



**CRESCENTA VALLEY WATER DISTRICT**  
**REPORT ON AUDIT OF FINANCIAL STATEMENTS**  
**For the Fiscal Years Ended June 30, 2019 and 2018**



[CLAcconnect.com](http://CLAcconnect.com)

WEALTH ADVISORY  
OUTSOURCING  
AUDIT, TAX, AND  
CONSULTING

### **Mission Statement**

***The mission of the Crescenta Valley Water District is to provide quality water and wastewater services to the Crescenta Valley community in a dependable and economically responsible manner.***

### **Board of Directors as of June 30, 2019**

<b>Name</b>	<b>Title</b>	<b>Elected/ Appointed</b>	<b>Current Term</b>
James D. Bodnar	President	Elected	Dec-22
Kerry D. Erickson	Vice President	Elected	Dec-22
Kenneth R. Putnam	Director	Elected	Dec-22
Michael L. Claessens *	Director	Elected	May-19
Judy L. Tejada	Director	Elected	Dec-20
Sharon Raghavachary *	Director	Appointed	Dec-20

\* Director Claessens's term ended May 2019; Director Sharon Raghavachary was appointed in June 2019.

**Nemesciano Ochoa, General Manager**  
**Crescenta Valley Water District**  
**2700 Foothill Boulevard**  
**La Crescenta, California 91214**  
**(818) 248-3925 – [www.cvwd.com](http://www.cvwd.com)**

# CRESCENTA VALLEY WATER DISTRICT

## TABLE OF CONTENTS

June 30, 2019 and 2018

<b>INTRODUCTORY SECTION</b> .....	i
Letter of Transmittal .....	ii
<b>FINANCIAL SECTION</b> .....	1
Independent Auditors’ Report.....	2
Management’s Discussion and Analysis .....	5
<b>BASIC FINANCIAL STATEMENTS</b> .....	12
Statements of Net Position.....	13
Statements of Cash Flows.....	16
Notes to the Financial Statements.....	18
<b>REQUIRED SUPPLEMENTARY INFORMATION</b> .....	52
Schedule of Changes in the Net OPEB Liability – Other Postemployment Benefits Obligation .....	53
Schedule of Postemployment Healthcare Benefits Contributions - Other Postemployment Benefits Obligation .....	54
Schedule of District’s Proportionate Share of the Net Pension Liability .....	55
Schedule of District’s Contributions – Net Pension Liability .....	56
Notes to the Required Supplementary Information .....	57
<b>SUPPLEMENTARY INFORMATION</b> .....	58
Combining Schedule of Fund Net Position .....	59
Combining Schedule of Revenues, Expenses and Changes in Fund Net Position .....	61
Detailed Schedules of Revenues, Expenses and Changes in Fund Net Position - Water Operations .....	62
Detailed Schedules of Revenues, Expenses and Changes in Fund Net Position - Wastewater Operations .....	64
<b>OTHER INDEPENDENT AUDITORS’ REPORTS</b> .....	66
Independent Auditors’ Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	67

## **INTRODUCTORY SECTION**



#### **Directors**

James D. Bodnar  
Kerry D. Erickson  
Kenneth R. Puam  
Sharon S. Raghavachary  
Judy L. Tejada

#### **Officers**

Nemesiano Ochoa, P.E.  
*General Manager*  
James Lee  
*Director of Finance & Administration*

February 21, 2020  
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, 2019 and June 30, 2018, 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.

Generally Accepted Accounting Principles (US GAAP) require that management provide a section including a narrative introduction, an overview, and an analysis to accompany the financial statements. This section is the Management's Discussion and Analysis (MD&A). 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 boundaries. 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 33 employees. The District's Board of Directors' regularly scheduled meetings are on the second and fourth Tuesday of each month. Meetings are publicly noticed and customers 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 portion of the City of La Cañada-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 33,000.

### **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 expected to be stable, 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 parcels in La Crescenta as they become available.

The recent drought, the driest years on record, the State-mandated water conservation, and the resulting reduction in water sales revenue has necessitated the deferral of maintenance and infrastructure improvements. In addition, CVWD has used its rate stabilization reserve funds to mitigate rate increases in past years. The statewide water supply has improved dramatically with the winter storms that happen mostly in Northern California. However, the local precipitation in the Crescenta Valley was slightly less than average rainfall. The State has ended the drought emergency and mandatory water conservation targets, and CVWD has also reduced the water conservation alert level. Although State-mandated reductions have been lifted, trends such as a lasting change in conservation and the increasing efficiency of household appliances and irrigation methods are expected to permanently shift long-term water demand toward less consumption. Declining water sales combined with increasing infrastructure replacement cost has necessitated the use of the District's rate stabilization reserves to mitigate customer rate impacts. Additionally, inter-fund loans from the MTBE reserve fund have been used to maintain the water reserve fund above the targeted reserve amount.

Some portions of CVWD's water distribution system are over 70 years old and are approaching, or have already reached, the end of their useful lives. The pipes, wells, pumping plants, reservoirs, and other infrastructure necessary to provide safe, clean water gets old, wears out, and must be replaced before they fail. This is especially true in a hillside community like La Crescenta where, in addition to the loss of water, the consequential damages to surrounding property owners resulting from a large water line failure could amount to millions of dollars.

### **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 quality water and wastewater services to the Crescenta Valley community in a dependable and economically responsible manner."

Crescenta Valley Water District works 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 aims to provide reliable sewer service that is collected through the District's wastewater collection system and treated 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. The following summarize the District's strategic goals that translate to its major initiatives:

1. To develop long-term water supply reliability and ensure infrastructure reliability and performance;
2. To increase customer awareness, improve customer service, improve emergency preparedness, and improve community stewardship;
3. To evaluate automated metering infrastructure, develop energy efficiency measures, optimize business software to maximize functionality, effectively manage the supervisory control and data acquisition (SCADA) program, improve communication reliability, improve database management, develop a graphical information system (GIS), and develop decision-support modeling tools;
4. To improve financial stability, ensure equitable cost of service, implement asset management, enhance financial reporting, and identify cost-recovery or cost-saving measures;
5. To ensure water quality compliance, ensure District-wide regulatory compliance, and evaluate green power alternatives;
6. To develop and participate in programs to maximize regional collaboration; and
7. To develop best-in-class culture, develop a safety-oriented workforce, and productivity and mission efficacy.

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 that 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 US GAAP. 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. District management takes internal control seriously, and improvements based on the balance between internal control and staff resources are an ongoing conscious effort.

### **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 and the financial statement basis of accounting.

### **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 objectives of the Investment Policy are safety, liquidity and yield.

### **Water and Sewer Rates and District Revenues**

It is District policy that all revenues from user charges and surcharges generated from District customers must support all District operations including capital project funding in accordance with cost-of-service principles. Accordingly, water and sewer rates are reviewed annually by District staff and periodically reviewed externally to ensure that revenues collected reflect the cost of providing service. Water and wastewater rates are user charges imposed on customers for services and are the primary component of the District’s revenue. Water and wastewater rates are composed of a commodity (usage) charge and a fixed (readiness-to-serve) charge to all residential dwelling units.

### **Water Conservation Programs**

Although conservation impacts the District’s revenues, as public stewards, the District recognizes the value of preserving our natural resources. The District has implemented conservation management practices that includes District staff participating in community events and distributing materials to encourage water conservation. The District has offered the following conservation programs:

- Mandatory Water Conservation Program
- Low-Flow Retrofit Program
- Hi-Efficiency Washers 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 CliftonLarsonAllen LLP, has conducted the audit for the District’s financial statements. Their unmodified Independent Auditor 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 program. The property program includes Fidelity Coverage, Cyber Security 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 for their continued support in the planning and implementation of the Crescenta Valley Water District's fiscal policies.

**FINANCIAL SECTION**



## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Crescenta Valley Water District  
La Crescenta, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Crescenta Valley Water District (District) as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Board of Directors  
Crescenta Valley Water District  
La Crescenta, California

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District, as of June 30, 2019 and 2018 and the respective changes in its financial position and its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information as listed in the table of contents 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. 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 inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, 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.

### *Other Information*

Our audits were conducted for the purpose of forming an opinion on the District's basic financial statements. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 financial statements as a whole.

Board of Directors  
Crescenta Valley Water District  
La Crescenta, California

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 it.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated February 21, 2020 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**  
Glendora, California  
February 21, 2020

## **CRESCENTA VALLEY WATER DISTRICT**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS For the Fiscal Years Ended June 30, 2019 and 2018**

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, 2019 and 2018. 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 position increased 0.43%, or \$188,909 to \$44,511,678 in fiscal year 2019, primarily due to a moderate decrease in operations that was offset by investment earnings and capital contributions. In 2018, the District's net position decreased 1.48%, or \$667,183 to \$44,322,769, primarily due to the implementation of GASB Statement No. 75. The beginning net position has been decreased by \$1,139,076 to recognize the beginning balance of the net OPEB liability of \$5,668,516.
- The District's operating revenues decreased 1.02% or \$146,562, in fiscal year 2019. In 2018, the District's operating revenues increased 12.93% or \$1,645,633.
- The District's operating expenses increased 6.05%, or \$860,960, in fiscal year 2019. In 2018, the District's operating expenses increased 3.27%, or \$450,860.

#### **Required Financial Statements**

This annual report consists of a series of financial statements. The Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, and the 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 Position includes all of the District's investments in resources (assets), deferred outflows of resources, the obligations to creditors (liabilities), and deferred inflows of resources. 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 revenues and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Position. 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 sustainability and creditworthiness. 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

## **CRESCENTA VALLEY WATER DISTRICT**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS For the Fiscal Years Ended June 30, 2019 and 2018**

reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, non-capital financing, and capital and related financing activities, as well as providing answers to such questions as the source of cash, the use of it, and 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 Position and the Statement of Revenues, Expenses, and Changes in Net Position report information about the District in a way that helps answer this question. These statements include all assets, deferred outflows, liabilities, and deferred inflows 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.

These two statements report the District's net position and changes in them. One can think of the District's net position (the difference between assets and deferred outflows, and liabilities and deferred inflows), as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position is 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 beginning on page 18.

**CRESCENTA VALLEY WATER DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Fiscal Years Ended June 30, 2019 and 2018**

**Condensed Statements of Net Position**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of the District exceeded liabilities and deferred inflows by \$44,511,678 and \$44,322,769 as of June 30, 2019 and 2018, respectively.

	2019	2018	Change	2017	Change
<b>Assets:</b>					
Current assets	\$ 4,287,463	\$ 3,488,857	\$ 798,606	\$ 5,200,496	\$ (1,711,639)
Non-Current Assets	10,422,237	11,170,682	(748,445)	12,163,725	(993,043)
Capital assets, net	49,011,292	47,912,488	1,098,804	45,701,698	2,210,790
Total assets	<u>63,720,992</u>	<u>62,572,027</u>	<u>1,148,965</u>	<u>63,065,919</u>	<u>(493,892)</u>
<b>Deferred outflows of resources:</b>	<u>1,603,290</u>	<u>1,713,370</u>	<u>(110,080)</u>	<u>965,543</u>	<u>747,827</u>
<b>Liabilities:</b>					
Current liabilities	1,912,235	1,468,628	443,607	2,130,001	(661,373)
Non-current liabilities	18,286,234	18,078,676	207,558	16,537,336	1,541,340
Total liabilities	<u>20,198,469</u>	<u>19,547,304</u>	<u>651,165</u>	<u>18,667,337</u>	<u>879,967</u>
<b>Deferred inflows of resources:</b>	<u>614,135</u>	<u>415,324</u>	<u>198,811</u>	<u>374,173</u>	<u>41,151</u>
<b>Net position:</b>					
Net investment in capital assets	41,249,830	39,915,268	1,334,562	36,753,114	3,162,154
Restricted	-	-	-	617,361	(617,361)
Unrestricted	3,261,848	4,407,501	(1,145,653)	7,619,477	(3,211,976)
	<u>\$ 44,511,678</u>	<u>\$ 44,322,769</u>	<u>\$ 188,909</u>	<u>\$ 44,989,952</u>	<u>\$ (667,183)</u>

By far, the largest portion of the District's net position (92.67% and 90.06% as of June 30, 2019 and 2018, 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 boundaries; consequently, these assets are not available for future spending. See note 10 for further information.

At the end of fiscal year 2019 and 2018, the District showed a positive balance in its unrestricted net position of \$3,261,848 and \$4,407,501, respectively. See note 10 for the amount of unrestricted net position that may be utilized in future years.



