



CRESCENTA VALLEY WATER DISTRICT
REPORT ON AUDIT OF FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2017 and 2016



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, 2017

| Name | Title | Elected/ Appointed | Current Term |
|----------------------|----------------|-------------------------------|-------------------------|
| James D. Bodnar | President | Elected | December 2018 |
| Michael L. Claessens | Vice President | Elected | December 2020 |
| Kerry D. Erickson | Director | Elected | December 2018 |
| Kenneth R. Putnam | Director | Elected | December 2018 |
| Judy L. Tejada | Director | Elected | December 2020 |

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

CRESCENTA VALLEY WATER DISTRICT

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June 30, 2017 and 2016

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INTRODUCTORY SECTION



Crescenta Valley Water District

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

Directors

Kerry D. Erickson
James D. Bodnar
Michael L. Claessens
Kenneth R. Putnam
Judy L. Tejada

Officers

Thomas A. Love, P.E.
General Manager
Ron L. Mitchell
Secretary-Treasurer

December 20, 2017
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, 2017 and June 30, 2016, 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 Auditor's Report.

District Structure and Leadership

The Crescenta Valley Water District is an independent special district, which operates under the authority of Division 12 of the California Water Code. The Crescenta Valley Water District has been providing services to area residents since 1950. The District is governed by a five-member Board of Directors, elected at-large from within the District's service area. The District General Manager administers the day-to-day operations of the District in accordance with policies and procedures established by the Board of Directors. The Crescenta Valley Water District employs a full-time staff of 33 employees. The District's Board of Directors' regularly scheduled meetings are on the first and third 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 small portion of the City of La Canada-Flintridge. The District also serves a portion of the City of Glendale in Montrose and La Crescenta outside District boundaries.

The District serves an area of approximately 4 square miles in relatively steep terrain ranging from 1,200 feet to almost 3,000 feet above sea level. The customer base is primarily residential with some light commercial along Foothill Boulevard in La Crescenta and Honolulu Avenue in Montrose. The District currently provides water to over 8,000 accounts representing a population of approximately 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.

California's water supply continues to be a concern due to population increases and continued recovery from recent drought conditions. This concern, in addition to State-mandated reductions, has increased interest in conservation and in irrigation methods and systems. These trends are expected to shift long-term water demand toward less consumption.

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

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

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

Internal Control Structure

District management is responsible for the establishment and maintenance of the internal control structure that ensures 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.

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. Accordingly, water and sewer rates are reviewed annually. 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

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

- 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's Report appears in the Financial Section.

Risk Management

The District participates in a joint powers agreement with the Association of California Water Agencies Joint Powers Insurance Authority (ACWA/JPA). The District participates in the Liability, Property and Workers' Compensation 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



CliftonLarsonAllen LLP
CLAconnect.com

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 year ended June 30, 2017, 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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.

INDEPENDENT AUDITORS' REPORT

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, 2017 and the changes in its financial position and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Year Financial Statements

The financial statements of the District as of June 30, 2016 were audited by other auditors whose report dated December 6, 2016, expressed an unmodified opinion on those statements.

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 audit was 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

INDEPENDENT AUDITORS' REPORT

Board of Directors
Crescenta Valley Water District
La Crescenta, California

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 audit 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2017 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
December 20, 2017

CRESCENTA VALLEY WATER DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Fiscal Years Ended June 30, 2017 and 2016

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, 2017 and 2016. 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 decreased 2.40%, or \$1,104,232 to \$44,989,952 in fiscal year 2017, primarily due to a decrease from operations. In 2016, the District's net position decreased 1.89%, or \$861,408 to \$46,094,184, primarily due to a decrease from operations. See note 13 for further information.
- The District's operating revenues increased 11.55% or 1,317,863, in fiscal year 2017. In 2016, the District's operating revenues decreased 5.82% or \$704,858.
- The District's operating expenses increased 3.00%, or \$402,116, in fiscal year 2017. In 2016, the District's operating expenses increased 0.62%, or \$82,342.

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 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

CRESCENTA VALLEY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Years Ended June 30, 2017 and 2016

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 on pages beginning on page 17.

CRESCENTA VALLEY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Years Ended June 30, 2017 and 2016

Statements of Net Position

Condensed Statement of Net Position

| | <u>2017</u> | <u>2016</u> | <u>Change</u> |
|---------------------------------------|----------------------|----------------------|-----------------------|
| Assets: | | | |
| Current assets | \$ 5,200,496 | \$ 12,869,933 | \$ (7,669,437) |
| Non-Current Assets | 12,163,725 | 5,624,931 | 6,538,794 |
| Capital assets, net | <u>45,701,698</u> | <u>45,120,528</u> | 581,170 |
| Total assets | <u>63,065,919</u> | <u>63,615,392</u> | <u>(549,473)</u> |
| Deferred outflow of resources: | <u>965,543</u> | <u>327,407</u> | <u>638,136</u> |
| Liabilities: | | | |
| Current liabilities | 2,130,001 | 1,869,198 | 260,803 |
| Non-current liabilities | <u>18,667,337</u> | <u>15,429,452</u> | <u>3,237,885</u> |
| Total liabilities | <u>20,797,338</u> | <u>17,298,650</u> | <u>3,498,688</u> |
| Deferred inflow of resources: | <u>374,173</u> | <u>549,965</u> | <u>(175,792)</u> |
| Net position: | | | |
| Net investment in capital assets | 36,753,114 | 35,874,859 | 878,255 |
| Restricted | 617,361 | 617,109 | 252 |
| Unrestricted | <u>7,619,477</u> | <u>9,602,216</u> | <u>(1,982,739)</u> |
| | <u>\$ 44,989,952</u> | <u>\$ 46,094,184</u> | <u>\$ (1,104,232)</u> |

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 \$44,989,952 and \$46,094,184 as of June 30, 2017 and 2016, respectively.

By far, the largest portion of the District's net position (82% and 78% as of June 30, 2017 and 2016, respectively) reflects the District's investment in capital assets (net of accumulated depreciation) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to customers within the District's service area; consequently, these assets are not available for future spending. See note 10 for further information.

At the end of fiscal year 2017 and 2016, the District showed a positive balance in its unrestricted net position of \$7,619,477 and \$9,602,216, respectively. See note 10 for the amount of spendable 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, 2017 and 2016

Statements of Revenues, Expenses and Changes in Net Position

Condensed Statement of Revenues, Expenses and Changes in Net Position

| | <u>2017</u> | <u>2016</u> | <u>Change</u> |
|-----------------------------------------|----------------------|----------------------|-----------------------|
| Revenues: | | | |
| Operating revenues | \$ 12,725,943 | \$ 11,408,080 | \$ 1,317,863 |
| Non-operating revenues | 33,325 | 670,584 | (637,259) |
| Total revenues | <u>12,759,268</u> | <u>12,078,664</u> | <u>680,604</u> |
| Expenses: | | | |
| Operating expenses | 13,784,958 | 13,382,842 | 402,116 |
| Non-operating expenses | 549,887 | 368,022 | 181,865 |
| Total Expenses | <u>14,334,845</u> | <u>13,750,864</u> | <u>583,981</u> |
| Net income before capital contributions | (1,575,577) | (1,672,200) | 96,623 |
| Capital Contributions | <u>471,345</u> | <u>810,792</u> | <u>(339,447)</u> |
| Change in net position | <u>(1,104,232)</u> | <u>(861,408)</u> | <u>(242,824)</u> |
| | | | |
| Net position-beginning of year | <u>46,094,184</u> | <u>46,955,592</u> | <u>(861,408)</u> |
| Net Position-end of year | <u>\$ 44,989,952</u> | <u>\$ 46,094,184</u> | <u>\$ (1,104,232)</u> |

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 2017 decreased 2.40%, or \$1,104,232 to \$44,989,952, due to a decrease from operations. In fiscal year 2016, net position decreased 1.89%, or \$861,408 to \$46,094,184, due to a decrease from operations.

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

In 2017, the District's total revenues increased by 5.63%, or \$680,604. This was primarily due to an increase in water demand with the tapering off of the recent multi-year drought, translating to increased water consumption sales by \$797,797. Continued economic growth also contributed to increased development activity, which accounts for the majority of the \$331,494 increase in water operations from other charges. Total revenue was tempered in part by a decrease of \$107,837 in wastewater operations revenue and a decrease in investment earnings.

In 2016, the District's total revenues decreased by 1.99%, or \$245,485, primarily due to a decrease in operating revenues of \$704,858. Operating revenues had decreased primarily as the result of decreases of \$633,120 in net water operations revenue and \$71,738 in net wastewater revenue. Non-operating revenues increased by \$459,619 due to increases of \$468,076 in investment earnings.

In 2017, the District's total expenses increased by \$583,981, or 4.25%. The was driven in large part by the increase in water demand which in turn led to increased water supply costs in the

CRESCENTA VALLEY WATER DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Fiscal Years Ended June 30, 2017 and 2016

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

amount of \$645,618. Other increases were attributable to general inflationary pressures, particularly the cost of health care premiums. Wastewater system and collection expenses decreased by \$505,853.

In 2016, the District's total expenses increased by 0.53%, or \$72,664. The District's operating expenses increased by \$82,342 primarily due to an increase of \$687,177 in costs associated with the discharge of treated water into the City of Los Angeles wastewater system which was offset by decreases of \$237,406 in source of supply expenses and \$316,633 in plant operations expenses.

In 2017, non-operating expenses increased by 49.42%, or \$181,865, primarily due to a decrease in investment earnings.

In 2016, non-operating expenses decreased by 2.56%, or \$9,678, primarily due to a \$9,432 decrease in interest expense.

In 2017, capital contributions decreased by 41.87%, or \$339,447, primarily due to a timing difference between when payments from capital grants were expected and received.

In 2016, capital contributions increased by 2,472.06%, or \$779,269, primarily due to increases of \$596,446 from state capital grants and \$214,346 from local capital grants, which was offset by a decrease of \$10,060 in assessment capital contributions from prior year.

Capital Asset Administration

At the end of fiscal years 2017 and 2016, the District's investment in capital assets amounted to \$45,701,698 and \$45,120,528, respectively, (net of accumulated depreciation). This investment in capital assets includes land, transmission and distribution systems, collection systems, buildings and structures, equipment, and vehicles, etc. Major capital assets additions during the year included upgrades to the District's water operations production and transmission and distribution systems.

