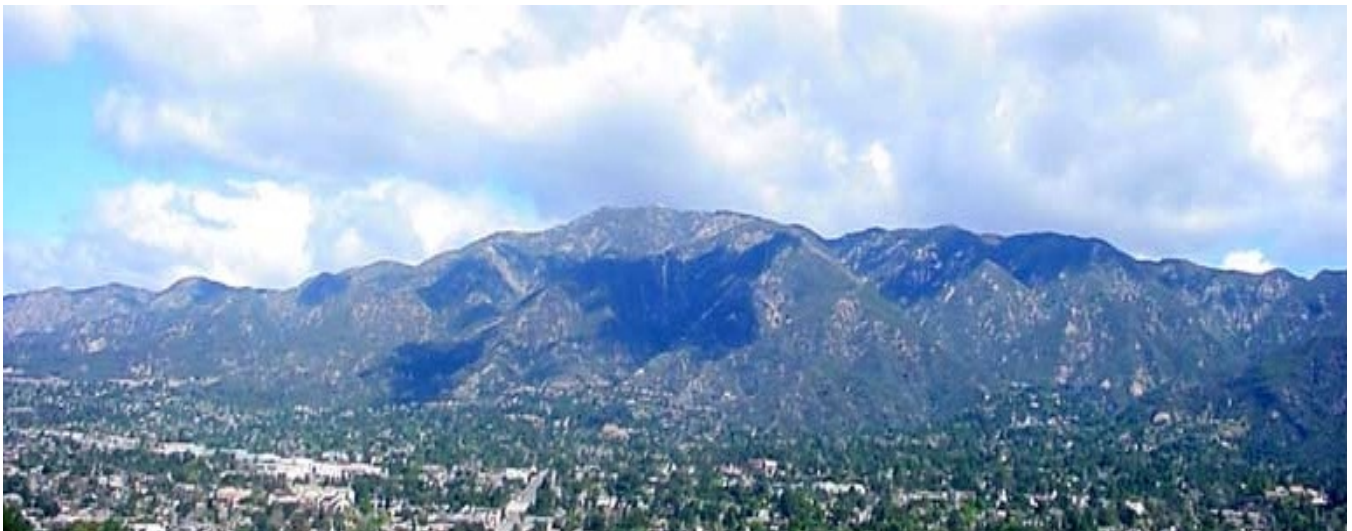




Crescenta Valley Water District

Annual Financial Report

For the Fiscal Years Ended June 30, 2011 and 2010



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, 2011

Name	Title	Elected/ Appointed	Current Term
Kathleen Ross	President	Elected	December 2011
James Bodnar	Vice President	Elected	December 2013
Judy Tejada	Director	Elected	December 2011
Kerry Erickson	Director	Elected	December 2013
Kenneth Putnam	Director	Appointed	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 Fiscal Years Ended June 30, 2011 and 2010

**Crescenta Valley Water District
Annual Financial Report
For the Fiscal Years Ended June 30, 2011 and 2010**

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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

Kathleen M. Ross
Judy L. Tejada
James Bodnar
Kerry Erickson
Kenneth Putnam

Officers

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

October 28, 2011

Board of Directors
Crescenta Valley Water District

Introduction

It is our pleasure to submit the Annual Financial Report for the Crescenta Valley Water District (District) for the fiscal years ended June 30, 2011 and 2010, 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 area residents 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 32 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 1,200 feet to almost 3,000 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 Community 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 supply 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 and wastewater systems 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 and wastewater 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. Wastewater 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 years ended June 30, 2011 and 2010 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 audits.

We conducted our audits 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; and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the basic financial statements are free of material misstatements. 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 audits provide 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, 2011 and 2010, and the respective changes in net assets and cash flows for the years 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 28, 2011, 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 audits. This report can be found on page 40.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 10 and required supplementary information on page 33 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

Independent Auditor's Report, continued

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements as a whole. The introductory section and the supplementary information are presented for purposes of additional analysis and are not required parts of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audits of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Charles Z. Fedak and Company, CPA's – An Accountancy Corporation
Cypress, California
October 28, 2011

Crescenta Valley Water District
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2011 and 2010

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, 2011 and 2010. 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 4.74% or \$2,130,320 to \$42,768,220 in 2011. In 2010, the District's net assets decreased 5.11% or \$2,419,489 to \$44,898,540.
- The District's operating revenues decreased 2.11% or \$208,790 in fiscal year 2011. In 2010, the District's operating revenues increased 1.54% or \$150,000.
- The District's operating expense decreased 3.03% or \$365,933 in 2011. In 2010, the District's operating expenses increased 14.27% or \$1,509,015.

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 Fiscal Years Ended June 30, 2011 and 2010

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 15 through 32.

Statements of Net Assets

Condensed Statements of Net Assets			
	2011	2010	Change
Assets:			
Current assets	\$ 5,948,330	9,230,259	(3,281,929)
Non-current assets	4,874,910	3,036,076	1,838,834
Capital assets, net	43,712,852	44,141,489	(428,637)
Total assets	54,536,092	56,407,824	(1,871,732)
Liabilities:			
Current liabilities	1,574,299	1,574,361	(62)
Non-current liabilities	10,193,573	9,934,923	258,650
Total liabilities	11,767,872	11,509,284	258,588
Net assets:			
Net investment in capital assets	34,451,403	34,688,967	(237,564)
Restricted	617,109	617,367	(258)
Unrestricted	7,699,708	9,592,206	(1,892,498)
Total net assets	42,768,220	44,898,540	(2,130,320)
Total liabilities and net assets	\$ 54,536,092	56,407,824	(1,871,732)

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 \$42,768,220 and \$44,898,540 as of June 30, 2011 and 2010, respectively.

By far the largest portion of the District's net assets (81% and 77% as of June 30, 2011 and 2010, 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 4 for further information.

At the end of fiscal year 2011 and 2010, the District showed a positive balance in its unrestricted net assets of \$7,699,708 and \$9,592,206, respectively. See Note 10 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 Fiscal Years Ended June 30, 2011 and 2010

Statements of Revenues, Expenses and Changes in Net Assets

Condensed Statements of Revenues, Expenses and Changes in Net Assets			
	2011	2010	Change
Revenues:			
Operating revenues	\$ 9,678,614	9,887,404	(208,790)
Non-operating revenues	304,722	207,414	97,308
Total revenues	9,983,336	10,094,818	(111,482)
Expenses:			
Operating expenses	11,716,310	12,082,243	(365,933)
Non-operating expenses	437,604	459,681	(22,077)
Total expenses	12,153,914	12,541,924	(388,010)
Net income before capital contributions	(2,170,578)	(2,447,106)	276,528
Capital contributions	40,258	27,617	12,641
Change in net assets	(2,130,320)	(2,419,489)	289,169
Net assets, beginning of year	44,898,540	47,318,029	(2,419,489)
Net assets, end of year	\$ 42,768,220	44,898,540	(2,130,320)

The statements of revenues, expenses and changes of net assets show how the District's net assets changed during the fiscal years. In the case of the District, net assets decreased by \$2,130,320 and \$2,419,489 for the fiscal years ended June 30, 2011 and 2010, respectively.

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

In 2011, the District's total revenues decreased by \$111,482, primarily due to a 2.11% or \$208,790 decrease in operating revenues related to a decrease in wastewater operations user and standby charges of 10.76% or \$327,372. This was offset by a 1.86% or \$127,134 increase in non-operating water operations revenue due to a reimbursement of funds from the State of California for emergency expenditures which occurred in fiscal year 2010.