**CRESCENTA VALLEY WATER DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Fiscal Years Ended June 30, 2019 and 2018**

**Condensed Statements of Revenues, Expenses and Changes in Net Position**

	2019	2018*	Change	2017	Change
<b>Revenues:</b>					
Operating revenues	\$ 14,225,014	\$ 14,371,576	\$ (146,562)	\$ 12,725,943	\$ 1,645,633
Non-operating revenues	864,118	87,530	776,588	33,325	54,205
Total revenues	<u>15,089,132</u>	<u>14,459,106</u>	<u>630,026</u>	<u>12,759,268</u>	<u>1,699,838</u>
<b>Expenses:</b>					
Operating expenses	15,096,778	14,235,818	860,960	13,784,958	450,860
Non-operating expenses	456,755	394,445	62,310	549,887	(155,442)
Total Expenses	<u>15,553,533</u>	<u>14,630,263</u>	<u>923,270</u>	<u>14,334,845</u>	<u>295,418</u>
Net loss before capital contributions	<u>(464,401)</u>	<u>(171,157)</u>	<u>(293,244)</u>	<u>(1,575,577)</u>	<u>1,404,420</u>
<b>Capital Contributions</b>	<u>653,310</u>	<u>643,050</u>	<u>10,260</u>	<u>471,345</u>	<u>171,705</u>
<b>Change in net position</b>	<u>188,909</u>	<u>471,893</u>	<u>(282,984)</u>	<u>(1,104,232)</u>	<u>1,576,125</u>
<b>Net Position beginning of year</b>	<u>44,322,769</u>	<u>43,850,876</u>	<u>471,893</u>	<u>46,094,184</u>	<u>(2,243,308)</u>
<b>Net Position, ending of year</b>	<u>\$ 44,511,678</u>	<u>\$ 44,322,769</u>	<u>\$ 188,909</u>	<u>\$ 44,989,952</u>	<u>\$ (667,183)</u>

\* 2018 beginning net position was restated by \$1,139,076 due to the implementation of GASB 75.

The Statements of Revenues, Expenses and Changes in Net Position show how the District's net position changed during the reported fiscal years. In the case of the District, net position in fiscal year 2019 increased 0.43%, or \$188,909 to \$44,511,678 due to a decrease in operations that was offset by investment earnings and capital contributions. In fiscal year 2018, net position decreased 1.48%, or \$667,183 to \$44,322,769 due to a decrease from operations and implementing GASB Statement No.75.

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

In 2019, the District's total revenues increased by 4.36%, or \$630,026. Revenues from metered sales decreased slightly from 2018 even amidst continued economic growth due to an above-average rainfall winter that resulted in decreased water consumption. However, these decreases were offset by higher investment earnings and recorded grant revenue. In 2019, development activity slowed slightly, reducing water operations from other charges by \$289,516.

In 2018, the District's total revenues increased by 13.32%, or \$1,699,838. This was primarily due to a continued increase in water demand that translated to increased water consumption sales by \$979,316. As in 2017, continued economic growth in 2018 furthered development activity, which accounts for the majority of the \$408,886 increase in water operations from other charges.

**CRESCENTA VALLEY WATER DISTRICT**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
**For the Fiscal Years Ended June 30, 2019 and 2018**

**Statements of Revenues, Expenses and Changes in Net Position, continued**

In 2019, the District’s total expenses increased by \$923,270, or 6.31%. The increase was driven by general inflationary pressures that increased most operating expenses – e.g., international tariffs increased cost of steel that led to an increase in pipe costs of 18%. Wastewater system treatment expenses charged by the City of Los Angeles represent a significant cost for the wastewater system, and they increased by \$96,752.

In 2018, the District’s total expenses increased by \$295,418, or 2.06%. The was driven in large part by the increase in water demand which in turn led to increased water supply costs in the amount of \$255,046. Other increases were attributable to general inflationary pressures, particularly the continuously increasing cost of health care premiums. Wastewater system and collection expenses increased by \$185,415.

In 2019, non-operating expenses increased by 15.80%, or \$62,310, due primarily to an increase in interest expense.

In 2018, non-operating expenses decreased by 28.27%, or \$155,442, due primarily to a decrease in interest expense offset by costs incurred in connection with the bond refunding.

In 2019, capital contributions increased by 1.60%, or \$10,260, due primarily to a timing difference between when payments from capital grants were expected and received.

In 2018, capital contributions increased by 36.43%, or \$171,705, due primarily to a timing difference between when payments from capital grants were expected and received.

**Capital Asset Administration**

At the end of fiscal years 2019 and 2018, the District’s capital assets amounted to \$49,011,292 and \$47,912,488, 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 production system and transmission and distribution systems.

Changes in capital asset amounts for 2019 are as follows:

	Balance 2018	Additions/ Transfers	Deletions / Transfers	Balance 2019
Capital assets:				
Non-depreciable assets	\$ 7,344,629	\$ 3,074,663	\$ (4,158,001)	\$ 6,261,291
Depreciable assets	83,717,386	4,048,836	-	87,766,222
Accumulated depreciation	(43,149,527)	(1,866,694)	-	(45,016,221)
Total capital assets, net	<u>\$ 47,912,488</u>	<u>\$ 5,256,805</u>	<u>\$ (4,158,001)</u>	<u>\$ 49,011,292</u>

**CRESCENTA VALLEY WATER DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Fiscal Years Ended June 30, 2019 and 2018**

**Capital Asset Administration, continued**

Changes in capital asset amounts for 2018 are as follows:

	Balance 2017	Additions/ Transfers	Deletions / Transfers	Balance 2018
Capital assets:				
Non-depreciable assets	\$ 5,218,662	\$ 3,759,044	\$ (1,633,077)	\$ 7,344,629
Depreciable assets	81,955,254	1,762,132	-	83,717,386
Accumulated depreciation	(41,472,218)	(1,677,309)	-	(43,149,527)
Total capital assets, net	<u>\$ 45,701,698</u>	<u>\$ 3,843,867</u>	<u>\$ (1,633,077)</u>	<u>\$ 47,912,488</u>

(See note 4 for further discussion)

**Debt Administration**

Changes in long-term debt amounts at 2019 are as follows:

	Balance 2018	Additions/ Transfers	Payments/ Discount Amortization	Balance 2019	Amount due within one year
Long-term debt:					
Total loans payable	\$ 8,269,562	\$ 72,139	\$ (323,917)	\$ 8,017,784	\$ 332,917
Total long-term debt	<u>\$ 8,269,562</u>	<u>\$ 72,139</u>	<u>\$ (323,917)</u>	<u>\$ 8,017,784</u>	<u>\$ 332,917</u>

Changes in long-term debt amounts at 2018 are as follows:

	Balance 2017	Additions/ Transfers	Payments/ Discount Amortization	Balance 2018	Amount due within one year
Long-term debt:					
Total bonds payable	\$ 7,925,010	\$ -	\$ (7,925,010)	\$ -	\$ -
Total loans payable	1,023,574	7,668,000	(422,012)	8,269,562	353,012
Total long-term debt	<u>\$ 8,948,584</u>	<u>\$ 7,668,000</u>	<u>\$ (8,347,022)</u>	<u>\$ 8,269,562</u>	<u>\$ 353,012</u>

(See note 6 for further discussion)

**Conditions Affecting Current Financial Position**

Management is unaware of any conditions at June 30, 2019, that would have a significant impact on the District's financial position, net position, or operating results in terms of past, present and future.

**CRESCENTA VALLEY WATER DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Fiscal Years Ended June 30, 2019 and 2018**

**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 Nemesciano Ochoa, General Manager of Crescenta Valley Water District, at 2700 Foothill Blvd., La Crescenta, California, 91214.

**BASIC FINANCIAL STATEMENTS**

**CRESCENTA VALLEY WATER DISTRICT**

**STATEMENTS OF NET POSITION  
June 30, 2019 and 2018**

	2019	2018
<b>Assets</b>		
<b>Current Assets:</b>		
Cash and cash equivalents (note 2)	\$ 867,708	\$ 681,929
Accrued interest receivable	63,289	78,311
Accounts receivable- water and wastewater	2,369,021	2,139,989
Accounts receivable- other	587,965	4,127
Material and supplies inventory	370,673	536,356
Prepaid expenses and other deposits	28,807	48,145
Total Current Assets	4,287,463	3,488,857
<b>Non-current assets:</b>		
Investments (note 2)	10,422,237	11,170,682
Capital assets- not being depreciated (note 4)	6,261,291	7,344,629
Depreciable capital assets (note 4)	42,750,001	40,567,859
Total Non-Current Assets	59,433,529	59,083,170
<b>Total Assets</b>	63,720,992	62,572,027
<b>Deferred outflows of resources:</b>		
Deferred outflows on bond refunding (note 6)	256,322	272,342
Deferred other post-employment benefits outflows (note 7)	454,111	215,936
Deferred pension outflows (note 8)	892,857	1,225,092
Total Deferred Outflows of Resources	1,603,290	1,713,370

Continued on next page

See independent auditors' report and accompanying notes to the financial statements.

**CRESCENTA VALLEY WATER DISTRICT**

**STATEMENTS OF NET POSITION**  
**June 30, 2019 and 2018**

	2019	2018
<b>Liabilities</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued expenses	\$ 822,221	\$ 692,245
Accrued wages and related payables	227,086	112,802
Customer deposits	389,664	186,193
Accrued interest expense	48,771	48,771
Long-term liabilities- due within one year:		
Compensated absences (note 5)	91,576	75,605
Loan payable (note 6)	332,917	353,012
Total Current Liabilities	1,912,235	1,468,628
<b>Non-current liabilities:</b>		
Long-term liabilities-due in more than one year:		
Compensated absences (note 5)	274,727	226,816
Loan payable (note 6)	7,684,867	7,916,550
Other postemployment benefits obligation (note 7)	6,416,323	5,957,086
Net pension liability (note 8)	3,910,317	3,978,224
Total Non-current Liabilities	18,286,234	18,078,676
<b>Total Liabilities</b>	20,198,469	19,547,304
<b>Deferred inflows of resources:</b>		
Deferred other postemployment benefits inflows (note 7)	123,342	16,959
Deferred pension inflows (note 8)	490,793	398,365
Total Deferred Inflows of Resources	614,135	415,324
<b>Net position:</b> (note 10)		
Net investment in capital assets	41,249,830	39,915,268
Unrestricted	3,261,848	4,407,501
<b>Total Net Position</b>	\$ 44,511,678	\$ 44,322,769

See independent auditors' report and accompanying notes to the financial statements.

**CRESCENTA VALLEY WATER DISTRICT**

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
For the Fiscal Years Ended June 30, 2019 and 2018**

	2019	2018
<b>Operating revenues:</b>		
Water operations- consumption sales	\$ 7,262,227	\$ 7,519,558
Water operations- service charge	2,780,253	2,637,222
Water operations- other charges	891,420	1,180,936
Wastewater operations- user and standby charges	3,291,114	3,033,860
<b>Total operating revenues</b>	14,225,014	14,371,576
<b>Operating expenses:</b>		
Source of supply	3,262,503	3,404,291
Plant operations	2,363,289	2,189,387
Distribution system	1,107,293	1,071,502
City of Los Angeles wastewater system	1,194,533	1,097,781
Collection system	239,907	251,013
General and administrative expenses	5,062,560	4,545,133
<b>Total operating expenses before depreciation</b>	13,230,085	12,559,107
Operating income before depreciation	994,929	1,812,469
Depreciation expense	(1,866,693)	(1,676,711)
<b>Operating (loss) gain</b>	(871,764)	135,758
<b>Non-operating revenues(expenses):</b>		
Investment earnings (losses)	826,918	53,930
Interest expense	(353,774)	(220,802)
Rental income	37,200	33,600
Other income (expense), net	(102,981)	(173,643)
<b>Total non-operating (loss), net</b>	407,363	(306,915)
<b>Net loss before capital contributions</b>	(464,401)	(171,157)
<b>Capital contributions:</b>		
Capital grants- state	581,463	553,187
Capital grants- local	-	20,400
Assessments	71,847	69,463
<b>Total capital contributions</b>	653,310	643,050
<b>Change in net position</b>	188,909	471,893
<b>Net Position, Beginning of Fiscal Year Before Restatement</b>	44,322,769	44,989,952
<b>Cumulative Effect of Change in Accounting Principle</b>	-	(1,139,076)
<b>Net Position, Beginning of Fiscal Year, Restated</b>	44,322,769	43,850,876
<b>Net Position, End of Fiscal Year</b>	\$ 44,511,678	\$ 44,322,769

See independent auditors' report and accompanying notes to the financial statements.