Changes in capital asset amount for 2017 are as follows:

| | Balance 2016 | Additions/ Transfers | Deletions / Transfers | Balance 2017 |
|---------------------------|----------------------|-------------------------|--------------------------|----------------------|
| Capital assets: | | | | |
| Non-depreciable assets | \$ 3,353,249 | \$ 1,865,413 | \$ - | \$ 5,218,662 |
| Depreciable assets | 81,552,260 | 422,673 | (19,679) | 81,955,254 |
| Accumulated depreciation | (39,784,981) | (1,706,916) | 19,679 | (41,472,218) |
| Total capital assets, net | <u>\$ 45,120,528</u> | <u>\$ 581,170</u> | <u>\$ -</u> | <u>\$ 45,701,698</u> |

CRESCENTA VALLEY WATER DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Years Ended June 30, 2017 and 2016**

Capital Asset Administration, continued

Changes in capital asset amount for 2016 are as follows:

| | Balance | 2015 | Additions/ Transfers | Deletions / Transfers | Balance 2016 |
|---------------------------|---------|--------------|-------------------------|--------------------------|-----------------|
| Capital assets: | | | | | |
| Non-depreciable assets | \$ | 2,933,919 | \$ 4,087,270 | (3,667,940) | \$ 3,353,249 |
| Depreciable assets | | 77,875,118 | 3,738,396 | (61,254) | 81,552,260 |
| Accumulated depreciation | | (37,988,123) | (1,858,112) | 61,254 | (39,784,981) |
| Total capital assets, net | \$ | 42,820,914 | \$ 5,967,554 | \$ (3,667,940) | \$ 45,120,528 |

(See note 4 for further discussion)

Debt Administration

Changes in long-term debt amounts at 2017 are as follows:

| | Balance | Additions/ Transfers | Payments/ Discount Amoritzation | Balance 2017 | |
|----------------------|---------|-------------------------|---------------------------------------|-----------------|--------------|
| Long-term debt: | | | | | |
| Total bonds payable | \$ | 7,916,083 | \$ - | \$ (256,073) | \$ 7,660,010 |
| Total loans payable | | 1,023,574 | - | (51,012) | 972,562 |
| Total long-term debt | \$ | 8,939,657 | \$ - | \$ (307,085) | \$ 8,632,572 |

Changes in long-term debt amounts at 2016 are as follows:

| | Balance | Additions/ Transfers | Payments/ Discount Amoritzation | Balance 2016 | |
|----------------------|---------|-------------------------|---------------------------------------|-----------------|--------------|
| Long-term debt: | | | | | |
| Total bonds payable | \$ | 8,171,083 | - | \$ (255,000) | \$ 7,916,083 |
| Total loans payable | | 1,074,586 | - | (51,012) | 1,023,574 |
| Total long-term debt | \$ | 9,245,669 | \$ - | \$ (306,012) | \$ 8,939,657 |

(See note 6 for further discussion)

Conditions Affecting Current Financial Position

Management is unaware of any conditions at June 30, 2017, 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, 2017 and 2016

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 Thomas A. Love, 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, 2017 and 2016

| | 2017 | 2016 |
|---------------------------------------------------------|---------------|---------------|
| Assets | | |
| Current Assets: | | |
| Cash and cash equivalents (note 2) | \$ 2,537,868 | \$ 10,326,577 |
| Accrued interest receivable | 77,447 | 29,957 |
| Accounts receivable- water and wastewater, net (note 3) | 2,175,771 | 1,962,565 |
| Accounts receivable- local grant | - | 133,270 |
| Accounts receivable- other | 8,269 | 2,520 |
| Material and supplies inventory | 356,671 | 370,451 |
| Prepaid expenses and other deposits | 44,470 | 44,593 |
| Total Current Assets | 5,200,496 | 12,869,933 |
| Non-current assets: | | |
| Investments (note 2) | 11,546,364 | 5,007,822 |
| Investments- restricted (note 2) | 617,361 | 617,109 |
| Capital assets- not being depreciated (note 4) | 5,218,662 | 3,353,249 |
| Depreciable capital assets (note 4) | 40,483,036 | 41,767,279 |
| Total Non-Current Assets | 57,865,423 | 50,745,459 |
| Total Assets | 63,065,919 | 63,615,392 |
| Deferred outflows of resources: | | |
| Deferred pension outflows (note 8) | 965,543 | 327,407 |
| Total Deferred Outflows of Resources | 965,543 | 327,407 |
| Liabilities | | |
| Current liabilities: | | |
| Accounts payable and accrued expenses | 1,173,800 | 1,150,149 |
| Accrued wages and related payables | 154,905 | 44,499 |
| Customer deposits | 374,202 | 259,847 |
| Accrued interest expense | 29,070 | 29,920 |
| Long-term liabilities- due within one year: | | |
| Compensated absences (note 5) | 82,012 | 78,771 |
| Certificates of participation (note 6) | 265,000 | 255,000 |
| Loan payable (note 6) | 51,012 | 51,012 |
| Total Current Liabilities | 2,130,001 | 1,869,198 |
| Non-current liabilities: | | |
| Long-term liabilities- due in more than one year: | | |
| Compensated absences (note 5) | 246,035 | 236,313 |
| Certificates of participation (note 6) | 7,660,010 | 7,916,083 |
| Loan payable (note 6) | 972,562 | 1,023,574 |
| Other post employment benefits payable (note 7) | 4,294,484 | 3,741,462 |
| Net pension liability (note 8) | 3,364,245 | 2,512,020 |
| Total Noncurrent Liabilities | 16,537,336 | 15,429,452 |
| Total Liabilities | 18,667,337 | 17,298,650 |
| Deferred inflows of resources: | | |
| Deferred pension inflows (note 8) | 374,173 | 549,965 |
| Total Deferred Inflows of Resources | 374,173 | 549,965 |
| Net position: (note 10) | | |
| Net investment in capital assets | 36,753,114 | 35,874,859 |
| Restricted for debt service | 617,361 | 617,109 |
| Unrestricted | 7,619,477 | 9,602,216 |
| Total Net Position | \$ 44,989,952 | \$ 46,094,184 |

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, 2017 and 2016**

| | 2017 | 2016 |
|-----------------------------------------------------|---------------|---------------|
| Operating revenues: | | |
| Water operations- consumption sales | \$ 6,540,242 | \$ 5,742,445 |
| Water operations- service charge | 2,245,629 | 1,949,220 |
| Water operations- other charges | 772,050 | 440,556 |
| Wastewater operations- user and standby charges | 3,168,022 | 3,275,859 |
| Total operating revenues | 12,725,943 | 11,408,080 |
| Operating expenses: | | |
| Source of supply | 3,149,245 | 2,503,627 |
| Plant operations | 2,175,501 | 1,928,943 |
| Distribution system | 1,127,201 | 1,275,372 |
| City of Los Angeles wastewater system | 950,537 | 1,362,190 |
| Collection system | 212,842 | 307,042 |
| General and administrative expenses | 4,462,717 | 4,147,556 |
| Total operating expenses before depreciation | 12,078,043 | 11,524,730 |
| Operating income before depreciation | 647,900 | (116,650) |
| Depreciation expense | (1,706,915) | (1,858,112) |
| Operating loss | (1,059,015) | (1,974,762) |
| Non-operating revenues(expenses): | | |
| Investment earnings | (109,432) | 635,271 |
| Gain(loss) on sale of capital assets | 1,174 | 6,901 |
| Interest expense | (358,188) | (368,022) |
| Rental income | 32,151 | 28,351 |
| Other income(expense), net | (82,267) | 61 |
| Total non-operating (loss), net | (516,562) | 302,562 |
| Net (loss) before capital contributions | (1,575,577) | (1,672,200) |
| Capital contributions: | | |
| Capital grants- state | 359,759 | 574,983 |
| Capital grants- local | - | 214,346 |
| Assessments | 111,586 | 21,463 |
| Total capital contributions | 471,345 | 810,792 |
| Change in net position | (1,104,232) | (861,408) |
| Net position- beginning of year | 46,094,184 | 46,955,592 |
| Net position- end of year | \$ 44,989,952 | \$ 46,094,184 |

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, 2017 and 2016

| | <u>2017</u> | <u>2016</u> |
|---------------------------------------------------------------|---------------------|----------------------|
| Cash flows from operating activities: | | |
| Cash receipts from customers for water sales and services | \$ 12,754,613 | \$ 11,392,617 |
| Cash paid to employees for salaries and wages | (2,281,280) | (2,864,572) |
| Cash paid to vendors and suppliers for materials and services | (9,044,521) | (8,850,714) |
| Net cash provided (used) by operating activities | <u>1,428,812</u> | <u>(322,669)</u> |
| Cash flows from capital and related financing activities: | | |
| Acquisition and construction of capital assets | (2,288,085) | (4,157,726) |
| Proceeds from grant funding | 359,759 | 656,059 |
| Proceeds from property owner assessments | 111,586 | 21,463 |
| Proceeds from loans | - | 1,091,590 |
| Principal paid on long-term debt | (297,085) | (262,004) |
| Interest paid on long-term debt | (358,188) | (338,102) |
| Net cash used in capital and related financing activities | <u>(2,472,013)</u> | <u>(2,988,720)</u> |
| Cash flows from investing activities: | | |
| Purchases of investments | (11,576,196) | (3,750,000) |
| Proceeds from sale of investments | 4,542,541 | 13,406,547 |
| Interest earnings | 288,147 | 234,281 |
| Net cash provided (used) by investing activities | <u>(6,745,508)</u> | <u>9,890,828</u> |
| Net increase (decrease) in cash and cash equivalents | <u>(7,788,709)</u> | <u>6,579,439</u> |
| Cash and cash equivalents, beginning of year | <u>10,326,577</u> | <u>3,747,138</u> |
| Cash and cash equivalents, end of year | <u>\$ 2,537,868</u> | <u>\$ 10,326,577</u> |

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, 2017 and 2016

| | 2017 | 2016 |
|----------------------------------------------------------------------------------------------|----------------|----------------|
| Reconciliation of operating loss to net cash provided (used) by operating activities: | | |
| Operating loss | \$ (1,059,015) | \$ (1,974,762) |
| Adjustments to reconcile operating loss to net cash provided (used) by operating activities: | | |
| Depreciation | 1,706,915 | 1,858,112 |
| Non-operating, net | | 32,437 |
| Changes in operating assets and liabilities | | |
| Accounts receivable- water and wastewater, net | (213,206) | (66,142) |
| Accounts receivable- local grant | 133,270 | (133,270) |
| Accounts receivable- other | (5,749) | 50,679 |
| Material and supplies inventory | 13,780 | (59,813) |
| Prepaid expenses and other assets | 123 | (5,114) |
| (Increase) Decrease in Deferred outflows | (638,136) | 7,882 |
| Accounts payable and accrued expenses | 23,651 | 367,978 |
| Accrued wages and related payables | 110,406 | 12,134 |
| Customer deposits | 114,355 | 21,700 |
| Compensated absences | 12,963 | 1,137 |
| Other post-employment benefits payable | 553,022 | 618,630 |
| Net pension liability | 852,225 | (788,047) |
| Increase in deferred inflows of resources | (175,792) | (266,210) |
| Total adjustments | 2,487,827 | 1,652,093 |
| Net cash provided (used) by operating activities | \$ 1,428,812 | \$ (322,669) |

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

CRESCENTA VALLEY WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017 and 2016

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, 2017 and 2016

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.