In 2010, the District's total revenues decreased by \$173,549, primarily due a 60.94% or \$323,549 decrease in non-operating revenues related to a decrease in investment earnings as interest rates declined from 2009 levels. This was offset by a 1.54% or \$150,000 increase in water operations revenue due to a rate increase.

In 2011, the District's total expenses decreased by 3.09% or \$388,010 as the result of operations. The District's operating expenses decreased 3.03% or \$365,933 primarily due to a \$445,916 decrease in costs associated with the discharge of treated water into the City of Los Angeles wastewater system, a \$222,944 increase in meter maintenance costs, a \$108,091 decrease in plant operations maintenance costs, and a \$98,211 decrease in general and administrative expenses due primarily to administrative consultant costs. Non-operating expenses decreased by a 4.80% or \$22,077 primarily due to an increase in wastewater non-operating revenue from the prior year.

In 2010, the District's total expenses increased by 13.59% or \$1,500,534 as the result of operations. The District's operating expenses increased 14.27% or \$1,509,015 primarily due to a \$399,297 increase in water purchases, a \$339,347 increase in costs associated with the discharge of treated water into the City of Los Angeles wastewater system, and a \$685,522 increase in general and administrative expenses due primarily to higher employee salary and benefit costs. Operating expenses were offset by a 1.81% or \$8,481 decrease in non-operating expenses related to the gain on sale of capital assets and other expenses.

Crescenta Valley Water District
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2011 and 2010

Statements of Revenues, Expenses and Changes in Net Assets, continued

In 2011 and 2010, capital contributions amounted to \$40,258 and \$27,617, respectively as the result of construction activity within the District's service area.

Capital Asset Administration

At the end of fiscal years 2011 and 2010, the District's investment in capital assets amounted to \$43,712,852 and \$44,141,489, 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 2011 are as follows:

	<u>Balance 2010</u>	<u>Additions</u>	<u>Transfers/ Deletions</u>	<u>Balance 2011</u>
Capital assets:				
Non-depreciable assets	\$ 1,682,330	1,195,397	(1,400,252)	1,477,475
Depreciable assets	73,484,076	1,625,162	(112,857)	74,996,381
Accumulated depreciation and amortization	<u>(31,024,917)</u>	<u>(1,848,944)</u>	<u>112,857</u>	<u>(32,761,004)</u>
Total capital assets, net	<u>\$ 44,141,489</u>	<u>971,615</u>	<u>(1,400,252)</u>	<u>43,712,852</u>

Changes in capital asset amounts for 2010 are as follows:

	<u>Balance 2009</u>	<u>Additions</u>	<u>Transfers/ Deletions</u>	<u>Balance 2010</u>
Capital assets:				
Non-depreciable assets	\$ 2,165,723	1,078,385	(1,561,778)	1,682,330
Depreciable assets	71,821,847	1,727,975	(65,747)	73,484,075
Accumulated depreciation and amortization	<u>(29,274,122)</u>	<u>(1,793,671)</u>	<u>42,877</u>	<u>(31,024,916)</u>
Total capital assets, net	<u>\$ 44,713,448</u>	<u>1,012,689</u>	<u>(1,584,648)</u>	<u>44,141,489</u>

(See note 4 for further discussion)

Debt Administration

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

	<u>Balance 2010</u>	<u>Additions</u>	<u>Payments/ Deletions</u>	<u>Balance 2011</u>
Long-term debt:				
Certificates of Participation	\$ 9,690,000	-	(200,000)	9,490,000
Less: Unamortized Discount	<u>(237,478)</u>	<u>-</u>	<u>8,927</u>	<u>(228,551)</u>
Total long-term debt	<u>\$ 9,452,522</u>	<u>-</u>	<u>(191,073)</u>	<u>9,261,449</u>

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

	<u>Balance 2009</u>	<u>Additions</u>	<u>Principal Payments</u>	<u>Balance 2010</u>
Long-term debt:				
Certificates of Participation	\$ 9,885,000	-	(195,000)	9,690,000
Less: Unamortized Discount	<u>(246,405)</u>	<u>-</u>	<u>8,927</u>	<u>(237,478)</u>
Total Certificates of Participation	<u>9,638,595</u>	<u>-</u>	<u>(186,073)</u>	<u>9,452,522</u>
Loan payable	<u>76,710</u>	<u>-</u>	<u>(76,710)</u>	<u>-</u>
Total long-term debt	<u>\$ 9,715,305</u>	<u>-</u>	<u>(262,783)</u>	<u>9,452,522</u>

(See note 6 for further discussion)

Crescenta Valley Water District
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2011 and 2010

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, 2011 and 2010

<i>Assets</i>	2011	2010
Current assets:		
Cash and cash equivalents (note 2)	\$ 4,046,148	7,459,129
Accrued interest receivable	22,254	17,316
Accounts receivable – water and wastewater, net (note 3)	1,618,925	1,483,839
Accounts receivable – other	12,412	15,239
Materials and supplies inventory	181,585	183,436
Prepaid expenses and other deposits	67,006	71,300
Total current assets	<u>5,948,330</u>	<u>9,230,259</u>
Non-current assets:		
Investments (note 2)	4,164,967	2,319,704
Investments – restricted (note 2)	617,109	617,367
Deferred charges, net (note 4)	92,834	99,005
Capital assets – not being depreciated (note 5)	1,477,475	1,682,330
Depreciable capital assets (note 5)	42,235,377	42,459,159
Total non-current assets	<u>48,587,762</u>	<u>47,177,565</u>
Total assets	<u>\$ 54,536,092</u>	<u>56,407,824</u>
<i>Liabilities</i>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 856,521	886,479
Accrued wages and related payables	27,421	18,437
Customer deposits	318,834	316,958
Accrued interest expense	33,703	34,370
Long-term liabilities – due within one year:		
Compensated absences (note 6)	127,820	118,117
Certificates of participation (note 7)	210,000	200,000
Total current liabilities	<u>1,574,299</u>	<u>1,574,361</u>
Non-current liabilities:		
Long-term liabilities – due in more than one year:		
Compensated absences (note 6)	298,246	275,606
Other post employment benefits payable (Note 10)	843,878	406,795
Certificates of participation, net (note 7)	9,051,449	9,252,522
Total non-current liabilities	<u>10,193,573</u>	<u>9,934,923</u>
Total liabilities	<u>11,767,872</u>	<u>11,509,284</u>
Net assets: (note 11)		
Net Investment in capital assets	34,451,403	34,688,967
Restricted	617,109	617,367
Unrestricted	7,699,708	9,592,206
Total net assets	<u>42,768,220</u>	<u>44,898,540</u>
Total liabilities and net assets	<u>\$ 54,536,092</u>	<u>56,407,824</u>