# CRESCENTA VALLEY WATER DISTRICT

## STATEMENTS OF CASH FLOWS For the Fiscal Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Cash receipts from customers for water sales and services	\$ 14,195,757	\$ 14,223,491
Cash paid to employees for salaries and wages	(3,718,500)	(4,125,307)
Cash paid to vendors and suppliers for materials and services	(8,334,221)	(8,463,273)
Net cash provided by operating activities	<u>2,143,036</u>	<u>1,634,911</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(2,965,497)	(3,887,501)
Proceeds from grant funding	1,321	573,587
Proceeds from property owner assessments	71,847	69,463
Proceeds from loan	72,139	7,668,000
Principal paid on long-term debt	(323,917)	(8,522,012)
Interest paid on long-term debt	(337,754)	(366,513)
Net cash used in capital and related financing activities	<u>(3,481,861)</u>	<u>(4,464,976)</u>
Cash flows from investing activities:		
Purchases of investments	(1,988,284)	(1,501,680)
Proceeds from sale of investments	2,736,729	2,562,783
Interest earnings (expenses)	776,158	(86,977)
Net cash provided by investing activities	<u>1,524,604</u>	<u>974,126</u>
Net increase (decrease) in cash and cash equivalents	185,779	(1,855,939)
Cash and cash equivalents, beginning of year	<u>681,929</u>	<u>2,537,868</u>
Cash and cash equivalents, end of year	<u>\$ 867,708</u>	<u>\$ 681,929</u>

Continued on next page

See independent auditors' report and accompanying notes to the financial statements.

**CRESCENTA VALLEY WATER DISTRICT**

**STATEMENTS OF CASH FLOWS  
For the Fiscal Years Ended June 30, 2019 and 2018**

	2019	2018
Reconciliation of operating gain (loss) to net cash provided by operating activities		
Operating gain (loss)	\$ (871,764)	\$ 135,758
Adjustments to reconcile operating gain (loss) to net cash provided (used) by operating activities:		
Depreciation	1,866,693	1,676,711
Changes in operating assets and liabilities		
Accounts receivable-water and wastewater, net	(229,032)	35,782
Accounts receivable-other	(3,696)	4,142
Material and supplies inventory	165,683	(179,685)
Prepaid expenses and other deposits	19,338	(3,675)
(Increase) in deferred outflows of resources - OPEB & pension	94,060	(475,485)
Accounts payable and accrued expenses	129,976	(481,555)
Accrued wages and related payables	114,284	(42,103)
Customer deposits	203,471	(188,009)
Compensated absences	63,882	(25,626)
Other post-employment benefits payable	459,237	523,526
Net pension liability	(67,907)	613,979
Increase (decrease) in deferred inflows of resources - OPEB & pension	198,811	41,151
Total adjustments	3,014,800	1,499,153
Net cash provided by operating activities	\$ 2,143,036	\$ 1,634,911

See independent auditors' report and accompanying notes to the financial statements.

**CRESCENTA VALLEY WATER DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2019 and 2018**

**NOTE 1: REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**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 serve overlapping four-year terms.

**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 to its service areas on a continuing basis be financed or recovered primarily through user charges (water sales), capital grants and similar funding. 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 deliveries 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 expense 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.

**Financial Reporting**

The District's basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as applied to enterprise funds. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District solely operates as a special-purpose government which means it is only engaged in business-type activities; accordingly, activities are reported in the District's proprietary fund.

# CRESCENTA VALLEY WATER DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019 and 2018

### **NOTE 1: REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **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.

#### **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.

#### **Fair Value Measurements**

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on valuation inputs used to measure the fair value of the asset, as follows:

- **Level 1** – This valuation level is based on quoted prices in active markets for identical assets.
- **Level 2** – This valuation level is based on directly observable and indirectly observable inputs. These inputs are derived principally from or corroborated by observable market data through correlation or market-corroborated inputs. The concept of market-corroborated inputs incorporates observable market data such as interest rates and yield curves that are observable at commonly quoted intervals.
- **Level 3** – This valuation level is based on unobservable inputs where assumptions are made based on factors such as prepayment rates, probability of defaults, loss severity and other assumptions that are internally generated and cannot be observed in the market.

#### **Restricted Assets**

Amounts shown as restricted assets are to be used for specified purposes, such as servicing general obligation bond debt and the construction of capital assets. Such assets have been restricted by bond indenture, law or contractual obligations. As of June 30, 2019 and 2018, the District had no restricted assets.

**CRESCENTA VALLEY WATER DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2019 and 2018**

**NOTE 1: REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Accounts Receivable and Allowance for Uncollectible Accounts**

The District extends credit to customers in the normal course of operations. The District uses the allowance method for recording the bad debt. Management regularly reviews its outstanding accounts receivable for collectability and has established an allowance for doubtful accounts based upon its collection history and knowledge of its customers. When an account is deemed uncollectible, it is written off against the allowance.

**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.

**Prepays**

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

**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 acquisition cost 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

**Deferred Outflows of Resources**

Deferred outflows of resources represent a consumption of net position that applies to a future period and thus, will not be recognized as an outflow of resources (expense/expenditure) until then.

**CRESCENTA VALLEY WATER DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2019 and 2018**

**NOTE 1: REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Deferred Charge on Refunding***

A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

***Other Postemployment Benefits Other than Pensions (OPEB)***

The District also recorded deferred outflows of resources related to its (OPEB) obligation that resulted from District contributions to the plan subsequent to the measurement date of the actuarial valuation for the healthcare plan and to differences between expected and actual plan experience, and the difference between projected and actual earnings. The deferred outflows related to the OPEB obligation will be amortized as detailed in Note 7 to the financial statements.

***Pension Plan***

The deferred outflows of resources related to the net pension obligation that resulted from District contributions to employee pension plans subsequent to the measurement date of the actuarial valuation for the pension plan, the difference between actual and expected experience, the difference between actual and expected earnings on plan investments, changes in proportion and assumptions, and other actuarially determined differences. The deferred outflows related to the net pension obligation will be amortized as detailed in Note 8 to the financial statements.

**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.

**Postemployment Benefits Other than Pensions (OPEB)**

The District participates in an Agent Multiple-Employer defined benefit postemployment healthcare plan. During 2018, the District adopted new accounting guidance GASB Statement No. 75, Accounting and Financial Reporting for Post-Employment Benefits Other than Pensions (GASB No. 75). For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense information about the fiduciary net position of the District Retiree Benefits Plan (the Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

**CRESCENTA VALLEY WATER DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2019 and 2018**

**NOTE 1: REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Net Pension Obligation**

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's California Public Employees' Retirement System (CalPERS) plans (Plans) and addition to/deduction from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Deferred Inflows of Resources**

The statement of net position reports a separate section for deferred inflows of resources. This financial statement element represents an acquisition of resources applicable to future periods and therefore will not be recognized as an inflow of resources (revenue) until that time.

***Other Postemployment Benefits Other than Pensions (OPEB)***

The deferred inflows of resources related to OPEB result from the differences between the expected and actual experience and change in assumptions. These amounts will be amortized as detailed in Note 7 to the financial statements.

***Pension Plan***

The deferred inflows of resources related to pension results from the difference between actual and expected experience, changes in assumptions, and other actuarially determined differences. These amounts will be amortized as detailed in Note 8 to the financial statements.

**Net Position**

The District follows the financial reporting requirements of the GASB and reports net position under the following classifications:

- *Net Investment in Capital Assets*– This component of net position consists of capital assets, net of accumulated depreciation, and reduced by any debt outstanding against the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt is included in this component of net position.
- *Restricted Component of Net Position* – This component of net position consists of assets that have restrictions placed upon their use by external constraints imposed by either

# CRESCENTA VALLEY WATER DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019 and 2018

### **NOTE 1: REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

creditors (debt covenants), grantors, contributors, or laws and regulations of other governments or constraints imposed by law through enabling legislation. The District did not have a restricted net position balance at June 30, 2019 or 2018.

- *Unrestricted Component of Net Position* – This component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of the net investment in capital assets or restricted component of net position.

#### **Customer Deposits**

The District collects two types of deposits. Customer deposits for starting a new account requires a \$100 deposit if proof of ownership is not provided. The other type of deposit is for work the district performs and is then charged to the customer, usually for meter upgrades and new service installation. The deposit is converted to revenue upon the completion of the project.

#### **Water and Sewer Service Charges**

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

#### **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.

#### **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.

#### **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



**CRESCENTA VALLEY WATER DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**June 30, 2019 and 2018**

**NOTE 1: REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

the date of the financial statements and the reported changes in net position during the reporting period.

**Change in Accounting Principles**

The beginning net position of the financial statements for fiscal year 2017-18 has been decreased by \$1,139,076 to recognize the beginning balance of the net OPEB liability of \$5,668,516 resulting from implementation of GASB Statement No. 75, resulting in this cumulative effect of change in accounting principle.

In 2017-18, the District also implemented GASB No. 89 which requires interest cost incurred before the end of the construction period to be recognized as an expense in the period in which the cost is incurred. Therefore, there is no capitalized interest for the year ended June 30, 2018.

**NOTE 2: CASH AND INVESTMENTS**

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

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 867,708	\$ 681,929
Investments	<u>10,422,237</u>	<u>11,170,682</u>
Total cash and investments	<u>\$ 11,289,945</u>	<u>\$ 11,852,611</u>

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

	<u>2019</u>	<u>2018</u>
Cash on hand	\$ 800	\$ 800
Deposits with financial institutions	428,834	49,845
Investments	<u>10,860,311</u>	<u>11,801,966</u>
Total cash and investments	<u>\$ 11,289,945</u>	<u>\$ 11,852,611</u>

**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

# CRESCENTA VALLEY WATER DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019 and 2018

### **NOTE 2: CASH AND INVESTMENTS**

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. 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 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 District 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.

The District's deposit and withdrawal restrictions and limitations are as follows:

- Same day transaction processing occurs for orders received before 10:00 a.m.
- Next day transactions processing occurs for orders received after 10:00 a.m.
- Maximum limit of 15 transactions (combination of deposits and withdrawals) per month.
- Minimum transaction amount requirement of \$5,000, in increments of a \$1,000 dollars.
- Withdrawals of \$10,000,000 or more require 24 hours advance.
- Prior to funds transfer, an authorized person must call LAIF to do a verbal transaction.

#### **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

**CRESCENTA VALLEY WATER DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**June 30, 2019 and 2018**

**NOTE 2: CASH AND INVESTMENTS**

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, 2019 were as follows:

Investment Type	Total	Remaining Maturity (in Months)			
		12 Months	13 to 24	25-60	61-120
		Or less	Months	Months	Months
U.S. Treasury Notes	\$ 3,939,770	\$ -	\$ -	\$ 987,110	\$ 2,952,660
Federal Farm Credit Bank Bonds	6,482,467	2,244,977	993,630	1,076,900	2,166,960
Local Agency Investment Funds	438,074	438,074	-	-	-
Total	<u>\$ 10,860,311</u>	<u>\$ 2,683,051</u>	<u>\$ 993,630</u>	<u>\$ 2,064,010</u>	<u>\$ 5,119,620</u>

Maturities of investments at June 30, 2018 were as follows:

Investment Type	Total	Remaining Maturity (in Months)			
		12 Months	13 to 24	25-60	61-120
		Or less	Months	Months	Months
U.S. Treasury Notes	\$ 5,151,990	\$ -	\$ -	\$ 2,407,800	\$ 2,744,190
Federal Farm Credit Bank Bonds	6,018,692	-	1,728,032	1,082,270	3,208,390
Local Agency Investment Funds	631,284	631,284	-	-	-
Total	<u>\$ 11,801,966</u>	<u>\$ 631,284</u>	<u>\$ 1,728,032</u>	<u>\$ 3,490,070</u>	<u>\$ 5,952,580</u>

**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.

**CRESCENTA VALLEY WATER DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2019 and 2018**

**NOTE 2: CASH AND INVESTMENTS**

Credit rating of investments as of June 30, 2019, were as follows:

<u>Investment Type</u>	<u>Total</u>	<u>Minimum Legal Rating</u>	<u>Rating as of Year End</u>		
			<u>AAA</u>	<u>AA+</u>	<u>Not Rated</u>
U.S. Treasury Notes	\$ 3,939,770	A	\$ -	\$ 3,939,770	\$ -
Federal Farm Credit Bank Bonds	6,482,467	A	-	6,482,467	-
Local Agency Investment Funds	438,074	N/A	-	-	438,074
Total	<u>\$ 10,860,311</u>		<u>\$ -</u>	<u>\$ 10,422,237</u>	<u>\$ 438,074</u>

Credit rating of investments as of June 30, 2018, were as follows:

<u>Investment Type</u>	<u>Total</u>	<u>Minimum Legal Rating</u>	<u>Rating as of Year End</u>		
			<u>AAA</u>	<u>AA+</u>	<u>Not Rated</u>
U.S. Treasury Notes	\$ 5,151,990	A	\$ -	\$ 5,151,990	\$ -
Federal Farm Credit Bank Bonds	6,018,692	A	-	6,018,692	-
Local Agency Investment Funds	631,284	N/A	-	-	631,284
Total	<u>\$ 11,801,966</u>		<u>\$ -</u>	<u>\$ 11,170,682</u>	<u>\$ 631,284</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.