CRESCENTA VALLEY WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017 and 2016

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. When Management deems a customer account uncollectable, the District uses the allowance method for the reservation and write-off of those accounts.

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 estimated fair market value at the date of contribution. Upon retirement or other disposition of capital assets, the cost and related accumulated depreciation are removed from the respective balances and any gains or losses are recognized. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

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

Deferred Outflows of Resources

The statement of net position reports a separate section for deferred outflows of resources. This financial statement element, deferred outflows of resources, represents a consumption of resources applicable to future periods and therefore will not be recognized as an outflow of resources (expenditure) until that time. The deferred outflows of resources related to pensions resulted from the District contributions to employee pension plans subsequent to the measurement date of the actuarial valuations for the pension plans, the effect of changes in

CRESCENTA VALLEY WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 1: REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

proportion, and the difference between expected and actual experience. The deferred outflows-pensions will be deferred and 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.

Pensions

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 and the governmental funds balance sheet will sometimes report 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. The deferred inflows of resources related to pensions results from the difference between the estimated and actual return on pension plan investments, the effect of changes in proportion and changes in assumptions, and the difference between expected and actual experience. These amounts are deferred and 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

CRESCENTA VALLEY WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 1: REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 either by creditors (debt covenants), grantors, contributors, or laws and regulations of other governments or constraints imposed by law through enabling legislation.
- *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.

Deposit Connection Fees

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

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

CRESCENTA VALLEY WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 1: REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported changes in net position during the reporting period.

NOTE 2: CASH AND INVESTMENTS

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

| | 2017 | 2016 |
|----------------------------|---------------|---------------|
| Cash and cash equivalents | \$ 2,537,868 | \$ 10,326,577 |
| Investments | 11,546,364 | 5,007,822 |
| Investments- restricted | 617,361 | 617,109 |
| Total cash and investments | \$ 14,701,593 | \$ 15,951,508 |

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

| | 2017 | 2016 |
|--------------------------------------|---------------|---------------|
| Cash on hand | \$ 800 | \$ 800 |
| Deposits with financial institutions | 904,028 | 1,317,074 |
| Investments | 13,796,765 | 14,633,634 |
| Total cash and investments | \$ 14,701,593 | \$ 15,951,508 |

Custodial Credit Risk

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

CRESCENTA VALLEY WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 2: CASH AND INVESTMENTS

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 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

CRESCENTA VALLEY WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017 and 2016

NOTE 2: CASH AND INVESTMENTS

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, 2017 were as follows:

| Investment Type | Total | Remaining Maturity (in Months) | | | |
|--------------------------------|----------------------|---------------------------------------|----------------------------|-------------------------|--------------------------|
| | | 12 Months Or less | 13 to 24 Months | 25-60 Months | 61-120 Months |
| U.S. Treasury Notes | \$ 3,818,840 | \$ - | \$ - | \$ 974,690 | \$ 2,844,150 |
| Federal Farm Credit Bank Bonds | 7,727,525 | 499,660 | - | 2,887,245 | 4,340,620 |
| Local Agency Investment Funds | 2,108,151 | 2,108,151 | - | - | - |
| Money Market Funds | 142,249 | 142,249 | - | - | - |
| Total | \$ 13,796,765 | \$ 2,750,060 | \$ - | \$ 3,861,935 | \$ 7,184,770 |

Maturities of investments at June 30, 2016 were as follows:

| Investment Type | Total | Remaining Maturity (in Months) | | | |
|--------------------------------|----------------------|---------------------------------------|----------------------------|-------------------------|--------------------------|
| | | 12 Months Or less | 13 to 24 Months | 25-60 Months | 61-120 Months |
| U.S. Treasury Notes | \$ 1,012,230 | \$ - | \$ - | \$ - | \$ 1,012,230 |
| Federal Farm Credit Bank Bonds | 3,995,592 | - | 1,001,250 | 1,783,722 | 1,210,620 |
| Local Agency Investment Funds | 6,385,237 | 6,385,237 | - | - | - |
| Money Market Funds | 3,240,575 | 3,240,575 | - | - | - |
| Total | \$ 14,633,634 | \$ 9,625,812 | \$ 1,001,250 | \$ 1,783,722 | \$ 2,222,850 |

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, 2017 and 2016

NOTE 2: CASH AND INVESTMENTS

Credit rating of investments as of June 30, 2017, 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 | \$ 3,818,840 | A | \$ - | \$ 3,818,840 | \$ - |
| Federal Farm Credit Bank Bonds | 7,727,525 | A | - | 7,727,525 | - |
| Local Agency Investment Funds | 2,108,151 | N/A | - | - | 2,108,151 |
| Money Market Funds | 142,249 | AAA | 142,249 | - | - |
| Total | \$ 13,796,765 | | \$ 142,249 | \$ 11,546,365 | \$ 2,108,151 |

Credit rating of investments as of June 30, 2016, 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 | \$ 1,012,230 | A | \$ - | \$ 1,012,230 | \$ - |
| Federal Farm Credit Bank Bonds | 3,995,592 | A | - | 3,995,592 | - |
| Local Agency Investment Funds | 6,385,237 | N/A | - | - | 6,385,237 |
| Money Market Funds | 3,240,575 | AAA | 3,240,575 | - | - |
| Total | \$ 14,633,634 | | \$ 3,240,575 | \$ 5,007,822 | \$ 6,385,237 |

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, are as follows:
Investments at June 30, 2017:

| <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 | \$ 3,818,840 | \$ - | \$ 3,818,840 | \$ - |
| U.S. Treasury notes | 7,727,525 | 7,727,525 | - | - |
| Money Market Funds | 142,249 | 142,249 | - | - |
| Total investments measured at fair value | 11,688,614 | \$ 7,869,774 | \$ 3,818,840 | \$ - |
| Investments measured at amortized cost: | | | | |
| Local Agency Investment Fund (LAIF) | 2,108,151 | | | |
| Total | \$ 13,796,765 | | | |

CRESCENTA VALLEY WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 2: CASH AND INVESTMENTS

Investments at June 30, 2016:

| <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 | \$ 3,995,592 | \$ - | \$ 3,995,592 | \$ - |
| U.S. Treasury notes | 1,012,230 | 1,012,230 | - | - |
| Money Market Funds | 3,240,575 | 3,966,654 | - | - |
| Total investments measured at fair value | 8,248,397 | <u>\$ 4,978,884</u> | <u>\$ 3,995,592</u> | <u>\$ -</u> |
| Investments measured at amortized cost: | | | | |
| Local Agency Investment Fund (LAIF) | 6,385,237 | | | |
| Total | <u>\$ 14,633,634</u> | | | |

NOTE 3: ACCOUNTS RECEIVABLE-WATER AND WASTEWATER, NET

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

| | <u>2017</u> | <u>2016</u> |
|-----------------------------------------------|---------------------|---------------------|
| Account receivable- water and wastewater | \$ 2,181,284 | \$ 1,968,078 |
| Allowance for doubtful accounts | (5,513) | (5,513) |
| Account receivable- water and wastewater, net | <u>\$ 2,175,771</u> | <u>\$ 1,962,565</u> |

CRESCENTA VALLEY WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017 and 2016

NOTE 4: CAPITAL ASSETS

Capital assets at June 30, 2017, are summarized as follows:

| | Balance | 2016 | Additions/ Transfers | Deletions / Transfers | Balance 2017 |
|---------------------------------------|---------|-------------------|-------------------------|--------------------------|----------------------|
| Non-depreciable assets: | | | | | |
| Water operations | \$ | 3,332,210 | \$ 1,865,413 | \$ | \$ 5,197,623 |
| Wastewater operations | | 21,039 | | | 21,039 |
| Total non-depreciable assets | | <u>3,353,249</u> | <u>1,865,413</u> | <u>-</u> | <u>5,218,662</u> |
| Depreciable assets, net: | | | | | |
| Water operations | | 23,284,758 | (880,242) | - | 22,404,516 |
| Wastewater operations | | 18,482,521 | (404,001) | | 18,078,520 |
| Total depreciable capital assets, net | | <u>41,767,279</u> | <u>(1,284,243)</u> | <u>-</u> | <u>40,483,036</u> |
| Total Capital Assets, Net | \$ | <u>45,120,528</u> | \$ <u>581,170</u> | \$ <u>-</u> | \$ <u>45,701,698</u> |