See accompanying notes to the basic financial statements

Crescenta Valley Water District
Statements of Revenues, Expenses and Changes in Net Assets
For the Fiscal Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Operating revenues:		
Water operations – consumption sales	\$ 5,091,251	4,554,064
Water operations – service charge	1,352,436	1,495,264
Water operations – other charges	512,810	780,035
Wastewater operations – user and standby charges	2,713,817	3,041,189
Wastewater operations – other charges	8,300	16,852
Total operating revenues	<u>9,678,614</u>	<u>9,887,404</u>
Operating expenses:		
Source of supply – water purchases	2,197,451	2,179,151
Plant operations	2,000,099	2,108,190
Distribution system	943,001	720,057
City of Los Angeles wastewater system	590,575	1,036,491
Collection system	250,495	260,727
General and administrative expenses	3,885,745	3,983,956
Total operating expenses before depreciation	<u>9,867,366</u>	<u>10,288,572</u>
Operating loss before depreciation	(188,752)	(401,168)
Depreciation expense	(1,848,944)	(1,793,671)
Operating loss	<u>(2,037,696)</u>	<u>(2,194,839)</u>
Non-operating revenues (expenses):		
Investment earnings	260,407	207,414
Gain (loss) on sale of capital assets	(25,833)	(24,239)
Interest expense	(411,771)	(420,344)
Other income (expense), net	44,315	(15,098)
Total non-operating expenses, net	<u>(132,882)</u>	<u>(252,267)</u>
Net loss before capital contributions	(2,170,578)	(2,447,106)
Capital contributions	40,258	27,617
Changes in net assets	(2,130,320)	(2,419,489)
Net assets – beginning of year	44,898,540	47,318,029
Net assets – end of year	<u>\$ 42,768,220</u>	<u>44,898,540</u>

See accompanying notes to the basic financial statements

Crescenta Valley Water District
Statements of Cash Flows
For the Fiscal Years Ended June 30, 2011 and 2010

	2011	2010
Cash flows from operating activities:		
Cash receipts from customers for water sales and services	\$ 9,546,355	9,392,377
Cash paid to employees for salaries and wages	(2,541,650)	(2,599,419)
Cash paid to vendors and suppliers for materials and services	(6,869,243)	(6,829,138)
Net cash provided by (used in) operating activities	135,462	(36,180)
Cash flows from non-capital financing activities:		
Proceeds from non-operating revenues, net	77,460	40
Net cash provided by non-capital financing activities	77,460	40
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(1,420,307)	(1,198,314)
Proceeds from property owner assessments	40,258	27,617
Principal paid on long-term debt	(200,000)	(271,710)
Interest paid on long-term debt	(378,068)	(385,974)
Net cash used in capital and related financing activities	(1,958,117)	(1,828,381)
Cash flows from investing activities:		
Purchases of investments	(9,382,219)	(2,035,705)
Proceeds from sale of investments	7,458,964	5,668,981
Interest earnings	255,469	239,704
Net cash provided by (used in) investing activities	(1,667,786)	3,872,980
Net increase (decrease) in cash and cash equivalents	(3,412,981)	2,008,459
Cash and cash equivalents, beginning of year	7,459,129	5,450,670
Cash and cash equivalents, end of year	\$ 4,046,148	7,459,129
Reconciliation of cash and cash equivalents to statement of financial position:		
Cash and cash equivalents	\$ 4,046,148	7,459,129
Total cash and cash equivalents	\$ 4,046,148	7,459,129

Continued on next page

See accompanying notes to the basic financial statements

Crescenta Valley Water District
Statements of Cash Flows (Continued)
For the Fiscal Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Reconciliation of operating loss to net cash provided by (used in) operating activities:		
Operating loss	\$ <u>(2,037,696)</u>	<u>(2,194,839)</u>
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:		
Depreciation	1,848,944	1,793,671
Changes in assets and liabilities:		
(Increase)Decrease in assets:		
Accounts receivable – water and wastewater, net	(135,086)	(520,030)
Accounts receivable – other	2,827	25,003
Materials and supplies inventory	1,851	65,893
Prepaid expenses and other deposits	4,294	(19,614)
Increase(Decrease) in liabilities:		
Accounts payable and accrued expenses	(29,958)	389,443
Accrued wages and related payables	8,984	(949)
Customer deposits	1,876	15,855
Compensated absences	32,343	2,592
Other post employment benefits payable	<u>437,083</u>	<u>406,795</u>
Total adjustments	<u>2,173,158</u>	<u>2,158,659</u>
Net cash provided by (used in) operating activities	\$ <u><u>135,462</u></u>	<u><u>(36,180)</u></u>
Non-cash investing, capital and financing transactions:		
Change in fair-market value of funds deposited with LAIF	\$ <u><u>17,190</u></u>	<u><u>4,159</u></u>

See accompanying notes to the basic financial statements

Crescenta Valley Water District
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2011 and 2010

(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 Fiscal Years Ended June 30, 2011 and 2010

(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 Fiscal Years Ended June 30, 2011 and 2010

(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 \$5,000. 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 Fiscal Years Ended June 30, 2011 and 2010

(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:

	2011	2010
Cash and cash equivalents	\$ 4,046,148	7,459,129
Investments	4,164,967	2,319,704
Investments – restricted	617,109	617,367
Total cash and investments	\$ 8,828,224	10,396,200

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

	2011	2010
Cash on hand	\$ 800	800
Deposits with financial institutions	1,430,465	3,552,634
Investments	7,396,959	6,842,766
Total cash and investments	\$ 8,828,224	10,396,200

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 Fiscal Years Ended June 30, 2011 and 2010

(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. Of the bank balances, up to \$250,000 at June 30, 2011 and 2010, 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, 2011 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	\$ 4,164,967	-	-	4,164,967
Local Agency Investment Fund	1,733,456	1,733,456	-	-
Money Market Funds	1,498,536	1,498,536	-	-
Total	\$ <u>7,396,959</u>	<u>3,231,992</u>	<u>-</u>	<u>4,164,967</u>

Maturities of investments at June 30, 2010 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	\$ 1,500,000	-	-	1,500,000
Corporate bonds:				
CIT Group	819,704	819,704	-	-
Local Agency Investment Fund	2,534,055	2,534,055	-	-
Money Market Funds	1,989,007	1,989,007	-	-
Total	\$ <u>6,842,766</u>	<u>5,342,766</u>	<u>-</u>	<u>1,500,000</u>

Crescenta Valley Water District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Years Ended June 30, 2011 and 2010

(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, 2011 were as follows:

<u>Investment Types</u>	<u>Total</u>	<u>Minimum Legal Rating</u>	<u>Rating as of Year End</u>		
			<u>AAA</u>	<u>BBB-</u>	<u>Not Rated</u>
Federal Farm Credit Bank Bonds	\$ 4,164,967	AAA	\$ 4,164,967	-	-
Local Agency Investment Fund	1,733,456	N/A	-	-	1,733,456
Money Market Funds	1,498,536	AAA	1,498,536	-	-
Total	\$ <u>7,396,959</u>		\$ <u>5,663,503</u>	<u>-</u>	<u>1,733,456</u>

Credit ratings of investments as of June 30, 2010 were as follows:

<u>Investment Types</u>	<u>Total</u>	<u>Minimum Legal Rating</u>	<u>Rating as of Year End</u>		
			<u>AAA</u>	<u>BBB-</u>	<u>Not Rated</u>
Federal Farm Credit Bank Bonds	\$ 1,500,000	AAA	\$ 1,500,000	-	-
Corporate bonds:					
CIT Group	819,704	A	-	819,704	-
Local Agency Investment Fund	2,534,055	N/A	-	-	2,534,055
Money Market Funds	1,989,007	AAA	1,989,007	-	-
Total	\$ <u>6,842,766</u>		\$ <u>3,489,007</u>	<u>819,704</u>	<u>2,534,055</u>