**Fair Value Measurements**

Investments measured at fair value on a recurring and non-recurring basis at June 30, 2019:

<u>Investment Type</u>	<u>Total</u>	<u>Fair Value Measurements</u>		
		<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Government sponsored entities securities	\$ 3,939,770	\$ -	\$ 3,939,770	\$ -
U.S. Treasury notes	6,482,467	6,482,467	-	-
Total investments measured at fair value	10,422,237	<u>\$ 6,482,467</u>	<u>\$ 3,939,770</u>	<u>\$ -</u>
Investments measured at amortized cost:				
Local Agency Investment Fund (LAIF)	438,074			
Total	<u>\$ 10,860,311</u>			

**CRESCENTA VALLEY WATER DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2019 and 2018**

**NOTE 2: CASH AND INVESTMENTS**

Investments measured at fair value on a recurring and non-recurring basis at June 30, 2018:

<u>Investment Type</u>	<u>Total</u>	<u>Fair Value Measurements</u>		
		<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Government sponsored entities securities	\$ 5,151,990	\$ -	\$ 5,151,990	\$ -
U.S. Treasury notes	6,018,692	6,018,692	-	-
Total investments measured at fair value	11,170,682	<u>\$ 6,018,692</u>	<u>\$ 5,151,990</u>	<u>\$ -</u>
Investments measured at amortized cost:				
Local Agency Investment Fund (LAIF)	631,284			
Total	<u>\$ 11,801,966</u>			

**NOTE 3: ACCOUNTS RECEIVABLE-WATER AND WASTEWATER, NET**

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

	<u>2019</u>	<u>2018</u>
Account receivable- water and wastewater	\$ 2,376,048	\$ 2,145,502
Allowance for doubtful accounts	<u>(7,027)</u>	<u>(5,513)</u>
Account receivable- water and wastewater, net	<u>\$ 2,369,021</u>	<u>\$ 2,139,989</u>

**NOTE 4: CAPITAL ASSETS**

Capital Assets at June 30, 2019, are summarized as follows:

	<u>Balance 2018</u>	<u>Additions/ Transfers</u>	<u>Deletions / Transfers</u>	<u>Balance 2019</u>
Non-depreciable assets:				
Water operations	\$ 7,305,629	\$ 3,067,367	\$ (4,137,415)	\$ 6,235,581
Wastewater operations	39,000	7,296	(20,586)	25,710
Total non-depreciable assets	<u>7,344,629</u>	<u>3,074,663</u>	<u>(4,158,001)</u>	<u>6,261,291</u>
Depreciable assets, net:				
Water operations	23,044,105	2,842,839	-	25,886,944
Wastewater operations	17,523,754	(660,697)	-	16,863,057
Total depreciable capital assets, net	<u>40,567,859</u>	<u>2,182,142</u>	<u>-</u>	<u>42,750,001</u>
Total Capital Assets, Net	<u>\$ 47,912,488</u>	<u>\$ 5,256,805</u>	<u>\$ (4,158,001)</u>	<u>\$ 49,011,292</u>

**CRESCENTA VALLEY WATER DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**June 30, 2019 and 2018**

**NOTE 4: CAPITAL ASSETS**

Changes for water operations capital assets in 2019 were as follows:

	Balance 2018	Additions/ Transfers	Deletions / Transfers	Balance 2019
Non-depreciable assets:				
Land	\$ 1,158,526	\$ -	\$ -	\$ 1,158,526
Construction-in progress	6,147,103	3,067,367	(4,137,415)	5,077,055
Total non-depreciable assets	<u>7,305,629</u>	<u>3,067,367</u>	<u>(4,137,415)</u>	<u>6,235,581</u>
Depreciable assets:				
Production equipment	10,370,095	978,639	-	11,348,734
Distribution equipment	31,351,163	2,967,060	-	34,318,223
Groundwater reclamation plant	2,642,127	-	-	2,642,127
Autos and trucks	992,080	25,524	-	1,017,604
Office equipment	630,107	57,027	-	687,134
Office building	560,995	-	-	560,995
Total depreciable assets	<u>46,546,567</u>	<u>4,028,250</u>	<u>-</u>	<u>50,574,817</u>
Accumulated depreciation:				
Production equipment	(4,434,101)	(389,048)	-	(4,823,149)
Distribution equipment	(15,016,938)	(683,354)	-	(15,700,292)
Groundwater reclamation plant	(2,301,123)	(20,187)	-	(2,321,310)
Autos and trucks	(902,539)	(51,809)	-	(954,348)
Office equipment	(587,667)	(29,648)	-	(617,315)
Office building	(260,094)	(11,365)	-	(271,459)
Total accumulated depreciation	<u>(23,502,462)</u>	<u>(1,185,411)</u>	<u>-</u>	<u>(24,687,873)</u>
Total depreciable assets, net	<u>23,044,105</u>	<u>2,842,839</u>	<u>-</u>	<u>25,886,944</u>
Total capital assets, net	<u>\$ 30,349,734</u>	<u>\$ 5,910,206</u>	<u>\$ (4,137,415)</u>	<u>\$ 32,122,525</u>

**CRESCENTA VALLEY WATER DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2019 and 2018**

**NOTE 4: CAPITAL ASSETS**

Changes for wastewater operations capital assets in 2019 were as follows:

	Balance 2018	Additions/ Transfers	Deletions / Transfers	Balance 2019
Non-depreciable assets:				
Construction-in progress	\$ 39,000	\$ 7,296	\$ (20,586)	\$ 25,710
Total non-depreciable assets	<u>39,000</u>	<u>7,296</u>	<u>(20,586)</u>	<u>25,710</u>
Depreciable assets:				
Wastewater collection system				
Interceptor	4,988,812	-	-	4,988,812
Unit 1	11,421,644	-	-	11,421,644
Unit 2	19,891,101	-	-	19,891,101
Tools and lab equipment	30,381	-	-	30,381
Autos and trucks	735,406	-	-	735,406
Safety equipment	6,569	-	-	6,569
Booster building	66,465	-	-	66,465
Office equipment	30,441	20,586	-	51,027
Total depreciable assets	<u>37,170,819</u>	<u>20,586</u>	<u>-</u>	<u>37,191,405</u>
Accumulated depreciation:				
Wastewater collection system				
Interceptor	(2,644,306)	(77,140)	-	(2,721,446)
Unit 1	(6,099,049)	(220,456)	-	(6,319,505)
Unit 2	(10,303,430)	(297,933)	-	(10,601,363)
Tools and lab equipment	(30,381)	-	-	(30,381)
Autos and trucks	(523,090)	(76,323)	-	(599,413)
Safety equipment	(6,523)	(46)	-	(6,569)
Booster building	(20,677)	(2,292)	-	(22,969)
Office building	(19,609)	(7,093)	-	(26,702)
Total accumulated depreciation	<u>(19,647,065)</u>	<u>(681,283)</u>	<u>-</u>	<u>(20,328,348)</u>
Total depreciable assets, net	<u>17,523,754</u>	<u>(660,697)</u>	<u>-</u>	<u>16,863,057</u>
Total capital assets, net	<u>\$ 17,562,754</u>	<u>\$ (653,401)</u>	<u>\$ (20,586)</u>	<u>\$ 16,888,767</u>

**CRESCENTA VALLEY WATER DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2019 and 2018**

**NOTE 4: CAPITAL ASSETS**

Capital assets at June 30, 2018, are summarized as follows:

	Balance 2017	Additions/ Transfers	Deletions / Transfers	Balance 2018
Non-depreciable assets:				
Water operations	\$ 5,197,623	\$ 3,723,639	\$ (1,615,633)	\$ 7,305,629
Wastewater operations	21,039	35,405	(17,444)	39,000
Total non-depreciable assets	<u>5,218,662</u>	<u>3,759,044</u>	<u>(1,633,077)</u>	<u>7,344,629</u>
Depreciable assets, net:				
Water operations	22,404,516	639,589	-	23,044,105
Wastewater operations	18,078,520	(554,766)	-	17,523,754
Total depreciable capital assets, net	<u>40,483,036</u>	<u>84,823</u>	<u>-</u>	<u>40,567,859</u>
Total Capital Assets, Net	<u>\$ 45,701,698</u>	<u>\$ 3,843,867</u>	<u>\$ (1,633,077)</u>	<u>\$ 47,912,488</u>

Changes for water operations capital assets in 2018 were as follows:

	Balance 2017	Additions/ Transfers	Deletions / Transfers	Balance 2018
Non-depreciable assets:				
Land	\$ 1,158,526	\$ -	\$ -	\$ 1,158,526
Construction-in progress	4,039,097	3,723,639	(1,615,633)	6,147,103
Total non-depreciable assets	<u>5,197,623</u>	<u>3,723,639</u>	<u>(1,615,633)</u>	<u>7,305,629</u>
Depreciable assets:				
Production equipment	10,128,049	242,046	-	10,370,095
Distribution equipment	29,901,567	1,449,596	-	31,351,163
Groundwater reclamation plant	2,642,127	-	-	2,642,127
Autos and trucks	939,036	53,045	-	992,081
Office equipment	630,107	-	-	630,107
Office building	560,994	-	-	560,994
Total depreciable assets	<u>44,801,880</u>	<u>1,744,687</u>	<u>-</u>	<u>46,546,567</u>
Accumulated depreciation:				
Production equipment	(4,118,028)	(316,073)	-	(4,434,101)
Distribution equipment	(14,372,516)	(644,422)	-	(15,016,938)
Groundwater reclamation plant	(2,280,936)	(20,187)	-	(2,301,123)
Autos and trucks	(822,611)	(79,928)	-	(902,539)
Office equipment	(554,544)	(33,123)	-	(587,667)
Office building	(248,729)	(11,365)	-	(260,094)
Total accumulated depreciation	<u>(22,397,364)</u>	<u>(1,105,098)</u>	<u>-</u>	<u>(23,502,462)</u>
Total depreciable assets, net	<u>22,404,516</u>	<u>639,589</u>	<u>-</u>	<u>23,044,105</u>
Total capital assets, net	<u>\$ 27,602,139</u>	<u>\$ 4,363,228</u>	<u>\$ (1,615,633)</u>	<u>\$ 30,349,734</u>



**CRESCENTA VALLEY WATER DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**June 30, 2019 and 2018**

**NOTE 4: CAPITAL ASSETS**

Changes for wastewater operations capital assets in 2018 were as follows:

	Balance 2017	Additions/ Transfers	Deletions / Transfers	Balance 2018
Non-depreciable assets:				
Construction-in progress	\$ 21,039	\$ 35,405	\$ (17,444)	\$ 39,000
Total non-depreciable assets	<u>21,039</u>	<u>35,405</u>	<u>(17,444)</u>	<u>39,000</u>
Depreciable assets:				
Wastewater collection system				
Interceptor	4,988,812	-	-	4,988,812
Unit 1	11,404,199	17,445	-	11,421,644
Unit 2	19,891,101	-	-	19,891,101
Tools and lab equipment	30,381	-	-	30,381
Autos and trucks	735,406	-	-	735,406
Safety equipment	6,569	-	-	6,569
Booster building	66,465	-	-	66,465
Office equipment	30,441	-	-	30,441
Total depreciable assets	<u>37,153,374</u>	<u>17,445</u>	<u>-</u>	<u>37,170,819</u>
Accumulated depreciation:				
Wastewater collection system				
Interceptor	(2,567,166)	(77,140)	-	(2,644,306)
Unit 1	(5,878,598)	(220,451)	-	(6,099,049)
Unit 2	(10,117,787)	(185,643)	-	(10,303,430)
Tools and lab equipment	(30,381)	-	-	(30,381)
Autos and trucks	(441,847)	(81,243)	-	(523,090)
Safety equipment	(6,231)	(292)	-	(6,523)
Booster building	(18,385)	(2,292)	-	(20,677)
Office building	(14,459)	(5,150)	-	(19,609)
Total accumulated depreciation	<u>(19,074,854)</u>	<u>(572,211)</u>	<u>-</u>	<u>(19,647,065)</u>
Total depreciable assets, net	<u>18,078,520</u>	<u>(554,766)</u>	<u>-</u>	<u>17,523,754</u>
Total capital assets, net	<u>\$ 18,099,559</u>	<u>\$ (519,361)</u>	<u>\$ (17,444)</u>	<u>\$ 17,562,754</u>

In 2017-18, the District implemented GASB No. 89, which requires interest cost incurred before the end of the construction period to be recognized as an expense in the period in which the cost is incurred. Therefore, there is no capitalized interest for the years ended June 30, 2018 and 2019.