Changes for water operations capital assets in 2017 were as follows:

| | Balance 2016 | Additions/ Transfers | Deletions / Transfers | Balance 2017 |
|--------------------------------|----------------------|-------------------------|--------------------------|----------------------|
| Non-depreciable assets: | | | | |
| Land | \$ 1,158,526 | \$ - | \$ - | \$ 1,158,526 |
| Construction-in progress | 2,173,684 | 1,865,413 | - | 4,039,097 |
| Total non-depreciable assets | <u>3,332,210</u> | <u>1,865,413</u> | <u>-</u> | <u>5,197,623</u> |
| Depreciable assets: | | | | |
| Production equipment | 10,128,050 | 8,076 | - | 10,136,126 |
| Distribution equipment | 29,816,634 | 76,856 | - | 29,893,490 |
| Groundwater reclamation plant | 2,642,127 | - | - | 2,642,127 |
| Autos and trucks | 923,996 | 29,799 | (14,759) | 939,036 |
| Office equipment | 599,218 | 10,668 | - | 609,886 |
| Office building | 568,581 | 12,634 | - | 581,215 |
| Total depreciable assets | <u>44,678,606</u> | <u>138,033</u> | <u>(14,759)</u> | <u>44,801,880</u> |
| Accumulated depreciation: | | | | |
| Production equipment | (3,822,828) | (295,200) | - | (4,118,028) |
| Distribution equipment | (13,776,023) | (596,493) | - | (14,372,516) |
| Groundwater reclamation plant | (2,266,838) | (14,098) | - | (2,280,936) |
| Autos and trucks | (761,416) | (75,954) | 14,759 | (822,611) |
| Office equipment | (533,440) | (21,104) | - | (554,544) |
| Office building | (233,303) | (15,426) | - | (248,729) |
| Total accumulated depreciation | <u>(21,393,848)</u> | <u>(1,018,275)</u> | <u>14,759</u> | <u>(22,397,364)</u> |
| Total depreciable assets, net | <u>23,284,758</u> | <u>(880,242)</u> | <u>-</u> | <u>22,404,516</u> |
| Total capital assets, net | \$ <u>26,616,968</u> | \$ <u>985,171</u> | \$ <u>-</u> | \$ <u>27,602,139</u> |

CRESCENTA VALLEY WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017 and 2016

NOTE 4: CAPITAL ASSETS

Changes for wastewater operations capital assets in 2017 were as follows:

| | Balance 2016 | Additions/ Transfers | Deletions / Transfers | Balance 2017 |
|--------------------------------|----------------------|-------------------------|--------------------------|----------------------|
| Non-depreciable assets: | | | | |
| Construction-in progress | \$ 21,039 | \$ - | \$ - | \$ 21,039 |
| Total non-depreciable assets | <u>21,039</u> | <u>-</u> | <u>-</u> | <u>21,039</u> |
| Depreciable assets: | | | | |
| Wastewater collection system | | | | |
| Interceptor | 4,988,812 | - | - | 4,988,812 |
| Unit 1 | 11,404,199 | - | - | 11,404,199 |
| Unit 2 | 19,891,101 | - | - | 19,891,101 |
| Tools and lab equipment | 30,381 | - | - | 30,381 |
| Autos and trucks | 459,241 | 281,085 | (4,920) | 735,406 |
| Safety equipment | 6,569 | - | - | 6,569 |
| Booster building | 66,465 | - | - | 66,465 |
| Office equipment | 26,886 | 3,555 | - | 30,441 |
| Total depreciable assets | <u>36,873,654</u> | <u>284,640</u> | <u>(4,920)</u> | <u>37,153,374</u> |
| Accumulated depreciation: | | | | |
| Wastewater collection system | | | | |
| Interceptor | (2,450,934) | (116,232) | - | (2,567,166) |
| Unit 1 | (5,675,551) | (203,047) | - | (5,878,598) |
| Unit 2 | (9,764,300) | (353,487) | - | (10,117,787) |
| Tools and lab equipment | (30,381) | - | - | (30,381) |
| Autos and trucks | (438,059) | (8,708) | 4,920 | (441,847) |
| Safety equipment | (5,602) | (629) | - | (6,231) |
| Booster building | (16,256) | (2,129) | - | (18,385) |
| Office building | (10,050) | (4,409) | - | (14,459) |
| Total accumulated depreciation | <u>(18,391,133)</u> | <u>(688,641)</u> | <u>4,920</u> | <u>(19,074,854)</u> |
| Total depreciable assets, net | <u>18,482,521</u> | <u>(404,001)</u> | <u>-</u> | <u>18,078,520</u> |
| Total capital assets, net | <u>\$ 18,503,560</u> | <u>\$ (404,001)</u> | <u>\$ -</u> | <u>\$ 18,099,559</u> |

CRESCENTA VALLEY WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017 and 2016

NOTE 4: CAPITAL ASSETS

Capital assets at June 30, 2016, are summarized as follows:

| | Balance 2015 | Additions/ Transfers | Deletions / Transfers | Balance 2016 |
|---------------------------------------|----------------------|-------------------------|--------------------------|----------------------|
| Non-depreciable assets: | | | | |
| Water operations | \$ 2,924,698 | \$ 4,032,686 | \$ (3,625,174) | \$ 3,332,210 |
| Wastewater operations | 9,221 | 54,584 | (42,766) | 21,039 |
| Total non-depreciable assets | <u>2,933,919</u> | <u>4,087,270</u> | <u>(3,667,940)</u> | <u>3,353,249</u> |
| Depreciable assets, net: | | | | |
| Water operations | 20,705,698 | 2,579,060 | - | 23,284,758 |
| Wastewater operations | 19,181,297 | (698,776) | - | 18,482,521 |
| Total depreciable capital assets, net | <u>39,886,995</u> | <u>1,880,284</u> | <u>-</u> | <u>41,767,279</u> |
| Total Capital Assets, Net | <u>\$ 42,820,914</u> | <u>\$ 5,967,554</u> | <u>\$ (3,667,940)</u> | <u>\$ 45,120,528</u> |

Changes for water operations capital assets in 2016 were as follows:

| | Balance 2015 | Additions/ Transfers | Deletions / Transfers | Balance 2016 |
|--------------------------------|----------------------|-------------------------|--------------------------|----------------------|
| Non-depreciable assets: | | | | |
| Land | \$ 1,158,526 | \$ - | \$ - | \$ 1,158,526 |
| Construction-in progress | 1,766,172 | 4,032,686 | (3,625,174) | 2,173,684 |
| Total non-depreciable assets | <u>2,924,698</u> | <u>4,032,686</u> | <u>(3,625,174)</u> | <u>3,332,210</u> |
| Depreciable assets: | | | | |
| Production equipment | 7,015,267 | 3,112,783 | - | 10,128,050 |
| Distribution equipment | 29,324,464 | 492,170 | - | 29,816,634 |
| Groundwater reclamation plant | 2,642,127 | - | - | 2,642,127 |
| Autos and trucks | 939,698 | 26,180 | (41,882) | 923,996 |
| Office equipment | 599,218 | - | - | 599,218 |
| Office building | 548,360 | 20,221 | - | 568,581 |
| Total depreciable assets | <u>41,069,134</u> | <u>3,651,354</u> | <u>(41,882)</u> | <u>44,678,606</u> |
| Accumulated depreciation: | | | | |
| Production equipment | (3,548,217) | (274,611) | - | (3,822,828) |
| Distribution equipment | (13,143,802) | (632,221) | - | (13,776,023) |
| Groundwater reclamation plant | (2,246,199) | (20,639) | - | (2,266,838) |
| Autos and trucks | (709,921) | (93,377) | 41,882 | (761,416) |
| Office equipment | (493,044) | (40,396) | - | (533,440) |
| Office building | (222,253) | (11,050) | - | (233,303) |
| Total accumulated depreciation | <u>(20,363,436)</u> | <u>(1,072,294)</u> | <u>41,882</u> | <u>(21,393,848)</u> |
| Total depreciable assets, net | <u>20,705,698</u> | <u>2,579,060</u> | <u>-</u> | <u>23,284,758</u> |
| Total capital assets, net | <u>\$ 23,630,396</u> | <u>\$ 6,611,746</u> | <u>\$ (3,625,174)</u> | <u>\$ 26,616,968</u> |

CRESCENTA VALLEY WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017 and 2016

NOTE 4: CAPITAL ASSETS

Changes for wastewater operations capital assets in 2016 were as follows:

| | Balance 2015 | Additions/ Transfers | Deletions / Transfers | Balance 2016 |
|--------------------------------|----------------------|-------------------------|--------------------------|----------------------|
| Non-depreciable assets: | | | | |
| Construction-in progress | \$ 9,221 | \$ 54,584 | \$ (42,766) | \$ 21,039 |
| Total non-depreciable assets | <u>9,221</u> | <u>54,584</u> | <u>(42,766)</u> | <u>21,039</u> |
| Depreciable assets: | | | | |
| Wastewater collection system | | | | |
| Interceptor | 4,968,025 | 20,787 | - | 4,988,812 |
| Unit 1 | 11,373,627 | 30,572 | - | 11,404,199 |
| Unit 2 | 19,891,101 | - | - | 19,891,101 |
| Tools and lab equipment | 30,381 | - | - | 30,381 |
| Autos and trucks | 454,405 | 24,208 | (19,372) | 459,241 |
| Safety equipment | 6,569 | - | - | 6,569 |
| Booster building | 66,465 | - | - | 66,465 |
| Office equipment | 15,411 | 11,475 | - | 26,886 |
| Total depreciable assets | <u>36,805,984</u> | <u>87,042</u> | <u>(19,372)</u> | <u>36,873,654</u> |
| Accumulated depreciation: | | | | |
| Wastewater collection system | | | | |
| Interceptor | (2,350,404) | (100,530) | - | (2,450,934) |
| Unit 1 | (5,405,334) | (270,217) | - | (5,675,551) |
| Unit 2 | (9,357,770) | (406,530) | - | (9,764,300) |
| Tools and lab equipment | (29,882) | (499) | - | (30,381) |
| Autos and trucks | (454,405) | (3,026) | 19,372 | (438,059) |
| Safety equipment | (4,945) | (657) | - | (5,602) |
| Booster building | (14,041) | (2,215) | - | (16,256) |
| Office building | (7,906) | (2,144) | - | (10,050) |
| Total accumulated depreciation | <u>(17,624,687)</u> | <u>(785,818)</u> | <u>19,372</u> | <u>(18,391,133)</u> |
| Total depreciable assets, net | <u>19,181,297</u> | <u>(698,776)</u> | <u>-</u> | <u>18,482,521</u> |
| Total capital assets, net | <u>\$ 19,190,518</u> | <u>\$ (644,192)</u> | <u>\$ (42,766)</u> | <u>\$ 18,503,560</u> |