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 – water and wastewater, net

Accounts receivable – water and wastewater, net as of June 30, are as follows:

	<u>2011</u>	<u>2010</u>
Accounts receivable – water and wastewater	\$ 1,629,925	1,494,839
Allowance for doubtful accounts	<u>(11,000)</u>	<u>(11,000)</u>
Accounts receivable – water and wastewater, net	\$ <u>1,618,925</u>	<u>1,483,839</u>

(4) Deferred charges, net

The changes to deferred charges, net at June 30, were as follows:

<u>Balance 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 2011</u>
\$ 99,905	-	(7,071)	92,834
<u>Balance 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 2010</u>
\$ 105,177	-	(5,272)	99,905

Crescenta Valley Water District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Years Ended June 30, 2011 and 2010

(5) Capital Assets

Capital assets at June 30, 2011 are summarized as follows:

	Balance 2010	Additions/ Transfers	Deletions/ Transfers	Balance 2011
Non-depreciable assets:				
Water operations	\$ 1,651,835	1,127,425	(1,305,499)	1,473,761
Wastewater operations	30,495	67,972	(94,753)	3,714
Total non-depreciable assets	<u>1,682,330</u>	<u>1,195,397</u>	<u>(1,400,252)</u>	<u>1,477,475</u>
Depreciable assets, net:				
Water operations	19,982,141	423,799	-	20,405,940
Wastewater operations	22,477,018	(647,581)	-	21,829,437
Total depreciable capital assets, net	<u>42,459,159</u>	<u>(223,782)</u>	<u>-</u>	<u>42,235,377</u>
Total capital assets, net	<u>\$ 44,141,489</u>			<u>43,712,852</u>

Capital assets at June 30, 2010 are summarized as follows:

	Balance 2009	Additions/ Transfers	Deletions/ Transfers	Balance 2010
Non-depreciable assets:				
Water operations	\$ 1,991,742	1,047,890	(1,387,797)	1,651,835
Wastewater operations	173,981	30,495	(173,981)	30,495
Total non-depreciable assets	<u>2,165,723</u>	<u>1,078,385</u>	<u>(1,561,778)</u>	<u>1,682,330</u>
Depreciable assets, net:				
Water operations	19,507,780	546,517	(72,156)	19,982,141
Wastewater operations	23,039,945	(612,213)	49,286	22,477,018
Total depreciable capital assets, net	<u>42,547,725</u>	<u>(65,696)</u>	<u>(22,870)</u>	<u>42,459,159</u>
Total capital assets, net	<u>\$ 44,713,448</u>			<u>44,141,489</u>

Crescenta Valley Water District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Years Ended June 30, 2011 and 2010

(5) Capital Assets (Continued)

Changes in 2011 for water operations capital assets were as follows:

	<u>Balance 2010</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance 2011</u>
Non-depreciable assets:				
Land	\$ 955,796	-	-	955,796
Construction-in progress	696,039	1,127,425	(1,305,499)	517,965
Total non-depreciable assets	<u>1,651,835</u>	<u>1,127,425</u>	<u>(1,305,499)</u>	<u>1,473,761</u>
Depreciable assets:				
Production equipment	6,807,982	794,369	-	7,602,351
Distribution equipment	26,326,890	522,661	-	26,849,551
Groundwater reclamation plant	2,244,906	-	-	2,244,906
Autos and trucks	757,058	97,704	(89,637)	765,125
Office equipment	529,632	95,871	-	625,503
Office building	420,108	-	-	420,108
Total depreciable assets	<u>37,086,576</u>	<u>1,510,605</u>	<u>(89,637)</u>	<u>38,507,544</u>
Accumulated depreciation:				
Production equipment	(3,671,588)	(288,318)	-	(3,959,906)
Distribution equipment	(10,551,027)	(552,478)	-	(11,103,505)
Groundwater reclamation plant	(1,783,903)	(89,796)	-	(1,873,699)
Autos and trucks	(668,418)	(60,729)	89,637	(639,510)
Office equipment	(257,700)	(87,625)	-	(345,325)
Office building	(171,799)	(7,860)	-	(179,659)
Total accumulated depreciation	<u>(17,104,435)</u>	<u>(1,086,806)</u>	<u>89,637</u>	<u>(18,101,604)</u>
Total depreciable assets, net	<u>19,982,141</u>	<u>423,799</u>	<u>-</u>	<u>20,405,940</u>
Total capital assets, net	<u>\$ 21,633,976</u>			<u>21,879,701</u>

Changes in 2011 for water operations capital assets consisted primarily of \$794,369 in upgrades to water production equipment and \$522,661 in upgrades to water distribution equipment.

Crescenta Valley Water District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Years Ended June 30, 2011 and 2010

(5) Capital Assets (Continued)

Changes in 2011 for wastewater operations capital assets were as follows:

	<u>Balance 2010</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance 2011</u>
Non-depreciable assets:				
Construction-in progress	\$ 30,495	67,972	(94,753)	3,714
Total non-depreciable assets	<u>30,495</u>	<u>67,972</u>	<u>(94,753)</u>	<u>3,714</u>
Depreciable assets:				
Wastewater collection system				
Interceptor	4,953,835	-	-	4,953,835
Unit 1	10,874,128	94,753	-	10,968,881
Unit 2	19,891,101	-	-	19,891,101
Tools and lab equipment	31,776	5,000	-	36,776
Autos and trucks	534,167	14,804	(23,220)	525,751
Safety equipment	6,569	-	-	6,569
Booster building	96,368	-	-	96,368
Office equipment	9,555	-	-	9,555
Total depreciable assets	<u>36,397,500</u>	<u>114,557</u>	<u>(23,220)</u>	<u>36,488,837</u>
Accumulated depreciation:				
Wastewater collection system				
Interceptor	(1,855,287)	(98,681)	-	(1,953,968)
Unit 1	(4,157,940)	(225,173)	-	(4,383,113)
Unit 2	(7,325,121)	(406,530)	-	(7,731,651)
Tools and lab equipment	(31,154)	(749)	-	(31,903)
Autos and trucks	(492,236)	(26,558)	23,220	(495,574)
Safety equipment	(1,660)	(657)	-	(2,317)
Booster building	(50,154)	(3,212)	-	(53,366)
Office equipment	(6,929)	(578)	-	(7,507)
Total accumulated depreciation	<u>(13,920,482)</u>	<u>(762,138)</u>	<u>23,220</u>	<u>(14,659,400)</u>
Total depreciable capital assets, net	<u>22,477,018</u>	<u>(647,581)</u>	<u>-</u>	<u>21,829,437</u>
Total capital assets, net	<u>\$ 22,507,513</u>			<u>21,833,151</u>

Changes in 2011 for wastewater operations capital assets consisted primarily of \$94,753 in interceptor unit 1 upgrades and \$14,804 in autos and trucks upgrades.