**CRESCENTA VALLEY WATER DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2019 and 2018**

**NOTE 5: COMPENSATED ABSENCES**

Compensated absences comprise unpaid vacation leave, sick leave and compensating time off which is accrued as earned. The District's liability for compensated absences is determined annually. The change to compensated absences balances at June 30 were as follows:

Balance 2018	Additions	Deletions	Balance 2019	Due Within One Year	Due in More than One Year
\$ 302,421	\$ 292,335	\$ (228,453)	\$ 366,303	\$ 91,576	\$ 274,727

Balance 2017	Additions	Deletions	Balance 2018	Due Within One Year	Due in More than One Year
\$ 328,047	\$ 312,907	\$ (338,533)	\$ 302,421	\$ 75,605	\$ 226,816

**NOTE 6: LONG-TERM DEBT**

Changes in long-term debt amounts as of June 30, 2019 were as follows:

	Balance 2018	Additions	Payments/ Discount Amortization	Balance 2019	Amount due within one year
Long-term debt:					
Direct Borrowing:					
2016 GWP infrastructure loan	\$ 972,562	\$ 72,139	\$ (21,917)	\$ 1,022,784	\$ 21,917
2017 Pacific Western loan	7,297,000	-	(302,000)	6,995,000	311,000
Total loans payable	8,269,562	72,139	(323,917)	8,017,784	332,917
Total long-term debt	\$ 8,269,562	\$ 72,139	\$ (323,917)	\$ 8,017,784	\$ 332,917

Changes in long-term debt amounts as of June 30, 2018 were as follows:

	Balance 2017	Additions	Payments/ Discount Amortization	Balance 2018	Amount due within one year
Long-term debt:					
Direct Placement:					
2007 Certificates of participation	\$ 8,100,000	\$ -	\$ (8,100,000)	\$ -	\$ -
2007 Certificates of participation discount	(174,990)	-	174,990	-	-
Total bonds payable	7,925,010	-	(7,925,010)	-	-
Direct Borrowing:					
2016 GWP infrastructure loan	1,023,574	-	(51,012)	972,562	51,012
2017 Pacific Western loan	-	7,668,000	(371,000)	7,297,000	302,000
Total loans payable	1,023,574	7,668,000	(422,012)	8,269,562	353,012
Total long-term debt	\$ 8,948,584	\$ 7,668,000	\$ (8,347,022)	\$ 8,269,562	\$ 353,012

**CRESCENTA VALLEY WATER DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**June 30, 2019 and 2018**

**NOTE 6: LONG-TERM DEBT**

**2007 Series Certificates of Participation**

On December 1, 2006, the Crescenta Valley Water District issued \$10,070,000 of 2007 Series Certificates of Participation (COPS) 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, maturing in fiscal year 2037. During the fiscal year 2018, the District entered into a new loan agreement to prepay the 2007 COPS. At June 30, 2018, the obligation had been paid in full.

**2016 GWP Infrastructure Loan**

On September 9, 2014 the District entered into a loan agreement with City of Glendale Water and Power (GWP) to receive a \$1,091,590 loan. Loan proceeds were to provide construction-related expenditure costs related to the Rockhaven (Well #16) project. Terms of the agreement call for monthly installments of principal and interest payments with an average interest rate of 3.34% and the loan maturing on March 1, 2041. On the loan maturity date, the principal balance will be \$547,920.50, at which point a new agreement will be negotiated.

Future annual debt service requirements are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 21,917	\$ 29,095
2021	21,917	29,095
2022	21,917	29,095
2023	21,917	29,095
2024	21,917	29,095
2025-2029	109,584	145,476
2030-2034	109,584	145,476
2035-2039	109,584	145,476
2040-2041	36,526	48,493
Total	474,863	\$ 630,396
Principal remaining at maturity date	547,921	
Less current portion	(21,917)	
Total non-current	<u>\$ 1,000,867</u>	

**CRESCENTA VALLEY WATER DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2019 and 2018**

**NOTE 6: LONG-TERM DEBT**

**2017 Pacific Western Infrastructure Loan**

On August 1, 2017, the District entered into a loan agreement to receive a \$7,668,000 loan from the Pacific Western Bank to refund all outstanding 2007 certificates and to pay the cost of issuance in connection with such prepayment. Terms of the agreement call for semiannual installments of principal and interest payments with interest from between 4.00% to 4.375% and the loan maturing on June 1, 2037. As a result of the refunding, the District reduced its total debt service payments by \$1,219,089.67 and obtained an economic savings of \$864,414.44. The refunding also resulted in a difference between the reacquisition price and the carrying amount of the old debt of \$282,332. This difference is included in the accompanying financial statements as a Deferred Outflows on Bond Refunding and is being charged to operation through the year 2037 using the straight-line method of amortization. The indenture authorize, upon default, the Trustee to declare immediate due and payable the total unpaid principal of the Loan and accrued interest thereon. Future annual debt service requirements are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 311,000	\$ 226,548
2021	324,000	216,248
2022	333,000	205,555
2023	346,000	194,568
2024	358,000	183,122
2025-2029	1,972,000	730,587
2030-2034	2,314,000	383,388
2035-2037	1,037,000	42,772
Total	<u>6,995,000</u>	<u>\$ 2,182,788</u>
Less current portion	<u>(311,000)</u>	
Total non-current	<u>\$ 6,684,000</u>	

**NOTE 7: OTHER POSTEMPLOYMENT HEALTHCARE BENEFITS**

The District provides postemployment health care benefits for retired employees in accordance with negotiated contracts with the various bargaining units of the District.

**Plan Description and Eligibility**

District employees who retire from the District at age 55 or older with 10 or more consecutive years of service with the District are eligible for lifetime medical benefits for themselves and their spouses. Retirees may continue their enrollment in any of the ACWA plans offered by the District. The District does not offer retiree dental or vision coverage.

**CRESCENTA VALLEY WATER DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**June 30, 2019 and 2018**

**NOTE 7: OTHER POSTEMPLOYMENT HEALTHCARE BENEFITS**

The District administers an Agent Multiple-Employer defined benefit postemployment healthcare plan. The District pays the cost to continue current medical/hospitalization for a retired employee and eligible spouse, but not other dependents. An employee may opt for any ACWA medical plan offered by the District; however, District payment shall not exceed the cap. Coverage for a higher cost plan or additional eligible dependents may be provided at the employee’s expense. Coverage will be maintained under its group benefit until the retiree elects to discontinue coverage.

For retired employees whose date of hire is prior to July 1, 2008, the full cost of retiree and spousal coverage will be paid by the District. For future retirees whose date of hire is on or after July 1, 2008, the District will pay 50% of the cost for employees who retire with 10 years of service, plus 5% for every additional year of service thereafter, up to a maximum of 100% for employees who retire with 20 or more years of service. Membership in the OPEB plan consisted of the following members as of June 30, 2018 and 2019 respectively.

Participant Type:	Number of Participants	
	2018	2019
Inactive participants currently receiving benefits	22	18
Inactive participants entitled to but not yet receiving benefit payments	-	-
Active employees	33	32
Total	<u>55</u>	<u>50</u>

**Funding Policy**

The Districts’ required contribution is based on projected pay-as-you-go financing requirements with an additional fixed dollar trust contribution. A fixed dollar contribution of \$100,000 was made in fiscal year 2016-17 with a planned increase of \$50,000 per year to a maximum of \$250,000 per year until the plan is fully funded. For the fiscal year ended June 30, 2018 and 2019, the District contributed \$213,076 and \$268,711 respectively to the plan including the implicit rate subsidy.

**Net OPEB Liability (Asset)**

The table herein shows the components of the net OPEB liability of the District:

	Balance June 30, 2018	Balance June 30, 2019
Total OPEB liability	\$ 6,057,086	\$ 6,624,224
Plan fiduciary net position	<u>100,000</u>	<u>207,901</u>
District's net OPEB liability (asset)	<u>\$ 5,957,086</u>	<u>\$ 6,416,323</u>
 Plan fiduciary net position as a percentage of the total OPEB liability (asset)	 1.65%	 3.14%

**CRESCENTA VALLEY WATER DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2019 and 2018**

**NOTE 7: OTHER POSTEMPLOYMENT HEALTHCARE BENEFITS**

**Investments**

At June 30, 2018 and 2019, all Plan investments are held in the California Employers' Retiree Benefit Trust Program (CERBT) through CalPERS.

**Actuarial Methods and Assumptions**

The District measured its net OPEB liability as shown herein; the total OPEB liability used to calculate the net OPEB liability was determined by actuarial valuations. Liabilities were calculated as of the valuation dates.

The total OPEB liability was determined by an actuarial valuation using the actuarial assumptions shown herein, applied to all periods included in the measurement, unless otherwise specified.

Actuarial Methods and Assumptions	2018	2019
Valuation Date	June 30, 2017	June 30, 2018
Measurement Date	June 30, 2017	June 30, 2018
Inflation	2.00%	2.26%
Salary Increases	3.25%	3.25%
Investment Rate of Return	7.28%	7.28%
Health Care Trend Rate	3.84%	5.00%

Mortality rates were based on the 2014 rates used by CalPERS for the pension valuation for the 2017 valuation date; 2017 mortality rates were used by CalPERS for the pension valuation for the 2018 valuation date.

The long-term expected rate of return was based upon the CERBT strategy 1 investment policy. As of the valuation date, long-term expected rates of return for each major investment class in the Plan's portfolio are as follows:

Investment Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity	60%	5.62%
Fixed Income	32%	1.70%
REITs	8%	5.06%

The discount rate is based on a blend of the long-term expected rate of return on assets for benefits covered by plan assets and a yield or index for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or better for benefits not covered by plan assets.

Above are the arithmetic long-term expected real rates of return by asset class for the next 10 years as provided in a report by JP Morgan. For years thereafter, returns were based on historical average

**CRESCENTA VALLEY WATER DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2019 and 2018**

**NOTE 7: OTHER POSTEMPLOYMENT HEALTHCARE BENEFITS**

index real returns over the last 30 years assuming a similar equity/fixed investment mix and a 2.26% inflation rate. Investment expenses were assumed to be 10 basis points per year. These returns were matched with cash flows for benefits covered by plan assets and the Bond Buyer 20-Bond General Obligation index was matched with cash flows not covered by plan assets to measure the reasonableness of the choice in discount rate.

There have been no assumption changes since the last measurement date.