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 2016 | Additions | Deletions | Balance 2017 | Due Within One Year | Due in More than One Year |
|-------------------|-------------------|---------------------|-------------------|------------------------|------------------------------|
| \$ 315,084 | \$ 267,154 | \$ (254,191) | \$ 328,047 | \$ 82,012 | \$ 246,035 |
| <u>\$ 313,946</u> | <u>\$ 257,700</u> | <u>\$ (256,562)</u> | <u>\$ 315,084</u> | <u>\$ 78,771</u> | <u>\$ 236,313</u> |

CRESCENTA VALLEY WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 6: LONG-TERM DEBT

Changes in long-term debt amounts as of June 30, 2017 were as follows:

| | Balance 2016 | Additions | Payments/ Discount Amortization | Balance 2017 |
|---------------------------------------------|---------------------|-------------|---------------------------------------|---------------------|
| Long-term debt: | | | | |
| Bonds payable: | | | | |
| 2007 Certificates of participation | \$ 8,100,000 | \$ - | \$ (265,000) | \$ 7,835,000 |
| 2007 Certificates of participation discount | (183,917) | - | 8,927 | (174,990) |
| Total bonds payable | <u>7,916,083</u> | <u>-</u> | <u>(256,073)</u> | <u>7,660,010</u> |
| Loans payable: | | | | |
| 2016 GWP infrastructure loan | 1,023,574 | - | (51,012) | 972,562 |
| Total loans payable | <u>1,023,574</u> | <u>-</u> | <u>(51,012)</u> | <u>972,562</u> |
| Total long-term debt | <u>\$ 8,939,657</u> | <u>\$ -</u> | <u>\$ (307,085)</u> | <u>\$ 8,632,572</u> |

Changes in long-term debt amounts as of June 30, 2016 were as follows:

| | Balance 2015 | Additions | Payments/ Discount Amortization | Balance 2016 |
|---------------------------------------------|---------------------|-------------|---------------------------------------|---------------------|
| Long-term debt: | | | | |
| Bonds payable: | | | | |
| 2007 Certificates of participation | \$ 8,355,000 | \$ - | \$ (255,000) | \$ 8,100,000 |
| 2007 Certificates of participation discount | (192,844) | - | 8,927 | (183,917) |
| Total bonds payable | <u>8,162,156</u> | <u>-</u> | <u>(246,073)</u> | <u>7,916,083</u> |
| Loans payable: | | | | |
| 2016 GWP infrastructure loan | 1,074,586 | - | (51,012) | 1,023,574 |
| Total loans payable | <u>1,074,586</u> | <u>-</u> | <u>(51,012)</u> | <u>1,023,574</u> |
| Total long-term debt | <u>\$ 9,236,742</u> | <u>\$ -</u> | <u>\$ (297,085)</u> | <u>\$ 8,939,657</u> |

2007 Series Certificates of Participation

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

CRESCENTA VALLEY WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017 and 2016

NOTE 6: LONG-TERM DEBT

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|----------------------|---------------------|-------------------|----------------------|
| 2018 | \$ 265,000 | \$ 348,838 | \$ 613,838 |
| 2019 | 275,000 | 338,238 | 613,238 |
| 2020 | 285,000 | 327,238 | 612,238 |
| 2021 | 300,000 | 315,481 | 615,481 |
| 2022 | 310,000 | 303,106 | 613,106 |
| 2023-2027 | 1,770,000 | 1,306,850 | 3,076,850 |
| 2028-2032 | 2,185,000 | 887,688 | 3,072,688 |
| 2033-2037 | 2,710,000 | 365,969 | 3,075,969 |
| Total | <u>8,100,000</u> | <u>\$ 642,719</u> | <u>\$ 12,293,406</u> |
| Less current portion | (265,000) | | |
| Discount on debt | <u>(174,990)</u> | | |
| Total non-current | <u>\$ 7,660,010</u> | | |

2016 GWP Infrastructure Loan

On September 9, 2014, the District entered into a loan agreement to receive a \$1,091,590 zero-percent interest loan from the City of Glendale Water and Power to provide construction related expenditure costs related to the Rockhaven Well #16 project. Terms of the agreement call for monthly principal payments with an expected maturity in fiscal year 2037. Future annual debt service requirements are as follows:

| <u>Fiscal Year</u> | <u>Principal</u> |
|----------------------|-------------------|
| 2018 | \$ 51,012 |
| 2019 | 51,012 |
| 2020 | 51,012 |
| 2021 | 51,012 |
| 2022 | 51,012 |
| 2023-2027 | 255,060 |
| 2028-2032 | 255,060 |
| 2033-2037 | 258,394 |
| Total | 1,023,574 |
| Less current portion | <u>(51,012)</u> |
| Total non-current | <u>\$ 972,562</u> |

CRESCENTA VALLEY WATER DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017 and 2016**

NOTE 7: OTHER POST-EMPLOYMENT HEALTHCARE BENEFITS

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

Plan Description – Eligibility

A retired employee and dependent spouse, or spouse of a deceased employee or retiree must satisfy the following requirement in order to be eligible for post-employment medical and dental benefits. The employee is a minimum of 55 years of age with at least 10 years of continuous service.

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

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

| | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|-------------------------------------------------------------------|-------------|-------------|-------------|
| Active plan members | 33 | 34 | 34 |
| Retirees and beneficiaries receiving benefits | 15 | 13 | 11 |
| Separated plan members entitled to but not yet receiving benefits | - | - | - |
| Total plan membership | <u>48</u> | <u>47</u> | <u>45</u> |

Plan Description – Benefits

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

Funding Policy

The District is required to accrue the Annual Required Contribution (ARC) of the Employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The current ARC rate is 24.85% of the annual covered payroll.

CRESCENTA VALLEY WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017 and 2016

NOTE 7: OTHER POST-EMPLOYMENT HEALTHCARE BENEFITS

Annual Cost

For the year ended June 30, 2017, the District's ARC cost is \$735,077. The District's net OPEB payable obligation amounted to \$4,294,484 for the year ended June 30, 2017. The District contributed \$135,441 in age adjusted contributions for current retiree OPEB premiums for the year ended June 30, 2017. In addition, on June 29, 2017, the District entered into an agreement with the California Employer's Retiree Benefit Trust Program (CERBT) to prefund OPEB benefits through CalPERS and contributed \$100,000 to the CERBT.

The balance at June 30, consists of the following:

| | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|---------------------------------------------|---------------------|---------------------|---------------------|
| Annual OPEB expense: | | | |
| Annual required contribution (ARC) | \$ 735,077 | \$ 751,149 | \$ 698,496 |
| Interest on net OPEB obligation | 272,378 | 139,883 | 115,051 |
| Adjustment to annual required contribution | <u>(218,992)</u> | <u>(154,900)</u> | <u>(123,008)</u> |
| Total annual OPEB expense | 788,463 | 736,132 | 690,539 |
| Change in net OPEB payable obligation | | | |
| Age adjusted contribution made | <u>(235,441)</u> | <u>(117,502)</u> | <u>(124,392)</u> |
| Total change in net OPEB payable obligation | 553,022 | 618,630 | 566,147 |
| OPEB payable- beginning of year | <u>3,741,462</u> | <u>3,122,832</u> | <u>2,556,685</u> |
| OPEB payable- end of year | <u>\$ 4,294,484</u> | <u>\$ 3,741,462</u> | <u>\$ 3,122,832</u> |

The District's annual OPEB cost, the percentage of the annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal year 2017 and the two preceding years were as follows:

| <u>Three-Year History of Net OPEB Obligation</u> | | | | |
|--------------------------------------------------|---------------|---------------------|-------------------------|-------------------|
| <u>Fiscal</u> | <u>Annual</u> | <u>Age</u> | <u>Percentage of</u> | <u>Net OPEB</u> |
| <u>Year</u> | <u>OPEB</u> | <u>Adjusted</u> | <u>Annual OPEB</u> | <u>Obligation</u> |
| <u>End</u> | <u>Cost</u> | <u>Contribution</u> | <u>Cost Contributed</u> | <u>Payable</u> |
| 2017 | \$ 788,463 | \$ 235,441 | 29.86% | \$ 4,294,484 |
| 2016 | 736,132 | 117,502 | 15.96% | 3,741,462 |
| 2015 | 690,539 | 124,392 | 18.01% | 3,122,832 |

CRESCENTA VALLEY WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 7: OTHER POST-EMPLOYMENT HEALTHCARE BENEFITS

Funded Status and Funding Progress of the Plan

The most recent valuation (dated July 1, 2016) includes an Actuarial Accrued Liability and Unfunded Actuarial Accrued Liability of \$8,809,356. The covered payroll (annual payroll of active employees covered by the plan) for the year ended June 30, 2017 was \$2,957,671. The ratio of the unfunded actuarial accrued liability to annual covered payroll is 297.85%.

Actuarial Methods and Assumptions

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

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

Valuation date July 1, 2016

Actuarial cost method Entry age normal cost method

Amortization method 30 Year level percent of payroll Amortization Remaining amortization period Closed, 30 Years as of the valuation date Actuarial assumptions:

Investment rate of return 7.28%

Projected salary increase 3.25%

Inflation - discount rate 4.50%

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.

CRESCENTA VALLEY WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 8: DEFINED BENEFIT PENSION PLAN

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.

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, 2017, 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 | 7.00% | 6.250% |
| Required employer contribution rates | 12.499% | 6.237% |

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.