Crescenta Valley Water District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Years Ended June 30, 2011 and 2010

(5) Capital Assets (Continued)

Changes in 2010 for water operations capital assets were as follows:

	<u>Balance 2009</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance 2010</u>
Non-depreciable assets:				
Land	\$ 955,796	-	-	955,796
Construction-in progress	1,035,946	1,047,890	(1,387,797)	696,039
Total non-depreciable assets	<u>1,991,742</u>	<u>1,047,890</u>	<u>(1,387,797)</u>	<u>1,651,835</u>
Depreciable assets:				
Production equipment	6,491,210	316,772	-	6,807,982
Distribution equipment	25,255,865	1,071,025	-	26,326,890
Groundwater reclamation plant	2,244,906	-	-	2,244,906
Autos and trucks	713,628	44,900	(1,470)	757,058
Office equipment	473,926	100,504	(44,798)	529,632
Office building	420,108	-	-	420,108
Total depreciable assets	<u>35,599,643</u>	<u>1,533,201</u>	<u>(46,268)</u>	<u>37,086,576</u>
Accumulated depreciation:				
Production equipment	(3,427,312)	(244,276)	-	(3,671,588)
Distribution equipment	(10,023,067)	(527,960)	-	(10,551,027)
Groundwater reclamation plant	(1,694,108)	(89,795)	-	(1,783,903)
Autos and trucks	(606,967)	(61,451)	-	(668,418)
Office equipment	(176,490)	(55,322)	(25,888)	(257,700)
Office building	(163,919)	(7,880)	-	(171,799)
Total accumulated depreciation	<u>(16,091,863)</u>	<u>(986,684)</u>	<u>(25,888)</u>	<u>(17,104,435)</u>
Total depreciable assets, net	<u>19,507,780</u>	<u>546,517</u>	<u>(72,156)</u>	<u>19,982,141</u>
Total capital assets, net	<u>\$ 21,499,522</u>			<u>21,633,976</u>

Changes in 2010 for water operations capital assets consisted primarily of \$316,772 in upgrades to water production equipment and \$1,071,025 in upgrades to water distribution equipment.

Crescenta Valley Water District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Years Ended June 30, 2011 and 2010

(5) Capital Assets (Continued)

Changes in 2010 for wastewater operations capital assets were as follows:

	<u>Balance 2009</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance 2010</u>
Non-depreciable assets:				
Construction-in progress	\$ 173,981	30,495	(173,981)	30,495
Total non-depreciable assets	<u>173,981</u>	<u>30,495</u>	<u>(173,981)</u>	<u>30,495</u>
Depreciable assets:				
Wastewater collection system				
Interceptor	4,953,835	-	-	4,953,835
Unit 1	10,821,840	52,288	-	10,874,128
Unit 2	19,769,601	121,500	-	19,891,101
Tools and lab equipment	31,776	-	-	31,776
Autos and trucks	513,181	20,986	-	534,167
Safety equipment	6,569	-	-	6,569
Booster building	96,368	-	-	96,368
Office equipment	29,034	-	(19,479)	9,555
Total depreciable assets	<u>36,222,204</u>	<u>194,774</u>	<u>(19,479)</u>	<u>36,397,499</u>
Accumulated depreciation:				
Wastewater collection system				
Interceptor	(1,755,709)	(99,578)	-	(1,855,287)
Unit 1	(3,939,949)	(217,991)	-	(4,157,940)
Unit 2	(6,924,666)	(400,455)	-	(7,325,121)
Tools and lab equipment	(28,718)	(2,436)	-	(31,154)
Autos and trucks	(434,104)	(58,132)	-	(492,236)
Safety equipment	(1,003)	(657)	-	(1,660)
Booster building	(46,941)	(3,213)	-	(50,154)
Office equipment	(51,169)	(24,525)	68,765	(6,929)
Total accumulated depreciation	<u>(13,182,259)</u>	<u>(806,987)</u>	<u>68,765</u>	<u>(13,920,481)</u>
Total depreciable capital assets, net	<u>23,039,945</u>	<u>(612,213)</u>	<u>49,286</u>	<u>22,477,018</u>
Total capital assets, net	<u>\$ 23,213,926</u>			<u>22,507,513</u>

Changes in 2010 for wastewater operations capital assets consisted primarily of \$173,788 in interceptor unit 1&2 upgrades and \$20,986 in autos and trucks upgrades.

(6) 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 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 2011</u>	<u>Due Within One Year</u>	<u>Due in More Than One Year</u>
\$	393,723	295,601	(263,258)	426,066	127,820	298,246
	<u>Balance 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 2010</u>	<u>Due Within One Year</u>	<u>Due in More Than One Year</u>
\$	391,131	156,388	(153,796)	393,723	118,117	275,606

Crescenta Valley Water District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Years Ended June 30, 2011 and 2010

(7) Long-Term Debt

Long-term debt at June 30, 2011 is summarized as follows:

	<u>2010</u>	<u>Additions</u>	<u>Principal Pmts Amortization</u>	<u>2011</u>
2007 Series COP	\$ 9,690,000	-	(200,000)	9,490,000
Less: Unamortized Discount	(237,478)	-	8,927	(228,551)
Total long-term debt	<u>9,452,522</u>	<u>-</u>	<u>(191,073)</u>	<u>9,261,449</u>
Less: current portion	<u>(200,000)</u>			<u>(210,000)</u>
Long-term portion	<u>\$ 9,252,522</u>			<u>9,051,449</u>

Long-term debt at June 30, 2010 is summarized as follows:

	<u>2009</u>	<u>Additions</u>	<u>Principal Pmts Amortization</u>	<u>2010</u>
2007 Series COP	\$ 9,885,000	-	(195,000)	9,690,000
Less: Unamortized Discount	(246,405)	-	8,927	(237,478)
Total 2007 Series COPs	<u>9,638,595</u>	<u>-</u>	<u>(186,073)</u>	<u>9,452,522</u>
Total COPs	<u>9,638,595</u>	<u>-</u>	<u>(186,073)</u>	<u>9,452,522</u>
Loan payable:				
Equipment loan	<u>76,710</u>	<u>-</u>	<u>(76,710)</u>	<u>-</u>
Total loan payable	<u>76,710</u>	<u>-</u>	<u>(76,710)</u>	<u>-</u>
Total long-term debt	<u>9,715,305</u>	<u>-</u>	<u>(262,783)</u>	<u>9,452,522</u>
Less: current portion	<u>(232,492)</u>			<u>(200,000)</u>
Long-term portion	<u>\$ 9,482,813</u>			<u>9,252,522</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 fiscal year 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.

Crescenta Valley Water District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Years Ended June 30, 2011 and 2010

(7) Long-Term Debt (Continued)

2007 Series Certificates of Participation (Continued)

Future annual debt service requirements are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 210,000	404,438	614,438
2013	220,000	396,038	616,038
2014	225,000	387,238	612,238
2015	235,000	378,238	613,238
2016	245,000	368,838	613,838
2017-2021	1,380,000	1,688,832	3,068,832
2022-2026	1,695,000	1,378,957	3,073,957
2027-2031	2,095,000	979,344	3,074,344
2032-2036	2,595,000	479,500	3,074,500
2037	590,000	25,813	615,813
Total	9,490,000	<u>6,487,233</u>	<u>15,977,233</u>
Less current portion	(210,000)		
Unamortized discount	<u>(228,551)</u>		
Total non-current \$	<u>9,051,449</u>		

(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 2011, 2010 and 2009 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.

Crescenta Valley Water District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Years Ended June 30, 2011 and 2010

(8) Defined Benefit Pension Plan (Continued)

For Fiscal years 2011, 2010 and 2009, 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>
2008-2009	\$ 284,123	100%	-	11.635%
2009-2010	288,525	100%	-	11.780%
2010-2011	292,663	100%	-	12.025%

(9) Deferred Compensation Plan

For the benefit of its employees, the District participates in a 457 Deferred Compensation Program (Program) administered by CalPERS and FTJ Fund Choice. 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 \$853,944 and \$690,546 in fiscal years 2011 and 2010, 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.