**Changes in the Net OPEB Liability**

The District's changes in net OPEB liability as of June 30, 2018 was follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (Asset) (a) - (b)
Balances at June 30, 2017	\$ 5,668,516	\$ -	\$ 5,668,516
Changes for the year:			
Service cost	125,970	-	125,970
Interest	417,013	-	417,013
Employer contributions	-	234,956	(234,956)
Difference between expected and	(19,457)	-	(19,457)
Benefit payments	(134,956)	(134,956)	-
Implicit rate subsidy	-	-	-
Net changes	388,570	100,000	288,570
Balances at June 30, 2018	\$ 6,057,086	\$ 100,000	\$ 5,957,086

**CRESCENTA VALLEY WATER DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2019 and 2018**

**NOTE 7: OTHER POSTEMPLOYMENT HEALTHCARE BENEFITS**

The District's changes in net OPEB liability as of June 30, 2019 was follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (Asset) (a) - (b)
Balances at June 30, 2018	\$ 6,057,086	\$ 100,000	\$ 5,957,086
Changes for the year:			
Service cost	132,270	-	132,270
Interest	444,552	-	444,552
Employer contributions	-	-	-
Difference between expected and actual experience	284,776	-	284,776
Changes of assumptions	(125,750)	-	(125,750)
Net investment income	-	7,968	(7,968)
Benefit payments	(168,710)	(168,711)	1
Contributions - employer	-	268,711	(268,711)
Administrative expense	-	(67)	67
Net changes	<u>567,138</u>	<u>107,901</u>	<u>459,237</u>
Balances at June 30, 2019	<u>\$ 6,624,224</u>	<u>\$ 207,901</u>	<u>\$ 6,416,323</u>

The following presents the District's net OPEB liability calculated using the discount rate of 7.28 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.28 percent) or 1-percentage-point higher (8.28 percent) than the current rate:

Discount rate	Net OPEB Liability (Asset)	
	2018	2019
1% decrease (6.28%)	\$ 6,924,579	\$ 7,378,457
Current discount rate (7.28%)	5,957,086	6,416,323
1% increase (8.28%)	5,178,532	5,629,545

The following tables present the District's net OPEB liability if it were calculated using a trend table that has rates that are 1-percentage-point point lower or 1-percentage-point higher than the current set of rates:

Healthcare trend rate	Net OPEB Liability (Asset) 2018
1% decrease (6.00% decreasing to 2.84%)	\$ 5,111,600
Current trend rate (7.00% decreasing to 3.84%)	5,957,086
1% increase (8.00% decreasing to 4.84%)	7,023,407



**CRESCENTA VALLEY WATER DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2019 and 2018**

**NOTE 7: OTHER POSTEMPLOYMENT HEALTHCARE BENEFITS**

Healthcare trend rate	Net OPEB Liability (Asset) 2019
1% decrease (4.00%)	\$ 5,563,035
Current trend rate (5.00%)	6,416,323
1% increase (6.00%)	7,476,441

**OPEB Expense**

For the year ended June 30, 2018 and 2019, the District recognized OPEB expense of \$537,623 and \$586,155 respectively. As of fiscal year ended June 30, 2018 and 2019, the District reported deferred outflows and inflows of resources related to the OPEB from the following sources:

	2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Contribution to OPEB plan after measurement date	\$ 213,076	\$ -
Differences between expected and actual experience in the measurement of the TOL	-	16,959
Changes in assumptions	-	-
Net difference between projected and actual earnings of OPEB plan investments	2,860	-
Total	\$ 215,936	\$ 16,959

	2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Contribution to OPEB plan after measurement date	\$ 203,075	\$ -
Differences between expected and actual experience in the measurement of the TOL	246,583	14,458
Changes in assumptions	-	108,884
Net difference between projected and actual earnings of OPEB plan investments	4,453	-
Total	\$ 454,111	\$ 123,342

As of June 30, 2018 and 2019, employer OPEB contributions of \$213,076 and \$203,075 respectively reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2019 and 2020 respectively.

**CRESCENTA VALLEY WATER DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2019 and 2018**

**NOTE 7: OTHER POSTEMPLOYMENT HEALTHCARE BENEFITS**

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Fiscal Year Ended June 30,</u>	Deferred Outflows/ Inflows of Resources	
	2018	2019
		\$
	(1,785)	-
2020	(1,785)	20,126
2021	(1,785)	20,126
2022	(1,784)	20,128
2023	(2,500)	19,410
2024	(4,457)	18,834
Thereafter	-	29,070
	\$ (14,096)	\$ 127,694

**NOTE 8: DEFINED BENEFIT PENSION PLAN**

**Plan Description**

All qualified permanent and probationary employees are eligible to participate in the District’s separate Miscellaneous Employee Pension Plans, cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees’ Retirement System (CalPERS). Benefit provisions under the Plan is established by State statute and Local Government resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website or may be obtained from their executive office: 400 P Street, Sacramento, CA, 95814.

**Benefits Provided**

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: The Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law.

# CRESCENTA VALLEY WATER DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS June 30, 2019 and 2018

### NOTE 8: DEFINED BENEFIT PENSION PLAN

On September 12, 2012, the California Governor signed the California Public Employees' Pension Reform Act of 2013 (PEPRA) into law. PEPRA took effect January 1, 2013. The new legislation closed the District's CalPERS 2.0% at 55 Risk Pool Retirement Plan to new employee entrants, not previously employed by an agency under CalPERS, effective December 31, 2013. All employees hired after January 1, 2013 are eligible for the District's CalPERS 2.0% at 62 Retirement Plan under PEPRA.

The Plans' provision and benefits in effect at June 30, 2019, are summarized as follows:

	Miscellaneous Plan	
	Tier 1	Tier 2
Hire Date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50-55	52-67
Required employee contribution rates	7.000%	6.250%
Required employer contribution rates	9.409%	6.842%

### Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates, for all public employers, be determined on an annual basis by the actuary and shall be effective on July 1 following notice of the change in rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

As of the fiscal year ended June 30, the contributions recognized as part of pension expense for the Plan was as follows:

**CRESCENTA VALLEY WATER DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2019 and 2018**

**NOTE 8: DEFINED BENEFIT PENSION PLAN**

	<b>Miscellaneous Plan</b>	
	<b>2019</b>	<b>2018</b>
Contribution - employer	\$ 266,500	\$ 350,982
Contribution - employee (paid by employer)	201,069	165,207
Total employer paid contributions	<u>\$ 467,569</u>	<u>\$ 516,189</u>

**Net Pension Liability**

As of the fiscal year ended June 30, the District reported net pension liabilities for its proportionate share of the net pension liability of the Plan was as follows:

	<b>Proportionate Share of Net Pension Liability</b>	
	<b>2019</b>	<b>2018</b>
Miscellaneous Plan	<u>\$ 3,910,317</u>	<u>\$ 3,978,224</u>

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2018 and 2017, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017 and 2016, rolled forward to June 30, 2018 and 2017, using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

The District's proportionate share of the pension liability for the District's Plan as of the June 30, 2018 and 2017 valuation was as follows:

	<b>Miscellaneous Plan</b>
Proportion- June 30, 2018	0.10092%
Proportion- June 30, 2017	0.04010%
Change- Increase (Decrease)	<u>0.06082%</u>

The District's proportionate share of the pension liability for the District's Plan as of the June 30, 2017 and 2016 valuation was as follows:

**CRESCENTA VALLEY WATER DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2019 and 2018**

**NOTE 8: DEFINED BENEFIT PENSION PLAN**

	<b>Miscellaneous Plan</b>
Proportion- June 30, 2017	0.04010%
Proportion- June 30, 2016	0.03888%
Change- Increase (Decrease)	0.00122%

**Deferred Pension Outflows (Inflows) of Resources**

As of June 30, 2019 and 2018, the District recognized pension expense of \$609,505 and \$744,651, respectively.

As of the fiscal year ended June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b>Description</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Pension contributions subsequent to the measurement date	\$ 266,500	\$ -
Differences between actual and expected experience	150,686	51,278
Changes in assumptions	447,733	109,731
Net differences between projected and actual earnings on plan investments	19,416	-
Differences between actual contribution and proportional share of contribution	8,522	170,844
Effect of change in employer's proportion	-	158,940
	\$ 892,857	\$ 490,793

As of the fiscal year ended June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b>Description</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Contributions subsequent to the measurement date	\$ 350,982	\$ -
Changes in Assumptions	691,460	52,725
Difference between expected and actual experience	5,573	79,841
Net difference between projected and actual earnings on plan investments	156,380	-
Effect of change in employer's proportion	-	178,542
Differences between actual contribution and proportional share of contribution	20,697	87,257
Total	\$ 1,225,092	\$ 398,365

As of June 30, 2019 and 2018, employer pension contributions of \$266,500 and \$350,982, respectively, reported as deferred outflows of resources related to contributions subsequent to the

**CRESCENTA VALLEY WATER DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2019 and 2018**

**NOTE 8: DEFINED BENEFIT PENSION PLAN**

measurement date were and will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2020 and 2019, respectively.

As of June 30, 2019, the District recognized other amounts reported by the Plan actuarial as deferred outflows of resources and deferred inflows of resources related to the pension liability.

Pension related amounts will be recognized as pension expense as follows:

<b>Fiscal Year Ending June 30,</b>	<b>Deferred Outflows/ (Inflows) of Resources</b>
2020	\$ 385,892
2021	82,780
2022	(238,957)
2023	(94,151)
	\$ 135,564

**Actuarial Assumptions**

The total pension liability in the June 30, 2017 and 2016 actuarial valuation report was determined using the following actuarial assumptions:

	<b>2019</b>	<b>2018</b>
Valuation date	June 30, 2017	June 30, 2016
Measurement date	June 30, 2018	June 30, 2017
Experience study	June 30, 2017	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal	Entry age normal
Actuarial assumptions:		
Discount rate	7.15%	7.15%
Investment Rate of Return	7.15%	7.00%
Consumer price inflation	2.50%	2.75%
Wage growth	Varies by entry age and services	Varies by entry age and services

CalPERS developed the mortality table used based on CalPERS' specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scales MP-2016. For more details on this table, refer to the 2017 experience study report.

All other actuarial assumption used in the June 30, 2017, valuation use the results of CalPERS Experience Study and Review of Actuarial Assumption – December 2017, including updates to

**CRESCENTA VALLEY WATER DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2019 and 2018**

**NOTE 8: DEFINED BENEFIT PENSION PLAN**

salary increase, morality, and retirement rates, as a basis. The experience study report is available on the CalPERS website under Forms and Publications.

**Discount Rate**

The discount rate used to measure the total pension liability remained the same at 7.15 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

CalPERS continues the Asset Liability Management (ALM) process to expand its review of assets and liabilities to ensure financial risks to the System are better understood, communicated, and mitigated. To establish appropriate levels of risk, ALM is focused on investment and actuarial policies. These policies include key decision factors that drive optimum asset allocations, while stabilizing employer rates, and volatility of those rates year to year. Additionally, in order to better manage risks arising from terminating agencies, CalPERS has enhanced its oversight of contracting public agencies' financial health through its development of a standardized review criteria. These improvements include streamlining the collection and termination process to reduce the timeframe, accelerating notifications to the Board and members, and adopting a risk oversight process to improve early detection of financial hardship issues.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the short term (first 10 years) and the long term (11+ years) using a building-block approach. Using the expected nominal returns for both short term and long term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

**CRESCENTA VALLEY WATER DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**June 30, 2019 and 2018**

**NOTE 8: DEFINED BENEFIT PENSION PLAN**

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1-10*</u>	<u>Real Return Years 11+**</u>
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Estate	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%

\* An expected inflation of 2.00% used for this period

\*\* An expected inflation of 2.92% used for this period

**Sensitivity of the Proportionate Share of Net Pension Liability to Changes in the Discount Rate**

The table herein presents the District's proportionate share of the net position liability for the Plan, calculated using the discount rate, as well as what the District's proportional share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate.

At June 30, 2019, the discount rate comparison was the following:

	<u>Discount Rate -1% (6.15%)</u>	<u>Current Discount Rate (7.15%)</u>	<u>Discount Rate +1% (8.15%)</u>
District's Net Pension Liability	\$ 6,291,397	\$ 3,910,317	\$ 1,944,774

At June 30, 2018, the discount rate comparison was the following:

	<u>Discount Rate -1% (6.15%)</u>	<u>Prior Discount Rate (7.15%)</u>	<u>Discount Rate +1% (8.15%)</u>
District's Net Pension Liability	\$ 6,257,475	\$ 3,978,224	\$ 2,090,507



**CRESCENTA VALLEY WATER DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2019 and 2018**

**NOTE 8: DEFINED BENEFIT PENSION PLAN**

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in separately issued CalPERS financial reports. See schedules in the Required Supplementary Information Section.

**NOTE 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 \$1,265,604 and \$1,417,310 in fiscal years 2019 and 2018, 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 Position.

**CRESCENTA VALLEY WATER DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2019 and 2018**

**NOTE 10: NET POSITION**

The components of net position as of June 30 are as follows:

	2019	2018
Net investment in capital assets:		
Capital assets- not being depreciated	\$ 6,261,291	\$ 7,344,629
Depreciable capital assets, net	42,750,001	40,567,859
Loan payable- current	(332,917)	(353,012)
Loan payable- non-current	(7,684,867)	(7,916,550)
Deferred outflows refunding	256,322	272,342
Total net investments in capital assets	41,249,830	39,915,268
Unrestricted net position:		
Non-spendable net position:		
Materials and supplies inventory	370,673	536,356
Prepaid expenses and other deposits	28,807	48,145
Total non-spendable net position	399,480	584,501
Spendable net position is as follows:		
Unrestricted	2,862,368	3,823,000
Total spendable net position	2,862,368	3,823,000
Total unrestricted net position	3,261,848	4,407,501
Total net position	\$ 44,511,678	\$ 44,322,769

**NOTE 11: RISK MANAGEMENT**

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

At June 30, 2019, the District participated in the liability, property programs, and workers' compensation 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 \$2,000,000 per occurrence. The District has additional excess coverage layers through ACWA/JPIA: \$58 million for general, auto and public officials liability, which increases the limits on the insurance coverage noted above.