CRESCENTA VALLEY WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 8: DEFINED BENEFIT PENSION PLAN

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:

| | Miscellaneous Plan | |
|-------------------------------------------|---------------------------|-------------|
| | 2017 | 2016 |
| Contribution- employer | \$ 381,098 | \$ 308,670 |
| Contribution- employee (paid by employer) | 118,218 | 151,019 |
| Total employer paid contributions | \$ 499,316 | \$ 459,689 |

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:

| | Proportionate Share of Net Pension Liability | |
|--------------------|---------------------------------------------------------|--------------|
| | 2017 | 2016 |
| Miscellaneous Plan | \$ 3,364,245 | \$ 2,512,020 |

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, 2016 and 2015, 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, 2015 and 2014, rolled forward to June 30, 2016 and 2015, 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, 2015 and 2016, was as follows:

| | Miscellaneous Plan |
|-----------------------------|---------------------------|
| Proportion- June 30, 2015 | 0.03660% |
| Proportion- June 30, 2016 | 0.03888% |
| Change- Increase (Decrease) | 0.00228% |

CRESCENTA VALLEY WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 8: DEFINED BENEFIT PENSION PLAN

The District's proportionate share of the pension liability for the District's Plan as of the June 30, 2014 and 2015, was as follows:

| | Miscellaneous Plan |
|-----------------------------|---------------------------|
| Proportion- June 30, 2014 | 0.03881% |
| Proportion- June 30, 2015 | 0.03660% |
| Change- Increase (Decrease) | -0.00221% |

Deferred Pension Outflows (Inflows) of Resources

As of June 30, 2017 and 2016, the District recognized pension expense of \$361,090 and \$250,858, respectively.

As of the fiscal year ended June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| Description | Deferred Outflows of Resources | Deferred Inflows of Resources |
|----------------------------------------------------------------------------|-------------------------------------------|------------------------------------------|
| Pension contributions subsequent to the measurement date | \$ 381,098 | \$ - |
| Differences between actual and expected experience | 8,502 | - |
| Changes in assumptions | - | (104,343) |
| Net differences between projected and actual earnings on plan investment: | 543,071 | - |
| Differences between actual contribution and proportional share of contribu | 32,872 | (38,237) |
| Net adjustments due to differences in proportions of net pension liability | - | (231,593) |
| Total | \$ 965,543 | \$ (374,173) |

As of the fiscal year ended June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| Description | Deferred Outflows of Resources | Deferred Inflows of Resources |
|----------------------------------------------------------------------------|-------------------------------------------|------------------------------------------|
| Pension contributions subsequent to the measurement date | \$ 308,670 | \$ - |
| Differences between actual and expected experience | 18,737 | - |
| Changes in assumptions | - | (177,273) |
| Net differences between projected and actual earnings on plan investment: | - | (88,869) |
| Differences between actual contribution and proportional share of contribu | - | (80,723) |
| Net adjustments due to differences in proportions of net pension liability | - | (203,100) |
| Total | \$ 327,407 | \$ (549,965) |

CRESCENTA VALLEY WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017 and 2016

NOTE 8: DEFINED BENEFIT PENSION PLAN

As of June 30 2017 and 2016, employer pension contributions of \$381,098 and \$308,670, respectively, reported as deferred outflows of resources related to contributions subsequent to the measurement date were and will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2018 and 2017, respectively.

As of June 30, 2017, 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:

| Fiscal Year Ending June 30 | Deferred Outflows/ (Inflows) of Resources |
|---------------------------------------|----------------------------------------------------------|
| 2018 | \$ (59,518) |
| 2019 | (43,601) |
| 2020 | 187,985 |
| 2021 | 125,406 |
| | <u>\$ 210,272</u> |

Actuarial Assumptions

The total pension liability in the June 30, 2016 and 2015 actuarial valuation report was determined using the following actuarial assumptions:

| | <u>2016</u> | <u>2015</u> |
|---------------------------|------------------------------------|------------------------------------|
| Valuation date | June 30, 2015 | June 30, 2014 |
| Measurement date | June 30, 2016 | June 30, 2015 |
| Experience study | July 1, 1997 through June 30, 2011 | July 1, 1997 through June 30, 2011 |
| Actuarial cost method | Entry age normal | Entry age normal |
| Actuarial assumptions: | | |
| Discount rate | 7.65% | 7.65% |
| Investment Rate of Return | 7.50% | 7.50% |
| Consumer price inflation | 2.75% | 2.75% |
| Wage growth | Varies by entry age and service | Varies by entry age and service |

* The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Scale BB published by the Society of Actuaries.

Discount Rate

The Discount rate used to measure the total pension liability was 7.65% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the plan,

CRESCENTA VALLEY WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 8: DEFINED BENEFIT PENSION 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 7.65% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65% will be applied to all plans in the Public Employees' Retirement Fund (PERF). The stress test results are presented in a detailed report which can be obtained from the CalPERS website.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.65% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65%. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS confirmed the materiality threshold for the difference in the calculation and did not find it to be a material difference.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the Discount rate will require CalPERS Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the fiscal year ended 2017-2018. CalPERS will continue to check the materiality of the difference in the calculation until such time as it has changed its methodology.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of 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 the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 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 single equivalent 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 equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

CRESCENTA VALLEY WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017 and 2016

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.

| Asset Class | New Strategic Allocation | Real Return Years 1-10* | Real Return Years 11+** |
|-------------------------------|---------------------------------|--------------------------------|--------------------------------|
| Global Equity | 47.00% | 5.25% | 5.71% |
| Global Fixed Income | 19.00% | 0.99% | 2.43% |
| Private Equity | 12.00% | 6.83% | 6.95% |
| Real Estate | 11.00% | 4.50% | 5.13% |
| Inflation Sensitive | 6.00% | 0.45% | 3.36% |
| Infrastructure and Forestland | 3.00% | 4.50% | 5.09% |
| Liquidity | 2.00% | -0.55% | -1.05% |

* An expected inflation of 2.5% used for this period

** An expected inflation of 3.0% used for this period

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

The following table 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, 2017, the discount rate comparison was the following:

| | Discount Rate -1% (6.65%) | Prior Discount Rate (7.50%) | Discount Rate +1% (8.50%) |
|----------------------------------|------------------------------------------|--------------------------------------------|------------------------------------------|
| District's Net Pension Liability | \$ 5,357,819 | \$ 3,364,245 | \$ 1,716,654 |

CRESCENTA VALLEY WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 8: DEFINED BENEFIT PENSION PLAN

At June 30, 2016, the discount rate comparison was the following:

| | Discount Rate -1% (6.65%) | Current Discount Rate (7.65%) | Discount Rate +1% (8.65%) |
|-------------------------------------|---------------------------------|-------------------------------------|---------------------------------|
| District's Net Pension Liability | \$ 4,109,462 | \$ 2,512,020 | \$ 1,080,619 |

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in separately issued CalPERS financial reports. See pages 50 through 51 for the Required Supplementary Schedules.

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 \$1,417,310 and \$1,227,925 in fiscal years 2017 and 2016, 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, 2017 and 2016

NOTE 10: NET POSITION

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

| | <u>2017</u> | <u>2016</u> |
|----------------------------------------------------|----------------------|----------------------|
| Net investment in capital assets: | | |
| Capital assets- not being depreciated | \$ 5,218,662 | \$ 3,353,249 |
| Depreciable capital assets, net | 40,483,036 | 41,767,279 |
| Certificates of participation payable- current | (265,000) | (255,000) |
| Certificates of participation payable- non-current | (7,660,010) | (7,916,083) |
| Loan payable- current | (51,012) | (51,012) |
| Loan payable- non-current | (972,562) | (1,023,574) |
| Total net investments in capital assets | <u>36,753,114</u> | <u>35,874,859</u> |
| Restricted net position: | | |
| Investments- restricted | <u>617,361</u> | <u>617,109</u> |
| Unrestricted net position: | | |
| Non-spendable net position: | | |
| Materials and supplies inventory | 356,671 | 370,451 |
| Prepaid expenses and other deposits | 44,470 | 44,593 |
| Total non-spendable net position | <u>401,141</u> | <u>415,044</u> |
| Spendable net position is as follows: | | |
| Unrestricted | <u>7,218,336</u> | <u>9,187,172</u> |
| Total spendable net position | <u>7,218,336</u> | <u>9,187,172</u> |
| Total unrestricted net position | <u>7,619,477</u> | <u>9,602,216</u> |
| Total net position | <u>\$ 44,989,952</u> | <u>\$ 46,094,184</u> |

CRESCENTA VALLEY WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017 and 2016

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, 2017, 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.

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, 2016, 2015 and 2014. 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, 2017, 2016, and 2015, respectively.

CRESCENTA VALLEY WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017 and 2016

**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, 2017, that has effective dates that may impact future financial presentations.

Governmental Accounting Standards Board Statement No. 75

In June 2015, the GASB issued Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.

This Statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2017. The impact of the implementation of this Statement to the District’s financial statements has not been assessed at this time.

Governmental Accounting Standards Board Statement No. 81

In March 2016, the GASB issued Statement No. 81 – *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. This Statement is effective for financial statements for periods beginning after December 15, 2016. It is believed that the implementation of this Statement will not have a material effect to the District’s financial statements.

CRESCENTA VALLEY WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017 and 2016

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

Governmental Accounting Standards Board Statement No. 83

In November 2016, the GASB issued Statement No. 83- *Certain Asset Retirement Obligations*. This statement addresses accounting and financial reporting for certain asset retirement obligations when a legally enforceable liability is associated with the retirement of a tangible capital asset. The statement establishes criteria for determining the timing and patterns of recognition of a liability and a corresponding deferred outflow of resources. The statement is effective for the fiscal year 2018-19.

Governmental Accounting Standards Board Statement No. 85

In March 2017, the GASB issued Statement No. 85- *Omnibus*. The objective of the statement is to address practice issues that have been identified during implementation and application of certain GASB statements. Specific topics addressed in this statement are related to blended component units, goodwill, fair value measurement and application, and postemployment benefits (OPEB). The statement is effective for the fiscal year 2017-18

Governmental Accounting Standards Board Statement No. 86

In May 2017, the GASB issued Statement No. 86- *Certain Debt Extinguishment Issues*. The objective of the statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement also improves accounting and financial report for prepaid insurance on debt that is extinguished and notes to the financial statements for the debt that is in-substance defeased. The statement is effective for the fiscal year 2017-18.

Governmental Accounting Standards Board Statement No. 87

In June 2017, the GASB issued Statement No. 87- *Leases*. The objective of the statement is to improve the accounting and financial reporting for the leases by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases. Inflows of resources or outflows of resources will be recognized based on the payment provisions of the contract. The statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The statement is effective for the fiscal year 2020-21.