(10) Other Post Employment Benefits Payable

The District provides other post-employment benefits (OPEB) to qualified employees who retire from the District and meet the District's vesting requirements. During the fiscal year ended June 30, 2010, the District implemented GASB Statement No. 45, which changed the accounting and financial reporting used by local government employers for post employment benefits. Previously, the costs of such benefits were generally recognized as expenses of local government employers on a pay-as-you-go basis. The new reporting requirements for these benefit programs as they pertain to the District are set forth below.

Plan Description – Eligibility

A retired employee and dependent spouse, or spouse of a deceased employee or retiree must satisfy the following requirements in order to be eligible for post employment medical and dental benefits:

- Employee is a minimum of 55 years of age with at least 10 years of continuous service.

If the spouse of a deceased employee or retiree remarries and becomes eligible for health benefits under his/her new spouse's health plan, all District benefits shall be terminated.

Crescenta Valley Water District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Years Ended June 30, 2011 and 2010

(10) Other Post Employment Benefits Payable (Continued)

Plan Description – Eligibility (Continued)

Membership in the OPEB plan consisted of the following members as of June 30:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Active plan members	32	35	-
Retirees and beneficiaries receiving benefits	16	14	-
Separated plan members entitled to but not yet receiving benefits	-	-	-
Total plan membership	<u>48</u>	<u>49</u>	<u>-</u>

Plan Description – Benefits

The District offers post employment medical and dental benefits to retired employees who satisfy the eligibility rules. Spouses and surviving spouses are also eligible to receive benefits. Retirees may enroll in any plan available through the District’s medical and dental programs. The contribution requirements of Plan members and the District are established and may be amended by the Board of Directors.

Funding Policy

The District is required to accrue the *Annual Required Contribution (ARC) of the Employer*, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The current ARC rate is 21.3% of the annual covered payroll.

Annual Cost

For the year ended June 30, 2011, the District’s ARC cost is \$546,952. The District’s net OPEB payable obligation amounted to \$843,878 for the year ended June 30, 2011. The District contributed \$112,362 in age adjusted contributions for current retiree OPEB premiums for the year ended June 30, 2011.

The balance at June 30, consists of the following:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Annual OPEB expense:			
Annual required contribution (ARC)	\$ 546,952	508,220	-
Interest on net OPEB obligation	36,886	17,756	-
Adjustment to annual required contribution	<u>(34,393)</u>	<u>(16,109)</u>	-
Total annual OPEB expense	549,445	509,867	-
Change in net OPEB payable obligation:			
Age adjusted contributions made	<u>(112,362)</u>	<u>(103,072)</u>	-
Total change in net OPEB payable obligation	437,083	406,795	-
OPEB payable – beginning of year	<u>406,795</u>	-	-
OPEB payable – end of year	<u>\$ 843,878</u>	<u>406,795</u>	<u>-</u>

Crescenta Valley Water District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Years Ended June 30, 2011 and 2010

(10) Other Post Employment Benefits Payable (Continued)

The District's annual OPEB cost, the percentage of the annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal year 2010 and the two preceding years were as follows:

Three-Year History of Net OPEB Obligation

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Age Adjusted Contribution</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation Payable</u>
2011	\$ 549,445	112,362	20.45%	\$ 437,083
2010	509,867	103,072	20.22%	406,795
2009*	-	-	0.00%	-

* The information for the two preceding years is unavailable.
 GASB No. 45 was implemented in fiscal year 2010.

See the Schedule of Funding Status of the District's Other Post Employment Benefits Obligation in the Required Supplementary Information Section on Page 33.

(11) Net Assets

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

	<u>2011</u>	<u>2010</u>
Net investment in capital assets:		
Capital assets – not being depreciated	\$ 1,477,475	1,682,330
Depreciable capital assets, net	42,235,377	42,459,159
Certificates of participation payable – current	(210,000)	(200,000)
Certificates of participation payable – non-current	(9,051,449)	(9,252,522)
Total net investment in capital assets	<u>34,451,403</u>	<u>34,688,967</u>
Restricted net assets:		
Investments – restricted	<u>617,109</u>	<u>617,367</u>
Unrestricted net assets:		
Non-spendable net assets:		
Materials and supplies inventory	181,585	183,436
Prepaid expenses and other deposits	67,006	71,300
Deferred charges, net	92,834	99,005
Total non-spendable net assets	<u>341,425</u>	<u>353,741</u>
Spendable net assets are as follows:		
Unrestricted	<u>7,358,283</u>	<u>9,238,465</u>
Total spendable net assets	<u>7,358,283</u>	<u>9,238,465</u>
Total unrestricted net assets	<u>7,699,708</u>	<u>9,592,206</u>
Total net assets	<u>\$ 42,768,220</u>	<u>44,898,540</u>

Crescenta Valley Water District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Years Ended June 30, 2011 and 2010

(12) 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, 2011, 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 \$1,000,000 per loss, subject to a \$100,000 deductible, 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 years ending June 30, 2011, 2010 and 2009. 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, 2011, 2010, and 2009, respectively.

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

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2011, that has effective dates that may impact future financial presentations.

Governmental Accounting Standards Board Statement No. 63

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This standard is designed to improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. This statement is effective for financial statements for periods beginning after December 15, 2011. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

Crescenta Valley Water District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Years Ended June 30, 2011 and 2010

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

Governmental Accounting Standards Board Statement No. 64

In June 2011, the GASB issued Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB Statement No. 53*. This standard is designed to improve financial reporting by clarifying the circumstances in which hedge accounting should continue when a swap counterparty, or swap counterparty's credit support provider, is replaced. This statement is effective for financial statements for periods beginning after December 15, 2011. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

(14) 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.

(15) Subsequent Event

Events occurring after June 30, 2011 have been evaluated for possible adjustment to the financial statements or disclosure as of October 28, 2011, which is the date the financial statements were available to be issued.

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Required Supplementary Information

Cresenta Valley Water District
Schedule of Funding Status – Other Post-Employment Benefits Obligation
For the Fiscal Years Ended June 30, 2011 and 2010

Other Post Employment Benefits Payable

Funded Status and Funding Progress of the Plan

The most recent valuation (dated July 1, 2008) includes an Actuarial Accrued Liability and Unfunded Actuarial Accrued Liability of \$5,407,674. The covered payroll (annual payroll of active employees covered by the plan) for the year ended June 30, 2011 was \$3,007,857. The ratio of the unfunded actuarial accrued liability to annual covered payroll is 179.78%.

Required Supplemental Information – Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2008	\$ -	5,407,674	5,407,674	0.00%	\$ 3,007,857	179.78%

Actuarial Methods and Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and the pattern of sharing of costs between the employer and plan members to that point. Consistent with the long-term perspective of actuarial calculations, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities for benefits.