## CRESCENTA VALLEY WATER DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019 and 2018

#### **NOTE 11: RISK MANAGEMENT**

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

- Employee dishonesty coverage from the ACWA/JPIA provides self-insurance up to \$100,000 subject to a \$1,000 deductible per loss. The District has purchased excess coverage up to \$1,000,000 per loss, subject to a \$100,000 deductible. Coverage includes public employee dishonesty, forgery or alteration, computer fraud, and faithful performance.
- 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 \$150 million per occurrence, subject to a \$2,500 deductible per occurrence. Mobile equipment is replaced at actual cash value subject to a \$2,500 deductible per occurrence. Scheduled vehicles covered for comprehensive and collision, actual cash value basis subject to \$1,000 deductible per occurrence.
- Boiler and machinery coverage for the replacement cost up to \$150 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, 2018, and 2017. 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, 2019, 2018, and 2017, respectively.

#### **NOTE 12: GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS ISSUED, NOT YET EFFECTIVE**

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2019, that has effective dates that may impact future financial presentations.

#### **Governmental Accounting Standards Board Statement No. 84**

In January 2017, the GASB issued Statement No. 84 *Fiduciary Activities*. The objective of the statement is to improve guidance regarding the recognition of fiduciary activities for accounting and financial reporting purposes by establishing criteria for identifying fiduciary activities of all state and local governments. The statement is effective for the fiscal year 2019-20.

**CRESCENTA VALLEY WATER DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2019 and 2018**

**NOTE 12: GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS  
ISSUED, NOT YET EFFECTIVE**

**Governmental Accounting Standards Board Statement No. 87**

In June 2017, the GASB issued Statement No. 87 *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The statement is effective for the fiscal year 2020-21.

**Governmental Accounting Standards Board Statement No. 90**

In August 2018, the GASB issued Statement No. 90 *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*. The statement modifies previous guidance for reporting a majority equity interest in a legally separate organization and provides guidance for reporting a component unit if 100 percent equity interest is acquired in that component unit. The statement is effective for the fiscal year 2019-20.

**Governmental Accounting Standards Board Statement No. 91**

In May 2019, the GASB issued Statement No. 91 *Conduit Debt Obligations*. The objective of the statement is to eliminate diversity in practice associated with commitments extended by issuer, arrangements associated with conduit obligations and related note disclosures. The statement clarifies the existing definition of a conduit debt obligation, establishing that a conduit debt obligation is not a liability of the user, and establishing standards for accounting and financial reporting. The statement is effective for the fiscal year 2021-22.

**NOTE 13: COMMITMENTS AND CONTINGENCIES**

**Litigation**

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

**REQUIRED SUPPLEMENTARY INFORMATION**

**CRESCENTA VALLEY WATER DISTRICT**

**SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY –  
OTHER POSTEMPLOYMENT BENEFITS OBLIGATION  
June 30,**

<b>Total OPEB Liability</b>	<b>2018</b>	<b>2019</b>
Service Cost	\$ 125,970	\$ 132,270
Interest	417,013	444,552
Differences between expected and actual experience	(19,457)	284,776
Change of assumptions		(125,750)
Benefit Payments	<u>(134,956)</u>	<u>(168,710)</u>
<b>Net Change in Total OPEB Liability</b>	388,570	567,138
<b>Total OPEB Liability - beginning</b>	<u>5,668,516</u>	<u>6,057,086</u>
<b>Total OPEB Liability - ending (a)</b>	<u>\$ 6,057,086</u>	<u>\$ 6,624,224</u>
<b>Plan Fiduciary Net Position</b>	<b>2018</b>	<b>2019</b>
Contributions - Employer	\$ 234,956	\$ 268,711
Net Investment Income	-	7,968
Benefit Payments	(134,956)	(168,710)
Administrative Expense	<u>-</u>	<u>(68)</u>
<b>Net Change in Plan Fiduciary Net Position</b>	100,000	107,901
<b>Plan Fiduciary Net Position - beginning</b>	<u>-</u>	<u>100,000</u>
<b>Plan Fiduciary Net Position - ending (b)</b>	<u>\$ 100,000</u>	<u>\$ 207,901</u>
<b>Net OPEB Liability (Asset) - ending (a) - (b)</b>	<u>\$ 5,957,086</u>	<u>\$ 6,416,323</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	1.65%	3.14%
Covered-employee payroll	\$ 3,305,507	\$ 2,595,864
Net OPEB liability (asset) as a percentage of covered-employee payroll	180.22%	247.17%

Note: Accounting standards require presentation of 10 years of information in this schedule is not required to be presented retroactively. Years will be added to this schedule as data becomes available.

**CRESCENTA VALLEY WATER DISTRICT**

**SCHEDULE OF POST EMPLOYMENT  
HEALTHCARE BENEFIT CONTRIBUTIONS –  
OTHER POSTEMPLOYMENT BENEFITS OBLIGATION  
BENEFITS OBLIGATION**

**June 30,**

<u>OPEB Contributions</u>	<u>2018</u>	<u>2019</u>
Actuarially Determined Contribution (ADC)	\$ 525,315	\$ 525,315
Contributions in relation to the ADC	<u>234,956</u>	<u>268,711</u>
Contribution deficiency (excess)	<u>\$ 290,359</u>	<u>\$ 256,604</u>
District's covered-employee payroll	\$ 3,305,507	\$ 2,595,864
Contributions as a percentage of covered-employee payroll	7.11%	10.35%

Note: Accounting standards require presentation of 10 years of information in this schedule is not required to be presented retroactively. Years will be added to this schedule as data becomes available.

See independent auditors' report and notes to the required supplementary information.

**CRESCENTA VALLEY WATER DISTRICT**

**SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY**

**June 30,**

<b>Description</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
District's proportion of the Net pension liability (asset)	0.03881%	0.03660%	0.04010%	0.04010%	0.10092%
District's proportion share of the net pension liability (asset)	\$ 2,415,225	\$ 2,512,020	\$ 3,364,245	\$ 3,978,224	\$ 3,910,317
District's covered payroll as of previous fiscal year to align with the measurement date of the net pension liability	\$ 2,296,444	\$ 2,388,479	\$ 2,715,807	\$ 2,906,241	\$ 3,305,507
District's proportion share of the net pension liability (asset) as a percentage of its covered payroll	105.17%	105.17%	123.88%	136.89%	118.30%
District's fiduciary net position as a percentage of the total pension liability	77.88%	81.15%	75.87%	75.39%	77.79%

Note 1: Accounting standards require presentation of 10 years of information in this schedule is not required to be presented retroactively. Years will be added to this schedule as data becomes available.

Note 2: The proportionate share of the net pension liability reports prior year covered payroll as of the measurement date.

See independent auditors' report and notes to the required supplementary information.



**CRESCENTA VALLEY WATER DISTRICT**

**SCHEDULE OF DISTRICT'S CONTRIBUTIONS -  
NET PENSION LIABILITY**

**June 30,**

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Contractually required contribution	\$ 292,716	\$ 308,670	\$ 381,098	\$ 350,982	\$ 266,500
Contribution's in related to the contractually required contribution	<u>(292,716)</u>	<u>(308,670)</u>	<u>(381,098)</u>	<u>(350,982)</u>	<u>(266,500)</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered payroll	\$ 2,388,479	\$ 2,715,807	\$ 2,906,241	\$ 3,305,507	\$ 2,966,432
Contribution's as a percentage of covered Payroll	11.01%	11.33%	13.11%	10.62%	8.98%

Note: Accounting standards require presentation of 10 years of information in this schedule is not required to be presented retroactively. Years will be added to this schedule as data becomes available.

See independent auditors' report and notes to the required supplementary information.

# CRESCENTA VALLEY WATER DISTRICT

## NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION June 30, 2019 and 2018

### NOTE 1: PURPOSE OF SCHEDULES

#### Schedule of Changes in Net OPEB Liability

The schedule is intended to show the funded status of the District's actuarially determined liability for postemployment benefits other than pensions. In the future, as data becomes available, 10 years of information will be presented.

#### Schedule of Postemployment Healthcare Contributions

The schedule presents information on the District's required contribution, the amounts actually contributed and any excess or deficiency related to the required contribution. In the future, as data becomes available, 10 years of information will be presented.

#### Schedule of District's Proportionate Share of the Net Pension Liability

The schedule presents information on the District's proportionate share of the net pension liability, the plans' fiduciary net position and, when applicable, the State's proportionate share of the net pension liability associated with the District. In the future, as data becomes available, 10 years of information will be presented.

#### Schedule of District's Contributions

The schedule presents information on the District's required contribution, the amounts actually contributed and any excess or deficiency related to the required contribution. In the future, as data becomes available, 10 years of information will be presented.

**SUPPLEMENTARY INFORMATION**

**CRESCENTA VALLEY WATER DISTRICT**  
**COMBINING SCHEDULE OF FUND NET POSITION**  
**June 30, 2019**

	Enterprise Funds		Total
	Water Fund	Sewer Fund	
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 342,418	\$ 525,290	\$ 867,708
Cash interest receivable	63,289	-	63,289
Accounts receivable- water and wastewater, net	1,812,932	556,089	2,369,021
Accounts receivable- other	587,965	-	587,965
Material and supplies inventory	366,806	3,867	370,673
Prepaid expenses and other deposits	19,559	9,248	28,807
Total Current Assets	<u>3,192,969</u>	<u>1,094,494</u>	<u>4,287,463</u>
<b>Noncurrent assets:</b>			
Investments	10,422,237	-	10,422,237
Internal balances	(1,666,197)	1,666,197	-
Capital assets- not being depreciated	6,235,581	25,710	6,261,291
Depreciable capital assets	<u>25,886,944</u>	<u>16,863,057</u>	<u>42,750,001</u>
Total Non-Current Assets	<u>40,878,565</u>	<u>18,554,964</u>	<u>59,433,529</u>
<b>Total Assets</b>	<u>44,071,534</u>	<u>19,649,458</u>	<u>63,720,992</u>
<b>Deferred outflows of resources:</b>			
Deferred outflows on bond refunding	256,322	-	256,322
Deferred other post-employment benefits outflows	272,467	181,644	454,111
Deferred pension outflows	535,714	357,143	892,857
Total Deferred Outflows	<u>1,064,503</u>	<u>538,787</u>	<u>1,603,290</u>

Continued on next page.

**CRESCENTA VALLEY WATER DISTRICT**

**COMBINING SCHEDULE OF FUND NET POSITION**

**June 30, 2019**

	Enterprise Funds		Total
	Water Fund	Sewer Fund	
<b>Liabilities</b>			
<b>Current liabilities:</b>			
Accounts payable and accrued expenses	\$ 765,109	\$ 57,112	\$ 822,221
Accrued wages and related payables	143,205	83,881	227,086
Customer deposits	329,534	60,130	389,664
Accrued interest expense	48,771	-	48,771
Long-term liabilities- due within one year:			
Compensated absences	68,682	22,894	91,576
Loan payable	332,917	-	332,917
Total Current Liabilities	1,688,218	224,017	1,912,235
<b>Noncurrent liabilities:</b>			
Long-term liabilities- due in more than one year:			
Compensated absences	206,045	68,682	274,727
Loan payable	7,684,867	-	7,684,867
Other post employment benefits payable	3,889,908	2,526,415	6,416,323
Net pension liability	2,346,190	1,564,127	3,910,317
Total Noncurrent Liabilities	14,127,010	4,159,224	18,286,234
<b>Total Liabilities</b>	<b>15,815,228</b>	<b>4,383,241</b>	<b>20,198,469</b>
<b>Deferred inflows of resources:</b>			
Deferred other post-employment benefits inflows	74,005	49,337	123,342
Deferred pension inflows	294,476	196,317	490,793
Total Deferred Inflows of Resources	368,481	245,654	614,135
<b>Net position:</b>			
Net investment in capital assets	24,361,063	16,888,767	41,249,830
Unrestricted	4,591,265	(1,329,417)	3,261,848
<b>Total Net Position</b>	<b>\$ 28,952,328</b>	<b>\$ 15,559,350</b>	<b>\$ 44,511,678</b>

See independent auditors' report

**CRESCENTA VALLEY WATER DISTRICT**

**COMBINING SCHEDULE OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET POSITION  
For The Fiscal Year Ended June 30, 2019**