CRESCENTA VALLEY WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017 and 2016

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 FUNDING STATUS – OTHER POST-EMPLOYMENT
BENEFITS OBLIGATION
June 30, 2017**

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Value of Liability (b) | Unfunded Actuarial Accrued Liability (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|-----------------------------------------|--------------------------------------------------|-----------------------------------------------------|--------------------------------------------------------------------------|-----------------------------------|------------------------------------|--------------------------------------------------------------------------|
| 7/1/2016 | \$ - | 8,809,356 | 8,809,356 | 0.00% | \$ 2,957,671 | 297.85% |
| 7/1/2014 | \$ - | 8,390,044 | 8,390,044 | 0.00% | \$ 2,864,572 | 292.89% |
| 7/1/2011 | \$ - | 7,116,527 | 7,116,527 | 0.00% | \$ 2,895,941 | 245.74% |

There are no plan assets because the District funds on a pay-as-you-go basis.

CRESCENTA VALLEY WATER DISTRICT

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

June 30, 2017

| Description | 2015 | 2016 | 2017 |
|--------------------------------------------------------------------------------------------------------------------------|-------------|-------------|--------------|
| District's proportion of the Net pension liability (asset) | 0.03881% | 0.03660% | 0.03888% |
| District's proportion share of the net pension liability (asset) | 2,415,225 | 2,512,020 | \$ 3,364,245 |
| 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 |
| District's proportion share of the net pension liability (asset) as a percentage of its covered payroll | 105.17% | 105.17% | 123.88% |
| District's fiduciary net position as a percentage of the total pension liability | 77.88% | 81.15% | 78.90% |

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 DISTRICT'S CONTRIBUTIONS
June 30, 2017

| | <u>2015</u> | <u>2016</u> | <u>2017</u> |
|----------------------------------------------------------------------|------------------|------------------|------------------|
| Contractually required contribution | \$ 292,716 | \$ 308,670 | \$ 381,098 |
| Contribution's in related to the contractually required contribution | <u>(292,716)</u> | <u>(308,670)</u> | <u>(381,098)</u> |
| Contribution deficiency (excess) | <u>-</u> | <u>-</u> | <u>-</u> |
| District's covered payroll | 2,388,479 | 2,715,807 | 2,906,241 |
| Contribution's as a percentage of covered Payroll | 11.01% | 11.33% | 13.11% |

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2017

NOTE 1: PURPOSE OF SCHEDULES

Schedule of Funding Status

The schedule is intended to show trends about the funding progress of the District's actuarially determined liability for postemployment benefits other than pensions.

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 For The Fiscal Year Ended June 30, 2017

| | Enterprise Funds | | Total |
|---------------------------------------------------|------------------|---------------|---------------|
| | Water Fund | Sewer Fund | |
| Assets | | | |
| Current Assets | | | |
| Cash and cash equivalents | \$ 2,141,482 | \$ 396,386 | \$ 2,537,868 |
| Cash interest receivable | 77,447 | - | 77,447 |
| Accounts receivable- water and wastewater, net | 1,646,839 | 528,932 | 2,175,771 |
| Accounts receivable- local grant | - | - | - |
| Accounts receivable- other | 8,269 | - | 8,269 |
| Material and supplies inventory | 352,561 | 4,110 | 356,671 |
| Prepaid expenses and other deposits | 27,387 | 17,083 | 44,470 |
| Total Current Assets | 4,253,985 | 946,511 | 5,200,496 |
| Noncurrent assets: | | | |
| Investments | 11,546,364 | - | 11,546,364 |
| Investments- restricted | 617,361 | - | 617,361 |
| Internal balances | (1,666,197) | 1,666,197 | - |
| Capital assets- not being depreciated | 5,197,623 | 21,039 | 5,218,662 |
| Depreciable capital assets | 22,404,516 | 18,078,520 | 40,483,036 |
| Total Non-Current Assets | 38,099,667 | 19,765,756 | 57,865,423 |
| Total Assets | 42,353,652 | 20,712,267 | 63,065,919 |
| Deferred outflows of resources: | | | |
| Deferred pension outflows | 579,326 | 386,217 | 965,543 |
| Total Deferred Outflows | 579,326 | 386,217 | 965,543 |
| Liabilities | | | |
| Current liabilities: | | | |
| Accounts payable and accrued expenses | 1,088,890 | 84,910 | 1,173,800 |
| Accrued wages and related payables | 98,651 | 56,254 | 154,905 |
| Customer deposits | 321,203 | 52,999 | 374,202 |
| Accrued interest expense | 29,070 | - | 29,070 |
| Long-term liabilities- due within one year: | | | |
| Compensated absences | 61,509 | 20,503 | 82,012 |
| Certificates of participation | 265,000 | - | 265,000 |
| Loan payable | 51,012 | - | 51,012 |
| Total Current Liabilities | 1,915,335 | 214,666 | 2,130,001 |
| Noncurrent liabilities: | | | |
| Long-term liabilities- due in more than one year: | | | |
| Compensated absences | 184,526 | 61,509 | 246,035 |
| Certificates of participation | 7,660,010 | - | 7,660,010 |
| Loan payable | 972,562 | - | 972,562 |
| Other post employment benefits payable | 2,536,804 | 1,757,680 | 4,294,484 |
| Net pension liability | 2,018,547 | 1,345,698 | 3,364,245 |
| Total Noncurrent Liabilities | 13,372,449 | 3,164,887 | 16,537,336 |
| Total Liabilities | 15,287,784 | 3,379,553 | 18,667,337 |
| Deferred inflows of resources: | | | |
| Deferred pension inflows | 224,504 | 149,669 | 374,173 |
| Total Deferred Inflows of Resources | 224,504 | 149,669 | 374,173 |
| Net position: | | | |
| Net investment in capital assets | 18,653,555 | 18,099,559 | 36,753,114 |
| Restricted | 617,361 | - | 617,361 |
| Unrestricted | 8,149,774 | (530,297) | 7,619,477 |
| Total Net Position | \$ 27,420,690 | \$ 17,569,262 | \$ 44,989,952 |

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

CRESCENTA VALLEY WATER DISTRICT

**COMBINING SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
For The Fiscal Year Ended June 30, 2017**

| | Enterprise Funds | | Total |
|-------------------------------------------------|----------------------|----------------------|----------------------|
| | Water Fund | Sewer Fund | |
| Operating revenues: | | | |
| Water operations- consumption sales | \$ 6,540,242 | \$ - | \$ 6,540,242 |
| Water operations- service charge | 2,245,629 | - | 2,245,629 |
| Water operations- other charges | 772,050 | - | 772,050 |
| Wastewater operations- user and standby charges | - | 3,168,022 | 3,168,022 |
| Total operating revenues | <u>9,557,921</u> | <u>3,168,022</u> | <u>12,725,943</u> |
| Operating expenses: | | | |
| Source of supply | 3,149,245 | - | 3,149,245 |
| Plant operations | 1,941,082 | 234,419 | 2,175,501 |
| Distribution system | 1,127,201 | - | 1,127,201 |
| City of Los Angeles wastewater system | - | 950,537 | 950,537 |
| Collection system | - | 212,842 | 212,842 |
| General and administrative expenses | 2,791,232 | 1,671,485 | 4,462,717 |
| Total operating expenses before depreciation | <u>9,008,760</u> | <u>3,069,283</u> | <u>12,078,043</u> |
| Operating income before depreciation | 549,161 | 98,739 | 647,900 |
| Depreciation expense | <u>(1,018,275)</u> | <u>(688,640)</u> | <u>(1,706,915)</u> |
| Operating (loss) | <u>(469,114)</u> | <u>(589,901)</u> | <u>(1,059,015)</u> |
| Non-operating revenues(expenses): | | | |
| Investment earnings (losses) | (109,537) | 105 | (109,432) |
| Gain(loss) on sale of capital assets | 587 | 587 | 1,174 |
| Interest expense | (358,188) | - | (358,188) |
| Rental income | 24,113 | 8,038 | 32,151 |
| Other income(expense), net | <u>(93,818)</u> | <u>11,551</u> | <u>(82,267)</u> |
| Total non-operating income, net | <u>(536,843)</u> | <u>20,281</u> | <u>(516,562)</u> |
| Net (loss) before capital contributions | (1,005,957) | (569,620) | (1,575,577) |
| Capital contributions: | | | |
| Capital grants- state | 359,759 | - | 359,759 |
| Capital grants- local | - | - | - |
| Assessments | - | 111,586 | 111,586 |
| Total capital contributions | <u>359,759</u> | <u>111,586</u> | <u>471,345</u> |
| Change in net position | <u>(646,198)</u> | <u>(458,034)</u> | <u>(1,104,232)</u> |
| Net Position, Beginning of Fiscal Year | <u>28,066,888</u> | <u>18,027,296</u> | <u>46,094,184</u> |
| Net Position, End of Fiscal Year | <u>\$ 27,420,690</u> | <u>\$ 17,569,262</u> | <u>\$ 44,989,952</u> |

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

CRESCENTA VALLEY WATER DISTRICT

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

For the Fiscal Years Ended June 30, 2017 and 2016

| | 2017 | | 2016 | |
|------------------------------------|--------------|---------|--------------|---------|
| | Amount | Percent | Amount | Percent |
| Operating revenues: | | | | |
| Water operations- customers | \$ 6,540,242 | 68.43% | \$ 5,742,445 | 70.61% |
| Water operations- others | 122,780 | 1.28% | 99,670 | 1.23% |
| Service charges | 2,245,629 | 23.49% | 1,949,220 | 23.97% |
| Meter installations | 43,440 | 0.45% | 40,690 | 0.50% |
| Other revenue | 605,830 | 6.34% | 300,196 | 3.69% |
| Total operating revenues | 9,557,921 | 100.00% | 8,132,221 | 100.00% |
| Operating expenses: | | | | |
| Source of supply- water purchases | 3,149,245 | 34.96% | 2,503,627 | 30.79% |
| Plant operations: | | | | |
| Power | 668,941 | 7.43% | 673,699 | 8.28% |
| Plant wages | 604,754 | 6.71% | 503,028 | 6.19% |
| Utilities | 11,605 | 0.13% | 12,119 | 0.15% |
| Telephone | - | 0.00% | - | 0.00% |
| Maintenance | 195,399 | 2.17% | 122,388 | 1.51% |
| Signal system | 13,253 | 0.15% | 23,478 | 0.29% |
| Lab and treatment | 155,763 | 1.73% | 145,773 | 1.79% |
| Nitrate treatment | 69,275 | 0.77% | 60,135 | 0.74% |
| Insurance | 136,078 | 1.51% | 130,058 | 1.60% |
| Other expense | 86,014 | 0.95% | 70,388 | 0.87% |
| Total plant operations | 1,941,082 | 21.55% | 1,741,066 | 21.41% |
| Distribution system: | | | | |
| Meter maintenance | 881,962 | 9.79% | 1,007,772 | 12.39% |
| Pipeline maintenance | 56,251 | 0.62% | 72,757 | 0.89% |
| Backflow operations | 529 | 0.01% | 460 | 0.01% |
| Reservoir and building maintenance | 84,955 | 0.94% | 83,820 | 1.03% |
| Auto and truck expense | 90,738 | 1.01% | 98,061 | 1.21% |
| Property taxes | 12,766 | 0.14% | 12,502 | 0.15% |
| Total distribution system | 1,127,201 | 12.51% | 1,275,372 | 15.68% |