The following is a summary of the actuarial assumptions and methods:

Valuation date	July 1, 2008
Actuarial cost method	Entry age normal cost method
Amortization method	Level percent of payroll amortization
Remaining amortization period	29 Years as of the valuation date
Asset valuation method	10 Year smoothed market
Actuarial assumptions:	
Investment rate of return	2.50% – Current LAIF rating (rounded)
Projected salary increase	3.25%
Inflation - discount rate	2.06%
Individual salary growth	District annual COLA

Supplemental Information

Crescenta Valley Water District
Combining Schedule of Statements of Net Assets
For the Fiscal Year Ended June 30, 2011

<i>Assets</i>	Enterprise Funds		Total
	Water Fund	Sewer Fund	
Current assets:			
Cash and cash equivalents	\$ 4,005,940	40,208	4,046,148
Accrued interest receivable	22,254	-	22,254
Accounts receivable – water and wastewater, net	1,173,623	445,302	1,618,925
Accounts receivable – other	12,412	-	12,412
Materials and supplies inventory	175,831	5,754	181,585
Prepaid expenses and other deposits	40,106	26,900	67,006
Total current assets	<u>5,430,166</u>	<u>518,164</u>	<u>5,948,330</u>
Non-current assets:			
Investments	4,164,967	-	4,164,967
Investments – restricted	617,109	-	617,109
Deferred charges, net	92,834	-	92,834
Internal balances	(295,057)	295,057	-
Capital assets – not being depreciated	1,473,761	3,714	1,477,475
Depreciable capital assets	20,405,940	21,829,437	42,235,377
Total non-current assets	<u>26,459,554</u>	<u>22,128,208</u>	<u>48,587,762</u>
Total assets	<u>\$ 31,889,720</u>	<u>22,646,372</u>	<u>54,536,092</u>
<hr/> <i>Liabilities</i> <hr/>			
Current liabilities:			
Accounts payable and accrued expenses	\$ 777,977	78,544	856,521
Accrued wages and related payables	16,453	10,968	27,421
Customer deposits	312,117	6,717	318,834
Accrued interest expense	33,703	-	33,703
Long-term liabilities – due within one year:			
Compensated absences	95,865	31,955	127,820
Certificates of participation	210,000	-	210,000
Total current liabilities	<u>1,446,115</u>	<u>128,184</u>	<u>1,574,299</u>
Non-current liabilities:			
Long-term liabilities – due in more than one year:			
Compensated absences	223,685	74,561	298,246
Other post employment benefits payable	506,328	337,550	843,878
Certificates of participation, net	9,051,449	-	9,051,449
Total non-current liabilities	<u>9,781,462</u>	<u>412,111</u>	<u>10,193,573</u>
Total liabilities	<u>11,227,577</u>	<u>540,295</u>	<u>11,767,872</u>
Net assets:			
Net Investment in capital assets	12,618,252	21,833,151	34,451,403
Restricted	617,109	-	617,109
Unrestricted	7,426,782	272,926	7,699,708
Total net assets	<u>20,662,143</u>	<u>22,106,077</u>	<u>42,768,220</u>
Total liabilities and net assets	<u>\$ 31,889,720</u>	<u>22,646,372</u>	<u>54,536,092</u>

See accompanying notes to the basic financial statements

Crescenta Valley Water District
Combining Schedule of Statements of Revenues, Expenses and Changes in Net Assets
For the Fiscal Year Ended June 30, 2011

	Enterprise Funds		Total
	Water Fund	Sewer Fund	
Operating revenues:			
Water operations – consumption sales	\$ 5,091,251	-	5,091,251
Water operations – service charge	1,352,436	-	1,352,436
Water operations – other charges	512,810	-	512,810
Wastewater operations	-	2,722,117	2,722,117
Total operating revenues	<u>6,956,497</u>	<u>2,722,117</u>	<u>9,678,614</u>
Operating expenses:			
Source of supply – water purchases	2,197,451	-	2,197,451
Plant operations	1,760,265	239,834	2,000,099
Distribution system	943,001	-	943,001
City of Los Angeles wastewater system	-	590,575	590,575
Collection system	-	250,495	250,495
General and administrative expenses	2,479,224	1,406,521	3,885,745
Total operating expenses	<u>7,379,941</u>	<u>2,487,425</u>	<u>9,867,366</u>
Operating income (loss) before depreciation	(423,444)	234,692	(188,752)
Depreciation expense	<u>(1,086,806)</u>	<u>(762,138)</u>	<u>(1,848,944)</u>
Operating loss	<u>(1,510,250)</u>	<u>(527,446)</u>	<u>(2,037,696)</u>
Non-operating revenues (expenses):			
Investment earnings	260,274	133	260,407
(Loss) on sale of capital assets	(28,583)	2,750	(25,833)
Interest expense	(411,771)	-	(411,771)
Other income(expense), net	(33,145)	77,460	44,315
Total non-operating revenues, net	<u>(213,225)</u>	<u>80,343</u>	<u>(132,882)</u>
Net loss before capital contributions	(1,723,475)	(447,103)	(2,170,578)
Capital contributions	-	40,258	40,258
Changes in net assets	(1,723,475)	(406,845)	(2,130,320)
Net assets – beginning of year	<u>22,385,618</u>	<u>22,512,922</u>	<u>44,898,540</u>
Net assets – end of year	<u>\$ 20,662,143</u>	<u>22,106,077</u>	<u>42,768,220</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 Fiscal Years Ended June 30, 2011 and 2010

	<u>2011</u>		<u>2010</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Operating revenues:				
Consumption sales – customers	\$ 5,091,251	73.19%	4,554,064	66.68%
Consumption sales – others	88,596	1.27%	65,939	0.97%
Service charges	1,352,436	19.44%	1,495,264	21.89%
Meter installations	41,184	0.59%	34,401	0.50%
Other revenue	383,030	5.51%	679,695	9.95%
Total operating revenues	<u>6,956,497</u>	<u>100.00%</u>	<u>6,829,363</u>	<u>100.00%</u>
Operating expenses:				
Source of supply – water purchases	2,197,451	29.78%	2,179,151	29.52%
Plant operations:				
Power	650,709	8.82%	639,110	8.66%
Plant wages	556,443	7.54%	596,608	8.08%
Utilities	8,581	0.12%	7,296	0.10%
Telephone	36,289	0.49%	30,485	0.41%
Maintenance	80,029	1.08%	252,075	3.41%
Signal system	34,207	0.46%	44,866	0.61%
Lab and treatment	155,612	2.11%	135,914	1.84%
Nitrate treatment	80,426	1.09%	61,603	0.83%
Insurance	126,258	1.71%	94,916	1.29%
Other expense	31,711	0.43%	97,867	1.33%
Total plant operations	<u>1,760,265</u>	<u>23.85%</u>	<u>1,960,740</u>	<u>26.56%</u>
Distribution system:				
Meter maintenance	713,308	9.67%	487,928	6.61%
Pipeline maintenance	83,793	1.14%	82,061	1.11%
Backflow operations	483	0.01%	445	0.01%
Reservoir and building maintenance	56,277	0.76%	48,156	0.65%
Auto and truck expense	79,774	1.08%	91,700	1.24%
Property taxes	9,366	0.13%	9,767	0.13%
Total distribution system	<u>\$ 943,001</u>	<u>12.78%</u>	<u>720,057</u>	<u>9.75%</u>

Continued on next page

See accompanying notes to the basic financial statements

Crescenta Valley Water District
Detailed Schedule of Revenues, Expenses and Changes in Net Assets
Water Operations, Continued
For the Fiscal Years Ended June 30, 2011 and 2010