	Enterprise Funds		Total
	Water Fund	Sewer Fund	
<b>Operating revenues:</b>			
Water operations- consumption sales	\$ 7,262,227	\$ -	\$ 7,262,227
Water operations- service charge	2,780,253	-	2,780,253
Water operations- other charges	891,420	-	891,420
Wastewater operations- user and standby charges	-	3,291,114	3,291,114
Total operating revenues	<u>10,933,900</u>	<u>3,291,114</u>	<u>14,225,014</u>
<b>Operating expenses:</b>			
Source of supply	3,262,503	-	3,262,503
Plant operations	2,141,652	221,637	2,363,289
Distribution system	1,107,293	-	1,107,293
City of Los Angeles wastewater system	-	1,194,533	1,194,533
Collection system	-	239,907	239,907
General and administrative expenses	3,213,062	1,849,498	5,062,560
Total operating expenses before depreciation	<u>9,724,510</u>	<u>3,505,575</u>	<u>13,230,085</u>
Operating income(loss) before depreciation	<u>1,209,390</u>	<u>(214,461)</u>	<u>994,929</u>
Depreciation expense	<u>(1,185,410)</u>	<u>(681,283)</u>	<u>(1,866,693)</u>
<b>Operating gain (loss)</b>	<u>23,980</u>	<u>(895,744)</u>	<u>(871,764)</u>
<b>Non-operating revenues(expenses):</b>			
Investment earnings (losses)	826,378	540	826,918
Interest expense	(353,774)	-	(353,774)
Rental income	27,900	9,300	37,200
Other income(expense), net	<u>(102,796)</u>	<u>(185)</u>	<u>(102,981)</u>
Total non-operating income(loss), net	<u>397,708</u>	<u>9,655</u>	<u>407,363</u>
Net income(loss) before capital contributions	<u>421,688</u>	<u>(886,089)</u>	<u>(464,401)</u>
<b>Capital contributions:</b>			
Capital grants- state	581,463	-	581,463
Assessments	-	71,847	71,847
Total capital contributions	<u>581,463</u>	<u>71,847</u>	<u>653,310</u>
<b>Change in net position</b>	<u>1,003,151</u>	<u>(814,242)</u>	<u>188,909</u>
<b>Net Position, Beginning of Fiscal Year</b>	<u>27,949,177</u>	<u>16,373,592</u>	<u>44,322,769</u>
<b>Net Position, End of Fiscal Year</b>	<u>\$ 28,952,328</u>	<u>\$ 15,559,350</u>	<u>\$ 44,511,678</u>

See independent auditors' report

**CRESCENTA VALLEY WATER DISTRICT**

**DETAILED SCHEDULES OF REVENUES, EXPENSES  
AND CHANGES OF FUND NET POSITION**

**WATER OPERATIONS**

**For the Fiscal Years Ended June 30, 2019 and 2018**

	2019		2018	
	Amount	Percent	Amount	Percent
<b>Operating revenues:</b>				
Water operations- customers	\$ 7,262,227	66.42%	\$ 7,519,558	66.32%
Water operations- others	145,062	1.33%	168,249	1.48%
Service charges	2,780,253	25.43%	2,637,222	23.26%
Meter installations	53,658	0.49%	363,728	3.21%
Other revenue	692,700	6.33%	648,959	5.73%
Total operating revenues	<u>10,933,900</u>	<u>100.00%</u>	<u>11,337,716</u>	<u>100.00%</u>
<b>Operating expenses:</b>				
Source of supply- water purchases	3,262,503	33.55%	3,404,291	36.40%
Plant operations:				
Power	672,505	6.92%	693,534	7.42%
Plant wages	616,583	6.34%	609,429	6.52%
Utilities	14,919	0.15%	24,048	0.26%
Telephone	-	0.00%	-	0.00%
Maintenance	142,931	1.47%	94,135	1.01%
Signal system	44,746	0.46%	17,021	0.18%
Lab and treatment	238,234	2.45%	272,553	2.91%
Nitrate treatment	46,529	0.48%	52,995	0.57%
Insurance	123,357	1.27%	143,510	1.53%
Other expense	241,848	2.49%	55,442	0.59%
Total plant operations	<u>2,141,652</u>	<u>22.03%</u>	<u>1,962,667</u>	<u>20.99%</u>
Distribution system:				
Meter maintenance	876,498	9.01%	803,177	8.59%
Pipeline maintenance	75,169	0.77%	92,137	0.99%
Backflow operations	639	0.01%	515	0.01%
Reservoir and building maintenance	55,716	0.57%	59,408	0.64%
Auto and truck expense	85,814	0.88%	103,015	1.10%
Property taxes	13,457	0.14%	13,250	0.14%
Total distribution system	<u>1,107,293</u>	<u>11.38%</u>	<u>1,071,502</u>	<u>11.47%</u>

Continued on next page

# CRESCENTA VALLEY WATER DISTRICT

## DETAILED SCHEDULES OF REVENUES, EXPENSES AND CHANGES OF FUND NET POSITION WATER OPERATIONS, Continued For the Fiscal Years Ended June 30, 2019 and 2018

	2019		2018	
	Amount	Percent	Amount	Percent
<b>Operating expenses, continued:</b>				
General and administrative:				
Directors' fees	\$ 9,180	0.09%	\$ 8,190	0.09%
Salaries- statutory officers	180,510	1.86%	127,470	1.36%
Salaries- general office	482,986	4.97%	453,008	4.84%
Retirement (CalPERS)	1,080,996	11.12%	731,225	7.82%
Payroll taxes	144,660	1.49%	131,013	1.40%
Engineering and drafting	335,017	3.45%	302,208	3.23%
Accounting	8,200	0.08%	7,500	0.08%
Legal	57,922	0.60%	132,884	1.42%
Administrative consultant- water system	68,287	0.70%	64,830	0.69%
Insurance- general	18,953	0.19%	19,713	0.21%
Insurance- group	318,444	3.27%	496,729	5.31%
Maintenance	24,949	0.26%	18,311	0.20%
Computer and supplies	154,272	1.59%	106,704	1.14%
Utilities	17,079	0.18%	17,907	0.19%
Telephone	85,633	0.88%	80,832	0.86%
Printing and postage	46,090	0.47%	41,090	0.44%
Bad debt	-	0.00%	-	0.00%
Water system fees	46,663	0.48%	52,349	0.56%
Water conservation	26,858	0.28%	19,815	0.21%
Training	36,526	0.38%	27,942	0.30%
Other	69,837	0.72%	73,588	0.79%
Total general and administrative	3,213,062	33.06%	2,913,308	31.14%
Total operating expenses	9,724,510	100.00%	9,351,768	100.00%
Operating income before depreciation	1,209,390	100.00%	1,985,948	100.00%
Depreciation expense	(1,185,410)	100.00%	(1,104,500)	100.00%
<b>Operating income (loss)</b>	<b>23,980</b>	<b>100.00%</b>	<b>881,448</b>	<b>100.00%</b>
<b>Non-operating revenues (expense):</b>				
Investment earnings(expenses)	826,378	207.79%	53,647	-22.07%
Gain(loss) on sale of capital assets	-	0.00%	-	0.00%
Interest expense	(353,774)	-88.95%	(220,802)	90.83%
Rental income	27,900	7.02%	25,200	-10.37%
Other income(expense), net	(102,796)	-25.85%	(101,147)	41.61%
Total non-operating revenues(loss), net	397,708	100.00%	(243,102)	100.00%
Net income(loss) before capital contributions	421,688	100.00%	638,346	100.00%
<b>Capital contributions:</b>				
Capital grants-state	581,463	100.00%	553,187	96.44%
Capital grants-local	-	0.00%	20,400	3.56%
Total capital contributions	581,463	100.00%	573,587	100.00%
<b>Change in net position</b>	<b>\$ 1,003,151</b>	<b>100.00%</b>	<b>\$ 1,211,933</b>	<b>100.00%</b>

See independent auditors' report



**CRESCENTA VALLEY WATER DISTRICT**

**DETAILED SCHEDULES OF REVENUES, EXPENSES  
AND CHANGES OF FUND NET POSITION  
WASTEWATER OPERATIONS,  
For the Fiscal Years Ended June 30, 2019 and 2018**

	2019		2018	
	Amount	Percent	Amount	Percent
<b>Operating revenues:</b>				
User and standby charges	\$ 3,291,114	100.00%	\$ 3,033,860	100.00%
Total operating revenues	3,291,114	100.00%	3,033,860	100.00%
<b>Operating expenses:</b>				
City of Los Angeles wastewater system expense	1,194,533	34.08%	1,097,781	34.23%
Plant operations:				
Power	594	0.02%	612	0.02%
Plant wages	95,130	2.71%	87,827	2.74%
Utilities	3,075	0.09%	3,025	0.09%
Telephone	-	0.00%	-	0.00%
Maintenance	7,909	0.23%	3,673	0.11%
Insurance- general	98,410	2.81%	114,267	3.56%
Signal system	-	0.00%	-	0.00%
Other expense	16,519	0.47%	17,316	0.54%
Total plant operations	221,637	6.33%	226,720	7.06%
Collection system:				
Maintenance	182,598	5.21%	201,659	6.29%
Auto and truck expense	41,662	1.19%	46,769	1.46%
Inspection	15,647	0.45%	2,585	0.08%
Total collection system	239,907	6.85%	251,013	7.83%

Continued on next page

**CRESCENTA VALLEY WATER DISTRICT**

**DETAILED SCHEDULES OF REVENUES, EXPENSES  
AND CHANGES OF FUND NET POSITION  
WASTEWATER OPERATIONS, Continued  
For the Fiscal Years Ended June 30, 2019 and 2018**

	2019		2018	
	Amount	Percent	Amount	Percent
<b>Operating expenses, continued:</b>				
General and administrative:				
Directors' fees	\$ 9,180	0.26%	\$ 8,190	0.26%
Salaries- statutory officers	180,510	5.15%	119,806	3.74%
Salaries- general office	339,465	9.68%	303,504	9.46%
Retirement (CalPERS)	721,103	20.57%	488,134	15.22%
Payroll taxes	96,127	2.74%	87,342	2.72%
Engineering and drafting	111,210	3.17%	103,469	3.23%
Accounting	8,200	0.23%	7,500	0.23%
Legal	15,058	0.43%	32,612	1.02%
Administrative	16,737	0.48%	6,100	0.19%
Insurance- general	12,635	0.36%	13,142	0.41%
Insurance- group	212,330	6.06%	265,429	8.28%
Maintenance	8,313	0.24%	6,152	0.19%
Computer and supplies	(34,534)	-0.99%	46,880	1.46%
Utilities	5,991	0.17%	6,770	0.21%
Telephone	28,544	0.81%	26,943	0.84%
Printing and postage	36,959	1.05%	34,072	1.06%
Bad debt	-	0.00%	-	0.00%
Training	4,629	0.13%	4,109	0.13%
Other	77,041	2.20%	71,671	2.23%
Total general and administrative	1,849,498	52.74%	1,631,825	50.88%
Total operating expenses	3,505,575	100.00%	3,207,339	100.00%
Operating income(loss) before depreciation	(214,461)	100.00%	(173,479)	100.00%
Depreciation expense	(681,283)	100.00%	(572,211)	100.00%
<b>Operating loss</b>	<b>(895,744)</b>	<b>100.00%</b>	<b>(745,690)</b>	<b>100.00%</b>
<b>Non-operating revenues (expense):</b>				
Investment earnings	540	5.59%	283	-0.44%
Gain(loss) on sale of capital assets	-	0.00%	-	0.00%
Rental income	9,300	96.33%	8,400	-13.17%
Other income(expense), net	(185)	-1.92%	(72,496)	113.61%
Total non-operating revenues, net	9,655	100.00%	(63,813)	100.00%
Loss before capital contributions	(886,089)	100.00%	(809,503)	100.00%
<b>Capital contributions:</b>				
Assessments	71,847	100.00%	69,463	100.00%
<b>Change in net position</b>	<b>\$ (814,242)</b>	<b>100.00%</b>	<b>\$ (740,040)</b>	<b>100.00%</b>

See independent auditors' report

**OTHER INDEPENDENT AUDITORS' REPORT**



**INDEPENDENT AUDITORS' 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, 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, the financial statements of the Crescenta Valley Water District (the District), as of and for the year ended June 30, 2019 and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 21, 2020.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control 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 financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.


Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **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 grant agreements, 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 non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**CliftonLarsonAllen LLP**  
Glendora, California  
February 21, 2020