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, 2017 and 2016

| | 2017 | | 2016 | |
|------------------------------------------------|--------------|---------|-------------|----------|
| | Amount | Percent | Amount | Percent |
| Operating expenses, continued: | | | | |
| General and administrative: | | | | |
| Directors' fees | 8,100 | 0.09% | 8,370 | 0.10% |
| Salaries- statutory officers | 174,752 | 1.94% | 163,897 | 2.02% |
| Salaries- general office | 475,605 | 5.28% | 454,109 | 5.58% |
| Retirement (CalPERS) | 322,284 | 3.58% | 153,037 | 1.88% |
| Payroll taxes | 132,971 | 1.48% | 130,768 | 1.61% |
| Engineering and drafting | 342,348 | 3.80% | 295,124 | 3.63% |
| Accounting | 5,757 | 0.06% | 10,940 | 0.13% |
| Legal | 49,138 | 0.55% | 75,684 | 0.93% |
| Administrative consultant- water system | 61,264 | 0.68% | 81,820 | 1.01% |
| Insurance- general | 20,938 | 0.23% | 19,387 | 0.24% |
| Insurance- group | 754,517 | 8.38% | 721,758 | 8.88% |
| Maintenance | 16,356 | 0.18% | 13,804 | 0.17% |
| Computer and supplies | 83,653 | 0.93% | 102,129 | 1.26% |
| Utilities | 17,336 | 0.19% | 21,381 | 0.26% |
| Telephone | 110,350 | 1.22% | 102,160 | 1.26% |
| Printing and postage | 44,300 | 0.49% | 40,413 | 0.50% |
| Bad debt | - | 0.00% | - | 0.00% |
| Water system fees | 58,473 | 0.65% | 49,690 | 0.61% |
| Water conservation | 27,040 | 0.30% | 77,603 | 0.95% |
| Training | 21,128 | 0.23% | 30,007 | 0.37% |
| Other | 64,922 | 0.72% | 59,544 | 0.73% |
| Total general and administrative | 2,791,232 | 30.98% | 2,611,625 | 32.12% |
| Total operating expenses | 9,008,760 | 100.00% | 8,131,690 | 100.00% |
| Operating income before depreciation | 549,161 | 100.00% | 531 | 100.00% |
| Depreciation expense | (1,018,275) | 100.00% | (1,072,294) | 100.00% |
| Operating loss | (469,114) | 100.00% | (1,071,763) | 100.00% |
| Non-operating revenues (expense): | | | | |
| Investment earnings | (109,537) | 20.40% | 635,075 | 230.57% |
| Gain(loss) on sale of capital assets | 587 | -0.11% | 5,401 | 1.96% |
| Interest expense | (358,188) | 66.72% | (368,022) | -133.61% |
| Rental income | 24,113 | -4.49% | 21,263 | 7.72% |
| Other income(expense), net | (93,818) | 17.48% | (18,282) | -6.64% |
| Total non-operating revenues, net | (536,843) | 100.00% | 275,435 | 100.00% |
| Net income (loss) before capital contributions | (1,005,957) | 100.00% | (796,328) | 100.00% |
| Capital contributions: | | | | |
| Capital grants- state | 359,759 | 100.00% | 574,983 | 72.84% |
| Capital grants- local | - | 0.00% | 214,346 | 27.16% |
| Total capital contributions | 359,759 | 100.00% | 789,329 | 100.00% |
| Change in net position | \$ (646,198) | 100.00% | \$ (6,999) | 100.00% |

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

CRESCENTA VALLEY WATER DISTRICT

**DETAILED SCHEDULES OF REVENUES, EXPENSES
AND CHANGES OF FUND NET POSITION
WASTEWATER OPERATIONS,
For the Fiscal Years Ended June 30, 2017 and 2016**

| | 2017 | | 2016 | |
|-----------------------------------------------|------------------|----------------|------------------|----------------|
| | Amount | Percent | Amount | Percent |
| Operating revenues: | | | | |
| User and standby charges | \$ 3,168,022 | 100.00% | \$ 3,275,859 | 100.00% |
| Other charges | - | 0.00% | - | 0.00% |
| Total operating revenues | <u>3,168,022</u> | <u>100.00%</u> | <u>3,275,859</u> | <u>100.00%</u> |
| Operating expenses: | | | | |
| City of Los Angeles wastewater system expense | <u>950,537</u> | <u>30.97%</u> | <u>1,362,190</u> | <u>40.15%</u> |
| Plant operations: | | | | |
| Power | 600 | 0.02% | 646 | 0.02% |
| Plant wages | 85,875 | 2.80% | 58,056 | 1.71% |
| Utilities | 2,881 | 0.09% | 2,912 | 0.09% |
| Telephone | - | 0.00% | - | 0.00% |
| Maintenance | 12,860 | 0.42% | 7,334 | 0.22% |
| Insurance- general | 108,334 | 3.53% | 103,520 | 3.05% |
| Signal system | 2,175 | 0.07% | - | 0.00% |
| Other expense | 21,694 | 0.71% | 15,409 | 0.45% |
| Total plant operations | <u>234,419</u> | <u>7.64%</u> | <u>187,877</u> | <u>5.54%</u> |
| Collection system: | | | | |
| Maintenance | 175,752 | 5.73% | 250,492 | 7.38% |
| Auto and truck expense | 37,090 | 1.21% | 53,424 | 1.57% |
| Inspection | - | 0.00% | 3,126 | 0.09% |
| Total collection system | <u>212,842</u> | <u>6.93%</u> | <u>307,042</u> | <u>9.05%</u> |

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, 2017 and 2016

| | 2017 | | 2016 | |
|------------------------------------------|---------------------|----------------|---------------------|----------------|
| | Amount | Percent | Amount | Percent |
| Operating expenses, continued: | | | | |
| General and administrative: | | | | |
| Directors' fees | 8,100 | 0.26% | 8,370 | 0.25% |
| Salaries- statutory officers | 174,752 | 5.69% | 164,628 | 4.85% |
| Salaries- general office | 331,265 | 10.79% | 305,023 | 8.99% |
| Retirement (CalPERS) | 215,329 | 7.02% | 102,546 | 3.02% |
| Payroll taxes | 88,647 | 2.89% | 87,179 | 2.57% |
| Engineering and drafting | 114,116 | 3.72% | 93,354 | 2.75% |
| Accounting | 5,757 | 0.19% | 10,940 | 0.32% |
| Legal | 14,513 | 0.47% | 15,503 | 0.46% |
| Administrative | 18,700 | 0.61% | 69,512 | 2.05% |
| Insurance- general | 13,958 | 0.45% | 12,925 | 0.38% |
| Insurance- group | 502,553 | 16.37% | 480,762 | 14.17% |
| Maintenance | 5,452 | 0.18% | 4,601 | 0.14% |
| Computer and supplies | 39,961 | 1.30% | 40,577 | 1.20% |
| Utilities | 6,400 | 0.21% | 6,848 | 0.20% |
| Telephone | 36,783 | 1.20% | 34,053 | 1.00% |
| Printing and postage | 30,257 | 0.99% | 36,718 | 1.08% |
| Bad debt | - | 0.00% | - | 0.00% |
| Training | 3,371 | 0.11% | 4,703 | 0.14% |
| Other | 61,571 | 2.01% | 57,689 | 1.70% |
| Total general and administrative | <u>1,671,485</u> | <u>54.46%</u> | <u>1,535,931</u> | <u>45.27%</u> |
| Total operating expenses | <u>3,069,283</u> | <u>100.00%</u> | <u>3,393,040</u> | <u>100.00%</u> |
| Operating income before depreciation | 98,739 | 100.00% | (117,181) | 100.00% |
| Depreciation expense | <u>(688,640)</u> | <u>100.00%</u> | <u>(785,818)</u> | <u>100.00%</u> |
| Operating loss | <u>(589,901)</u> | <u>100.00%</u> | <u>(902,999)</u> | <u>100.00%</u> |
| Non-operating revenues (expense): | | | | |
| Investment earnings | 105 | 0.52% | 196 | 0.72% |
| Gain(loss) on sale of capital assets | 587 | 2.89% | 1,500 | 5.53% |
| Interest expense | - | 0.00% | - | 0.00% |
| Rental income | 8,038 | 39.63% | 7,088 | 26.13% |
| Other income(expense), net | 11,551 | 56.95% | 18,343 | 67.62% |
| Total non-operating revenues, net | <u>20,281</u> | <u>100.00%</u> | <u>27,127</u> | <u>100.00%</u> |
| Loss before capital contributions | <u>(569,620)</u> | <u>100.00%</u> | <u>(875,872)</u> | <u>100.00%</u> |
| Capital contributions: | | | | |
| Assessments | 111,586 | 100.00% | 21,463 | 100.00% |
| Change in net position | <u>\$ (458,034)</u> | <u>100.00%</u> | <u>\$ (854,409)</u> | <u>100.00%</u> |

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

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, 2017 and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 20, 2017.

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 opinions 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.

**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***

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

December 20, 2017