	<u>2011</u>		<u>2010</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
General and administrative:				
Directors' fees	\$ 8,800	0.12%	9,400	0.13%
Salaries – statutory officers	130,351	1.77%	125,264	1.70%
Salaries – general office	430,629	5.84%	382,728	5.18%
Retirement (CalPERS)	274,085	3.71%	291,662	3.95%
Payroll taxes	122,149	1.66%	123,388	1.67%
Engineering and drafting	313,659	4.25%	338,051	4.58%
Accounting	11,120	0.15%	10,750	0.15%
Legal	70,409	0.95%	85,637	1.16%
Administrative consultant - water system	110,007	1.49%	210,642	2.85%
Insurance – general	16,932	0.23%	9,097	0.12%
Insurance – group	583,911	7.91%	543,357	7.36%
Maintenance	22,565	0.31%	32,483	0.44%
Computer and supplies	38,663	0.52%	39,919	0.54%
Utilities	16,326	0.22%	11,785	0.16%
Telephone	43,057	0.58%	39,832	0.54%
Printing and postage	36,332	0.49%	37,298	0.51%
Bad debt	8,673	0.12%	29,832	0.40%
Water system fees	88,961	1.21%	22,052	0.30%
Water conservation	82,922	1.12%	74,537	1.01%
Training	29,587	0.40%	29,731	0.40%
Other	40,086	0.54%	75,464	1.02%
Total general and administrative	<u>2,479,224</u>	<u>33.59%</u>	<u>2,522,909</u>	<u>34.17%</u>
Total operating expenses	<u>7,379,941</u>	<u>100.00%</u>	<u>7,382,857</u>	<u>100.00%</u>
Operating income (loss) before depreciation	(423,444)	-6.09%	(553,494)	-8.10%
Depreciation expense	<u>(1,086,806)</u>	<u>-15.62%</u>	<u>(986,684)</u>	<u>-14.45%</u>
Operating loss	<u>(1,510,250)</u>	<u>-21.71%</u>	<u>(1,540,178)</u>	<u>-22.55%</u>
Non-operating revenues(expense):				
Investment earnings	260,274	3.74%	233,276	3.42%
Gain(loss) on sale of capital assets	(28,583)	-0.41%	(13,847)	-0.20%
Interest expense	(411,771)	-5.92%	(418,971)	-6.13%
Other income(expense), net	<u>(33,145)</u>	<u>-0.48%</u>	<u>(15,098)</u>	<u>-0.22%</u>
Total non-operating revenues, net	<u>(213,225)</u>	<u>-3.07%</u>	<u>(214,640)</u>	<u>-3.14%</u>
Change in net assets	<u>\$ (1,723,475)</u>	<u>-24.78%</u>	<u>(1,754,818)</u>	<u>-25.70%</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 Fiscal Years Ended June 30, 2011 and 2010

	2011		2010	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Operating revenues:				
User and standby charges	\$ 2,713,817	99.70%	3,041,189	99.45%
Other charges	8,300	0.30%	16,852	0.55%
Total operating revenues	<u>2,722,117</u>	<u>100.00%</u>	<u>3,058,041</u>	<u>100.00%</u>
Operating expenses:				
City of Los Angeles wastewater system expense	<u>590,575</u>	<u>23.74%</u>	<u>1,036,491</u>	<u>35.98%</u>
Plant operations:				
Power	622	0.03%	608	0.02%
Plant wages	94,032	3.78%	89,471	3.11%
Utilities	1,804	0.07%	1,652	0.06%
Telephone	12,190	0.49%	10,238	0.36%
Maintenance	2,924	0.12%	2,996	0.10%
Insurance - general	101,788	4.09%	82,882	2.88%
Other expense	<u>26,474</u>	<u>1.06%</u>	<u>17,363</u>	<u>0.60%</u>
Total plant operations	<u>239,834</u>	<u>9.64%</u>	<u>205,210</u>	<u>7.12%</u>
Collection system:				
Maintenance	206,890	8.32%	215,725	7.49%
Auto and truck expense	39,015	1.57%	38,001	1.32%
Inspection	<u>4,590</u>	<u>0.18%</u>	<u>7,001</u>	<u>0.24%</u>
Total collection system	<u>\$ 250,495</u>	<u>10.07%</u>	<u>260,727</u>	<u>9.05%</u>

Continued on next page

See accompanying notes to the basic financial statements

Crescenta Valley Water District
Detailed Schedule of Revenues, Expenses and Changes in Net Assets
Wastewater Operations, Continued
For the Fiscal Years Ended June 30, 2011 and 2010

	2011		2010	
	Amount	Percent	Amount	Percent
General and administrative:				
Directors' fees	\$ 8,800	0.35%	9,400	0.33%
Salaries – statutory officers	130,351	5.24%	125,191	4.35%
Salaries – general office	272,004	10.94%	277,489	9.63%
Retirement (CalPERS)	183,283	7.37%	166,509	5.78%
Payroll taxes	81,432	3.27%	82,259	2.86%
Engineering and drafting	150,812	6.06%	145,633	5.06%
Accounting	11,120	0.45%	10,750	0.37%
Legal	13,876	0.56%	10,885	0.38%
Administrative	12,070	0.49%	13,769	0.48%
Insurance – general	11,289	0.45%	6,081	0.21%
Insurance – group	389,526	15.66%	361,135	12.54%
Maintenance	7,715	0.31%	11,293	0.39%
Computer and supplies	35,282	1.42%	28,644	0.99%
Utilities	5,422	0.22%	6,844	0.24%
Telephone	14,149	0.57%	14,822	0.51%
Printing and postage	36,058	1.45%	31,669	1.10%
Bad debt	2,103	0.08%	1,433	0.05%
Training	5,537	0.22%	3,142	0.11%
Other	35,692	1.43%	70,971	2.46%
	<u>1,406,521</u>	<u>56.55%</u>	<u>1,377,919</u>	<u>47.84%</u>
Total general and administrative				
Total operating expenses	<u>2,487,425</u>	<u>100.00%</u>	<u>2,880,347</u>	<u>100.00%</u>
Operating income before depreciation	234,692	8.62%	177,694	5.81%
Depreciation expense	<u>(762,138)</u>	<u>-28.00%</u>	<u>(806,987)</u>	<u>-26.39%</u>
Operating loss	<u>(527,446)</u>	<u>-19.38%</u>	<u>(629,293)</u>	<u>-20.58%</u>
Non-operating revenues(expense):				
Investment earnings	133	0.00%	(25,862)	-0.85%
Gain(loss) on sale of capital assets	2,750	0.10%	(10,392)	-0.34%
Interest expense	-	0.00%	(1,373)	-0.04%
Other income(expense), net	77,460	2.85%	-	0.00%
	<u>80,343</u>	<u>2.95%</u>	<u>(37,627)</u>	<u>-1.23%</u>
Total non-operating revenues, net				
Loss before capital contributions	(447,103)	-16.42%	(666,920)	-21.81%
Capital contributions	40,258	1.48%	27,617	0.90%
Change in net assets	<u>\$ (406,845)</u>	<u>-14.95%</u>	<u>(639,303)</u>	<u>-20.91%</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 years ended June 30, 2011 and 2010, and have issued our report thereon dated October 28, 2011. 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 audits, 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 deficiency in internal control over financial reporting 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 or other matters 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.

Charles Z. Fedak and Company, CPA's - An Accountancy Corporation
Cypress, California
October 28, 2011